

PRESS RELEASE

(DSE:SWALA)

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19 December 2019

RELEASE OF 2018 AUDITED ANNUAL ACCOUNTS

Swala Oil & Gas (Tanzania) plc (“Swala” or “the Company”) advises that it has today released the 2018 Audited Annual Accounts to the Dar es Salaam Stock Exchange, a copy of which is available on the Company’s website.

The release of the audited accounts has been delayed as a result of, primarily:

1. The uncertainty over, and changes to, the production revenues and capital investment programmes of PAE PanAfrican Energy Corporation’s subsidiary, PanAfrican Energy Tanzania Limited, ultimately requiring the retention of dividends from 1Q 2019 to possibly the end of 2020 to cover gross capital expenditure of approximately \$40 million;
2. The write-down of the Company’s investment in PAE PanAfrican Energy Corporation (“PAEM”) from \$21 million to \$7 million net to the Company’s 7.93% equity interest as a result of the relative underperformance of the Songo Songo field from and including 2018, and the increase in operating risks since the completion of Swala’s acquisition of its interest in PAEM; and
3. The timing and quantum of the expected receipts to the Company (\$11.9 million) and that of the Company’s liabilities (\$7.1 million, of which training and licence fees of \$0.7 million are the matter of discussion with Tanzania Petroleum Development Corporation (“TPDC”) and \$3.5 million are due as interest on the Senior Notes deferred to 2020).

Dr. David Mestres Ridge (Swala CEO) said: “We apologise to shareholders for the delay in presenting audited accounts that should have, but for a number of continuously changing matters, been presented earlier in the year. The uncertainty caused by the issues set out above, particularly the timing and funding of Songo Songo CAPEX and the matters raised with TPDC, required attention that delayed the process. The capital programme on Songo Songo is expected to be fully covered from existing accumulated and future cashflow and should help the field maintain higher gas flows into the Tanzanian gas power market. The Company is also working constructively with TPDC on a number of issues, one of which is the applicability of training and licence fees for the period where the Company was not awarded the necessary site access permits by the Government of the United Republic of Tanzania, thus preventing the drilling of the Kito-1 well.”

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 as well as a 7.93% interest in PAE PanAfrican Energy Corporation. 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

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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.