

Swala Confirms Prospective Resources in Kilombero

Swala Oil & Gas (Tanzania) Limited (“Swala” or “the Company”) is pleased to announce that RISC Operations Pty Ltd (“RISC”), an independent petroleum advisory firm, have completed their review of the resource potential of the Kito prospect in the Kilombero Basin, located within the Kilosa-Kilombero licence in southern Tanzania. Swala has direct 50% interest in, and is operator of, the licence. Net unrisks prospective resources allocated to the Swala indirect interest range from 19.2 million stock tank barrels (“mmstb”)(P90) to 169.6 mmstb (P10).

The Kito prospect was identified from the results of the recently-completed seismic survey that Swala and its joint venture partner, Otto Energy (Tanzania) Pty Ltd (“Otto”) carried out over a 20km section of the 80km-long Kilombero Basin, as announced on the 8th November 2013. Kito is sufficiently large to have been intersected by a sufficient number of seismic lines to enable a resource assessment to be performed.

RISC identified two main potential reservoir horizons, ‘Yellow’ and ‘Blue’.

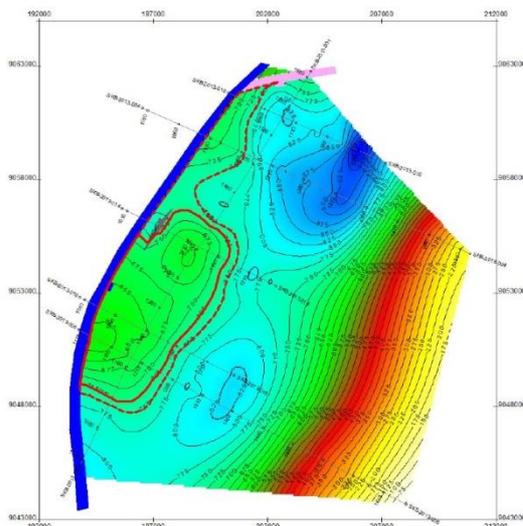


Figure 1. Yellow Horizon – possible top shallow reservoir, with P50 and P10 closures.

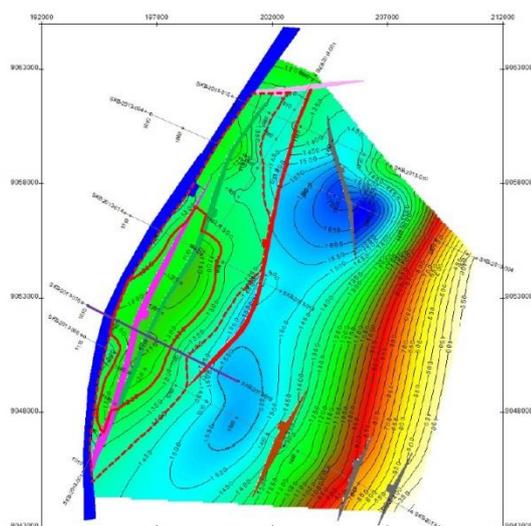


Figure 2. Blue Horizon – possible top deep reservoir, with P50 and P10 closures.

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

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

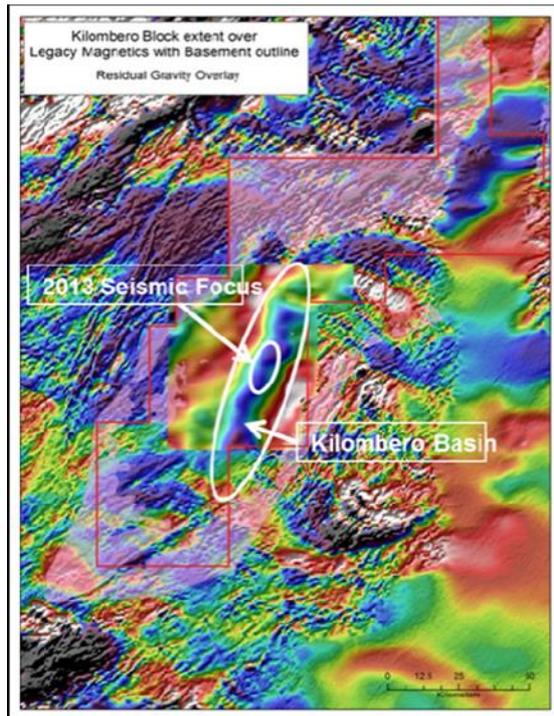
Combined (Yellow + Blue)	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisks oil in place	193 mmstb	596 mmstb	1,602 mmstb
Gross prospective unrisks oil resources ⁽¹⁾	48 mmstb	151 mmstb	424 mmstb
Net of Government back-in rights ⁽²⁾	38.4 mmstb	120.8 mmstb	339.2 mmstb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

⁽¹⁾ 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.

Under the terms of the Petroleum Sharing Agreement between SOGTL, the Tanzanian Petroleum Development Corporation (TPDC), and the Government of Tanzania, the joint venture partners are obliged to carry out in 2014 either another 2D seismic survey totalling 500 line kilometres or to drill one well. The joint venture is in the process of discussing with TPDC the possibility of focusing its 2014 activities over the Kito area with the aim of fast-tracking the prospect to the drilling phase.

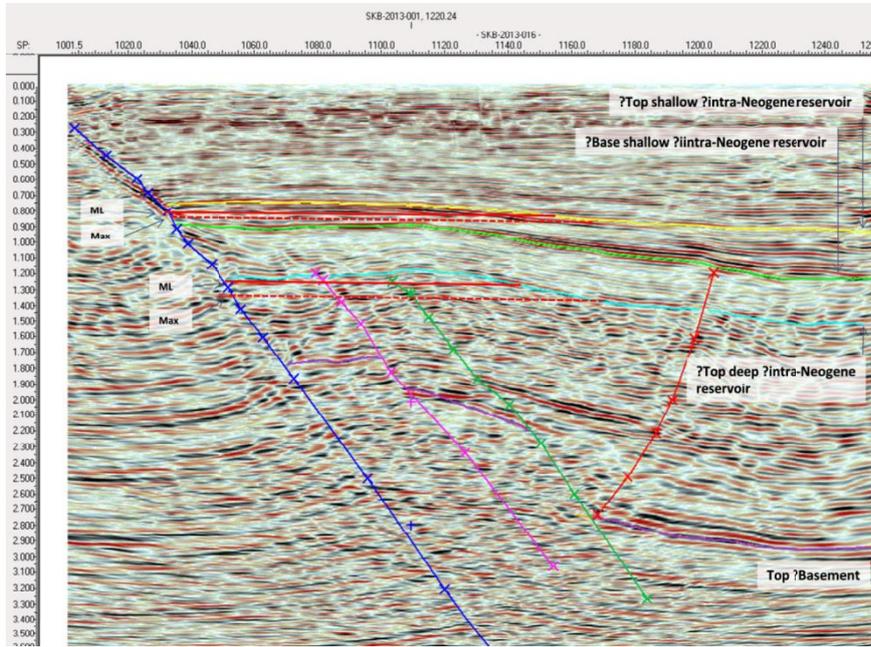
Figure 3. Extent of the Kilombero Basin.



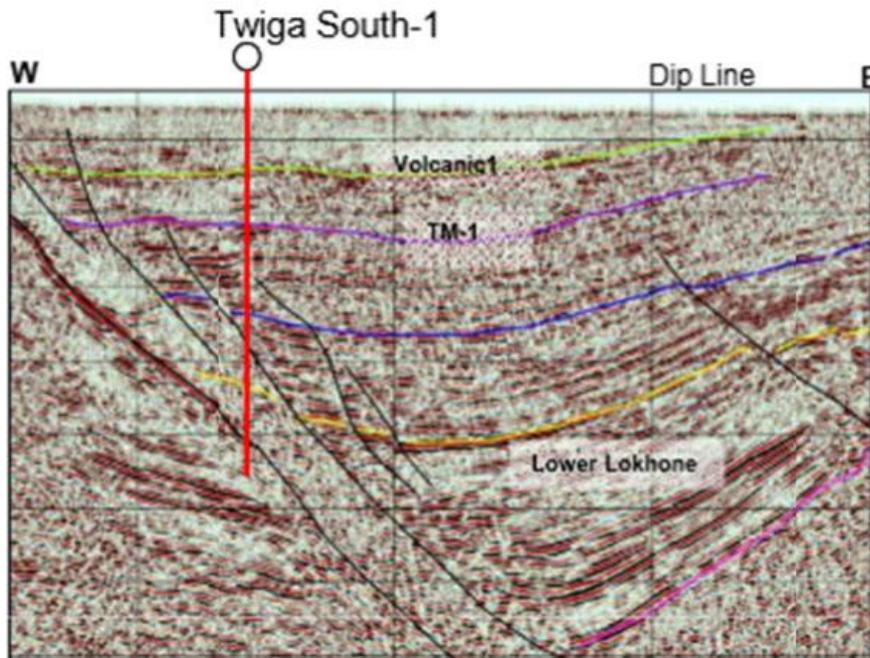
As previously reported, initial results also suggest the presence of a thick, Neogene-age basin with a maximum depth to basement in excess of 3,000m. The age of the sediments recorded (based on low seismic velocities) appears to be similar to that of sediments observed in the now proven oil basins of Lokichar (Kenya), and Lake Albert (Uganda), where Africa Oil (TSX.V:AOI) and Tullow Oil (LSE:TLW) have had significant success. The Kilombero Basin is approximately 100km long and about 20km wide and is comparable in length to the Lokichar Basin in Kenya (approximately 150km long and 25-30km wide). The 2014 work programme intends to add the joint venture's understanding of the unexplored portions of the basin, where additional prospectivity against the basin bounding fault is expected.

Figure 4. Kilombero basin exhibits trapping geometries comparable to those in Lokichar.

(a) Kilombero Basin.



(b) Lokichar Basin (from AOI presentation)



Dr. David Mestres Ridge (CEO) said, “We are very pleased with the fact that the seismic work in Kilombero identified such a significant structure as Kito. We are also encouraged by the fact that, with only one quarter of the basin surveyed and, additional leads that were not addressed in RISC’s assessment, there remains considerable potential within the Kilombero basin that the joint venture will commence addressing in the coming year.”

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About Swala:

Swala is an affiliated company to Swala Energy Limited, a company in turn listed on the Australian Stock Exchange (ASX) with ticker “SWE”. Swala holds assets in the world-class East African Rift System with a total net land package in excess of 17,500km². New discoveries have been announced by industry participants in a number of licences along this trend, including Ngamia and Twigga, which extend the multi-billion barrel Albert Graben play so successfully developed by Tullow Oil into the eastern arm of the rift. Swala has an active operational and business development programme to continue to grow its presence in the hydrocarbon provinces of East Africa.