

ASX RELEASE

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SWALA OBTAINS LICENCE EXTENSION TO PROGRESS DRILLING CAMPAIGN

Swala Energy Limited (“Swala” or “the Company”) is pleased to advise that the Tanzanian Ministry of Energy and Mining (“MEM”) has agreed to extend the period within which an exploration well must be drilled in each of the Kilosa-Kilombero and Pangani licences in Tanzania to the 20th February 2017. This one-year extension is to be deducted from the 4-year additional exploration extension period currently due to commence on 20th February 2016, resulting in the additional exploration period having a duration of three years.

Under the Production Sharing Agreements (“PSAs”) that govern activity on each of these two licences, the Joint Venture (“JV”) was originally obliged to drill an exploration well in each licence by the 20th February 2016. The JV carried out a seismic survey that was completed in December 2014 and in the same month the JV and the Tanzanian Petroleum Development Corporation (“TPDC”) agreed to carry out the processing and interpretation of the seismic data during the first half of 2015. This left relatively little time in which to confirm drilling locations and secure long lead-time items, and the JV therefore requested TPDC and MEM to allow it to complete its exploration drilling obligations in the next exploration phase. Both entities have now consented to this modification.

Dr. David Mestres Ridge, Swala CEO, said: “The joint venture has been actively preparing to drill the two licences and we are grateful to MEM and TPDC for their pragmatic flexibility in respect of the drilling timetable. In June, Swala Oil and Gas (Tanzania) plc appointed an Operations Manager with responsibility for the drilling campaign and it is in the process of engaging a consultant to carry out the Environmental Impact Assessments for the drill locations. In parallel, it has been further interpreting the seismic data so as to optimise those eventual drilling locations. The extension of the time limit for completing the exploration drilling allows the JV to continue its preparatory work with the comfort that all steps are being taken to maximise the chances of success and minimise costs whilst not compromising on either health, safety or environmental integrity.”

Joint Venture: Participants in the Kilosa-Kilombero and Pangani Licences	Participating Interest %
Swala Oil and Gas (Tanzania) Plc (Operator)	50%
Otto Energy (Tanzania) Pty Ltd (Subsidiary company of Otto Energy Ltd (ASX: OEL))	50%

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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 14,000km² in Kenya and Tanzania. 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.