

11 December 2013

Manager of Company Announcements
ASX Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By E-Lodgement

OTTO ENERGY CONFIRMS KITO PROSPECT IN TANZANIA

Highlights:

- **Otto's partner Swala Energy announces results from a prospective resource assessment over the "Kito" prospect in the Kilosa-Kilombero Licence in Tanzania**
- **The joint venture will work to mature "Kito" prospect to drillable status**
- **The focus of further exploration will be to refine additional prospectivity in the licence**

Otto Energy Limited (ASX: OEL) ("Otto") notes the prospective resource assessment of the "Kito" prospect in the Kilosa-Kilombero licence in Tanzania reported in the attached ASX Announcement from joint venture partner Swala Energy Limited (ASX: SWE).

The prospective resource assessment indicates a net prospective resource of between 19.2 million barrels and 169.6 million barrels to Otto with a best estimate of 60.4 million barrels. Otto's working interest is 50% in the Kilosa-Kilombero licence.

Whilst on its own Kito is a material opportunity, recent success in analogue basins in Kenya and Uganda have seen similar basins emerge into world-class play trends with significant accumulations being discovered. In the case of Uganda over 1.7 billion barrels of oil and in Kenya nearly 400 million barrels of oil have been discovered to date. As exploration in the Kilosa-Kilombero licence is furthered, Otto is hopeful to mature prospects similar to Kito.

Otto Energy Chief Executive Officer Gregor McNab said: "Otto is highly encouraged by the initial results from analysis of the Kito prospect, this is endorsement of our investment decision in 2012 and supports Otto's increased strategic focus on East Africa. It is Otto's ambition to further increase our position in East Africa. Kito is a material prospect, and based upon recent success in similar settings in the East African Rift System, we expect further material prospects to emerge as we undertake more exploration in 2014."

Please find a copy of the Swala Energy Limited announcement attached.

Please also refer to Otto's latest investor presentation, available from our website for further information.

--Ends--

OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow its integrated oil and gas business across exploration, development and production
- Focused on South East Asia and East Africa
- Operator of the producing Galoc oil field in the Philippines, which provides cashflow
- Opportunity rich with substantial exploration prospects and leads

COMPANY OFFICERS

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Swala Confirms Prospective Resources in Kilombero

Swala Energy Limited ("Swala" or "the Company") is pleased to announce that RISC Operations Pty Ltd ("RISC"), an independent petroleum advisory firm, have completed their review of the resource potential of the Kito ('Jewel' in Swahili) prospect in the Kilombero Basin, located within the Kilosa-Kilombero licence in southern Tanzania. Swala has an indirect 32.5% interest in the licence. Net unrisked prospective resources allocated to the Swala indirect interest range from 12.5 million stock tank barrels ("mmstb")(P90) to 110.5 mmstb (P10).

The Kito prospect was identified from the results of the recently-completed seismic survey that Swala Oil & Gas (Tanzania) Limited ("SOGTL") and its joint venture partner, Otto Energy (Tanzania) Pty Ltd ("Otto") carried out over a 20km section of the 80km-long Kilombero Basin, as announced on the 8th November 2013. Kito is sufficiently large to have been intersected by a sufficient number of seismic lines to enable a resource assessment to be performed.

RISC identified two main potential reservoir horizons, 'Yellow' and 'Blue'.

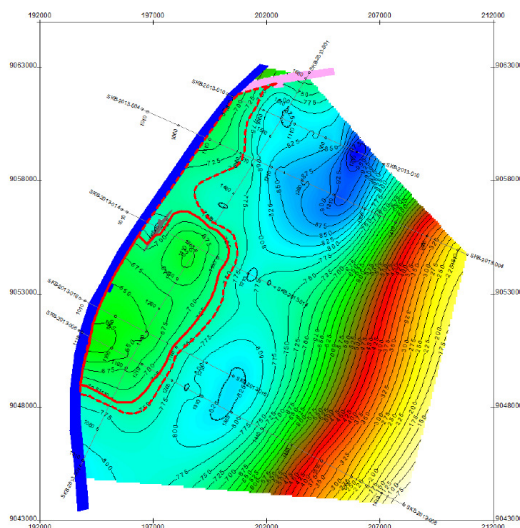


Figure 1. Yellow Horizon – possible top shallow reservoir, with P50 and P10 closures.

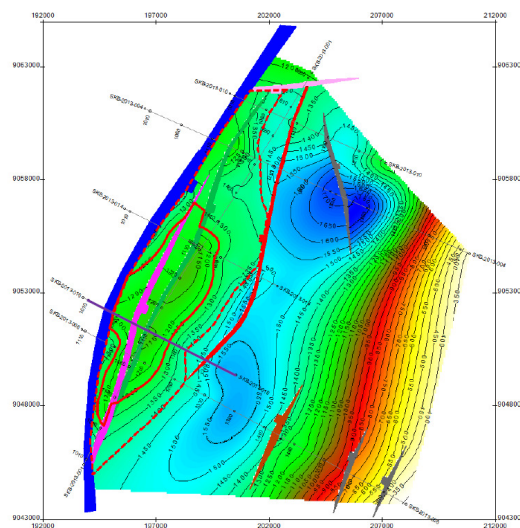


Figure 2. Blue Horizon – possible top deep reservoir, with P50 and P10 closures.

Yellow Horizon	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisks oil in place	153 mmstb	387 mmstb	862 mmstb
Gross prospective unrisks oil resources ⁽¹⁾	42 mmstb	112 mmstb	269 mmstb
Net of Government back-in rights ⁽²⁾	33.6 mmstb	89.6 mmstb	215.2 mmstb
SOGTL (50%)	16.8 mmstb	44.8 mmstb	107.6 mmstb
Otto (50%)	16.8 mmstb	44.8 mmstb	107.6 mmstb
Net to Swala ⁽³⁾	10.9 mmstb	29.2 mmstb	70.1 mmstb

Blue Horizon	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisks oil in place	40 mmstb	209 mmstb	740 mmstb
Gross prospective unrisks oil resources ⁽¹⁾	6 mmstb	39 mmstb	155 mmstb
Net of Government back-in rights ⁽²⁾	4.8 mmstb	31.2 mmstb	124 mmstb
SOGTL (50%)	2.4 mmstb	15.6 mmstb	62 mmstb
Otto (50%)	2.4 mmstb	15.6 mmstb	62 mmstb
Net to Swala ⁽³⁾	1.6 mmstb	10.1 mmstb	40.4 mmstb

Combined (Yellow + Blue)	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisks oil in place	193 mmstb	596 mmstb	1,602 mmstb
Gross prospective unrisks oil resources ⁽¹⁾	48 mmstb	151 mmstb	424 mmstb
Net of Government back-in rights ⁽²⁾	38.4 mmstb	120.8 mmstb	339.2 mmstb
SOGTL (50%)	19.2 mmstb	60.4 mmstb	169.6 mmstb
Otto (50%)	19.2 mmstb	60.4 mmstb	169.6 mmstb
Net to Swala ⁽³⁾	12.5 mmstb	39.3 mmstb	110.5 mmstb

⁽¹⁾ Recovery factor range used is 20% (P90) - 30% (P50) – 40% (P10) for the Yellow Horizon, and 10% (P90) – 20% (P50) – 30% (P10) for the Blue Horizon.

⁽²⁾ TPDC retains a 20% back-in right to any successful development in the Kilosa-Kilombero licence.

⁽³⁾ Swala has a 65.13% equity interest in Swala Oil & Gas (Tanzania) Limited (“SOGTL”).

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Swala Energy Limited

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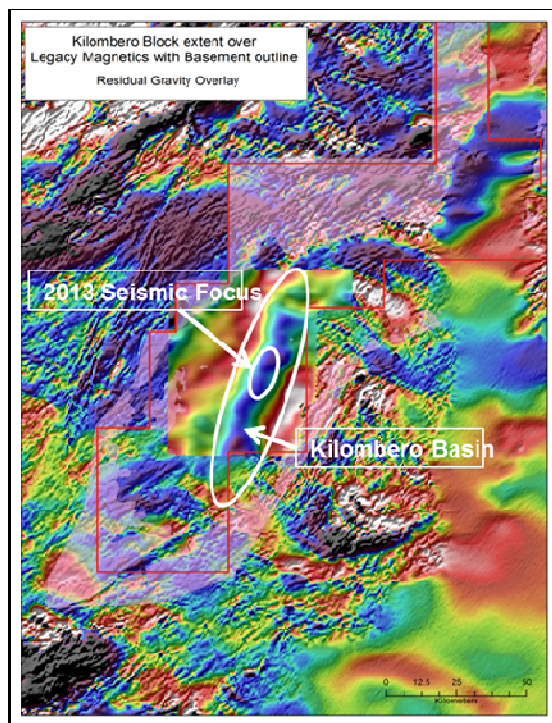
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The estimates of prospective resources have been calculated using a probabilistic method with ranges of each input parameter, for each of two potential reservoir levels – Yellow (shallow) and Blue (deep). The total resources have been derived by arithmetic addition of these two levels, assuming significant dependency.

The quoted estimates of prospective resources are unrisked. The prospect carries a chance of discovery in the range 8% (Yellow) to 9% (Blue), which reflect a combination of play and prospect risks. An additional chance of development would apply in the event of success.

Under the terms of the Petroleum Sharing Agreement between SOGTL, the Tanzanian Petroleum Development Corporation (TPDC), and the Government of Tanzania, the joint venture partners are obliged to carry out in 2014 either another 2D seismic survey totalling 500 line kilometres or to drill one well. The joint venture is in the process of discussing with TPDC the possibility of focussing its 2014 activities over the Kito area with the aim of fast-tracking the prospect to the drilling phase.

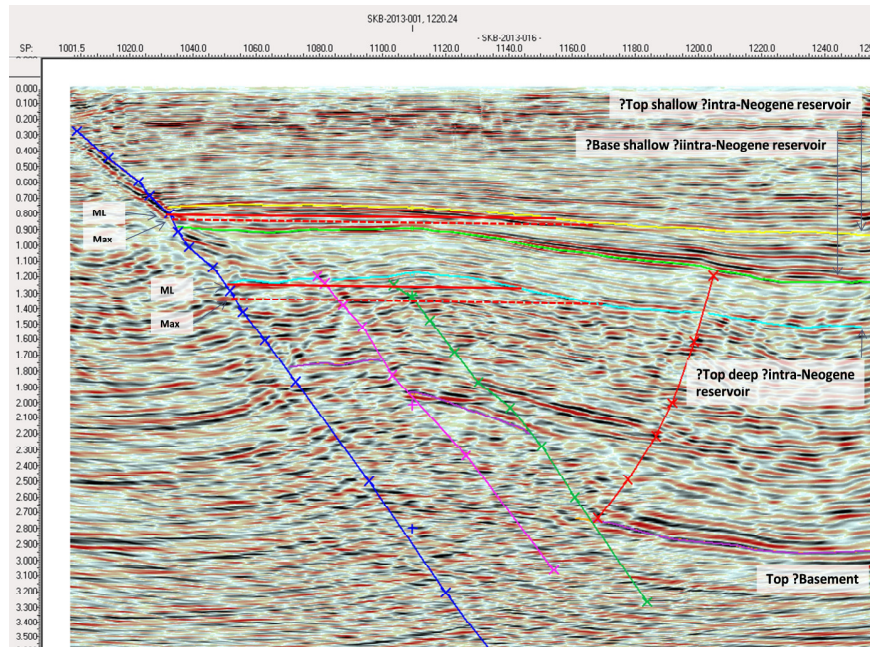
Figure 3. Extent of the Kilombero Basin.



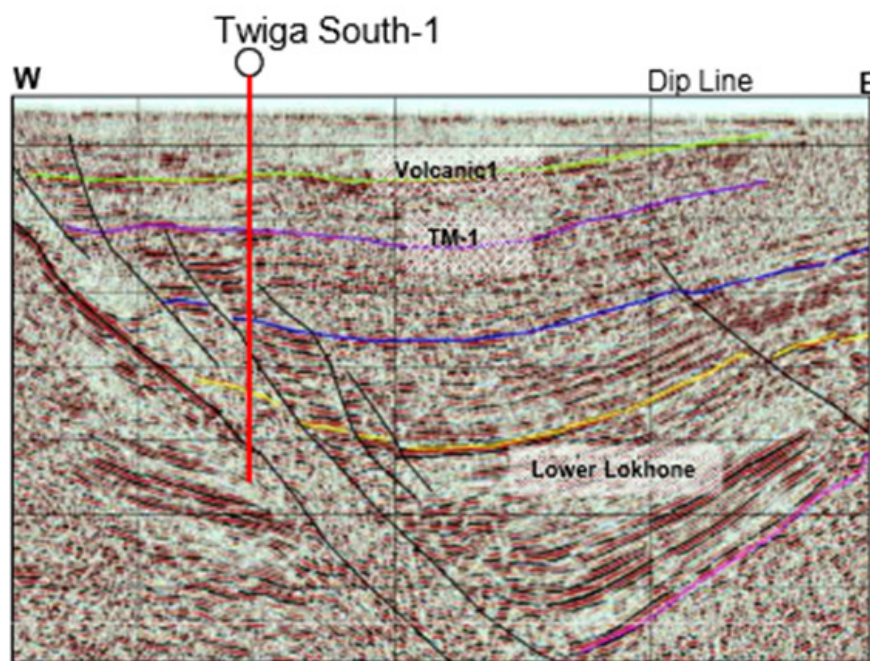
As previously reported, initial results also suggest the presence of a thick, Neogene-age basin with a maximum depth to basement in excess of 3,000m. The age of the sediments recorded (based on low seismic velocities) appears to be similar to that of sediments observed in the now proven oil basins of Lokichar (Kenya), and Lake Albert (Uganda), where Africa Oil (TSX.V:AOI) and Tullow Oil (LSE: TLW) have had significant success. The Kilombero Basin is approximately 100km long and about 20km wide and is comparable in length to the Lokichar Basin in Kenya (approximately 150km long and 25-30km wide). The 2014 work programme intends to add to the joint venture's understanding of the unexplored portions of the basin, where additional prospectivity against the basin bounding fault is expected.

Figure 4. Kilombero basin exhibits trapping geometries comparable to those in Lokichar.

(a) Kilombero Basin.



(b) Lokichar Basin (from AOI presentation)





Dr. David Mestres Ridge (CEO) said, "We are very pleased with the fact that the seismic work in Kilombero identified such a significant structure as Kito. We are also encouraged by the fact that, with only one quarter of the basin surveyed, additional leads that were not addressed in RISC's assessment, there remains considerable potential within the Kilombero basin that the joint venture will commence addressing in the coming year."

For further information please contact:

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About Swala:

Swala Energy is an Australian oil and gas company with assets in Kenya and Tanzania. Swala's holdings are in the world-class East African Rift System with a total net land package in excess of 15,000km². New discoveries have been announced in a number of licences along this trend, including Ngamia, Twiga and Etuko, which extend the multi-billion barrel Albert Graben play successfully developed by Tullow Oil plc 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 sub-Saharan Africa. The Company is listed on the Australian Securities Exchange ("ASX") under the symbol "SWE".

Notes:

1. The Kito Prospect was identified on the evaluation date 1 December 2013 on the basis of the Kilombero Basin seismic survey that was completed on the 8th November 2013. Based on the limited amount of regional seismic data it has not been possible at this stage to define any additional prospects and therefore there are at present no additional prospective, contingent resources or reserves outside of the volumes reported above.

2. Information on the Reserves and Resources in this release relating to the Kito Prospect is based on an independent audit conducted by RISC Operations Pty Ltd (RISC), a leading independent petroleum advisory firm. The audit was carried out by Dr. Nick Eustance under the supervision of Mr. Peter Stephenson in accordance with the SPE-PRMS guidelines. Mr. Stephenson is a RISC Partner whose qualifications include B.Sc, M.Eng Petroleum Engineering, membership of the Institute of Chemical Engineers and more than 30 years of relevant experience. Mr. Stephenson consents to the inclusion of the prospective resource data provided in this document in the manner and context in which it is conveyed above. Nick Eustance has a Ph.D in Geology/Geophysics and more than 30 years geoscience experience in the petroleum industry.

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RISC is an independent advisory firm who works in partnership with companies to support their interests in the oil and gas industry. RISC offers the highest level of technical, commercial and strategic advice to clients around the world. RISC services include the preparation of independent reports for listed companies in accordance with regulatory requirements. RISC is independent with respect to Swala in accordance with the Valmin Code, ASX listing rules and ASIC requirements.

3. In accordance with ASX Listing Rules, any geological or hydrocarbon resources or reserves information in this release has been reviewed by Swala's Exploration Director, Mr Neil Taylor who has over 30 years' experience in the sector. He consents to that information in the form and context in which it appears.

<u>Participants in the Kilosa-Kilombero Licence</u>	<u>Participating Interest %</u>
Swala Oil and Gas (Tanzania) Limited (Operator) (Swala Energy owns 65.13% equity interest in SOGTL)	50%
Otto Energy (Tanzania) Pty Ltd (Wholly owned subsidiary of Otto Energy Ltd (ASX: OEL))	50%

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