

ASX RELEASE

(ASX: SWE)

70C Kishorn Road
Mount Pleasant WA 6153
Australia

TEL +61 (0) 8 6270 4700
FAX +61 (0) 8 6314 4675
EML info@swala-energy.com

Swala Secures Funding for Up to US\$2,250,000

17 December 2014

Highlights

- **US\$2,250,000 Convertible Note Facility secured from US-based investment firm Magna**
- **Initial tranche of US\$750,000 available to the Company immediately**
- **Balance of funds available for drawdown over the subsequent two months at Swala's request.**
- **Funds will be used for ongoing development of current licenses and completion of the current work programme.**
- **Discussions with a third party with respect to farm-ins remain ongoing.**

Swala Energy Limited ("Swala" or the "Company") is pleased to announce that it has entered into a Convertible Note Facility (the "Facility") with Magna Equities II, LLC ("Magna"), a New York based investment firm, allowing for funding of up to US\$2,250,000 in tranches at the request of the Company, subject to certain equity conditions. The funding agreement will enable Swala to further advance its work requirements on its current licenses, complete the current work programme, and fund general and administrative costs.

The work on the current licences will include the preparation for drilling of Blocks 12B, Pangani and Kilombero. As the Company advised on the 29th October 2014 the seismic programme that is currently nearing completion in the Kilosa-Kilombero licence has already identified a string of potential prospects from which one or more drilling targets for 2015 will be identified. Field assessment is already underway to confirm the accessibility of potential drilling locations and Swala is in talks with other operators to coordinate planned drilling programmes with a view to reduce the potential overall drilling costs.

Under the terms of the Facility, Swala will receive US\$750,000 within 5 business days of closing. Subsequent funding of up to US\$750,000 per tranche is available at Swala's request and may be drawn down every 40 calendar days.

For each US\$1 Swala draws down the Company will issue Magna US\$1.05 in principal of Convertible Notes. The Convertible Notes have a 12-month maturity and can be converted into ordinary shares, subject to certain conditions, at any time during the term at a 15% discount from the lowest VWAP over the 5-day period prior to conversion, with a floor price equal to 25% from the lowest VWAP in the 5 trading days prior to the date of each draw down. Magna has agreed, as part of this transaction, to certain restraints with respect to its ability to sell shares.

An Appendix 3B for the first tranche of shares issued will be lodged with ASX upon receipt of the first US\$750,000.

The discussions with a third party regarding exclusive negotiations concerning possible farm-ins against a consideration payment, as announced on 2nd December, remain ongoing. Until such time as these discussions are concluded Swala will not refrain from discussions with other parties given the significant interest it has received to date.

Swala Energy CEO Dr. David Mestres Ridge commented: “The agreement with Magna gives Swala certainty and clarity as to the terms of funding which the Board felt the equity market was unable to provide at this time. This funding provides Swala with stability at an important time in the Company’s stage of development as we continue discussions with a potential farm-in partner.”

Magna founder and CEO Joshua Sason stated; “Magna is excited to partner with Swala to help realize the full potential of their energy assets throughout Sub-Saharan Africa. Our ongoing commitment to investing in the Australian market continues to provide us with new, exciting opportunities.”

For further information please contact:

Swala Energy Limited

Dr. David Mestres Ridge (MD & CEO)

TEL: +61 8 6270 4700

david.mestres@swala-energy.com

www.swala-energy.com

Walbrook Investor Relations

Mr. Ben Knowles

TEL: +61 8 6189 2230

MOB: +61 426 277 760

ben.knowles@walbrookir.com.au

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 18,800km² 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.

About Magna: Magna is a New York based investment firm. Its Equities platform directly invests into small cap and lower middle market public companies across all sectors and geographies. The company is recognised for its individualised approach to each relationship, and its commitment to the best interests of the portfolio company in every investment. Providing strategic support in addition to equity capital, Magna continues to be among the most active investors in its market segment. For more information, please visit www.mag.na.