

## PRESS RELEASE (DSE:SWALA)

2nd Floor Oyster Plaza, Plot No.1196  
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2<sup>nd</sup> January 2018

### **SWALA TO INVEST UP TO \$130 MILLION IN PAE PANAFRICAN ENERGY CORPORATION**

- **First major deal between a foreign company and a Tanzanian-listed company in the Oil & Gas Sector;**
- **Completed first tranche of US\$25 million from recognized international investors to support Swala's acquisition strategy;**
- **Submitted investment prospectus to the CMSA to place US dollar-linked bonds with Tanzanian and international institutions;**
- **Bonds to be listed on the DSE, underlying the parties' commitment to the development of local capital markets;**
- **Positive impact on funds retained in Tanzania and on the country's call on its foreign currency account;**
- **Positive and commercial alternative to DSE listings, with additional protections for Tanzanian shareholders;**
- **Potentially increased tax receipts for Tanzania as a result of Swala's repatriation of its share of cash flow.**

Swala Oil & Gas (Tanzania) PLC ("Swala" or "the Company") is pleased to advise that it has reached agreement with Orca Exploration Group Inc. ("Orca") under the terms of which the Company's subsidiary Swala (PAEM) Limited ("SPL") shall acquire up to 40% of Orca's wholly-owned Mauritius subsidiary, PAE PanAfrican Energy Corporation ("PAEM") for a total consideration of up to US\$130 million (the "Agreement").

Of this amount, US\$16.3 million will be paid by issuing 16.3 million Preferred Shares to Orca, subject to shareholder approval at the Company's upcoming Annual General Meeting. If the issuance of Preferred Shares is not approved, then SPL shall pay Orca the equivalent amount in cash. A further US\$24 million shall be satisfied by SPL assuming through its share ownership a pro-rata share of the obligations under an IFC loan agreement entered into by PAEM's wholly-owned subsidiary, PanAfrican Energy Tanzania Limited ("PAET").

The acquisition financing has been arranged by Exotix Capital, a London-based specialist frontier markets investment bank. Exotix has placed a gross US\$25 million from US institutions under an early bird 144A USD bond offering, a first for a Tanzanian company. Tanzanian, East African and international investors will be accessed in January for a second tranche fundraising via a new Tanzanian bond and additional tapping of the 144A USD bond.

Swala conducted a roadshow in Uganda, Kenya and Tanzania in early-August and received significant investor interest. Contemporaneously, the Company has submitted a prospectus for the issuance of US\$50 million USD-linked Tanzanian Shilling bonds (with greenshoe rights) for approval by the Capital Markets and Securities Authority (CMSA).

Dr. David Mestres Ridge (Swala CEO) said: "Our investment in PAEM is transformational for Swala and the result of committed engagement by all parties. It also represents a number of firsts for Tanzania as part of Swala and Orca's commitment to local participation in the Oil and Gas sector: it is the first deal of this magnitude between a foreign and a Tanzanian company; it is the first time that US dollar-linked bonds shall be listed on the DSE; and it is the first time that the Tanzanian pension and investment funds are invited to participate alongside international investors in these opportunities. This arrangement ultimately results in

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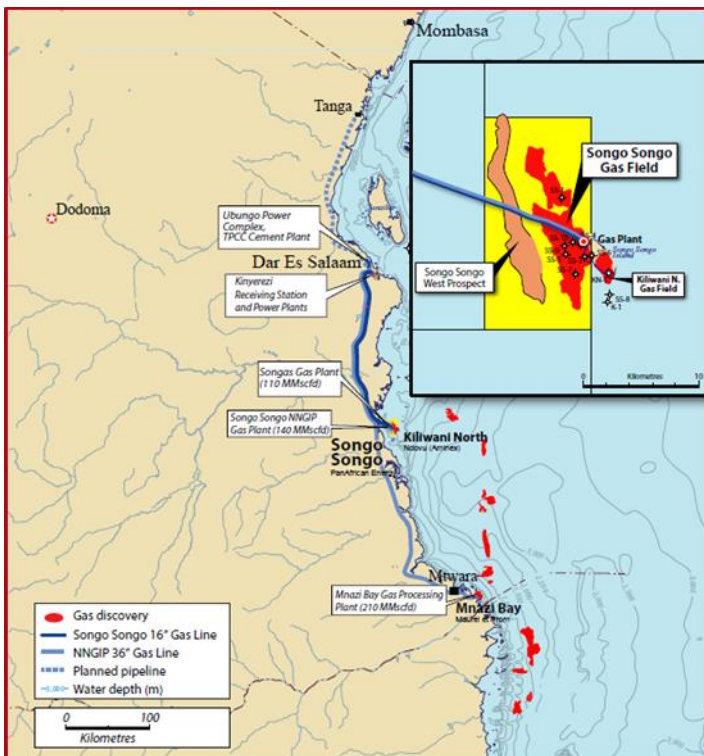
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the benefits of more than 20% of Orca's Tanzania business being indirectly owned by Tanzanian shareholders and bondholders, providing an alternative mechanism for local participation alongside traditional listings on the DSE, and the recirculation of funds into the Tanzanian economy mean a lower demand on the country's foreign currency reserves over the duration of the project. Swala is an exploration company and we look forward to working with all stakeholders to ensure that Songo Songo can be fully explored to continue to deliver the value to the country that it has delivered to date."

## About PAEM

PAEM is the parent company of PanAfrican Energy Tanzania Limited ("PAET"), which in turn holds the rights granted by the Government of Tanzania to explore, develop, market, produce and sell natural gas from the Songo Songo Block in partnership with the Tanzanian Petroleum Development Corporation (TPDC), its associated infrastructure and transportation and marketing agreements with industrial users and with TANESCO, the national power company (see Figure 1).

Figure 1. Location of the Songo Songo Field



PAET produces gas under the terms of a Production Sharing Agreement with the Government of Tanzania. Since it first started production in 2004, PAET has directly contributed some \$400 million to the Tanzanian economy or 80% of the total net profits generated by the field. Gas from Songo Songo has assisted in the national industrialisation plan, creating an estimated 10,000 jobs for Tanzanians and is estimated to have saved Tanzania some \$6.2 billion by allowing gas to be substituted for expensive imported oil for power generation.

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 km<sup>2</sup>. 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.

## **About Exotix:**

Exotix, a leading boutique investment bank for frontier markets, was recently awarded Africa Investor's Best Performing Broker in Africa award for 2016, Global Finance Magazine's Best Boutique Investment Bank in Africa for 2016 and EMEA Finance's Best Broker in Nigeria and Best Broker in Tanzania, also for 2016. The firm specializes in natural resource capital raises with a particular focus on Africa. See [www.exotix.com](http://www.exotix.com) for further background.