

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

Company Snapshot

ASX CODE:OTE

Recent Price:..... \$0.002

Cash at end of Quarter:..... \$185,000

Shares outstanding:..... 1,279,564,508

Market Capitalisation:..... \$ 1,300,000

Share price range (12 months):..... \$0.001 - \$0.003

Net Production

Project	Oil/Condensate (Bbls)	Natural Gas (MCF)	Barrels Oil Equivalent (BOE)*
Catahoula Lake	1,518	1,227	1,722
Comanche	82	1,245	289
Avalanche	0	3,037	506
Charro	29	0	29
Total	1,628 Bbls	5,509 MCF	2,546 BOE

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

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Highlights:

- **Yemen acquisition now with Yemen Ministry of Minerals awaiting approval**
- **Second Comanche 3D shoot complete, interpretation underway**

Corporate

Yemen Block 7

During the second quarter 2013 **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 effective approval from the remaining Joint Venture Partners and thereafter approval from the Yemen Government. This process is now with the Yemen Ministry of Minerals and must pass through their legal, financial and administrative departments before the Minister for Oil and Minerals approves the transaction. More information on Yemen and its energy sector can be found on the "Yemen Petroleum Exploration and Production Authority (PEPA) website www.pepa.com.ye/index.htm"

Operational

Average Net Daily Sales

Average net daily sales to Otis for the September quarter were approximately 28.10 BOEPD. Net production to Otis for the quarter was 2,547 BOE which consists of 1,628 BO and 5,509 MCF of gas. Declines in gas volumes for the quarter are attributable to reduction in the initial flush production from new wells placed on line in the previous two quarters and the suspension of the Lott Unit # 1 well. Oil production remained relatively constant but was effected marginally by the shut in of the SL 502 well at Catahoula Lake.

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. During the previous quarter, 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 the most recently drilled well at Comanche, the Lott Unit # 1 well was shut-in. The well was shut-in due to a declining gas production rate. The operator is now reviewing strategies to enhance flow rates from the well.

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. The survey has identified a Mississippian Reef that lies predominately in our acreage position. The interpretation of the seismic data is currently underway. A decision to drill a fourth well at Comanche will be made following the completion of the interpretation of the seismic survey.

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

During the quarter production from Catahoula Lake remained reasonably stable. One well, the SL 502 Alt # 1 well was shut due to a suspected tubing leak. This well represents only 2 BOPD of OTE's gross lake production. Lake levels are too low at present to move a workover rig on a barge to replace the tubing. As such, this procedure is planned for later in the year when water levels are expected to rise again.

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 mobilisation and demobilisation of the rig and equipment a decision has been made 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)

The Roy O Martin 21 # 1 (12.389% WI and 9.0439% NRI) well was placed into production on 25 April 2013. The Roy O Martin well has declined approximately 30% from its initial production rate and averaged production of 366MCFPD over the quarter.

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

The two wells at the Charro Project, Paddy 20 State #1 and Paddy 23 State # 1, continued to produce at very low rates during the quarter. Net production to Otis from the wells was 28.96 BO for the quarter.

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:

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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. 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