

PRESS RELEASE

(DSE:SWALA)

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29th March 2017

SWALA ISSUES OTTO WITH NOTICE OF WITHDRAWAL

Swala Oil & Gas (Tanzania) plc (“Swala” or “the Company”) advises that it has exercised its option under the Kilosa-Kilombero Joint Operating Agreement (the “JOA”) to require Otto Energy (Tanzania) Pty Ltd (“Otto”) to withdraw from the JOA and the Kilosa-Kilombero Production Sharing Agreement (the “PSA”).

Otto’s Participating Interest is to be apportioned between the remaining parties to the JOA not in default in proportion to their current Participating Interests. As the other co-venturer, Tata Petrodyne Limited, remains in default the new Participating Interests effective from the 26th March 2017 are:

Swala Oil & Gas (Tanzania) plc	75% and Operator
Tata Petrodyne Limited	25%

In accordance with the provisions of the JOA Otto remains liable for the costs of transferring its Participating Interest and for its Participating Interest share of the Kito-1 exploration drilling programme (estimated at US\$5.5 million net to Otto), together with accrued defaults of US\$0.4 million.

Based on the independent report prepared by Gaffney, Cline & Associates (“GCA”), which the Company reported to the market on the 14th March 2016, Swala’s share of the unrisks prospective resources in the Kilosa-Kilombero licence area following the changes to the Participating Interests is:

Kilombero Basin:

Prospect / Lead	Low	Best	High
Kito Basal Sandstone	19 mmstb	58.2 mmstb	176 mmstb
Kito Sequence 1 Sandstone	15 mmstb	52.2 mmstb	152 mmstb
Kito Shallow	6.7 mmstb	29.3 mmstb	101 mmstb
Lead A	1.8 mmstb	4.2 mmstb	6 mmstb
Lead B	3.6 mmstb	8.4 mmstb	12 mmstb
Lead D	12 mmstb	27.3 mmstb	39 mmstb
Lead F	8.6 mmstb	20.2 mmstb	28.8 mmstb
TOTAL*	65.6 mmstb	199.8 mmstb	515.4 mmstb

Kidatu Basin:

Prospect / Lead	Low	Best	High
Kidatu Ngaza Lead	7.2 bcf	25.8 bcf	88.8 bcf
Kidatu A	10.2 bcf	34.8 bcf	118.2 bcf
TOTAL*	17.4 bcf	60.6 bcf	207 bcf

*Gross Prospective Resources at multiple reservoir levels aggregated by Swala, net of Government rights to back in for a 20% Participating Interest in any successful development in the Kilosa-Kilombero licence.

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With the Kito well, scheduled for drilling in 3Q 2017, targeting best contingent resources net to Swala of a combined 110 mmbbls over two distinct horizons.

Dr. David Mestres Ridge (Swala CEO), said: "Notwithstanding Swala's efforts during 2016, Otto has steadfastly refused to fulfil its obligations under the JOA and to pay the sums it owed in order to remain on the Kilosa-Kilombero licence. Regrettably, but in the best interests of the Joint Venture and to ensure the successful drilling programme scheduled for 2017, Swala was forced to exercise its option to require Otto to withdraw from the JOA and the PSA on the 26th March 2017. On the 28th March 2017, Otto issued Swala with a Dispute Notice, under which a Dispute Resolution mechanism that starts with a meeting of Senior Executives is invoked. Swala considers the content of the Dispute Notice to be inapplicable and premature under the JOA, and shall not engage in further public discussion of this matter. Whilst this dispute is clarified the Joint Venture shall continue working with the Tanzania Petroleum Development Corporation and the Government of Tanzania to complete the Kito-1 drilling as planned in 3Q 2017."

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. 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.

Notes:

1. Prospective resources are 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 are required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The quoted estimates of prospective resources are unrisks. An additional chance of development would apply in the event of success.
2. The leads and prospects detailed above were identified on the evaluation date 02 March 2016 on the basis of the Kilombero Basin seismic survey that was completed on the 5th January 2015. 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.
3. Information on the Reserves and Resources in this release are based on an independent audit conducted by Gaffney, Cline & Associates ("GCA"), a leading independent petroleum advisory firm. The audit was carried out by Dr Stephen Wright and managed by Rebecca Jones of GCA in accordance with the SPE-PRMS guidelines. Dr Stephen Wright is the Technical

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Director of Geosciences at GCA, whose qualifications include a D.Phil. in Geology from the University of Oxford, a BSc in Geology from King's College, London. Dr Wright is a Fellow of the Geological Society of London and a member of Petroleum Exploration Society of Great Britain and has more than 30 years' experience in the petroleum industry. Rebecca Jones has an M.Sc. in Petroleum Geology from Imperial College, London, a B.Sc. in Geology & Zoology from Bristol University and over 25 years international Operated experience in the petroleum industry. Rebecca is a Fellow of the Geological Society of London and a member of the Petroleum Exploration Society of Great Britain. GCA has consented to the inclusion of the prospective resource data provided in this document in the manner and context in which it is conveyed above.

4. Any geological or hydrocarbon resources or reserves information in this release has been reviewed by Swala's Exploration and New Ventures Manager, 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.
5. A copy of the Gaffney, Cline & Associates Report on Swala Assets Onshore United Republic of Tanzania is available on the Company's website at www.swala-energy.co.tz.