SWALA ENERGY LIMITED

(Subject to Deed of Company Arrangement)
ACN 161 989 546

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2016

Directors' Report

The Directors present their Report, together with the financial statements, on the consolidated entity ("consolidated entity") consisting of Swala Energy Limited (subject to Deed of Company Arranagement) ("Company") and the entities it controlled ("Swala Energy", "Swala" or "Group") for the half year ended 30 June 2016.

DIRECTORS

The following persons were Directors of the Company during or since the year end and up to the date of this Report:

Mr Kenneth (Ken) Russell	Non-Executive Chairman	Appointed 17 January 2013
Mr Stephen Hewitt-Dutton	Non-Executive Director	Appointed 27 April 2017
Mr Sean McCormick	Non-Executive Director	Appointed 27 April 2017
Mr John Gilfillan	Non-Executive Director	Appointed 27 April 2017
Mr Mohammed Ishtiaq	Non-Executive Director	Appointed 8 August 2014
Former directors		
Dr David Mestres Ridge	CEO & Managing Director	Appointed 17 January 2013 Resigned 5 September 2016
Mr Ernest Massawe	Non-Executive Director	Appointed 17 January 2013 Resigned 20 April 2016
Mr Peter Grant	Non-Executive Director	Appointed 6 June 2013 Resigned 27 April 2017
Mr Frank Moxon	Non-Executive Director	Appointed 22 June 2015 Resigned 27 April 2017

PRINCIPAL ACTIVITIES

During the half year, the Group's operations were principally concerned with the exploration for hydrocarbons in Tanzania and Kenya with the completion of its operated seismic acquisition programme onshore Tanzania, technical review and processing of the seismic data in Kenya and preparation of the drilling programme in Tanzania.

INCOMPLETE RECORDS

On 24 June 2016 the Board resolved to place the Company into Voluntary Administration and appointed James Thackray of HQ Advisory as Administrator of the Company.

Following appointment of the administrator, the powers of the Company's officers (including directors) were suspended and the administrator assumed control of the Company's business, property and affairs.

The financial report has been prepared by the Directors. The newly appointed Directors were appointed on 27 April 2017 and were not in office for the periods presented in this report, nor were they parties involved with the Company and did not have oversight or control over the group's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. Mr Ken Russell is a Non-Executive Chairman and did not have oversight or control over the group's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. Mr Mohammed Ishtiaq is a Non-Executive Director of the Company. The Administrator and former directors have made numerous attempts to contact Mr Ishtiaq and received no response. In addition, as the Administrator was only appointed to Swala Energy Limited the Directors have not been able to source detailed financial records for subsidiary companies. Accordingly the consolidated financial report has been prepared based on limited financial information only which was available to the Directors through the Administrator, or in the case of Swala Oil and Gas (Tanzania) PLC, from public records.

Reasonable effort has been made by the Directors to ascertain the true position of the Company as at 30 June 2016.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the accounting system. However, there may be information that the current Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state that this financial report gives a true and fair view of the Group's financial position as at 30 June 2016 and for the period then ended.

OPERATING RESULTS

Net operating profit after tax for the half year ended 30 June 2016 was $1,589,577 (2015: net loss $2,846,334).

REVIEW OF OPERATIONS

During the period Swala continued to progress its various project areas.

In Tanzania, Swala and its JV partners continued with planning for the Kito-1 well. This included a preliminary review of suitable drill rigs. Tender documents were issued to 4 candidates.

Swala has been working closely with Tullow Oil Plcto improve the quality of the 2D seismic data below the basalt layers on Block 12B in Kenya.

Swala also prepared and submitted 2 onshore licence applications in Uganda.

On 30 March 2016 the Company issued 5,000,000 Ordinary Shares pursuant to the conversion of Class B Performance Shares. On 12 April 2016 the Company issued 9,958 Ordinary Shares pursuant to the conversion of Class A Performance Shares. The performance shares were originally issued when the Company was first listed in 2013.

On 21 April 2016 the Company's securities were voluntarily suspended from trading on the ASX whilst the Company considered a simplification of its corporate structure.

On 24 June 2016 the Directors placed the Company in Voluntary Administration, appointing Mr James Thackray of HQ Advisory Administrator of the Company.

On 18 October 2016 at the second meeting of creditors a resolution was passed approving the Company entering into a Deed of Company Arrangement ("DOCA") to facilitate the recapitalisation of the Company. The DOCA was executed by the Company on 21 October 2016. The principal features of the recapitalisation under the terms of the DOCA are:

Recapitalisation

- Capital Consolidation - The Company's securities being consolidated on a 1:120 basis;
- Issue of Securities under the Proponent Placement - The issue of 750,000 fully paid ordinary shares (post consolidation) for $0.02 per share, together with 9 free attaching options for each share issued to participants in the proponent raising, exercisable at $0.04 and expiring 4 years from the date of their issue;
- Conversion of Convertible Notes - The issue of 37,500,000 (post consolidation) new shares arising on the conversion of the convertible notes;
- Payments to the Deed Administrator – In accordance with the DOCA, transfer of the Company's assets and the amount of $500,000 from the capital raisings to the Deed Administrators to be applied to the trust fund; and
- Forgiveness of Claims - The release of all existing claims against the Company with creditors' claims to be satisfied from the Creditors' trust fund in accordance with the terms of the DOCA and the Creditors Trust Deed.

Acquisition

- Issue of 203,124,999 (post consolidation) shares as consideration for the acquisition of Symbol Mining Corporation Pty Ltd and the issue of 25,000,000 shares (post consolidation) to the Symbol Noteholders;
- Issue of Shares under Prospectus - The issue of 140,000,000 fully paid ordinary shares (post consolidation) by means of a public offer at four cents per share to raise $5,600,000 under a prospectus.
- Issue of 11,500,000 (post consolidation) Shares to Trident Capital for services in relation to the recapitalisation and Symbol transaction;
- Issue of 20,000,000 Promoter Options to Argonaut for services in relation to the recapitalisation and Symbol transaction, exercisable at $0.06 and expiring on 31 December 2018;
- Issue of 50,000,000 shares (post consolidation) to Noble Resources under the Debt Repayment Agreement between it and Symbol Mining;
- Appointment of Directors - Appointment of new Directors and Company Secretary;
- Right for Directors to apply for Shares - The right of the directors to participate in the public issue;
- A change to the nature and scale of activities of the Company in accordance with ASX Listing Rule 11.1.2;

Significant changes in the state of affairs

On 21 April 2016 the Company's securities were voluntarily suspended from trading on the ASX whilst the Company considered a simplification of its corporate structure.

On 24 June 2016 the Directors placed the Company in Voluntary Administration, appointing Mr James Thackray of HQ Advisory Administrator of the Company. The effect of the Administration of the Company is that control of all of the Company's assets now rests with the Administrator.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters Subsequent to the End of the Half Year

On 18 October 2016 at the second meeting of creditors a resolution was passed approving the Company to enter into a Deed of Company Arrangement ("DOCA") to facilitate the recapitalisation of the Company. The DOCA was executed by the Company on 21 October 2016.

Other than as disclosed above in the Review of Operations, there are no other matters subsequent to the end of the half year.

Likely developments and expected results

In accordance with the terms of the DOCA, the Company is currently preparing a prospectus for the issue of 140,000,000 fully paid ordinary shares by means of a public offer at four cents per share to raise $5,600,000 in conjunction with completion of the acquisition of Symbol Mining Corporation Pty Ltd.

Funds raised under the prospectus will be used to pay the costs of the Recapitalisation Proposal, repayment of debt, exploration of the Symbol Mining projects and working capital.

Once completed, the Company will seek reinstatement to the Official List of the ASX.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 5. This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

On behalf of the Directors

S. McCormick

Mr Sean McCormick
Non-Executive Director

Dated this day of 27 April 2017

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF SWALA ENERGY LIMITED

As lead auditor for the review of Swala Energy Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Swala Energy Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 27 April 2017

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 30 June 2016

	Notes	2016 $	2015 $
REVENUE			
Other income	3	283,496	2,625
EXPENSES			
Other expenses		**(430,878)**	(326,814)
Exploration and evaluation expense		**(715,544)**	(1,487,381)
Depreciation and amortisation expense	6	**(7,790)**	(12,349)
Share based payment		**(175,349)**	-
Employee benefits expense		**(542,491)**	(832,241)
Movements in fair value of financial instruments		-	(190,174)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		**(1,588,556)**	(2,846,334)
Income tax expense		**(1,021)**	-
PROFIT/(LOSS) AFTER INCOME TAX EXPENSE FOR THE PERIOD		**(1,589,577)**	(2,846,334)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(5,101)**	(403,480)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(1,594,678)**	(3,249,814)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO:			
Owners of Swala Energy Limited		**(1,322,571)**	(2,342,328)
Non-controlling interests		**(267,006)**	(504,006)
		(1,589,577)	(2,846,334)
TOTAL COMPREHENSIVE PROFIT/(LOSS) IS ATTRIBUTABLE TO:			
Owners of Swala Energy Limited		**(1,285,510)**	(1,587,172)
Non-controlling interests		**(309,168)**	(1,662,642)
		(1,594,678)	(3,249,814)
EARNINGS/(LOSS) PER SHARE FROM CONTINUED OPERATIONS:		**Cents**	Cents
Basic profit/(loss) per share		**(0.98)**	(1.82)
Diluted profit/(loss) per share		**(0.98)**	(1.82)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2016

	Notes	30 June 2016 $	31 December 2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**408,352**	1,714,831
Trade and other receivables	5	**805,253**	1,005,797
TOTAL CURRENT ASSETS		**1,213,605**	2,720,628
NON-CURRENT ASSETS			
Property, plant and equipment	6	**72,673**	79,771
TOTAL NON-CURRENT ASSETS		**72,673**	79,771
TOTAL ASSETS		**1,286,278**	2,800,399
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	**1,147,128**	1,300,041
Income tax		**4,299**	28,851
Other liabilities	8	**263,983**	181,310
TOTAL CURRENT LIABILITIES		**1,415,410**	1,510,202
TOTAL LIABILITIES		**1,415,410**	1,510,202
NET ASSETS/(NET ASSET DEFICIENCY)		**(129,132)**	1,290,197
EQUITY			
Issued capital	9	**28,164,098**	27,988,749
Reserves	10	**4,311,140**	4,274,079
Non-controlling interests		**(2,592,649)**	(2,283,481)
Accumulated losses		**(30,011,721)**	(28,689,150)
TOTAL EQUITY/(DEFICIENCY) IN EQUITY		**(129,132)**	1,290,197

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the half year ended 30 June 2016

	Notes	Share Capital $	Reserves $	Accumulated Losses $	Sub-Total $	Non-Controlling Interests $	Total Equity $
Balance 1 January 2015		27,442,440	3,007,704	(28,175,923)	2,274,221	(3,330,965)	(1,056,744)
Loss for the period		-	-	(2,342,328)	(2,342,328)	(504,006)	(2,846,334)
Other comprehensive income		-	755,156	-	755,156	(1,158,636)	(403,480)
Total comprehensive loss for the year		-	755,156	(2,342,328)	(1,587,172)	(1,662,642)	(3,249,814)
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests		-	-	-	-	-	-
Issue of share capital	9	504,010	-	-	504,010	-	504,010
Share issue costs	9	-	-	-	-	-	-
Reserves	10	-	-	-	-	-	-
Balance 30 June 2015		27,946,450	3,762,860	(30,518,251)	1,191,059	(4,993,607)	(3,802,548)
Balance 1 January 2016		**27,988,749**	**4,274,079**	**(28,689,150)**	**3,573,678**	**(2,283,481)**	**1,290,197**
Loss for the period		**-**	**-**	**(1,322,571)**	**(1,322,571)**	**(267,006)**	**(1,589,577)**
Other comprehensive income		**-**	**37,061**	**-**	**37,061**	**(42,162)**	**(5,101)**
Total comprehensive loss for the year		**-**	**37,061**	**(1,322,571)**	**(1,285,510)**	**(309,168)**	**(1,594,678)**
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**
Issue of share capital	9	**175,349**	**-**	**-**	**175,349**	**-**	**175,349**
Share issue costs	9	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	10	**-**	**-**	**-**	**-**	**-**	**-**
Balance 30 June 2016		**28,164,098**	**4,311,140**	**(30,011,721)**	**2,463,517**	**(2,592,649)**	**(129,132)**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the half year ended 30 June 2016

	Notes	**30 June 2016 $**	30 June 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,074,937)**	(1,086,498)
Payments for exploration and evaluation		**(796,530)**	(1,493,334)
Reimbursement of past exploration and evaluation costs		**564,340**	-
Interest received		**648**	2,625
Net cash (used)/provided in operating activities	12	**(1,306,479)**	(2,577,207)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		**-**	(7,568)
Net cash provided by/(used in) investing activities		**-**	(7,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing of shares		**-**	-
Proceeds from borrowings		**-**	702,844
Repayment of borrowings		**-**	(63,900)
Net cash (used in)/provided by financing activities		**-**	638,944
Net increase/(decrease) in cash held		**(1,306,479)**	(1,945,831)
Cash at beginning of financial year		**1,714,831**	2,348,931
Cash and cash equivalents at end of financial year	4	**408,352**	403,100

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and Forming Part of the Financial Statements
for the half year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement of the Australian equivalents to International Financial Reporting Standards (“AIFRS”), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

This report should be read in conjunction with any public announcements made by Swala Energy Limited during the entire reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The consolidated financial statements comprise the financial statements of Swala Energy Limited and its subsidiaries. Subsidiaries are all those entities over which the Group has both the power and the rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

b) Incomplete records

On 24 June 2016 the Board resolved to place the Company into Voluntary Administration and appointed James Thackray of HQ Advisory as Administrator of the Company.

Following appointment of the Administrator, the powers of the Company's officers (including directors) were suspended and the Administrator assumed control of the Company's business, property and affairs.

The financial report has been prepared by the Directors. The newly appointed Directors were appointed on 27 April 2017 and were not in office for the periods presented in this report, nor were they parties involved with the Company and did not have oversight or control over the group's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. Mr Ken Russell is a Non-Executive Chairman and did not have oversight or control over the group's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. Mr Mohammed Ishtiaq is a Non-Executive Director of the Company. The Administrator and former directors have made numerous attempts to contact Mr Ishtiaq and received no response. In addition, as the Administrator was only appointed to Swala Energy Limited the Directors have not been able to source detailed financial records for subsidiary companies. Accordingly the consolidated financial report has been prepared based on limited financial information only which was available to the Directors through the Administrator, or in the case of Swala Oil and Gas (Tanzania) PLC, from public records. Reasonable effort has been made by the Directors to ascertain the true position of the Company as at 30 June 2016.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts.

These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state that this financial report gives a true and fair view of the Group's financial position as at 30 June 2016 and for the period then ended.

c) Going Concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a net loss of $1,589,577 for the half year ended 30 June 2016 (2015: loss $2,846,334).

The Directors believe it is appropriate to prepare these accounts on a going concern basis because once the DOCA is effectuated it will extinguish all liabilities associated with the previous operations of the Company.

A condition precedent to the effectuation of the DOCA, among others, is the Company receiving Shareholder approval to raise $765,000 (the “Recapitalisation”). $500,000 of the Recapitalisation funds will be used to establish a Creditors’ Trust. The remaining funds to be used to pay expenses of effectuating the DOCA and to undertake the acquisition of Symbol Mining Pty Ltd pursuant to a prospectus to raise $5,600,000 which will enable the Company to be reinstated to trading on ASX (the “Transaction”). In the event that the Recapitalisation is completed but the Transaction does not complete for any reason then the Company will remain suspended from trading on ASX while the Company seeks an alternative transaction.

The projected use of the funds raised indicates that the Company will have sufficient cash to meet all commitments and working capital requirements for a period of at least 12 months from the signing of this financial report. The Directors are also confident that all necessary regulatory approvals and requirements will be met to enable the Company to complete the Recapitalisation and the Transaction and be re-instated on the ASX. Accordingly, the Directors are satisfied that the going concern basis of preparation is appropriate.

Should the Company not complete the Recapitalisation, there is significant uncertainty whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

No adjustments have been made in relation to the recoverability of assets and classification of liabilities that might be necessary should the Group not continue as a going concern.

d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Swala Energy Limited and its subsidiaries. Subsidiaries are all those entities over which the Group has both the power and the rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position respectively.

As detailed in note 1b) the Administrator appointed on 24 June 2016 was only appointed to Swala Energy Limited the directors have not been able to source detailed financial records for subsidiary companies.

e) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Reference	Title	Summary	Application date	Expected Impact
AASB 2016-1	*Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Tax Losses*	Clarifies four issues with respect to recognising deferred tax assets (DTAs) for unrealised tax losses: • If all other recognition criteria are met, DTAs must be recognised for the deductible temporary difference between the fair value and tax base on fixed rate debt instruments that are not deemed to be impaired. • Deductible temporary differences must be compared to taxable profits of the same type (e.g. capital or revenue profits) to determine whether there are sufficient taxable profits against which the deductible temporary differences can be utilised. • When comparing deductible temporary differences against the amount of future taxable profits, the calculation of future taxable profits must exclude tax deductions resulting from the reversal of those deductible temporary differences. • The estimate of future taxable profits can include recovery of certain assets at amounts more than their carrying amount if there is enough evidence that it is probable that the entity will recover the asset for more than its carrying amount. Examples would include: o Property measured using cost model for which an	Financial years beginning on or after 1 January 2017	No expected impact

Reference	Title	Summary	Application date	Expected Impact
		external valuation has been conducted ○ Fixed rate debt instruments held to maturity.		
AASB 15	*Revenue from Contracts with Customers*	This Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	Financial years beginning on or after 1 January 2018	The company has not yet made an assessment of the impact of this standard
AASB 16	Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	Financial years beginning on or after 1 January 2019	The company has not yet made an assessment of the impact of this standard
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new standard which Replaces AASB 139. This new version supersedes AASB issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.	Financial years beginning on or after 1 January 2018	No expected impact. The company does not have any hedging arrangements in place.

Notes to and Forming Part of the Financial Statements
for the half year ended 30 June 2016

2. SEGMENT INFORMATION

The Group operated in one geographical segment for the half year ended 30 June 2016.

The Group operates in the oil and gas exploration industry in Sub-Saharan Africa. For management purposes, the Group is organised into one main operating segment which involves the exploration of oil and gas in Africa. All of the Group's activities are interrelated and discrete financial information is reported to the board as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results in this segment are equivalent to the financial statements of the Group as a whole.

3. OTHER INCOME	30 June 2016 $	30 June 2015 $
Interest Received	**648**	2,625
Consideration from farm-out transactions [1]	**282,848**	-
	283,496	2,625

1 Consideration from farm-out transactions represents 25% carried interest from Tata Petrodyne Limited pursuant to Article 4.1 of the Kilosa Kilombero farm-out agreement completed in October 2015.

4. CASH AND CASH EQUIVALENTS	30 June 2016 $	31 December 2015 $
Cash at Bank	**405,389**	1,714,557
Petty Cash	**2,963**	274
	408,352	1,714,831
Reconciliation of Cash		
The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balance as above	**408,352**	1,714,831
Balances as per Consolidated Statement of Cash Flows	**408,352**	1,714,831

5. TRADE AND OTHER RECEIVABLES	30 June 2016 $	31 December 2015 $
Current		
Other Debtors	**756,896**	957,009
Prepayment	**48,357**	48,788
	805,253	1,005,797

(a) Prepayments

Prepayments consist of prepaid insurance, prepaid rent and prepaid surface rights.

(b) Other Debtors

As at 30 June 2016, included in other debtors is a receivable of $93,700 (2015: $93,700) was past due date but not impaired. Other amounts recorded as other debtors include net amounts owing from its Tanzanian and Kenyan joint operation partners.

(c) Risk Exposure

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivable mentioned above.

6. PROPERTY, PLANT AND EQUIPMENT	**30 June 2016** **$**	31 December 2015 $
Furniture, Fittings and Equipment		
At Cost	**133,263**	131,942
Less: Accumulated Depreciation	**(60,590)**	(52,171)
Net book amount	**72,673**	79,771
Total Property, Plant & Equipment	**72,673**	79,771
Reconciliation		
Opening net book amount	**79,771**	99,391
Exchange differences	**692**	3,421
Additions	-	793
Disposals	**-**	-
Depreciation charge	**(7,790)**	(23,834)
Closing net book amount	**72,673**	79,771

7. TRADE AND OTHER PAYABLES	**30 June 2016** **$**	31 December 2015 $
Current		
Trade Creditors	**956,435**	705,803
Other Creditors	**190,693**	594,238
	1,147,128	1,300,041

The above trade creditors and other creditors are classified as current. The amounts above will be settled within 12 months.

8. OTHER LIABILITIES	**30 June 2016** **$**	31 December 2015 $
Current		
Annual Leave	**104,757**	181,310
Salary and wages payable	**159,226**	
	263,983	181,310

Annual leave amounts payable represent amounts known to be payable within the next 12 months because employees are expected to take their leave due during this year.

9. ISSUED CAPITAL

	30 June 2016 $	31 December 2015 $
165,154,565 Fully Paid Ordinary Shares (2015: 160,144,607)	**28,164,098**	27,988,749

	1 Jan 2016 to 30 Jun 2016		1 Jan 2015 to 31 Dec 2015	
	Number of Securities	**$**	Number of Securities	$
Balance at the beginning of the year	**160,144,607**	**27,988,749**	154,302,173	27,442,440
Ordinary Shares issued 3 February 2015	**-**	**-**	777,829	89,450
Ordinary Shares issued 5 March 2015	**-**	**-**	829,725	87,121
Ordinary Shares issued 25 March 2015	**-**	**-**	1,713,642	159,368
Ordinary shares issued 14 May 2015	**-**	**-**	818,680	98,241
Ordinary shares issued 19 June 2015	**-**	**-**	997,576	69,830
Ordinary shares issued 21 July 2015	**-**	**-**	704,982	42,299
Ordinary shares issued 30 March 2016	**5,000,000**	**175,000**	-	-
Ordinary shares issued 12 April 2016	**9,958**	**349**	-	-
Balance before Share issue costs	**165,154,565**	**28,164,098**	160,144,607	27,988,749
Share issue costs	**-**	**-**		-
Balance at the end of the year	**165,154,565**	**28,164,098**	160,144,607	27,988,749

10. RESERVES

	30 June 2016 $	31 December 2015 $
Share based payment reserve [1]	**1,457,350**	1,457,350
Foreign currency translation reserve [2]	**822,397**	785,334
Share premium reserve [3]	**2,031,393**	2,031,395
	4,311,140	4,274,079

1 The Share-based payments reserve is used to recognise the fair value of Options issued. Options were issued in the year ended 31 December 2013. This reserve can be reclassified as retained earnings if Options lapse and subsequently be declared as a dividend.

2 The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. Amounts are reclassified to the Statement of Profit or Loss and Other Comprehensive Income when the investment is disposed of.

3 The share premium reserve is a result of the decrease to 58.5% in the percentage ownership of SOGTP due to the issue of ordinary shares from the conversion of convertible notes by SOGTP and the IPO undertaken by SOGTP in 2014. The decreased percentage ownership of SOGTP to 58.5% resulted in transactions with non-controlling interests and a movement in the share premium reserve.

11. RELATED PARTY DISCLOSURE

Transactions with Related Parties

Technical services agreement

Swala Energy Limited has entered into technical services agreements ("Technical Services Agreements") with each of SOGTP and Swala Zambia. Under the Technical Services Agreements, Swala Energy Limited has agreed to provide technical support to each of SOGTP and Swala Zambia, including:

a) The provision of technical staff and equipment to support:

   i. bids for new assets;
   ii. the development and management of the Kilosa-Kilombero Licence and the Pangani Licence (in the case of SOGTP) and of any licence that Swala Zambia may have acquired (in the case of Swala Zambia); and

b) The provision of management, financial and accountancy advice and guidance, including the provision of third-party research services in support of fundraising activities.

In consideration for their service, Swala Energy Limited is entitled to be repaid all costs incurred on behalf of SOGTP in connection with the provision of such technical support. As at 31 December 2015 no such costs have been recognised in the financial statements. Swala Energy Limited relinquished its control of Swala Zambia on 31 August 2015.

Loan agreements

Swala Energy Limited has entered into a loan agreement with SOGTP whereby the Company has agreed, at the request of SOGTP, to provide advances to SOGTP from time to time.

Swala Energy Limited has entered into a loan agreement with Swala Kenya whereby the Company has agreed, at the request of Swala Kenya, to provide advances to Swala Kenya from time to time.

12. RECONCILIATION OF LOSS AFTER INCOME TAX TO CASHFLOW FROM OPERATING ACTIVITIES

	30 June 2016 $	30 June 2015 $
Profit/(Loss)	**(1,589,577)**	(2,846,334)
Non Cash Items		
Depreciation	**7,790**	12,349
Movement in fair value of financial instruments	**-**	190,174
Share based payments	**175,349**	-
Foreign currency movements	**(5,792)**	-
Employee leave accrual	**(76,553)**	43,895
Changes in Assets & Liabilities		
(Increase)/Decrease in Trade & Other Receivables	**200,544**	1,569,741
Increase/(Decrease) in Trade & Other Payables	**(18,240)**	(1,547,032)
Net Cash Flow from Operating Activities	**(1,306,479)**	(2,577,207)

13. CONTINGENT ASSETS

If a liability arises after 31 December 2015 pursuant to the Contingent Liability referred to in Note 14 (refer Note 14) then Swala Tanzania will be entitled to a reimbursement of US $139,000 for costs related to the farm-out of the Pangani licence to Tata Petrodyne Limited during the year.

14. CONTINGENT LIABILITIES

During the year Swala Oil and Gas (Tanzania) Plc ("Swala Tanzania") completed a farm-out transaction with Tata Petrodyne Limited ("Tata") in respect of the Pangani licence in Tanzania whereby it transferred a 25% participating interest in the licence to Tata. Subsequent to execution of the farm-out agreement with Tata, Swala Tanzania and Otto Energy (Tanzania) Pty Ltd ("Otto Tanzania") concluded a non-binding conditional heads of terms detailing some principal terms of a farm-out agreement whereby Otto Tanzania would transfer to Swala Tanzania a 12.5% participating interest in the Pangani licence for a one half share of the cash consideration received by Swala Tanzania from Tata under the Tata farm-out agreement. However, as at reporting date, this transaction had not occurred because of ongoing discussions in relation to the possible relinquishment of the Pangani licence and the parties not having executed a formal farm-out agreement. If the non-binding conditional heads of terms were to be implemented in a farm-out agreement with Otto Tanzania then the consideration due to Otto Tanzania from Swala Tanzania would be approximately US $1.0 million.

Following a routine joint venture operations audit by Otto, in July 2016 Otto issued notice of claims amounting to USD 360,609 in relation to the timing of deposits of Swala Tanzania's contributions into the joint venture operating bank account in the years 2015 to 2015, for Kilosa Kilombero and Pangani licences. Swala Tanzania disagrees with the claims and the matter is under dispute and the companies continue to discuss these findings and resolve the dispute by way of negotiation in line with the dispute resolution mechanism under the Joint Operating Agreement.

There are no other contingent liabilities as at the reporting date.

15. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 18 October 2016 at the second meeting of creditors a resolution was passed approving the Company entering into a Deed of Company Arrangement ("DOCA") to facilitate the recapitalisation of the Company. The DOCA was executed by the Company on 21 October 2016.

There are no other matters subsequent to the reporting period.

16. COMMITMENTS

		30 June 2016 $	31 December 2015 $
Capital commitments			
Exploration [1]	Within 1 year	**3,405,322**	8,219,160
		3,405,322	8,219,160

The Group's exploration commitments are commitments by the Group in order to maintain good standing pursuant to its Kilosa-Kilombero and Pangani licences in Tanzania. The December 2015 comparative also includes the Block 12B licence in Kenya. Owing to the incomplete records referred to in note 1b of the financial report no amount is included in the 30 June 2016 amount for Kenya. The capital commitments do not represent or include contracts placed for property, plant and equipment or any other asset class.

Note [1]: The exploration commitment is USD 2,737,470 (carried). In relation to Tanzania, pursuant to the farm-in transaction with Tata Petrodyne Limited ("Tata"), Swala Oil and Gas (Tanzania) Plc will be carried for the total commitment of USD 2,737,470 (AUD 3,405,322) for the Kilosa-Kilombero and Pangani and licenses.

Lease commitments	**30 June 2016**	31 December 2015
	$	$
Non-cancellable operating leases - future minimum lease payments payable:		
Within one year	**88,961**	222,871
Later than one year but not later than 5 years	**-**	230,434
	88,961	453,305

The Group leases various premises under non-cancellable operating leases expiring between 2017 and 2018 years. The commitment shown at 30 June 2016 includes only the commitment of Swala Tanzania. Owing to the incomplete records referred to in note 1b of the financial report no amount is included for lease commitments of other group companies including Swala Energy Limited. All leases have annual CPI or other escalation clauses. The above commitments do not include any turnover rentals which are contingent upon the various group companies achieving defined sales levels. Nor do they include commitments for any renewal options on leases. Lease terms usually run from 3 to 4 years. Lease conditions do not impose any restrictions on the ability of Swala Energy Limited and its subsidiaries from borrowing further funds.

There are no other identified commitments as at the reporting date.

17. SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(a):

Name of Entity	**Country of Incorporation**	**Class of Shares**	**Equity Holdings**	
			30 Jun 2016	31 Dec 2015
Swala Energy Australia Pty Ltd	Australia	Ordinary	**100%**	100%
Swala Energy Limited (BVI)	British Virgin Islands	Ordinary	**100%**	100%
Swala Oil & Gas (Tanzania) Plc	Tanzania	Ordinary	**58.5%**	58.5%
Swala Energy (Kenya) Limited	Kenya	Ordinary	**100%**	100%
Swala Energy (Uganda) Limited	Uganda	Ordinary	**100%**	100%

18. INVESTMENTS IN JOINT OPERATIONS

The Group has entered into three separate joint operations arrangements for licences for its East African projects. As at 30 June 2016 the Group has:

- a 25% participating interest in its Tanzanian joint operations arrangements for the Pangani and Kilosa-Kilombero licenses; and
- a 50% participating interest in its Kenyan joint operations arrangements for the Block 12B licence.

Under the terms of the agreements there is a direct share in all of the assets employed by the arrangement and is liable for its share of the liabilities incurred. There is no legal or contractual separation between the arrangement and the parties to the arrangement. The reporting entity has therefore classified these arrangements as joint operations. It has included its interests in the assets, liabilities, and net cash inflow in the appropriate line items in the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income respectively, in accordance with the accounting policy.

Details of the individual joint operations arrangements as at 30 June 2016 are detailed as follows:

Kilosa-Kilombero Licence (Tanzania)

Swala Oil and Gas (Tanzania) Plc is both the operator of, and the holder of a 25% participating interest in the Kilosa-Kilombero Licence. The remaining participating interests are held by Otto Energy (Tanzania) Limited that holds a 50% participating interest and Tata Petrodyne Limited that holds a 25% participating interest.

Pangani Licence (Tanzania)

Swala Oil and Gas (Tanzania) Plc is also both the operator of, and the holder of a 25% participating interest in, the Pangani Licence. The remaining participating interests are held by Otto Energy (Tanzania) Limited that holds a 50% participating interest and Tata Petrodyne Limited that holds a 25% participating interest.

Block 12B Licence (Kenya)

Swala Energy (Kenya) Ltd holds a 50% participating interest in Block 12B as at 31 December 2015. A 50% participating interest is held by Tullow Kenya BV, the operator of the licence.

Directors' Declaration

In the opinion of the Directors of the Company:

1. As set out in Note 1(b), although the Directors have prepared the financial statements and notes thereto to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

    (a) Complying with Australian Accounting Standards and other mandatory professional reporting requirements;

    (b) Giving a true and fair view of the financial position as at 30 June 2016 and of the performance for the period ended on that date of the consolidated group; and

    (c) Complying with international Accounting Standards.

2. Subject to the matters highlighted in Note 1(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Mr Sean McCormick
Non-Executive Director

Dated this day of 27 April 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Swala Energy Limited

Report on the Half-Year Financial Report

We were engaged to review the accompanying half-year financial report of Swala Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Because of the matters described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for expressing a conclusion on the half-year financial report.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Swala Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Basis for Disclaimer of Conclusion

(i) On 24 June 2016, Swala Energy Limited (subject to Deed of Company Arrangement) was placed into Administration. As stated in Note 1(b) of the financial report, the duties and responsibilities of the Directors were suspended from the date the Company entered into Administration. For the period in which the Company was in Administration the Directors did not have oversight or control over the Group's financial reporting systems, including (but not limited to) being able to obtain access to complete accounting records. The Directors have not provided a representation letter on this basis.

As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows. We were unable obtain explanations from management and Directors in relation to our review procedures.

(ii) As disclosed in Note 1 (c) to the financial report, the directors state that the consolidated financial report has been prepared on a going concern basis. In assessing the going concern basis of preparation, the directors have made a number of assumptions including the assumption that once the DOCA is effectuated it will extinguish all liabilities associated with the previous operations of the Company. A condition precedent to the effectuation of the DOCA, among others, is the Company receiving Shareholder approval to raise $765,000. These assumptions also include the issuing of a prospectus to raise $5,6000,000 which will enable the Company to be reinstated to trading on the ASX.

We have been unable to obtain alternative evidence which would provide sufficient appropriate evidence as to whether the Company may be able to raise such capital, and hence remove significant doubt of its ability to continue as a going concern for a period of 12 months from the date of this auditor's review report.

Disclaimer of Conclusion

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying half-year financial statements of Swala Energy Limited. Accordingly, we do not express a conclusion on these financial statements.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 27 April 2017