

## PRESS RELEASE (DSE:SWALA)

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### **Clarification of Otto's announcement of the 29<sup>th</sup> July 2016**

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Swala Oil & Gas (Tanzania) plc ("Swala" or "the Company") notes the announcement made on the 29<sup>th</sup> of July by Otto Energy plc ("Otto") concerning a number of allegations raised by Otto against Swala (the "Otto Announcement"). The Company considers them to have no basis and that the Otto Announcement is misleading and defamatory.

Swala is carried through the costs of the upcoming Kito-1 exploration well by Tata Petrodyne Limited ("TPL") under the terms of the 2015 farm-out. The allegations raised are in relation to the ongoing audit of the joint operating expenditure statement that was being discussed as a matter of procedural routine under and in accordance with the terms of the Joint Operating Agreement. Swala was surprised to see these being the subject of default and dispute notices on the afternoon of the 28<sup>th</sup> July.

The Kilosa-Kilombero Joint Venture has been preparing to drill the Kito-1 well in 2016 despite attempts by Otto as far back as January 2016 to delay the well to 2017. The co-venturers were given final firm budgets for review and, on the 24<sup>th</sup> July, Otto advised Swala that it would only approve the budget for the commitment well if Swala agreed to certain unrelated conditions. On the 26<sup>th</sup>, the Tanzania Petroleum Development Corporation ("TPDC") required that Swala, as operator, update the firm budget for the well. On the 27<sup>th</sup> Swala advised its co-venturers that it would submit the operator's budget to fulfil the drilling commitment to TPDC on the 29<sup>th</sup> July, as requested by TPDC at that meeting. On the afternoon of the 28<sup>th</sup> Otto sent Swala the notices of dispute that were the subject of the Otto Announcement on the 29<sup>th</sup>. The timing and nature of this latest action, including the ASX release, must be seen in the context of Otto's long-standing attempts to delay drilling Kito-1 against the explicit instructions of TPDC.

Dr. David Mestres Ridge (Swala CEO) said: "We do not propose to comment further on this matter but the Otto Announcement merited clarification. Swala will continue discussing the routine budget issues with Otto but has made a formal complaint to the ASX at what it sees as an attempt by Otto to use the ASX as a platform from which to pursue commercial objectives. "

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