Swala Oil and Gas (Tanzania) PLC
Company Number 84838

swala tanzania

PRESS RELEASE
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SWALA FARMS OUT 25% OF LICENCE INTERESTS TO TATA PETRODYNE LIMITED

Swala Oil and Gas (Tanzania) Plc ("Swala" or "the Company") is pleased to announce that it has reached agreement with Tata Petrodyne Limited ("TPL"), a subsidiary of the multinational Tata Sons Limited, under which TPL shall farm into the Pangani and Kilosa-Kilombero licences in Tanzania. This allows Swala to remain committed to these licences and to secure funding for future exploration activities in a way that minimises the risk to its current shareholders.

Tata Sons Limited is the promoter of the major operating Tata companies and holds significant shareholdings in these companies, commonly referred to as the Tata Group. The Tata Group has a market capitalisation of approximately US$110 billion and represents over 8% of the total market capitalisation of the Bombay Stock Exchange.

In the oil and gas industry, a farm-out agreement is an agreement entered into by the owner of one or more licences (who ‘farms out’) and another company that wishes to acquire a percentage of ownership of that licence in exchange for providing services (and ‘farms in´). A farm-out agreement differs from a conventional transaction between two oil and gas lessees, because the primary consideration is the rendering of services, rather than the simple exchange of money.

The terms of the agreement with TPL:

- On receipt of governmental approvals for the transfer of interest TPL will pay Swala the sum of US$5.7 million for a 25% equity interest in the Kilosa-Kilombero licence and a 25% equity interest in the Pangani licence as consideration towards the past costs incurred on the licences;

- TPL will free carry Swala through the costs of the initial well on the Kilosa-Kilombero licence, up to a maximum of US$2.5 million (Swala estimates the gross cost of the well to be US$10.0 million);

- TPL will free carry Swala through the costs of the initial well on the Pangani licence, up to a maximum of US$2.125 million (Swala estimates the gross cost of the well to be US$8.5 million); and

- TPL will pay Swala up to a further US$1.0 million towards the cost of a second well following a commercial discovery in the initial well on the Kilosa-Kilombero licence. Costs incurred above this sum shall be shared by the partners in proportion to their equity.

On completion of the transactions announced today, the equity in the two licences will be:

	Swala	TPL	* Otto
Kilosa-Kilombero	25%	25%	50%
Pangani	25%	25%	50%

** Otto Energy (Tanzania) Pty Ltd “(Otto”) is a wholly owned subsidiary of Otto Energy Ltd (ASX: OEL)*

The Company estimates that it is now fully-carried for the remainder of its commitment obligations on both licences. Swala was advised in this transaction by First Energy Capital ("FirstEnergy") and TPL was advised by Rand Merchant Bank.

Dr. David Mestres Ridge (Swala's Chief Executive Officer) said: "The Company is delighted to announce Swala Tanzania´s agreement with a company of TPL´s standing and reputation. This farm-out allows the Company to fund its commitment obligations in a way that materially reduces the risk exposure to our shareholders without the need to raise additional share capital at this time.

I would like to thank FirstEnergy for their professional approach in running the farm out process and for generating interest from such highly respected groups.

Swala will now focus on securing the necessary consents and governmental approvals to allow the newly formed joint venture to progress the drilling programmes on both licences and we look forward to updating the market with guidance on when these will begin."

About Swala:
Swala is the first oil and gas company to list on an East African stock exchange. It is an affiliated company to Swala Energy Limited, a company in turn listed on the Australian Securities Exchange (ASX) with ticker "SWE". Swala holds assets in the world-class East African Rift System with a total net land package in excess of 17,500km2. Swala has an active operational and business development programme to continue to grow its presence in the hydrocarbon provinces of East Africa.

For Further information please contact:

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