

PRESS RELEASE

(DSE:SWALA)

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10 December 2018

US\$30 MILLION CONVERTIBLE NOTE PLACEMENT COMPLETED

Swala Oil & Gas (Tanzania) plc ("Swala" or the "Company") is pleased to announce that it has entered into a definitive agreement for an initial investment of US\$30 million from Energy Tanzania Limited ("ETL"). ETL is owned by Dr. Reginald Mengi, the well-known Tanzanian entrepreneur and philanthropist, and the funds will be used to develop the Company's current projects.

The investment, which is contemplated to close in two tranches, consists of a US\$30 million Convertible Note that must be converted into ordinary shares of the Company on the earliest of 90 days from the date of subscription or a cross-listing of Swala Ordinary Shares on another stock exchange and in any event no later than one year from the date of subscription. The conversion rate will be on the basis of an agreed 30/75, implying a pre-money valuation of Swala of US\$45 million and a 125% premium to its current market capitalization. Upon conversion, ETL will own approximately 46% of the Company.

Swala is in the process of closing the additional sources of funding with institutional investors and individuals, to be used together with the announced funding to further progress the Company's current projects. This includes a further senior debt investment that is contemplated to rank equally alongside the US\$25 million of senior debt already raised (as communicated to the market on the 2nd January 2018) as well as additional subscriptions to the Convertible Notes. There are no assurances given that one or more of the transactions will be completed on the terms previously disclosed.

As a result of the announced issue of Convertible Notes, the Company's capital structure shall become:

<i>(US\$ except shares outstanding)</i>	Current status	After this investment	Upon conversion
Senior Notes	25,000,000	25,000,000	25,000,000
Preference Shares	3,967,000	7,845,000 ⁽¹⁾	7,845,000 ⁽¹⁾
Convertible Notes	-	30,000,000	-
Ordinary Shares outstanding	106,251,651	106,251,651	177,086,085

(1) Assumes \$30 million invested in acquiring additional equity in Mauritius-based PAE PanAfrican Energy Corporation.

Dr. David Mestres Ridge (Swala CEO) said: "We are pleased to have secured a significant strategic investment by Energy Tanzania Limited, which has been a supportive shareholder since the Company's listing on the Dar es Salaam Stock Exchange four years ago. Dr. Mengi has identified the Tanzania energy sector as a strategically important sector with significant opportunity for Tanzanians, and Swala is privileged that he has chosen our Company as his investment vehicle of choice. With the support of ETL we aim to continue developing Swala to address the energy demands of Tanzania as it seeks to grow into a middle-income economy, an objective in which the Company, through its direct and indirect investments, can play an enabling role."

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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 Mauritius-based PAE PanAfrican Energy Corporation. New discoveries have been announced by industry participants in a number of licences along East African Rift 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.

About Dr. Reginald Mengi

Dr. Reginald Mengi is an internationally recognized entrepreneur and philanthropist. He built and owns IPP Group, one of the largest conglomerates in Tanzania, having core divisions in media, beverages and mining. IPP Media owns and operates 11 newspapers, radio and television stations and internet properties. IPP Beverages owns Bonite Bottlers, the sole bottler of Coca-Cola products in the northern region of Tanzania. IPP's Kilimanjaro brand of bottled water is the biggest selling in the country. Dr. Mengi is also active in the Tanzania mining sector through IPP Resources which mines gold, uranium, copper, chrome and coal in the country. He has recently announced inaugural investments in the mobile phone assembly and the automobile assembly businesses in Tanzania. A devout philanthropist, he sends hundreds of Tanzanian children with heart ailments to India for treatments.