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Yemen Block 7 Acquisition Update

- **Non-Government Joint Venture Partners in Block 7 (Al Barqa'a) approve Otis' acquisition of an 8.5% interest (10% paying) from Mitsui E&P Middle East.**
- **Potential for extended well test in Q3-4 2014 of the Al-Meashar-1 & 2 wells**
- **Al-Meashar # 1 Well flowed 950 BOPD peak rate on test and is currently shut in pending further analysis.**
- **Multiple leads and prospects in Block 7.**

Otis Energy Limited (ASX: OTE) is pleased to announce that the Non-Government Joint Venture Partners for Block 7 exploration licence in the Yemeni Republic have approved the sale of Mitsui's 8.5% interest to Otis Energy. Completion of the transaction remains subject to customary approvals from the state owned Yemeni Oil and Gas Company, the Yemen Ministry of Minerals and the government of the Yemeni Republic, which is currently in progress. This agreement process remains confidential as governed in the Block 7 Joint Operating Agreement.

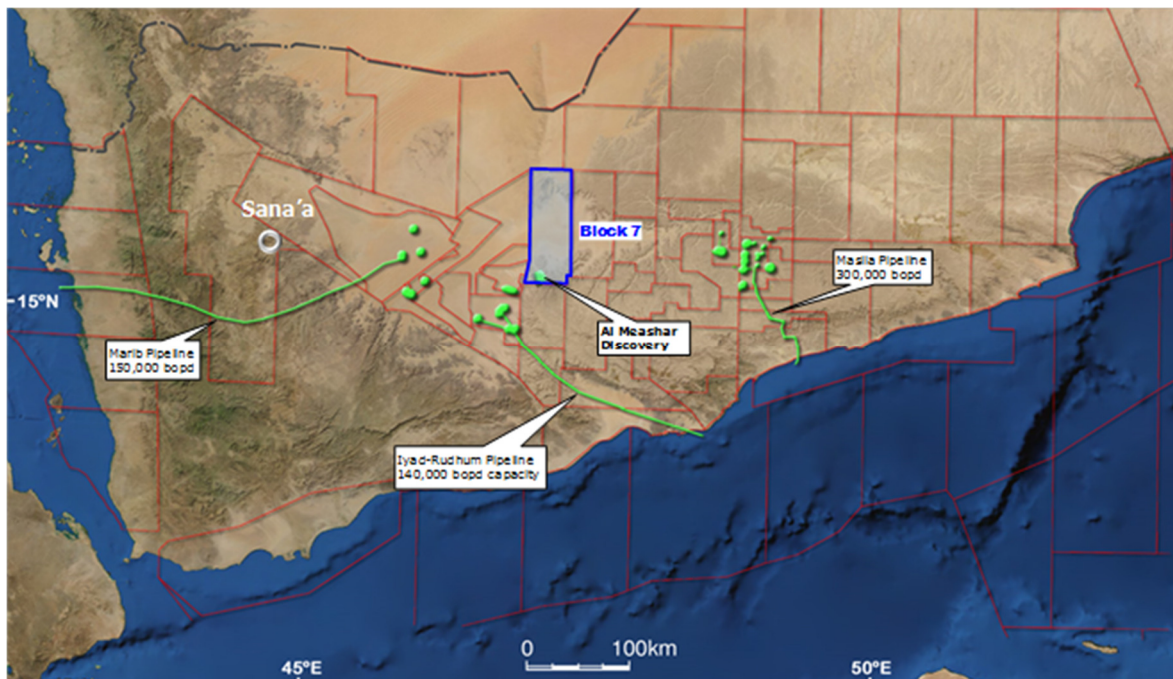


Figure 1. Block 7 location in the Republic of Yemen

About Yemen Block 7

Block 7 is located in the Shabwa Basin approximately 340km east of Sana'a, the capital of the Yemeni Republic and covers an area of approximately 5000 square kilometres (1,235,527 acres). Block 7 contains the "Al Meashar" oil discovery within a proven basement play fairway, *Figure 1*.

Al Meashar Oil Discovery

The Al Meashar discovery was drilled 14 km east of OMV's Habban Oil Field in the Al Uqlah Block S2. The discovery well, Al Meashar-1, was drilled in March 2010 to 3660 metres (12,000 feet) and discovered hydrocarbons in the basement and overlying Jurassic aged Kuhlan Sandstones and Shuqrah Carbonates and these are the equivalent producing zones in the OMV (Habban) field nearby. During the test period, lasting 16 days, the comingled Shuqra, Kuhlan and Basement formations flowed at a peak rate of **950 BOPD** through a 1" choke with associated gas. The well was suspended as a possible future producer pending further analyses.

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The Al-Meashar # 2 well (AM2) was drilled as a twinned appraisal well to the Al-Meashar # 1 discovery with a view to test the fractured basement reservoir only. During a 21 day production test the AM2 well produced oil at a maximum flow rate of 200 BOPD through a 1" choke with associated solution gas. The well was suspended as a possible future producer pending further analyses.

Potential extended well testing in Q3-4 2014

A feasibility study which includes surface facilities design engineering, and costings is planned for early 2014 with the goal of initiating an extended well test (EWT) towards the second half of 2014. The study will investigate the possibility of installing early production facilities and the use of a work-over rig to install completion strings in both the Al-Meashar # 1 & 2 wells. The aim of the EWT is to determine the commercial potential of the two wells drilled to date.

Multiple Prospects and leads.

Block 7 contains additional leads and prospects generated from 2D and 3D seismic surveys. To date 276 square kilometres of 3D and over 1,000 sq. kilometres of reprocessed 2D have been shot on Block 7 with up to ten prospects and leads awaiting further evaluation .



Figure 2. Gas flaring at the Al-Meashar # 1 well.

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 of America and Yemen.

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The information in this announcement has been reviewed by Mark Sloan (an Accredited Petroleum Geologist and Geophysicist, Fellow of the Geological Society of London and a member of the European Association of Geoscientists and Engineers). Mark Sloan has over 25 years' experience in petroleum geology, and geophysics which includes prospect generation and evaluations, and prospect and project level resource and risk estimations. Mr. Sloan 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. Mr Sloan is not an employee of Otis Energy Limited or its subsidiaries and is an independent consultant.

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The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons