

PRESS RELEASE

(DSE:SWALA)

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

Swala Oil & Gas (Tanzania) plc (**Swala**), Otto Energy Limited (**Otto**) and its subsidiary, Otto Energy (Tanzania) Pty Ltd (**OET**) 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 the 31st 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.

For further information please contact:

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About Swala:

Swala is the first oil and gas company listed on an East African Stock Exchange with a significant local ownership. Swala holds assets in the world-class East African Rift System with a total net land package in excess of 14,000 km². New discoveries have been announced by industry participants in a number of licences along this trend that extend the multi-billion-barrel Albert Graben play so successfully developed by Tullow Oil into the eastern arm of the rift. Swala has an active operational and business development programme to continue to grow its presence in the hydrocarbon provinces of East Africa and globally.