

## PRESS RELEASE (DSE:SWALA)

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### TERMINATION OF THE DEFAULT DISPUTE AGAINST SWALA

Swala Oil & Gas (Tanzania) plc (“Swala” or the “Company”) presents an update to the default and dispute notices that it was issued by Otto Energy (Tanzania) Pty Ltd (“Otto”) on the 29<sup>th</sup> July 2016.

The Kilosa-Kilombero Joint Operating Agreement (the “JOA”) sets out the steps that must be taken by a party wishing to resolve a dispute. These steps must be taken within timeframes set out in the JOA. The final step requires the matter to be referred to arbitration within 60 days of receipt of the Notice of Dispute. Arbitration is agreed to be the exclusive and final means to resolve disputes arising under the JOA.

Swala has advised Otto that, under the terms of the JOA, Otto should have progressed the dispute resolution mechanism through to arbitration by the 27<sup>th</sup> September 2016. Its failure to do so means that its claim against Swala for the alleged default is time-barred.

Dr. David Mestres Ridge (Swala CEO) said: “Swala has always rejected the grounds on which Otto sought to base its claim. The fact that, over the past seven months, Otto has failed to progress the dispute resolution process set out in the JOA underlines Swala’s position that this was a meritless claim. With the default lifted the Joint Venture can now progress the planning to drill the Kito-1 exploration well in 3Q 2017, and we shall advise the market of developments as that programme progresses.”

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 8,500 km<sup>2</sup>. 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.