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AGM Prepared Address by the Chairman and CEO

In accordance with ASX Listing Rule 3.13.3, Swala Energy Limited ("Company") (ASX: SWE) advises that the attached documents are the prepared addresses given by the Company's Non-Executive Chairman Mr Ken Russell, and the Company's CEO and Managing Director, Dr David Mestres Ridge, at the Annual General Meeting of the Company's shareholders to be held at 2:00pm today.

As we all know from the constant news barrage that we see daily, the resources sector is in major difficulties around the world. The oil and gas industries particularly are being hit with major projects being shelved and literally thousands of people within the industry being laid off. Today it doesn't matter whether you are a company the size of Swala or one of the mega companies, such as Shell, BP or Exxon, the impacts are being felt.

I read that 70 offshore projects worth in the region of 50 – 60 billion of dollars had been either cancelled completely or pushed out for a number of years.

It is in this market that it has been very hard for your company as we try to weather this tidal wave of change and I should point out in this early part of my speech that we should all be thankful to the company's personnel, in all disciplines, for the many hours of hard work they have been putting in for your company.

You will know from reading our last Quarterly Statement that Swala's overall funding position has been extremely difficult and the ability to raise further capital in this current market is a major impediment to the company's survival, to its ability to find new projects and its goal of bringing a cash flow source into the company.

I can assure you all that it has not been for want of trying either. You all know Swala's original focus area has been on East Africa and that is a very good thing in these times as a ready and still growing market for hydrocarbon products, such as diesel, MFO, and petrol to say nothing of the lub oils remains there as the vast majority of these items are imported into the country but, the reality is that we have to look further afield to find projects that are attractive to us and to the investment community and that importantly can provide us with a cash stream. Again, I can assure you our personnel have been casting their eyes over the globe looking for opportunities.

Having said all that, as we present to you today I can tell you that we are in discussions with a number of companies and individuals as to sourcing projects and sourcing of finance. What I cannot do is provide you with a guarantee of success with any of these initiatives. So we all need to understand there will likely be some hard decisions to be made in the near future if we cannot secure additional financing and we cannot get some designated cash flow coming into the company.

Swala has some prime acreage in the world of oil and gas, prime in the good times but also prime in the not so good times because we are in onshore areas, areas with low drilling and operating costs.

Our 12B permit in Kenya for instance, with Tullow as the operator has geology that mirrors what's been seen in the now famous Lokichar basin in the north of the country where in excess of 2 billion barrels of recoverable oil have been found. Its pleasing to be able to say that our own in house geological work on the recent seismic is enhancing our and the joint ventures overall view of the prospectivity of this block.

When drilled we believe production can be fast tracked from this area. The well drilling is vertical, again low cost. Successful wells can be put onto extended well test durations and that produced oil can provide income to the joint venture participants to ensure return of well costs early in the wells life and provide future early returns.

The low oil prices and the turmoil within the industry have allowed us to make an application for two very attractive areas in Uganda, again an area where substantial amounts of recoverable oil have been found. This is following action by your company reacting to a strange situation whereby in normal times (if I can call it that), i.e. when oil is in the \$80 – \$100 barrel region the large companies would have been all over these areas and a company such as Swala would not have had a chance to apply, but with the large companies reviewing everything they do due to their worldwide exposure, our geological team spotted an opportunity. The opportunity to acquire permits with known hydrocarbon structures, where we know one has been drilled already and oil was found. We are hoping to hear of the result of our applications in the not to distant future. The competition for these permits is mainly from smaller oil companies which we think increases our chance of potential award.

That's really the message that I and the Swala team are promoting. We are saying for instance to other companies who are looking for entry into the successful regions such as we are in, in East Africa, they should come and talk with us, we are saying to the investment community, we know it's extremely difficult for companies such as ourselves, but if you put that to one side for a moment then you start to see opportunities and these opportunities provide a means of making a return on your investment.

We have to source finance and source these opportunities to allow us to take advantage. It could well mean restructuring but if that allows us to then come out the other side of this turmoil in the industry with a strong and valuable portfolio of projects we will have a resilient company with good assets that can handle the future.

There are a few other positives that we inside and those outside of Swala should recognise. Tata Petrodyne, part of an Indian conglomerate, Tata Brothers, farmed into the Kilosa-Kilombero licence in Tanzania. That company was also looking for opportunities. They saw an opportunity and acted on it and have entered the East Africa region. They know and we know that India, close by Tanzania, will need a massive increase in its imports of oil in the coming years, where better to source it from but East Africa.

Now, as most of you will know, drilling of the joint ventures initial well at the Kito-1 location in Kiloso-Kilombero in Tanzania in the 3rd quarter of this year is being prepared and we have a team working on that now. That team is also taking advantage of the opportunities being found across the oil and gas industry to obtain lower drilling rig costs, lower equipment rental costs and lower service company costs.

That well is being free carried by Tata up to an amount of US$2.5 million dollars and, as is every company involved in oil and gas, we are constantly reviewing and sourcing less expensive equipment and reviewing methods of undertaking work with the intention of saving money.

Some of you will have heard me talk about the times when oil was at $10.00 a barrel, yes I know long ago, but what it shows is that companies still made a profit from it in those times. Maybe the technology was not as elaborate but results were still good and giant oil fields were found using that sometimes “crude” (pardon the pun) approach.

But, now turning away from drilling and production assets for a moment, you will have read about an ongoing legal dispute that has developed for Swala with Otto, one of the Joint Venture participants in Tanzania. It’s not my intention to go into great detail here today as it’s a matter being dealt with by our legal team but I will say we are working to resolve that matter whilst knowing that we always endeavour to conduct our business affairs in a professional and correct manner.

There are a number of presentations and company information readily available on our website at www.swala-energy.com which is always worth a revisit from time to time but as we move towards the commencement of the formal part of this meeting the message I would like you to leave here with after the meeting this afternoon is that yes, we all know it’s extremely difficult for those of us in the oil and gas industries at this time but it’s equally one of those industries that can throw up amazing opportunities that if we can take those and use to our advantage we can ensure the company’s future and potential for growth.

Please go to the next page for the CEO and Managing Director’s Address.

There are a number of initiatives in various stages of development that make it inappropriate to provide the sort of formal presentation we have given annually.

During the later part of 2015 we started a review of global opportunities. We also started the preparations for raising the equity that we thought we might need around now.

As we came into 2016 we set ourselves four main targets:

First, drill Kito. We are on track to do so. Our operations remain on schedule and slightly below budget. We are currently inspecting two rigs in East Africa and one in the USA, and are working with the roads authority in Tanzania to determine how best to get them to the site. We expect a decision on the drilling rig in the next couple of weeks. Our intention is to drill in September 2016, a 1000-metre well that we expect to take some three weeks to drill. As Ken has mentioned, this well is carried by TPL following their farm-in to the licence in 2015.

Second, grow the portfolio in Uganda. At the end of February 2016 we bid for two licences within the 2016 Ugandan licencing round. One is Kinywantaba. The other is Karuka-Taitai, a licence with two discoveries and a ready-made drilling pad prepared to test a third prospect. The licencing round is slightly behind schedule but we expect a decision on the awards in the coming weeks.

Thirdly, restructure. The corporate structure has now reached the point where we need to streamline it and make it more responsive. News of our plans led to conversations with a number of other companies seeing possible synergies between our intentions and theirs.

Lastly, get production. As Ken has mentioned, we started to look at assets worldwide during the later stages of 2015. We have looked at a range of projects over the last six months, are currently engaged in developing a number of potentially exciting opportunities. Discussions are positive but we are some way off any conclusion. Part of what I am doing in London is talking to financial institutions able to put together the sort of debt and equity package of the magnitude required.

We are at the mid-way point of 2016, and all these initiatives are progressing as planned. Discussions with a number of potential investors and other providers of funds are progressing both in London and East Africa. We are aware of the need to raise funds and are all focussed on doing so.

Thank you for listening.

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