

## PRESS RELEASE (DSE:SWALA)

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3<sup>rd</sup> of April 2023

### **SWALA TO COMMENCE PROCESS OF LIQUIDATION**

Swala Oil & Gas (Tanzania) plc (“Swala” or “the Company”) regrets to announce that a meeting of creditors representing approximately 75% of the Company’s liabilities, held on the 31<sup>st</sup> of March 2023, has resolved that the Company should be placed in liquidation. The creditors have, pursuant to this resolution, agreed to appoint Mr. Daniel Welwel, of Assyla Attorneys, as liquidator.

#### **Background to the resolution**

In 2017 the Company, through its wholly owned subsidiary Swala (PAEM) Limited (“Swala (PAEM)”), entered into an agreement with Orca Energy Corporation (“Orca”) to acquire a 7.933% interest in PAE PanAfrican Energy Corporation (“PAEC”). PAEC owns 100% of PanAfrican Energy Tanzania Limited (“PAET”), the operator of the Songo Songo gas field. PAET is challenging tax claims in Tanzania totaling US\$55 million (as of the 31<sup>st</sup> of December 2022), some of which date to 2008. Despite requests to do so, Orca has failed to justify to Swala (PAEM) the commercial rationale behind these challenges.

Orca, through its control of PAET, misappropriated funds and dissipated assets belonging to PAET to pay for costs that were the sole responsibility of Orca. PAEC, controlled by Orca, failed to remedy this matter, and repeatedly and consistently breached the Shareholder Agreement dated 29<sup>th</sup> of December 2017 between Orca, PAEC and Swala (PAEM). It also breached its obligations under Mauritian law to issue IFRS-compliant accounts, as Swala set out in its press release of the 8<sup>th</sup> of August 2022, depriving Swala of information that may have assisted it in determining the extent of any breach. As Orca, it has benefitted at the expense of Swala (PAEM) by using funds that would otherwise have been attributed to Swala (PAEM) to pay its ongoing tax challenges in Tanzania.

These actions have resulted in Swala (PAEM) being deprived of funds that would have been credited to it under the investment and shareholder agreements. In turn, this deprived Swala itself of funds and this situation resulted in the resolution by creditors that the Company should be liquidated as it is unable to pay its debts.

The Board regrets being forced to take this step, particularly as it affects the first listed oil and gas company in Tanzania and its ca. 2,000 Tanzanian shareholders, and wishes to thank its regulators, shareholders and creditors for their support.

#### **Swala (PAEM) placed in administration.**

Apex Corporate Trustees (UK) Limited, acting as security trustee for Conover Investments LP, which acquired the Senior Notes that were issued by Swala (PAEM) in December 2017 to fund the acquisition of its interest in PAEC, has appointed administrators to Swala (PAEM) Limited pursuant to its rights under its security.

#### **Kilosa Kilombero interest to revert to TPDC**

Under the terms of the Production Sharing Agreement with TPDC and the Government of Tanzania, Swala’s interests in the Kilosa-Kilombero licence will revert to TPDC.

#### **Next steps**

Following his appointment, Mr. Welwel will next assume responsibility for the liquidation of the Company and shall engage with the company’s creditors and shareholders in due course.

#### **The Board**