

ASX ANNOUNCEMENT
26 May 2017

JOINT STATEMENT OF OTTO ENERGY LIMITED AND SWALA OIL AND GAS (TANZANIA) PLC

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company"), its subsidiary, Otto Energy (Tanzania) Pty Ltd (OET), and Swala Oil and Gas (Tanzania) Plc (Swala) advise that they have entered into settlement and other commercial arrangements in respect of the various claims and disputes concerning both the Pangani and Kilosa-Kilombero Licences, onshore Tanzania.

Under the settlement of the claims and counter-claims concerning the Pangani Licence, including the claims made before the Federal Court in Australia (the Proceeding), Swala shall pay to OET a net sum of US\$800,000 on or before 31 August 2017. Upon receipt of such payments, the Proceeding, including that against current and former directors of both Swala and Swala Energy Limited (subject to Deed of Company Arrangement) will be discontinued.

The settlement has been reached on commercial grounds and does not represent an admission of liability by either party.

In respect of the various disputes between OET and Swala in relation to the Kilosa-Kilombero Licence, the parties have agreed upon OET's withdrawal from the JOA and that OET shall pay third party creditors a total sum of US\$249,016. Swala has assumed the rights and obligations in respect of OET's 50% participating interest.

Swala and Otto have entered into a royalty agreement under which Swala has granted to Otto a gross overriding royalty equal to 2% of revenue derived from OET's former interest.