Swala Oil and Gas (Tanzania) PLC
Company Number 84838

swala tanzania

PRESS RELEASE
(DSE:SWALA)

2nd Floor Oyster Plaza, Plot No.1196
Oysterbay, Haile Selassie Road,
P.O. Box 105266, DSM, Tanzania

TEL +255 (0) 755 687 785
EML info@swala-energy.com

15th February 2017

CLARIFICATION OF NEWSPAPER ARTICLES CONCERNING THE DRILLING OF THE KITO PROSPECT

Swala Oil & Gas (Tanzania) plc ("Swala" or "the Company") notes and wishes to clarify recent newspaper articles concerning its drilling of the Kito-1 prospect in the Kilosa-Kilombero valley in 2017.

Swala and the Tanzanian Petroleum Development Corporation ("TPDC") have been working closely to secure all necessary permits and consents to progress the drilling programme as planned in 2017. From the 5th February to the 11th February 2017 Swala and TPDC carried out a joint programme to inform on the planned drilling programme and update the local communities around the drilling area, an initiative that was well received.

On the 9th of February 2017 TPDC confirmed that the Ministry of Energy and Mines has extended TPDC's licence rights over the Kilosa-Kilombero area for a further 12 months. TPDC in turn required that the Contractor provide financial guarantees covering the minimum well commitment before it extended the Production Sharing Agreement ("PSA"). The Contractor Parties are Swala, Otto Energy (Tanzania) Pty Ltd and Tata Petrodyne Ltd, together the Joint Venture who are contracted to perform certain work on behalf of TPDC. These guarantees, required under the terms of the 2012 Production Sharing Agreement, cover minimum commitment obligations of US$6 million and can be drawn down as the drilling programme progresses. On the 10th February Swala, as Operator of the Kilosa-Kilombero licence, informed its co-venturers of the TPDC conditions. These conditions must be satisfied by the 20th of February, when the licence´s first extension term expires.

The Joint Venture is obliged to provide these guarantees in accordance with the working interests as set out in the table below:

Contractor	**Working Interest**	**Work programme guarantee**
Otto Energy (Tanzania) Pty Ltd	50%	US$3.0 million
Tata Petrodyne Limited	25%	US$1.5 million
Swala Oil & Gas (Tanzania) plc	25%	US$1.5 million

Swala's 25% working interest costs are covered by Tata Petrodyne Limited under the terms of the Farmout Agreement dated October 2015.

Dr. David Mestres Ridge, Swala CEO, said: "TPDC and Swala have worked hard over the past months to ensure that Kito-1 could be drilled in 2017 and both companies remain committed to ensuring its success. In these circumstances TPDC has decided to require tangible commitment from the Joint Venture and will clearly take account also of the remedy of existing defaults before deciding on the PSA extension. The guarantees are, essentially, 'ringfenced' drilling costs and covered by our farm-out agreement. The Company shall inform the market as the conditions under which the PSA extension is awarded become clearer."

For further information please contact:

Swala Oil & Gas (Tanzania) plc
Dr. David Mestres Ridge (C.E.O)
david.mestres@swalaoilandgas.com
www.swala-energy.co.tz

swala tanzania

PRESS RELEASE
(DSE:SWALA)

2nd Floor Oyster Plaza, Plot No.1196
Oysterbay, Haile Selassie Road,
P.O. Box 105266, DSM, Tanzania

TEL +255 (0) 755 687 785
EML info@swala-energy.com

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 8,500 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.