

PRESS RELEASE (DSE:SWALA)

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SWALA CLARIFIES THE IMPACT ON THE COMPANY OF THE COURT OF APPEAL RULING AGAINST PAET

Swala Oil & Gas (Tanzania) plc (“Swala” or “the Company”) notes that, on the 9th of July 2021, the Tanzanian Court of Appeal dismissed with costs an appeal by Pan Africa Energy Tanzania Limited (“PAET”) opposing a TZS84 billion income tax claim (a claim equivalent to approximately US\$36.2 million) for the tax years 2013 and 2014.

PAET is a wholly-owned subsidiary of PAE Panafrican Energy Corporation (“PAEC”) and is the operator of the Songo Songo field in Tanzania. PAEC in turn is owned by Orca Energy Group Inc. (“Orca”), with a 92.07% equity interest, and by Swala with a 7.93% equity interest.

Under the provisions of the Investment Agreement dated 29th December 2017 between Orca and Swala (PAEM) Limited (a wholly-owned subsidiary of the Company), all liabilities incurred by PAET or PAEC before the 1st of January 2017 (“pre-effective date liabilities”) are liabilities to be met exclusively by Orca. In 2020, PAET paid \$5.7 million in tax liabilities for the period 2008-2016 on behalf of Orca which are also subject to the recovery provisions of the Investment Agreement.

As of the 31st of December 2020, PAET faced tax claims totalling US\$69.2 million (including interest on the principal amounts). Of these, US\$68 million are pre-effective date liabilities to the sole account of Orca. A further US\$1.2 million are potential tax liabilities arising in 2017 and 2018 and, if upheld, would be met by PAET from Songo Songo cashflow in the normal course of business.

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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 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.