



SWALA ENERGY LIMITED
ACN 161 989 546

ASX Release (ASX: SWE)

21st October 2014

Corporate Update – Positioning to Drill

Swala Energy Limited ("Swala" or "the Company") will reach many milestones in 2015 and is pleased to provide an update on forthcoming activities in its latest Corporate Update set out in the attached.

A copy of the Corporate Update can be found at www.swala-energy.com.

Highlights

- **Possible Value Re-rating: in the first quarter of 2015 (Q1) the Company expects to issue guidance on the prospectivity of all three of its licenses located in Kenya and Tanzania which has the potential to lead to a value re-rating.**
- **Two main prospects alone (Ahero "A" and Kito) have estimated resources of 46-50mmbbls net to Swala.**
- **Three-well onshore drilling programme in 2015.**
- **Well placed to acquire more licences.**

For further information please contact:

Swala Energy Limited
David Mestres Ridge (CEO)
T: +61 8 6270 4700
david.mestres@swala-energy.com
www.swala-energy.com

Walbrook Investor Relations
Ben Knowles
T: +61 8 6189 2231
M: +61 426 277 760
ben.knowles@walbrookir.com.au

About Swala:

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 18,000km² in Kenya, Tanzania and Zambia. 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.

Swala Energy Limited

70C Kishorn Road, Mount Pleasant, WA 6153, Perth, Australia
Telephone: + 61 (0)8 6270 4700 Fax: + 61 (0)8 6314 4675 www.swala-energy.com

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Disclaimer

Certain statements contained in this presentation, including information as to the future financial or operating performance of Swala Energy Limited (“Swala” or “Company”) and its projects, are forward-looking statements. Such forward-looking statements:

- are necessarily based upon a number of assumptions and estimates that, while considered reasonable by Swala, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies;
- involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements; and
- may include, among other things, statements regarding targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources and anticipated flow rates, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.

Swala disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements made in this presentation are qualified by the foregoing cautionary statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to rely on forward-looking statements due to the inherent uncertainty therein.

Persons compiling information about hydrocarbons: In accordance with ASX Listing Rules, any geological or hydrocarbon reserves information in this presentation 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.

Opportunity Summary

- **SIGNIFICANT EXPOSURE TO THE EAST AFRICAN RIFT SYSTEM**
- **2014 DEVELOPMENTS INCLUDE**
 - **Identification of 10 leads and prospects in Block 12B**
 - **Identification of structures in the Pangani licence;**
 - **Identification of additional leads and prospects in the Kilosa-Kilombero licence;**
 - **One additional licence awarded and in good position to acquire more licences;**
 - **Two main prospects alone (Ahero "A" in Kenya and Kito in Tanzania) have estimated resources of 46-50mmbbls net to Swala.**
- **Planning and long-lead items sourcing commenced for 3 well onshore drilling programme in Kenya and Tanzania scheduled in 2015.**
- **Company value re-rating: In Q1 the Company expects to issue guidance on the prospectivity of all three of its Kenyan and Tanzanian licences.**

Capital structure

Capital Structure	
ASX Ticker	SWE
Shares on Issue	153,758,698 shares
SPP Shares expected (based on 20c issue price)	25,000,000 shares
Performance Shares ¹	15,000,000 performance shares
Options ²	8,700,000 options

⁽¹⁾ 5,000,000 Class B Performance Shares issued to the original vendors that will convert to Ordinary Shares if the definition of P50 Prospective Resources of 200MMstb recoverable oil is achieved; 10,000,000 Class A Performance Shares issued to the original vendors that will convert to Ordinary Shares on spudding of a well. ⁽²⁾ 8.7 million options (all exercisable at 30 cents), of which 8.0 million are escrowed to April 2015.

Board and Management	
Mr. Ken Russell	Non-Executive Chairman
Dr. David Mestres Ridge	Chief Executive Officer and Managing Director
Mr. Neil C. Taylor	Exploration Director
Mr. Mohammed Ishtiaq	Non-Executive Director
Mr. Peter Grant	Non-Executive Director
Mr. Ernest Massawe	Non-Executive Director

Net acreage of more than 18,000km²

12B

Operator: Tullow

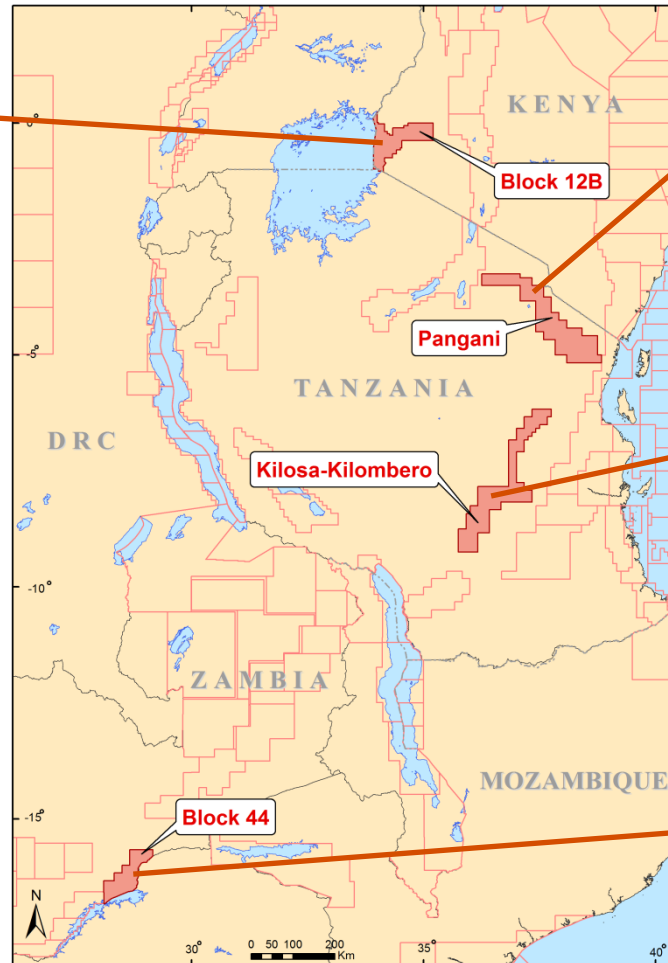
Swala interest: 25% net⁽¹⁾

Net acreage: 2,000 km² ⁽¹⁾

In the 3rd Contract Year. Prospects and leads identified and provisional drilling target selected. Drilling scheduled 2H 2015.



- (1) Subject to re-assignment of equity following CEPSA's withdrawal.
- (2) The net participating interest of Swala Energy Limited (SWE) is 93%.



Pangani

Operator: Swala Tanzania

Swala interest: 29.2% net

Net acreage: 4,993 km²

In the 3rd Contract Year. Seismic completed and currently being interpreted. Structures identified and drilling scheduled for 2H 2015.

Kilosa-Kilombero

Operator: Swala Tanzania

Swala interest: 29.2% net

Net acreage: 5,143 km²

In the 3rd Contract Year. Seismic survey commenced. Leads and prospects identified and drilling scheduled for 2H 2015.

Block 44

Operator: Swala Zambia

Swala interest: 100% net⁽²⁾

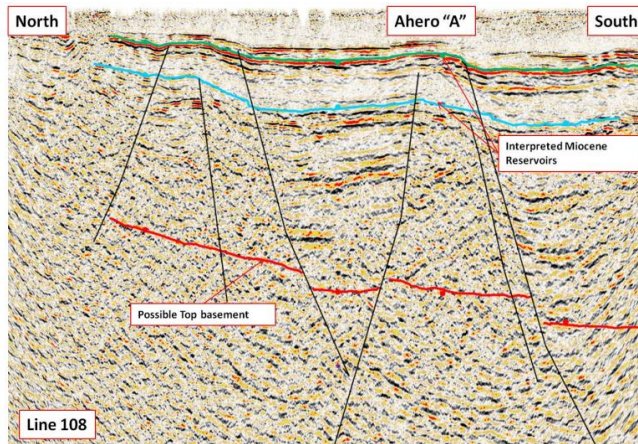
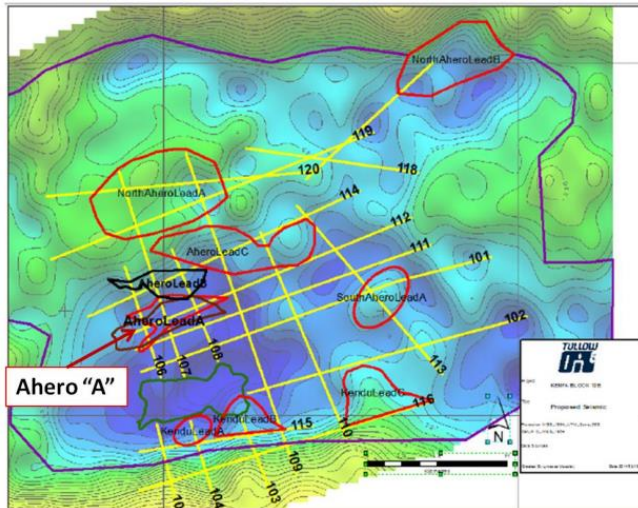
Net acreage: 6,000 km²

Currently collecting legacy data to assess large-scale structures identified by earlier work.

Swala's 2015 drilling program

2014			2015													
BLOCK 12B																
OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
Interpretation and evaluation.			Drilling planning and long-lead items.									Drilling.				
PANGANI																
OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
Processing		Interpretation and evaluation.			Drilling planning and long-lead items.						Drilling.					
KILOSA-KILOMBERO																
OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
Acquisition and Processing			Interpretation and evaluation.				Drilling planning and long-lead items.								Drilling.	

Ten leads and prospects identified in 12B



- Swala and Tullow carried out a 250km 2D seismic survey in 1H 2014.
- Initial interpretation has identified ten leads and prospects in the basin.
- Tullow has identified "Ahero A" prospect as first drill target for 2H 2015.
- There is estimated to be C50 resources of 44 mmbbls based on two Miocene reservoir targets with two to three reservoir layers.
- Interpretation continues to upgrade the lead and prospect portfolio.

12B: Unwinding the CEPSA farm-in

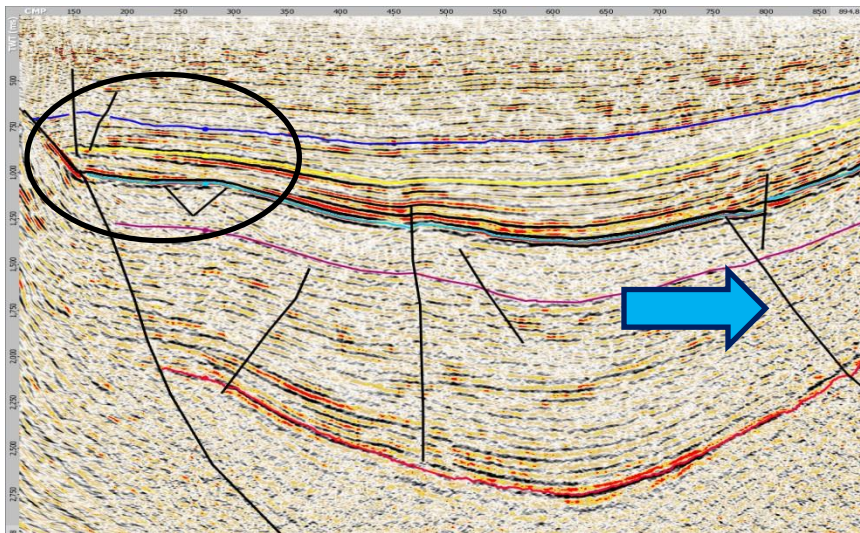
- **Swala announced the CEPSA farm-in on the 10th of March 2014 and confirmed satisfaction of all conditions precedent on the 23rd of June 2014. On the 21st of July 2014 Swala announced that CEPSA had decided to withdraw from the Block 12B licence.**
- **When CEPSA farmed into Block 12B in Kenya it acquired a 25% equity interest. Upon electing to withdraw from the licence CEPSA indicated it would return its equity interest in accordance with the terms of the Joint Operating Agreement, returning 8.33% equity to Swala and 16.67% to Tullow.**
- **Swala maintains that CEPSA is obliged to return the entire 25% to Swala in accordance with the terms of the Farm-Out Agreement ("FOA") made between Swala and CEPSA. Accordingly Swala maintains that CEPSA is in breach of its obligations under the FOA. On the 29 September 2014 Swala confirmed that it had started arbitration proceedings against CEPSA.**
- **The Company considers the arbitration – whilst necessary – to be peripheral to the main technical development of the licence.**

Kilombero: analogue to Lokichar basin

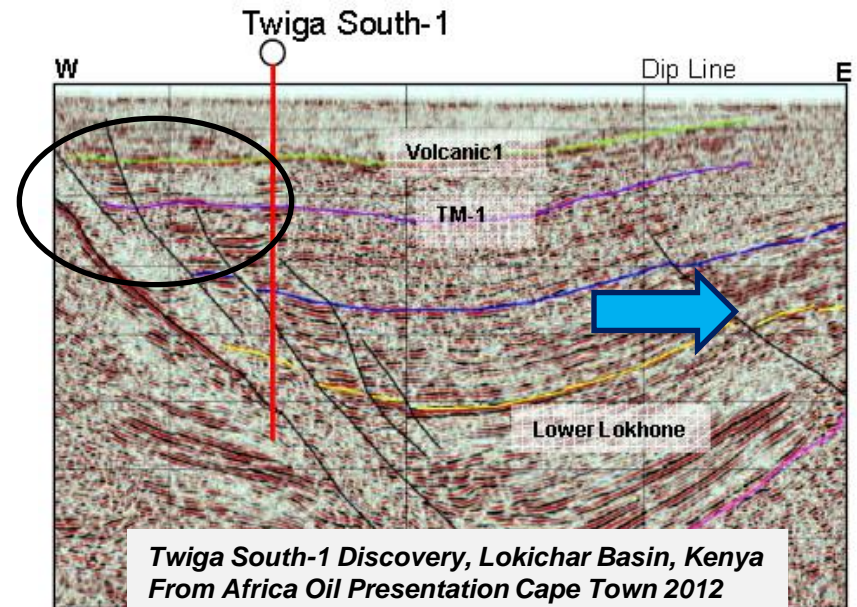
The Kilombero rift is potentially analogous to the highly successful Lokichar Basin, Kenya.

Kito already mapped as possible look-a-like hanging-wall roll-over structure identified (and drilled) in the Lokichar basin.

Age of sediment fill unknown in Kilombero basin. Low seismic stacking velocities suggest a young (Neogene to Recent) sedimentary fill, similar in age to the Lokichar basin and Lake Albert in Uganda



Seismic Line over Kito Prospect



Kito: resources

Yellow Horizon (mmstb)	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisks oil in place	153	387	862
Gross prospective unrisks oil resources ⁽¹⁾	42	112	269
Net of Government back-in rights ⁽²⁾	33.6	89.6	215.2
SOGTL (50%)	16.8	44.8	107.6
Net to Swala ⁽³⁾	9.8	26.2	62.8

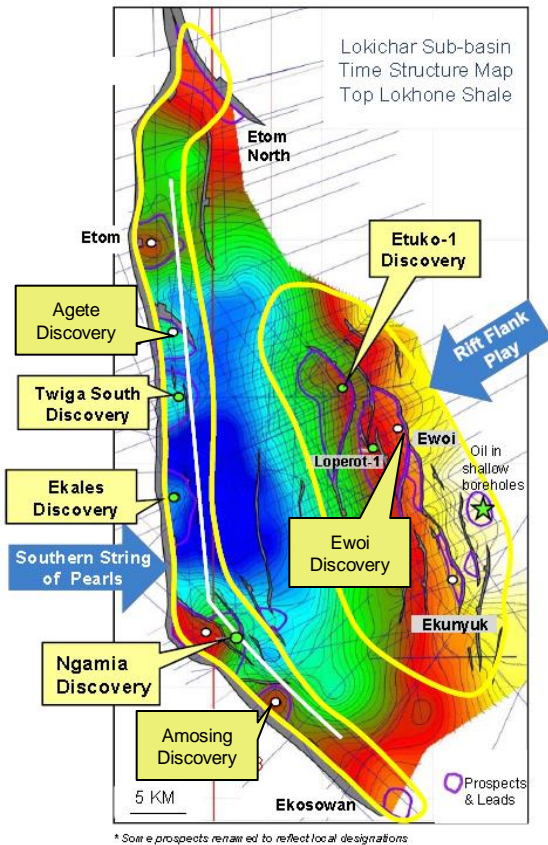
Blue Horizon (mmstb)	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisks oil in place	40	209	740
Gross prospective unrisks oil resources ⁽¹⁾	6	39	155
Net of Government back-in rights ⁽²⁾	4.8	31.2	124
SOGTL (50%)	2.4	15.6	62
Net to Swala ⁽³⁾	1.4	9.1	36.2

Combined (Yellow & Blue) (mmstb)	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisks oil in place	193	596	1,602
Gross prospective unrisks oil resources ⁽¹⁾	48	151	424
Net of Government back-in rights ⁽²⁾	38.4	120.8	339.2
SOGTL (50%)	19.2	60.4	169.6
Net to Swala ⁽³⁾	11.2	35.3	99

Recovery factor range used is 20% (P90) - 30% (P50) - 40% (P10) for the Yellow Horizon, and 10% (P90) - 20% (P50) - 30% (P10) for the Blue Horizon. (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) Limited ("SOGTL"). (Refer Swala's ASX announcement of the 11th December 2013 and RISC ITSR of the same date).

Kilombero: Focussed Seismic programme

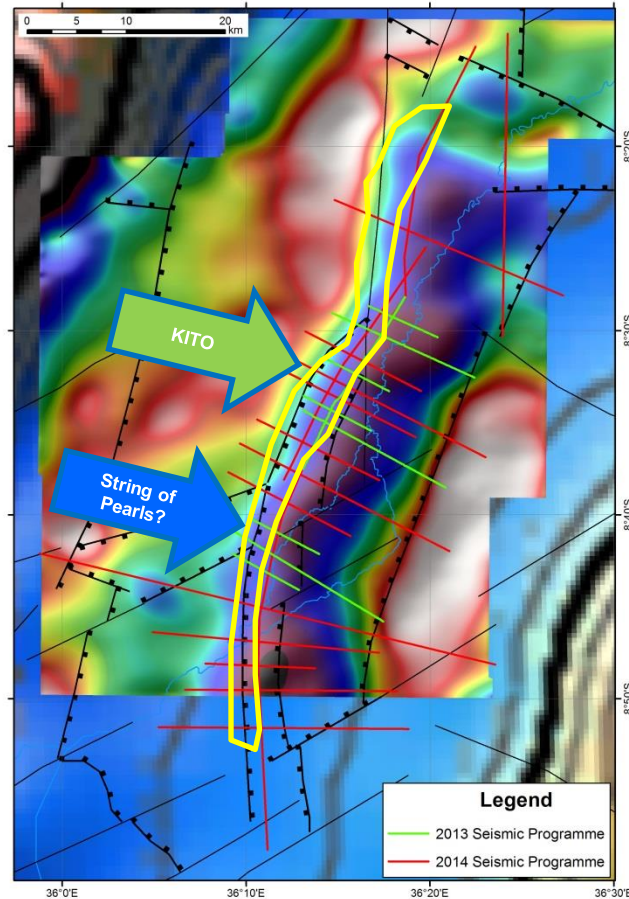
Lokichar



Lokichar Basin, Kenya

Source: Africa Oil Presentation Cape Town

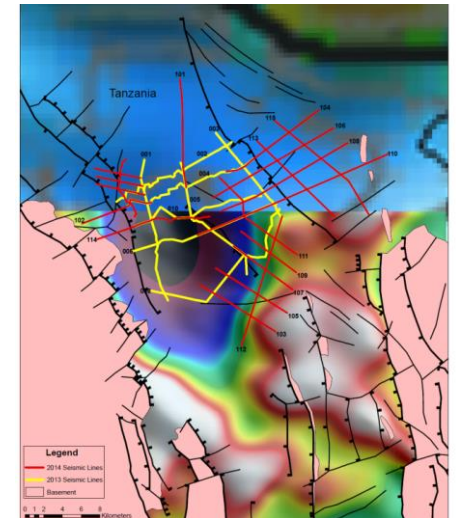
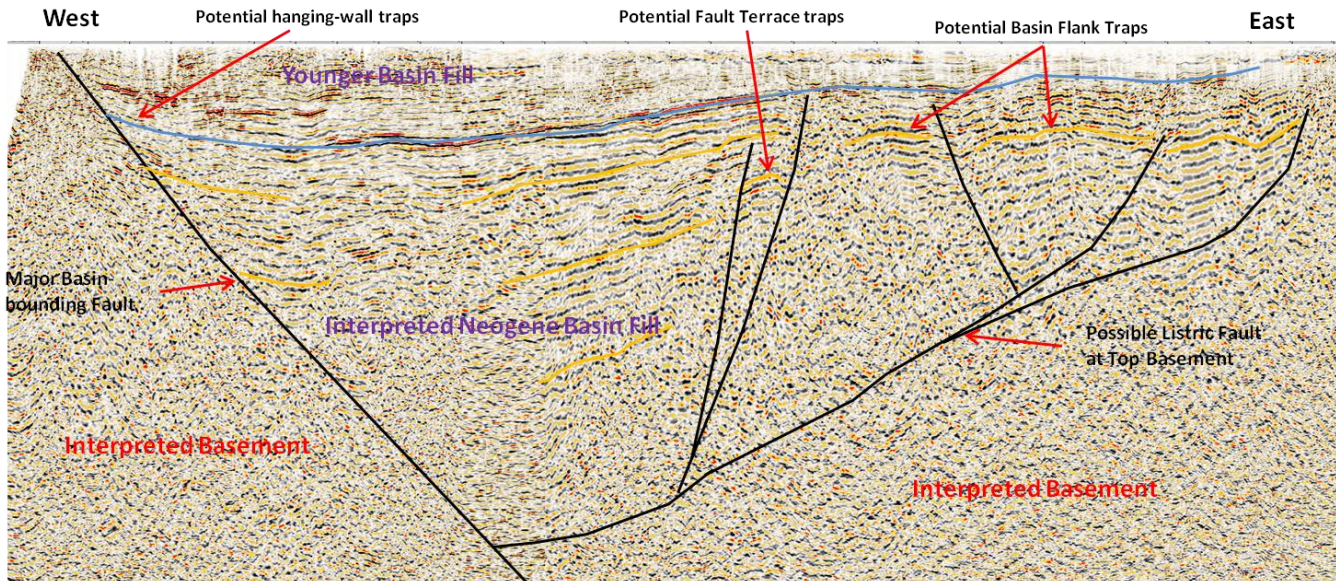
Kilombero



- Lokichar and Kilombero are approximately 80km long and 20-30km wide
- 2014 seismic to target the basin margins along length of basin to hopefully discover our own "String of Pearls"
- 430km seismic programme has just commenced.
- Western strike line expected to be completed end October 2014.
- Entire survey expected to be completed by end December 2014.

Pangani: interpreting structures

- 200km 2D seismic over Moshi Basin completed, to complement the 2013 data
- Data is being processed and early leads being worked as possible candidates for 2015 drilling program
- Probable Neogene or younger sediment fill ~3km deep



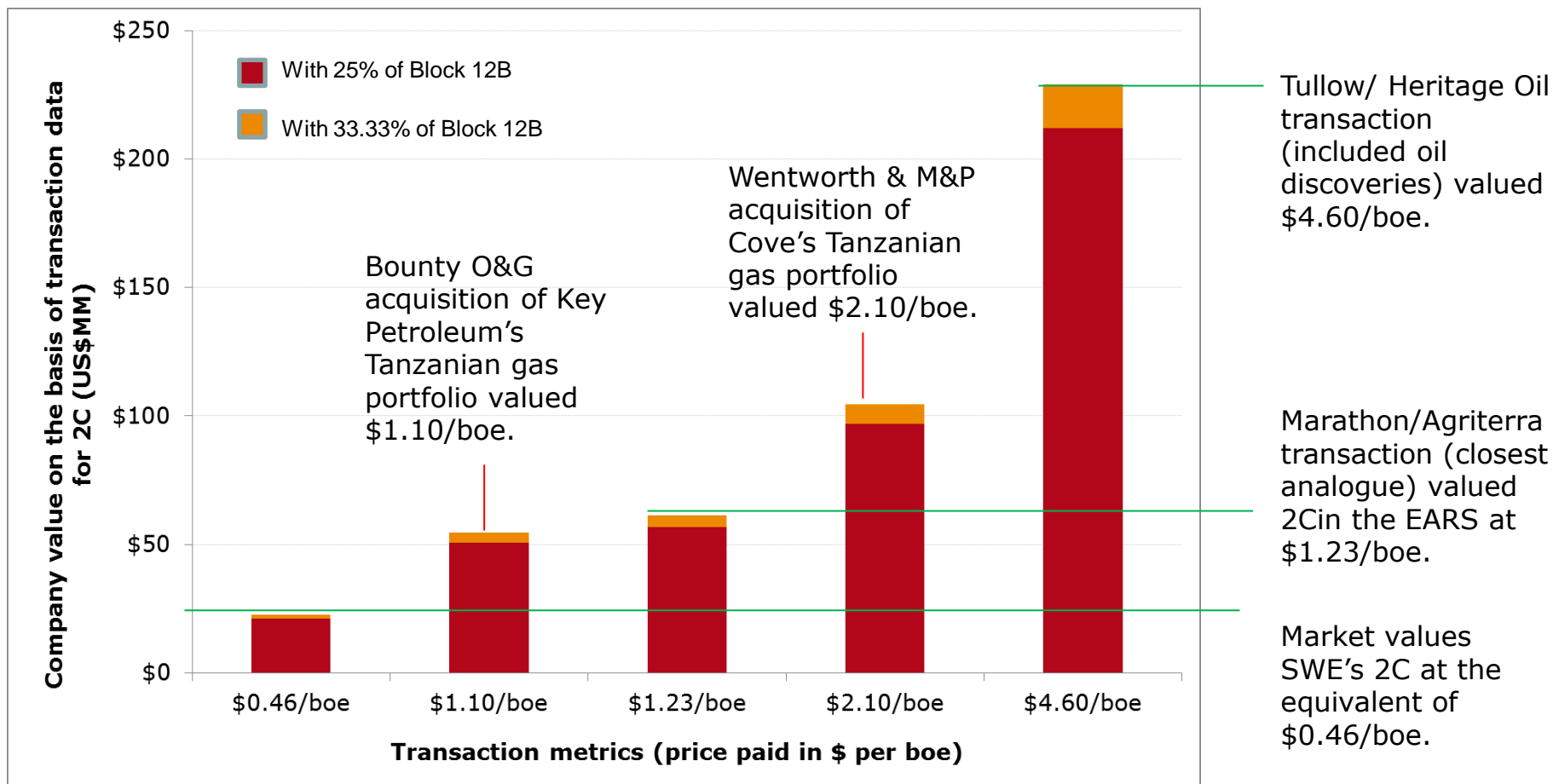
Listing is a successful first



The former President of Tanzania, H.E. Ali Hassan Mwinyi, ringing the bell at the IPO of Swala Oil & Gas (Tanzania) plc.

- **11th August 2014: Swala Oil and Gas (Tanzania) plc. became the first publicly-owned oil and gas company in East Africa with a successful listing on the Dar es Salaam Stock Exchange (DSE).**
- **A major step forward in providing local East Africans increased participation in their developing Oil and Gas Industry**
- **58.2% held by Swala Energy Limited (ASX:SWE).**
- **99 million shares listed on the Enterprise Growth Market (EGM) of the DSE at an IPO price of 500 TZS, currently trading at 2,090 TZS per share.**
- **Listing on the DSE shows the appetite for natural resources investing in East African markets.**

Mismatch to industrial valuations remains



Prospective and Contingent Resources

There is no certainty that any discovered resources referred to in this presentation will be commercially viable to produce. There is no certainty that any portion of the undiscovered resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Risks associated with discovering oil: The estimation of prospective resource volumes for high-risk and poorly calibrated basins can be subject to large variation from the introduction of new information. The estimates presented herein are based on all of the information available at the effective date of the resource estimate. New data or information is likely to have a material effect on the resource assessment values. Whilst additional exploration work will be undertaken, there is no certainty that any additional resources will be discovered. Once discovered, there is no certainty that the discovery will be commercially viable to produce any portion of the resources. It is likely that significant changes to the resource estimates will occur with the incorporation of additional data and information.

Risk Associated with the Estimates: In the event of a discovery, basic reservoir parameters, such as porosity, net hydrocarbon pay thickness, fluid composition and water saturation, may vary from those assumed by the Company's independent third party resource evaluator affecting the volume of hydrocarbon estimated to be present. Other factors such as the reservoir pressure, density and viscosity of the oil and solution gas/oil ratio will affect the volume of oil that can be recovered. Additional reservoir parameters such as permeability, the presence or absence of water drive and the specific mineralogy of the reservoir rock may affect the efficiency of the recovery process. Recovery of the resources may also be affected by well performance, reliability of production and process facilities, the availability and quality of source water for enhanced recovery processes and availability of fuel gas. There is no certainty that certain mineral interests are not affected by ownership considerations that have not yet come to light.

Substantial Capital Requirements: Swala expects to make significant capital expenditures for exploration activities in the future. The Company's ability to access the equity or debt markets may be affected by any prolonged market instability. The inability to access the equity or debt markets for sufficient capital, at acceptable terms and within required time frames, could have a material adverse effect on the Company's financial condition, results of operations and prospects.

Ability to Execute Exploration and Development Program: It may not always be possible for Swala to execute its exploration and development strategies in the manner in which the Company considers optimal. Execution of exploration and development strategies is dependent upon the political and security climate in the host countries where the Company operates and agreement amongst the Company joint venture partners. The Company's exploration and development programs in East Africa may involve the need to obtain approvals from relevant authorities who may require conditions to be satisfied or the exercise of discretion by the relevant authorities. It may not be possible for such conditions to be satisfied.

Absence of a Formal Development Plan including Required Funding: There is no certainty the Company will prepare and have approved a development plan for any portion of the contingent resources or that the Company will be successful in funding any development should such a plan be prepared. General market conditions, the sufficiency of such a development plan and the outlook regarding oil and gas prices are some factors that will influence the availability of funding or the Company's ability to attract oil and gas industry partners to participate in the project.

Access to Infrastructure: Currently there is limited local infrastructure for the production and distribution of oil and gas in the countries in which Swala operates. Export infrastructure to enable other markets to be accessed has not yet been developed and is contingent on numerous factors including, but not limited to, sufficient reserves being discovered to reach a commercial threshold to justify the construction of export pipelines and agreement amongst various government agencies regulating the transportation and sale of oil and gas.

Additional Risks: Additional risks associated with the estimate of the prospective and contingent resources include risks associated with the oil and gas industry generally (i.e. financing; operational risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections related to production; costs and expenses; health, safety, security and environmental risks; and the uncertainty of resource estimates), drilling equipment availability and efficiency, the ability to attract and retain key personnel, the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with dealing with governments and obtaining regulatory approvals, and the risk associated with international activities.



For further information please
contact:

Swala Energy Limited
David Mestres Ridge (CEO)
T: +61 8 6270 4700
david.mestres@swala-energy.com
www.swala-energy.com

Walbrook Investor Relations
Ben Knowles
T: +61 8 6189 2230
M: +61 426 277 760
ben.knowles@walbrookir.com.au