

# PRESS RELEASE

(DSE:SWALA)

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## PROPOSAL FOR ORCA EXPLORATION GROUP INC. (“ORCA”)

Swala Oil & Gas (Tanzania) plc (“Swala”), a company registered in the United Republic of Tanzania with registration number 84838 and listed on the Dar es Salaam Stock Exchange (DSE:SWALA), notes the announcement made by Orca Exploration Group Inc. (TSX-V: ORC.A, ORC.B) (“Orca”) on the 31<sup>st</sup> of May 2019, that Orca's board of directors has unanimously rejected an unsolicited proposal from Swala for a merger transaction which would result in Swala acquiring all of the issued and outstanding shares of Orca (the “Proposal”).

Swala wishes to confirm that since late February 2019, it has made three formal proposals for a transaction which would result in Swala acquiring 100% of Orca, the most recent of which was delivered to the Orca board of directors on 26 May 2019.

The Proposal contemplated a merger transaction between Orca and a wholly-owned subsidiary of Swala whereby the Orca shareholders would receive CDN\$7.50 in cash for each of the 1,751,057 Class A Common Voting Shares (the “Class A Shares”) and CDN\$7.50 in cash for each of the 33,505,375 Class B Subordinated Voting Shares (the “Class B Shares”) (each of the Class A Shares and the Class B Shares being an “Orca Share”). The Proposal valued the total share capital of Orca at CDN\$265 million (US\$196 million at current exchange rates). The proposed price represented a premium of 48 per cent to the 30-day and 90-day volume-weighted average price of Orca Class B Shares to the date prior to Orca's announcement. Pursuant to the terms of the Proposal, the total cash consideration was comprised of a combination of US\$75 million of new financing plus US\$121 million of distributable cash available to Orca and assumed a satisfactory level of working capital will remain in Orca following the transaction.

The Orca announcement stated that Swala's Proposal valued the non-cash assets at US\$55 million. For clarity, Swala's Proposal attributed approximately US\$135 million gross to Orca's interests in Tanzania and included the assumption of the US\$60 million loan from the International Finance Corporation to Orca's operating subsidiary that is partially guaranteed by Orca, as well as all of the company's contingent liabilities.

While Orca's Board has rejected the Proposal, Swala believed that the Proposal would be compelling to Orca's shareholders. Further, Swala believes that the proposed terms and conditions of the Proposal, along with the proposed timelines are customary for a transaction of this nature. While Orca announced that Swala had presented an unsigned conditional term sheet as evidence of its financing capability, Swala would like to clarify that it in fact presented to Orca a 59-page term sheet executed by Swala and its investors. The investors are a US-based recognised emerging markets debt specialists and currently manage over US\$1 billion in assets on behalf of institutional investors. Swala and its investors have expended considerable time and resources in bringing the financing to a point where it can be completed on a timely basis, subject to engagement with Orca to agree the transaction. Given the above, Swala firmly believes that it has the ability to transact on a bona fide, credible and capable basis, and can conclude a transaction in a timely manner.

Swala believed that the Proposal would be compelling to the Orca shareholders as:

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- it would provide an immediate liquidity event to shareholders for cash at a significant premium to the current and historical market prices of the stock;
- the Proposal provides a significantly more tax efficient transaction to shareholders than dividends or distributions of cash from Orca;
- Swala believed it would have mitigated the risks to Orca shareholders of being unable to realise full value from its interest in Tanzania; and
- the Proposal would have removed the risk to Orca shareholders of the uncertainty arising from a protracted and/or potentially unfavourable Production Sharing Agreement review currently underway by the Government of Tanzania.

Further, Swala believes that the combination of the two companies is extremely compelling and in the best interests of both Orca's and Swala's shareholders and would accelerate growth and shareholder value creation for the combined entity. Swala respects the decision of Orca's board to reject the Proposal and intends to review it in the context of recent operational announcements made by Orca subsequent to the date on which the Proposal was submitted to the Orca board.

The Proposal contemplated that the transaction would be completed through a statutory merger under the Business Companies Act 2004 of the British Virgin Islands (where Orca is registered). This would require 66.67% of the all votes cast in person or by proxy to be voted in favour of the transaction at a special meeting of the Orca shareholders. Each Class A Share carries 20 votes per share, whereas each Class B Share carries one vote per share. Substantially all of the Class A Shares are owned by Shaymar Limited (on behalf of the W. David Lyons 2008 Settlement Trust), which also owns approximately 5,463,260 Class B Shares. Accordingly, any transaction is dependent on the approval of Shaymar Limited, which currently controls 59% of the votes of Orca.

Any offer by Swala for Orca would be subject to the consent of the International Finance Corporation ("IFC"), as well as shareholder, regulatory and statutory approvals customary in such transactions, including those of the Tanzania Capital Markets and Securities Authority and the Fair Competition Commission.

If any dividend or other distribution is announced, declared, made, paid or becomes payable by Orca on or after the date of this announcement, Swala reserves the right to reduce the consideration payable in respect of each Orca Share by the amount of all or part of any such dividend or other distribution.

**This announcement is made under Rule 15 of the Substantial Acquisitions, Take-Overs and Mergers Regulations 2006 ("the Regulations"). It is not an announcement of a firm intention to make an offer under the Regulations or otherwise. There can be no certainty that any offer will be made, nor as to the terms on which an offer may be made. Readers are cautioned that Swala may determine not to proceed with the Possible Offer. This could occur if, among other reasons, Swala identifies material adverse information concerning the business, affairs, prospects or assets of Orca not previously disclosed by Orca or if Orca implements or attempts to implement defensive tactics in relation to the Proposal.**

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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 Possible Offer, 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 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, and the completion by Swala of the financing with the investor at all or in a timely manner and in a sufficient amount necessary to fund the Possible Offer.

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 14,000 km<sup>2</sup> 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.