

ASX ANNOUNCEMENT

29 July 2016

TANZANIA UPDATE

DISPUTE NOTICES ISSUED TO SWALA OIL & GAS (TANZANIA) PLC

Otto Energy Ltd (ASX: OEL) ("Otto" or the "Company") advises that its wholly-owned subsidiary, Otto Energy (Tanzania) Pty Ltd ("Otto Tanzania"), has issued various notices to Swala Oil and Gas (Tanzania) plc ("SOGTP"), pursuant to the Pangani and Kilosa-Kilombero Joint Operating Agreements (the "JOAs"). These notices relate to:

1. defaults in relation to non-payment by SOGTP of cash calls and associated interest accrued under the JOAs;
2. claims by Otto Tanzania for payment of interest accruing under the JOAs as a result of SOGTP's defaults, amounting to approximately US\$360,000; and
3. the removal of SOGTP as Operator of the Kilosa-Kilombero licence area following SOGTP's failure to satisfy the joint venture partners that it is not insolvent.

The matters raised in these notices are unrelated to the current Federal Court proceedings brought by Otto Tanzania against Swala Energy Limited (In Administration), its directors and SOGTP.

Otto's Managing Director, Matthew Allen said: *"the decision by Otto Tanzania to issue dispute notices, including a notice seeking the removal of SOGTP as Operator of the Kilosa-Kilombero licence, was not taken lightly. Otto Tanzania is of the view that these steps are the most appropriate course of action to ensure that joint venture operations, including the drilling of the planned Kito-1 exploration well, are undertaken by a joint venture which has the financial and technical capability to ensure the efficient and safe completion of drilling. Otto Tanzania believes it is likely that the joint venture will be unable to progress the drilling of the Kito-1 well in 2016 until the joint venture disputes are resolved. Otto Tanzania remains committed to the drilling of Kito-1 and plans to work with Tanzania Petroleum Development Corporation, the Government of Tanzania and our remaining joint venture and farm-in partners to ascertain the best way forward."*

Updates will be provided as this matter progresses and in accordance with Otto's Continuous Disclosure Obligations.

<p>Contact: Matthew Allen Managing Director & CEO +61 8 6467 8800 info@ottoenergy.com</p>	<p>Media: Richard Glass Citadel-MAGNUS +61 8 6160 4902 rglass@citadelmagnus.com</p>
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