

ASX RELEASE

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14th March 2016

Independent review increases resources and identifies 14 new leads

Swala Energy Limited ("Swala" or "the Company") is pleased to announce that Gaffney, Cline & Associates ("GCA"), an independent petroleum advisory firm, have completed their review of the resource potential of the Kilombero Basin, located within the Kilosa-Kilombero licence (Tanzania) and of Block 12B (Republic of Kenya). Swala has an indirect 14.6% interest in the Kilosa-Kilombero licence and a 50% direct interest in Block 12B.

Highlights

- **Increase in gross P50 Kito Prospective Resources from 151mmstb to 184mmstb (21.5mmstb net to Swala)*.**
- **Drilling at Kito on track for 3Q 2016.**
- **Four new leads identified in Kilombero with further gross P50 Prospective Resources of 148.9mmstb (17.4mmstb net to Swala)*.**
- **10 new leads identified on Block 12B, Kenya, containing gross P50 Prospective Resources of 146.5mmstb (65.9mmstb net to Swala)*.**

* Gross Prospective Resources at multiple reservoir levels aggregated by Swala, net of Government back-in rights.

Tanzania

In the Kilombero basin, GCA has re-assessed the magnitude of the Kito prospect and estimated the prospective resources of a further four leads identified during the 2014 seismic campaign.

The analysis was based on newer seismic data and increases the best estimate gross Kito prospective resources to 97 mmstb (11.3mmstb net to Swala on a working interest basis) in the Basal Sandstone and 87 mmstb (10.2 mmstb net to Swala on a working interest basis) in the Sequence 1 sandstone - see Table 1. GCA's estimates of gross prospective resources in the additional leads are shown in Table 2.

Swala Oil & Gas (Tanzania) plc ("Swala Tanzania"), in which Swala has a 58.5% equity interest, has completed the tender process of the long lead items for the Kito-1 well and has issued invitations to tender to a number of regionally-based drilling contractors for submissions during March 2016.

The technical review of the Pangani licence showed no structures of commercial interest and the Joint Venture has confirmed its desire to relinquish the licence to the Tanzania Petroleum Development Corporation.

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Kenya

In Block 12B, GCA estimates of gross Prospective Resources in 10 identified leads are shown in Table 3. Characterising the leads and prospects on the basis of the 2014 seismic data has been complicated by the existence of shallow basalt layers that are a feature of the East African Rift System. The effect of the basalts on the seismic has been to add uncertainty to the location of the proposed exploration well.

The Joint Venture, operated by Tullow (Kenya) B.V., a subsidiary of Tullow Oil (LSE: TLW) has therefore engaged with the Government of Kenya with the aim of carrying out a Full-Tensor Gravity ("FTG") Survey over the block to optimise the location of the exploration well and thereby maximise its chances of success. On the 10th of March 2016 the Government of Kenya approved the new work programme and granted an extension to the 16th of August 2017 within which to drill the 12B exploration well. The FTG work would be carried out in conjunction with reprocessing of the 2014 seismic to improve the character of the sediment fill below the basalts, as demonstrated by Swala's work late last year.

Dr. David Mestres Ridge (CEO) said, "The GCA assessment shows that, even at this early stage, the potential of 12B and Kilombero remains significant. The delay to the 12B drilling will allow the Joint Venture to optimise their drilling location and to develop a better technical view of prospectivity that is currently partly obscured by the local shallow basalts.

We are very excited by the increased potential of the Kilombero basin and of the Kito prospect in particular. Swala Tanzania's operations team continue preparations to drill one of the few onshore oil wells being drilled in East Africa this year and estimate that the Kito-1 well is on track for drilling in 3Q 2016.

We look forward to updating the market further on the progress of the drill campaign."

For further information please contact:

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About Swala Energy Limited: Swala Energy Limited is an Australian oil and gas company listed on the Australian Securities Exchange ("ASX") under the ticker code "SWE". Swala's holdings are predominantly in the world-class East African Rift System with a total net land package in excess of 9,000km² in Tanzania and Kenya. New discoveries have been announced in a number of licences along this trend, including Ngamia, Twiga and Etuko, which extend the multi-billion barrel Albert Graben play into the eastern arm of the rift system. Swala has an active operational and business development programme to continue to grow its presence in the promising hydrocarbon provinces of Africa.

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Table 1: Oil prospective resource estimates for the Kito prospect, Kilombero Basin.

Kito Basal Sandstone	Low estimate (P90)	Best estimate (P50)	High estimate (P10)	Chance of Success
Gross prospective unrisks oil resources ⁽¹⁾	31 mmstb	97 mmstb	293 mmstb	11%
Net of Government back-in rights ⁽²⁾	24.8 mmstb	77.6 mmstb	234.4 mmstb	
SOGTP (25%)	6.2 mmstb	19.4 mmstb	58.6 mmstb	
Net to Swala⁽³⁾	3.6 mmstb	11.3 mmstb	34.3 mmstb	

Kito Sequence 1 Sandstone	Low estimate (P90)	Best estimate (P50)	High estimate (P10)	Chance of Success
Gross prospective unrisks oil resources ⁽¹⁾	24.2 mmstb	87 mmstb	254 mmstb	12%
Net of Government back-in rights ⁽²⁾	19.4 mmstb	69.6 mmstb	203.2 mmstb	
SOGTP (25%)	4.8 mmstb	17.4 mmstb	50.8 mmstb	
Net to Swala⁽³⁾	2.8 mmstb	10.2 mmstb	29.7 mmstb	

⁽¹⁾Gross prospective resources estimated by GCA. ⁽²⁾ TPDC retains a 20% back-in right to any successful development in the Kilosa-Kilombero licence ⁽³⁾ Swala has a 58.5% equity interest in Swala Oil & Gas (Tanzania) Plc ("SOGTP").

Table 2: Gross oil prospective resource estimates for additional leads, Kilombero Basin, from GCA.

Leads - Gross	Low estimate (P90)	Best estimate (P50)	High estimate (P10)	Chance of success
Gross prospective unrisks oil resources ⁽¹⁾				
Kito Shallow	11.2 mmstb	48.8 mmstb	169 mmstb	7%
Lead A	3 mmstb	7 mmstb	10 mmstb	7%
Lead B	6 mmstb	14 mmstb	20 mmstb	7%
Lead D	19.5 mmstb	45.5 mmstb	65 mmstb	7%
Lead F	14.4 mmstb	33.6 mmstb	48 mmstb	8%

⁽¹⁾Gross prospective resources estimated by GCA.

Leads – Net to Swala	Low estimate (P90)	Best estimate (P50)	High estimate (P10)	Chance of success
Net prospective unrisks oil resources ⁽¹⁾				
Kito Shallow	1.3 mmstb	5.7 mmstb	19.8 mmstb	7%
Lead A	0.3 mmstb	0.8 mmstb	1.2 mmstb	7%
Lead B	0.7 mmstb	1.6 mmstb	2.3 mmstb	7%
Lead D	2.3 mmstb	5.3 mmstb	7.6 mmstb	7%
Lead F	1.7 mmstb	3.9 mmstb	5.6 mmstb	8%

⁽¹⁾ Swala has a 58.5% equity interest in Swala Oil & Gas (Tanzania) Plc ("SOGTP").

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Table 3: Gross oil prospective resource estimates for the 12B leads, from GCA.

12B Leads - Gross	Low estimate (P90)	Best estimate (P50)	High estimate (P10)	Chance of success
Gross prospective unrisks oil resources ⁽¹⁾				
Kendu Lead A	0.7 mmstb	4.2 mmstb	21.3 mmstb	8%
Kendu Lead B	1.5 mmstb	8.3 mmstb	41.4 mmstb	8%
Kendu Lead C	2 mmstb	10.5 mmstb	50.8 mmstb	7%
Ahero Lead A	1.9 mmstb	10.9 mmstb	63.4 mmstb	10%
Ahero Lead A Deep	3 mmstb	15.8 mmstb	82.7 mmstb	8%
Ahero Lead B	2.7 mmstb	13 mmstb	61.7 mmstb	8%
Ahero Lead C	2.1 mmstb	18.7 mmstb	150.5 mmstb	8%
North Ahero Lead A	6.1 mmstb	36.2 mmstb	193 mmstb	6%
North Ahero Lead B	4.3 mmstb	24 mmstb	120.6 mmstb	6%
South Ahero Lead A	1 mmstb	4.9 mmstb	22.2 mmstb	8%

⁽¹⁾Gross prospective resources estimated by GCA.

12B Leads – Net to Swala	Low estimate (P90)	Best estimate (P50)	High estimate (P10)	Chance of success
Net prospective unrisks oil resources ⁽¹⁾				
Kendu Lead A	0.3 mmstb	1.9 mmstb	9.6 mmstb	8%
Kendu Lead B	0.7 mmstb	3.7 mmstb	18.6 mmstb	8%
Kendu Lead C	0.9 mmstb	4.7 mmstb	22.9 mmstb	7%
Ahero Lead A	0.9 mmstb	4.9 mmstb	28.5 mmstb	10%
Ahero Lead A Deep	1.4 mmstb	7.1 mmstb	37.2 mmstb	8%
Ahero Lead B	1.2 mmstb	5.8 mmstb	27.8 mmstb	8%
Ahero Lead C	0.9 mmstb	8.4 mmstb	67.7 mmstb	8%
North Ahero Lead A	2.7 mmstb	16.3 mmstb	86.9 mmstb	6%
North Ahero Lead B	1.9 mmstb	10.8 mmstb	54.3 mmstb	6%
South Ahero Lead A	0.5 mmstb	2.2 mmstb	10.0 mmstb	8%

⁽¹⁾ The Government of Kenya retains a 10% back-in right to any successful development in Block 12B.

Notes:

1. Prospective resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The quoted estimates of prospective resources are unrisks. An additional chance of development would apply in the event of success.

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2. The leads and prospects detailed above were identified on the evaluation date 02 March 2016 on the basis of the Kilombero Basin seismic survey that was completed on the 5th January 2015 and the 12B seismic survey that was completed on the 30th June 2014. Based on the limited amount of regional seismic data it has not been possible at this stage to define any additional prospects and therefore there are at present no additional prospective, contingent resources or reserves outside of the volumes reported above.
3. Information on the Reserves and Resources in this release are based on an independent audit conducted by Gaffney, Cline & Associates (“GCA”), a leading independent petroleum advisory firm. The audit was carried out by Dr Stephen Wright and managed by Rebecca Jones of GCA in accordance with the SPE-PRMS guidelines. Dr Stephen Wright is the Technical Director of Geosciences at GCA, whose qualifications include a D.Phil. in Geology from the University of Oxford, a BSc in Geology from King’s College, London. Dr Wright is a Fellow of the Geological Society of London and a member of Petroleum Exploration Society of Great Britain and has more than 30 years’ experience in the petroleum industry. Rebecca Jones has an M.Sc. in Petroleum Geology from Imperial College, London a B.Sc. in Geology & Zoology from Bristol University and over 25 years international Operated experience in the petroleum industry. Rebecca is a Fellow of the Geological Society of London and a member of the Petroleum Exploration Society of Great Britain. GCA has consented to the inclusion of the prospective resource data provided in this document in the manner and context in which it is conveyed above.
4. In accordance with ASX Listing Rules, any geological or hydrocarbon resources or reserves information in this release has been reviewed by Swala’s Exploration Director, Mr Neil Taylor, who has over 30 years’ experience in the sector. He consents to that information in the form and context in which it appears.
5. A copy of the Gaffney, Cline & Associates Report on Swala Assets Onshore United Republic of Tanzania and Republic of Kenya is available on Swala’s website at www.swala-energy.com.

Joint Venture Participants in the Kilosa-Kilombero Licence	Working Interest %
Swala Oil and Gas (Tanzania) Plc (Operator)	25%
Tata Petrodyne Limited	25%
Otto Energy (Tanzania) Pty Ltd (Subsidiary company of Otto Energy Ltd (ASX: OEL))	50%

Joint Venture Participants in Block 12B	Working Interest %
Tullow (Kenya) B.V. (Operator)	50%
Swala Energy (Kenya) Limited	50%