



September 2012 - Quarterly Activity Report

31 October 2012

Company Snapshot

ASX CODE:	OTE
Recent Price:	\$0.003
Cash on Hand:	\$1,192,701*
Shares outstanding:	1,154,564,508
Market Capitalisation:	\$3,463,693

* Cash on hand as of 30th September 2012

Production

Quarterly Sales Report (net to Otis)

Project	Oil/Condensate (Bbls)	Barrels Oil Equivalent (BOE)	Natural Gas (Mcf)
Catahoula Lake	1,815	0	0
Comanche	0	1,038	0
Charro	59	0	0
Sombrero	3	0	0
Avalanche	0	0	***
Total (BOE*)		2,915	

*Natural gas equivalent converted to BOE on the basis of 6Mcf of natural gas is equivalent to 1 BOE.

NB: One BOE does not necessarily attract the same market value as One BO”.

***Avalanche – Roy O Martin well not yet hooked to sales line – expected connection is December 2012.

Average Net Daily Sales

Average net daily sales to Otis for the quarter were approximately 32 BOEPD. Total net sales to Otis' account for the September quarter were 2,915 BOE. This represents an increase of approximately 31% from the June quarter which is largely attributable to new production coming online from the Comanche Project, marginal production coming online from Charro and Sombrero.

Comanche Project (16.66% BPOWI, 12.5% BPORI, 12.5% APOWI, 9.375% APORI)

Otis has a 16.66% BPOWI and a 12.5% BPORI in over 10,000 acres in the Comanche Project and is targeting the Marble Falls Limestone (MFL). Wells are drilled vertically to 5,000 feet and then horizontally at approximately 3,000 feet (914 metres) to target the MFL, which is highly prospective for oil, natural gas liquids and natural gas.

Net production to Otis for the quarter was 1,038 BOE. Average oil price received per barrel for the quarter was \$US91.54. Average Gas price received for the quarter was \$US4.58 Mcf. It should be noted that wells did not produce for the whole quarter as they were completed part way through.

During the Quarter the two wells drilled at Comanche were completed with fracture stimulation procedures. Over 28,000 barrels of fracture completion fluid was pumped into each of the wells along with thousands of pounds of sand. Currently the operator and working interest partners have commissioned Nutech Energy of Houston, a specialized technical completions advisory group, to analyse the logs, fracture stimulation and completion procedure used on the first two wells to advise on further optimisation of completion procedures for implementation on the third test well due in January 2013. This report will be completed during the fourth quarter of this year prior to the drilling of the third test well at Comanche.

Catahoula Lake Project (20% WI, 15 – 17.5% NRI)

Third quarter oil sales from Catahoula Lake were 1,815 BO net to Otis, which was an 8% decrease from the June quarter due to normal decline of flush oil from newly producing wells. Production from Catahoula Lake from existing wells remains very stable with low decline rates in existing wells.

Revenue held back from production as a result of the amalgamation of lake assets with the operator, Sanchez Oil & Gas, has now been paid out to Otis as shown in the attached accounts. Net monthly revenue for each month of the quarter averaged approximately US\$53,000.

The Catahoula Lake project is located in LaSalle, Rapides and Grant Parishes, Louisiana and targets multiple "stacked" oil zones throughout the Middle-Wilcox formation at depths ranging from 4,500 to 5,500 feet. Wells drilled in the Middle-Wilcox exhibit long production lives with low decline rates after the initial flush oil is produced and relatively steady production is established. Ultimate oil recoveries are expected to range from 50,000 to 200,000 barrels for each successful well drilled.

Charro – Lea County New Mexico (5.5% WI, 4.29% NRI)

Third quarter oil sales for the Charro Project were 1,378 BO (59 BO net to Otis). To date two wells have been drilled at the Charro Project. The first well, the Paddy 20 State # 1 well, is complete and in production. The second well, the Paddy 23 State # 1 well, has been drilled and logged and is waiting on completion operations to begin. The well logged multiple pay zones between 6,100 to 7'100 feet across the Paddock-Blinebry formations.

The Charro Project is located in Lea County, New Mexico, a prolific oil and gas producing region along the northwest Shelf of the Delaware Basin. Typical Paddock/Blinebry completed wells in the area range from 25,000 barrels (25MBO) to over 250,000 (250 MBO) total recoverable barrels of oil per well plus high liquid content associated natural gas. Average gross reserves per well in the area are 110-125 MBOE in the Paddock/Blinebry formations.

Avalanche Project (10 - 12.3% WI, 7.4% - 9.04% NRI)

During the quarter the Roy O Martin 21 # 1 Gas well at the Avalanche Project was flow tested. This well is awaiting a pipeline to sales connection which is expected to be completed by December 2012. A pipeline route has been surveyed and at this current time the operator, Ventex, is waiting on land owners to complete a right-of-way agreement. Revenue from the Roy O Martin 21 # 1 well is forecast to begin in Q1 2013.

A second gas anomaly sits between the Roy O Martin well and the proposed sales line tie in point. The Pipeline will be designed to pass alongside the second target which may be drilled following observation of production from the Roy O Martin well over the next several months.

Avalanche is located in South Central Louisiana, covers close to 24,000 acres and is approximately 75% covered by a proprietary 3D seismic survey.

Sombrero Project (5% WI, 3.75% NRI)

During the quarter the only well drilled at the Sombrero project continued to underperform. The WC 35 State # 1 well is being analysed for further completion procedures to increase production and flow rates.

Sombrero is located in Lea County, New Mexico, a prolific oil and gas producing region along the northwest Shelf of the Delaware Basin. The project covers an area of 37.7 square miles (approximately 24,000 acres) offsetting multiple producing fields in a multi-pay environment. The project is covered by a 3D seismic survey and will primarily target the Wolfcamp/Cisco formations with additional potential from the Queen, Grayburg, Paddock, Atoka and Morrow formations.

Other Assets

Otis has a 0.05% overriding royalty interest at the Atocha Project located in East Baton Rouge Parish and is earning a 10% WI at the San Jacinto Project in San Jacinto and Montgomery Counties Texas. There was no material exploration or development activity at either of these assets during the quarter.

About Otis Energy Limited

Otis Energy Limited is an ASX-listed company engaged in the exploration, development and production of oil and gas in the United States with a particular focus on the Gulf States of Texas, New Mexico, Louisiana and Mississippi. Otis Energy has acquired a portfolio of seven (7) oil and gas projects ideally located nearby to prolific oil reservoirs. Otis Energy implements a low to medium risk strategy with a focus on cash flow and near term production plays.

Otis Energy aims to maintain its current portfolio of low to medium risk project areas that can be competitively drilled with minimal front end cost loading normally associated with the amassing of a geological and geophysical database. Otis Energy's Dallas offices are staffed by two Geologists, one Reservoir Engineer and two Landmen allowing Otis to generate and review exploration and production projects internally.

Otis Energy's current portfolio includes:

Project	Working Interest	Revenue Interest	Location
<i>Comanche Project</i>	12.5%	12.5% BPORI	North Central Texas
<i>Avalanche Project</i>	10%	7.5%	Louisiana
<i>Catahoula Lake Project</i>	20%	15 - 17.5%	Central Louisiana
<i>Charro Project</i>	5.5%	4.29%	New Mexico
<i>Sombrero</i>	5%	3.75%	New Mexico
<i>San Jacinto 3D Project</i>	10% earning	7.5% earning	San Jacinto, Texas
<i>Stagecoach</i>	10%	7.4%	Texas

For more company information please visit our website at www.otisenergy.com or contact:

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The information in this announcement has been reviewed by David Brewer (a Certified Petroleum Geologist with the AAPG) who has over 30 years' experience in petroleum geology, and geophysics, prospect generation and evaluations, and prospect and project level resource and risk estimations. Mr. Brewer reviewed this announcement and consents to the inclusion of the geological and engineering descriptions and any estimated hydrocarbon resources in the form and context in which they appear. Any resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at spe.org.

Glossary

3D - Three Dimensional Seismic Data

APORI - After Payout Revenue Interest **APOWI** - After Payout Working Interest

AVO ANOMALY – Amplitude Variations with Offset

BCFG - Billion Cubic Feet of Gas

BCPD - Barrels of Condensate per Day

BIAPO - Back in After Payout

BOE - Barrels of Oil Equivalent

BOEPD - Barrels of Oil Equivalent per Day (6 MCF = 1 BO)

BOPD - Barrels of Oil per Day

BPORI - Before Payout Revenue Interest

BPOWI - Before Payout Working Interest

DCH - Dry Hole Cost

MCF - Thousand Cubic Feet of Gas

MMCF - Million Cubic Feet of Gas

NRI - Net Revenue Interest

OIL CUT - Percentage of Oil/Water Ratio

TD - Target Depth

TMD - Total Measured Depth

TVD - Total Vertical Depth

WI - Working Interest