

PRESS RELEASE

(DSE:SWALA)

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9th September 2021

CAUTIONARY NOTICE TO SHAREHOLDERS REGARDING RESTRUCTURING DISCUSSIONS AND IMPACT ON AUDIT

SWALA OIL & GAS (TANZANIA) PLC (DSE: SWALA)

(Incorporated in the United Republic of Tanzania) (“Swala” or “the Company”)

Swala Oil & Gas (Tanzania) plc (“Swala” or “the Company”) advises shareholders that the Company has commenced discussions on a restructuring of its existing debt facilities.

The Company issued Class A1 Senior Note debt instruments (the “Notes”) to acquire a 7.93% equity interest in PAE Panafrican Energy Corporation (“PAEC”) on the 29th of December 2017. PAEC owns 100% of Panafrican Energy Tanzania Limited (“PAET”), a company that operates the Songo Songo gas field in Tanzania.

As advised on the 22nd of January 2021, the original holder sought to divest its interest in the Notes following a period of two years in which PAEC had failed to generate any distributable income to its shareholders. The reason for this failure was said to be due to the reinvestment of revenues from the Songo Songo field, repayment of profit gas entitlements to the Tanzanian Petroleum Development Corporation and the payment of PAET tax obligations.

As subsequently advised, the Notes were sold by the original holders to a private equity group with extensive emerging markets experience (“the Buyer”) on the 4th of June 2021. The previous holder’s decision to sell created an opportunity for the Buyer to acquire the Notes on a basis that more closely reflected the forecast financial performance of PAEC and PAET up to the end of the Songo Songo licence in 2026. On the same date the Company referenced the start of restructuring discussions with the Buyer (“the Proposed Transaction”).

Swala and its advisors have had extensive engagements with the Buyer and its majority shareholders to progress the Proposed Transaction. Since the negotiations relating to the Proposed Transaction are ongoing, it is classified as a significant post balance sheet event, which impacts the external audit opinion regarding the annual financial statements for the year ended 31 December 2020.

In accordance with the Dar es Salaam Stock Exchange Rules, the Company is required to publish its audited annual financial statements within six (6) months of its financial year-end. The Company was, as a result of the events discussed above, not in a position to publish its audited annual financial statements for 2020 by 30 June 2021 and is still not in a position to do so as its independent auditors, BDO, are still to be satisfied that the Proposed Transaction (as a post balance sheet event) will allow the Company to continue as a going concern.

The Company and the Buyer are employing best endeavours to conclude an appropriate agreement in order to provide the external auditors with sufficient evidence to allow them to conclude on the Company’s going concern assertion and thus provide an appropriate audit opinion in relation to the financial statements for the year ended 31 December 2020. This process is expected to occur by no later than 15th of October 2021.

There can be no certainty that the Proposed Transaction will be made, nor as to the terms on which the Proposed Transaction may be made. Readers are cautioned that Swala or the Buyer may determine not to proceed with the Proposed Transaction and Shareholders are accordingly advised to exercise caution when dealing in Swala’s securities.

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Forward-Looking Statements

This news release includes “forward-looking statements” and “forward looking information” (collectively “forward looking statements”) within the meaning of applicable securities laws, including in respect of the commencement of the Proposed Transaction, the terms thereof and the successful completion of the transaction contemplated thereby. These statements are based on management’s current expectations, beliefs, assumptions and estimates and are not guarantees of timing, future results or performance. Forward-looking statements involve certain risks and uncertainties and other factors that could cause actual results to differ materially from those indicated in such forward-looking statements and accordingly, readers are cautioned not to place undue reliance on any of the forward-looking statements. These risks and uncertainties include but are not limited to, the ability to enter into definitive agreements in respect of the Proposed Transaction on terms acceptable to Swala and in a timely manner, the ability to obtain all requisite regulatory and shareholder approvals and consents at all or in a timely manner.

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.