

**Quarterly Activity Report
FOR THE QUARTER ENDED 30 JUNE 2013**

Company Snapshot

ASX CODE:	OTE
Recent Price:.....	\$0.002
Cash at end of Quarter:.....	\$409,000
Shares outstanding:.....	1,279,564,508
Market Capitalisation:.....	\$ 2,600,000
Share price range (12 months):.....	\$0.001 - \$0.006

**Production
Quarterly Sales Report (Net to Otis)**

Project	Oil/Condensate (Bbls)	Natural Gas (MCF)	Barrels Oil Equivalent (BOE)*
Catahoula Lake	1,549	1,214	1,750
Comanche	114	5,927	1102
Avalanche	0	2,325	388
Charro	37	0	37
Total	1,700 Bbls	9,467 MCF	3,278 BOE

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

Quarterly Activity Report

FOR THE QUARTER ENDED 30 JUNE 2013

Highlights

- Acquisition of 8.5% interest in Yemen Block 7 underway
- New cornerstone investor to join register
- Third well drilled and completed at the Comanche Project
- Comanche Project 3D seismic survey complete
- Catahoula Lake well work overs complete, production increases

Corporate

Yemen Block 7

During the quarter **Otis Energy Limited (ASX: OTE)** entered into an agreement with Mitsui E&P Middle East B.V. in relation to the acquisition of an 8.5% working interest (10% paying interest) in Block 7 in the Republic of Yemen.

The signing of the agreement, which is in essence a conditional offer to Mitsui, is the first stage in a confidential process defined by the Joint Operating Agreement for Block 7.

Having signed the agreement, the confidential process defined by the Joint Operating Agreement is triggered and the Company now awaits the completion of that process to determine whether it can proceed toward the acquisition of the interest in Block 7. Completion of the acquisition is subject to approval from the remaining Joint Venture Partners and thereafter approval from the Yemen Government. That process is on-going.

Cornerstone Investor

The Company also announced it would be undertaking a two tranche private placement to Oil & Gas Exploration Limited, which would become the Company's cornerstone investor, to raise \$1 million before costs.

In conjunction with the completion of the placement, Mr. Alan Beasley will join the Company as a Non-Executive Director.

To date the first part of the initial tranche has been completed and the Company is preparing the relevant documents to seek the required shareholder approvals for the second tranche.

Operational

Average Net Daily Sales

Average net daily sales to Otis for the quarter were approximately 36 BOEPD. Total net sales to Otis' account for the June quarter were 3,278 BOE which consists of 1,700 BO and 9,467 MCF of gas. This represents an increase of approximately 12% from the March 2013 quarter. The BOE production was increased by the gas production resulting from the Lott Unit # 1 and Roy O Martin wells coming online.

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

Otis has a 16.66% BPOWI with a 12.5% BPORI in over 10,000 acres in the Comanche Project and is targeting the Marble Falls Limestone (MFL). A total of three wells have now been drilled at Comanche. The first two wells, the Sloan and Hoefle wells were completed with 3,000 feet lateral sections and fracture stimulated. The third well, the Lott Unit # 1 well, was completed as a vertical well with a three stage fracture stimulation in the Marble Falls Formation during the quarter.

Total production from the Comanche Project net to Otis for the quarter was 5,927 MCF of gas and 114 BO. Total BOE net to Otis for the quarter increased approximately 10%. It is worth noting that the Comanche Project gas receives a premium over Henry Hub of approximately 27% due to its high liquids nature. Average gas price received over the quarter exceeded \$5 per MCF.

During the first quarter, the Company drilled its first vertical Marble Falls well at the Comanche Project. The Lott Unit # 1 well was completed and placed into production during late May and has averaged approximately 500 MCFPD and 1.3 BOPD (84.6 BOEPD) with declining water production rate since inception.

A small 3D seismic survey has been completed over a portion of the Comanche acreage to the south of the Sloan # 1 well and is now in the interpretation phase.

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

Quarterly oil sales from Catahoula Lake were 1,549 BO and 1,214 MCF of gas net to Otis, which was an 11% decrease from the December quarter due to production downtime for work programs. Production from Catahoula Lake remains very stable with low decline rates in existing wells. Average net daily oil production to Otis remains steady at approximately 17 BOPD. All gas produced is used for the powering of production facilities at the lake and generates a significant cost saving.

As previously advised, there will be no drilling from the Company's jointly owned barge rig for the 2013 season due to a decision by the Louisiana Department of Fisheries and Wildlife to drain the lake early on 1 May 2013. Due to the high costs associated with mobilization and demobilization of the rig and equipment it has been decided to postpone all drilling until the lake is either dry or the commencement of the 2014 season.

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.

Avalanche Project (10 - 12.389% WI, 7.4% - 9.0439% NRI)

After lengthy delays due to weather the Roy O Martin 21 # 1 well was placed into production on 25 April 2013. The well has flowed at an average rate of 390 MCFPD since connection to the sales line. Otis holds a 12.389% WI and 9.0439% NRI in this well.

A second gas anomaly sits between the Roy O Martin 21 # 1 well and the sales line tie in point. The Pipeline has been designed to pass alongside the second target which may be drilled following observation of production from the Roy O Martin 21 # 1 well and gas prices over the coming year.

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

Charro Project

During the quarter the two wells drilled to date at the Charro Project, Paddy 20 State #1 and Paddy 23 State # 1, continued to produce at very low rates. Net sales to Otis from the wells were 37.3 BO.

Other Assets

There was no material exploration or development activity at any of the other assets during the quarter.

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

Barnaby Egerton Warburton

Managing Director

Otis Energy Limited

Telephone +612 8003 3438

Email: bew@otisenergy.com

Winton Willesee

Non-Executive Director

Otis Energy Limited

Telephone: +618 9389 3100

Email: ww@otisenergy.com

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 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 OF TERMS

BOE – BARRELS OF OIL EQUIVALENT (Calculated at 6MCF = 1B0)

BOEPD – BOE PER DAY

BOPD - BARRELS OIL PER DAY

MCF – THOUSAND CUBIC FEET

MCFPD – MCF PER DAY

NRI – NET REVENUE INTEREST

BPOWI –BEFORE PAYOUT WORKING INTEREST

APOWI- AFTER PAYOUT WORKING INTEREST

BPORI- BEFORE PAYOUT REVENUE INTEREST

APORI- AFTER PAYOUT REVENUE INTEREST