SWALA ENERGY LIMITED

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

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 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 Arrangement) (“Company”) and the entities it controlled (“Swala Energy”, “Swala” or “Group”) for the year ended 31 December 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 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 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 31 December 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 31 December 2016 and for the year then ended.

DIVIDENDS

There were no dividends paid during the year.

OPERATING RESULTS

Net loss for the year ended 31 December 2016 was $2,427,521 (2015: net profit $1,722,137).

REVIEW OF OPERATIONS

During the first half of the year 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 to improve the quality of the 2D seismic data below the basalt layers on Block 12B in Kenya.

We 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. 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 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.

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.

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 Financial Year

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

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

Mr Kenneth (Ken) Russell
Non-Executive Chairman
Appointed 17 January 2013

Mr Russell is the Non-Executive Chairman of the Company.

Mr Russell has in excess of over 40 years of oil and gas industry experience and throughout that time has held a number of managerial roles and directorships within the industry. These range from positions as Base Manager through to Managing Director and CEO of listed entities. Mr Russell was also a founding director of ASX listed companies Bounty Oil and Gas NL and Key Petroleum Ltd and in parallel with his involvement in the oil and gas industry, he has developed over the last 25 years considerable experience in international business, having owned and operated a number of privately held companies.

Mr Russell commenced his career in oil and gas in 1974 in the offshore producing oilfields of Angola, West Africa with Gulf Oil Limited. In 1977 he joined the international service company, Flopetrol Schlumberger Limited, where he became involved in providing specialised well testing, wireline and production operations services to a range of international clients catering for both onshore and offshore projects. This part of his career saw him based in a number of locations worldwide. In 1984 he established a petroleum engineering and production technology consultancy business that over the years has participated in the development of a large number of the oil and gas fields within Australia and also in parts of Africa, South East Asia, Brazil, Russia and the United Kingdom. His client list has included companies such as Royal Dutch Shell Plc (Shell), Enterprise Oil Plc, Chevron Limited, BHP Billiton Limited, Woodside Petroleum and Hardman Resources Limited as well as a number of smaller entities.

Mr Russell is not a Director of any other listed company.

Mr Russell has not been a director of any other listed company in the last three years.

Mr Russell is chairman of the Remuneration and Health, Safety and Environment committees and is a member of the Audit and Risk Management Committee.

Interests in Shares: 178,578

Interests in Options and Rights Holdings: 2,000,000

Mr Stephen Hewitt-Dutton
Non-Executive Director
Appointed 27 April 2017

Stephen is a Chartered Accountant and an Associate Director of Trident Capital Pty Ltd. He holds a Bachelor of Business from Curtin University and is an affiliate of the Institute of Chartered Accountants. He has over 25 years of experience in corporate finance, accounting and company secretarial matters.

Before joining Trident Capital, Stephen was an Associate Director of Carmichael Corporate where he assisted clients by providing equity market, IPO and M&A advice and assistance. He has also held Financial Controller and Company Secretary positions for both public and private companies for in excess of 17 years.

Mr Hewitt-Dutton is not a Director of any other listed company.

Mr Hewitt-Dutton has been a director of Mach7 Technologies Limited, Rision Limited and Flexiroam Limited in the last three years.

Interests in Shares: Nil

Interests in Options and Rights Holdings: Nil

Mr Sean McCormick
Non-Executive Director
Appointed 27 April 2017

Sean has a Bachelor of Economics (Hons) from the University of Western Australia and a Bachelor of Laws from the University of Sydney. Sean has experience in mergers & acquisitions, capital raisings and reconstructions. Sean has worked in the restructuring division of a big four professional services firm and previously worked as an associate advisor for a national stockbroker.

Mr McCormick is not a Director of any other listed company.

Mr McCormick has not been a director of any other listed company in the last three years.

Interests in Shares: Nil

Interests in Options and Rights Holdings: Nil

Mr John Gilfillan
Non-Executive Director
Appointed 27 April 2017

Mr John Gilfillan is an accredited Financial Advisor with 23 years' experience in the Financial Services Industry, including owning and operating his own practice for the last 15 years. He has also consulted to various corporate advisors and been involved in numerous ASX initial public offerings (IPOs), reverse takeover transactions (RTOs) and seed investments as a private investor.

Mr Gilfillan is a director of Assemble Bay Limited.

Mr Gilfillan has not been a director of any other listed company in the last three years.

Interests in Shares: Nil

Interests in Options and Rights Holdings: Nil

Mr Mohammed Ishtiaq
Non-Executive Director
Appointed 8 August 2014

Mr Mohammed Ishtiaq graduated from Leeds Metropolitan University. Mr Mohammed Ishtiaq is not a Director of any other listed company. Mr Mohammed Ishtiaq has not previously been a director of any other listed company.

Mr Mohammed Ishtiaq was not a member of any Committee during the year.

Interests in Shares: Nil

Interests in Options and Rights Holdings: Nil

Dr David Mestres Ridge
Managing Director & Chief Executive Officer
Appointed 17 January 2013, resigned 5 September 2016

Dr Mestres Ridge is a Director of Swala Oil and Gas (Tanzania) Plc listed on the Dar es Salaam Stock Exchange ("DSE"). Dr Mestres Ridge is not a director of any other listed company.

Dr Mestres Ridge has not been a director of any other listed company in the last three years.

Dr Mestres Ridge is a member of the Health, Safety and Environment Committee.

Interests in Shares: 22,755,801

Interests in Options and Rights Holdings: Nil

Mr Ernest Massawe
Non-Executive Director
Appointed 17 January 2013, resigned 20 April 2016

Mr Massawe is a Director of Swala Oil and Gas (Tanzania) Plc listed on the DSE. Mr Massawe is not a director of any other listed company.

Mr Massawe has not been a director of any other listed company in the last three years.

Mr Massawe is chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.

Interests in Shares: 5,798,347 Interests in Options and Rights Holdings: Nil

Mr Peter Grant
Non-Executive Director
Appointed 6 June 2013, resigned 27 April 2017

Mr Grant is not a Director of any other listed company. Mr Grant has not previously been a director of any other listed company.

Mr Grant is a member of the Health, Safety and Environment Committee, the Audit and Risk Management Committee and the Remuneration Committee.

Interests in Shares: 320,741

Interests in Options and Rights Holdings: Nil

Mr Frank Moxon
Non-Executive Director
Appointed 22 June 2015, resigned 27 April 2017

Mr Moxon is a director of Jersey Oil & Gas Plc (AIM: JOG) and Harvest Minerals Limited (ASX: HMI; AIM: HMI).

Mr Moxon has been a director of EastCoal, Inc., Imperial Minerals Plc, Silvermere Energy Plc and Whetstone Minerals Ltd within the last three years.

Mr Moxon is a member of the Remuneration Committee, the Health, Safety and Environment Committee and the Audit and Risk Management Committee.

Interests in Shares: Nil

Interests in Options and Rights Holdings: Nil

Other current directorships quoted above, where applicable, are current directorships for listed entities only and excludes directorships of all other types of entities.

COMPANY SECRETARY

Mr Stephen Hewitt-Dutton. Appointed 27 April 2017.

MEETINGS OF DIRECTORS

Due to the appointment of the Administrator on 24 June 2016 to the Company and the current Directors not being in control of the Company during this time, information on the attendance at Directors' meetings is not available.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Swala Energy Limited's directors and its senior management for the financial year ended 31 December 2016. The Company was in administration from 24 June 2016. On entering administration, the administrator was responsible for the remuneration policies of the Company.

The Directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these remuneration policies. These policies may or may not have been in place during the financial period.

If the recapitalisation process is successful, the Directors who are in office at the date of this report, or the proposed Directors who will be appointed at the completion of the acquisition of Symbol Mining Corporation Pty Ltd, will adopt a new remuneration policy in accordance with the corporate governance framework to be adopted by the Board.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information
F Additional disclosures relating to key management personnel

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align executive reward with the achievement of strategic objectives and the creation of value for shareholders and aims to conform with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance alignment of executive compensation; and
- transparency.

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has the responsibility for ensuring that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered, or expected to be delivered, and to attract and maintain talented and motivated directors and employees.

The Remuneration Committee has structured an executive remuneration framework that is market competitive and aligned to the strategies of the consolidated entity.

Alignment to shareholders' interests:

- has economic growth as a core component of plan design;

- focuses on sustained growth in shareholder wealth consisting of growth in the share price, and delivering constant or increasing value of assets as well as focusing the executive on key non- financial drivers of value; and
- attracts and retains high calibre executives.

In accordance with best practice corporate governance, the structure of Non-Executive Directors and executive remuneration are separate.

Non-Executive Directors Remuneration

Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. Given the stage of development of the Company and the financial constraints applicable to it, the Company may consider it appropriate to issue Options to Non-Executive Directors, subject to obtaining shareholder approval and in compliance with ASX listing rules.

The Constitution of the Company provides that the Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in a general meeting of shareholders. The aggregate remuneration for Non-Executive Directors is an amount not to exceed $500,000 per annum.

Executive Remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable. Pay and rewards for Executive Directors and senior executives consists of a base salary and may include performance incentives. Long term performance incentives may include Options granted at the discretion of the Board and subject to obtaining relevant approvals. This policy is subject to annual review.

There are three components of remuneration employed to reward employees, including the Executive Directors, depending on their role and responsibility within the Company:

1. Total Fixed Remuneration;
2. Short Term Incentive, payable as cash; and
3. Long Term Incentive,

The combination of these components comprises the executive's total remuneration and represent a mix of fixed and “at-risk” pay and of short and longer-term rewards.

From time to time the Remuneration Committee will review and recommend to the Board on matters of remuneration policy, specific recommendations in relation to senior management and all matters concerning equity plans and awards. The Board will consider recommendations made and periodically reviews executive packages by reference to the Company’s performance, executive performance and comparable information from other listed companies within the same sector and similar industries.

Total Fixed Remuneration

Total Fixed Remuneration comprises base salary, any relevant allowances, non-monetary benefits and superannuation. Total Fixed Remuneration is reviewed and set with reference to market data, reflecting the scope of the role and the performance of the person in the role. Should the role require a unique skill set, this is also reflected in the Total Fixed Remuneration. Remuneration is reviewed annually by the Remuneration Committee based on individual performance, the overall performance of the consolidated entity and comparable market remuneration.

Short Term Incentive (STI) Plan

From time to time, if the Company establishes a Short Term Incentive ("STI") Plan it is the intention that it achieves the following objectives:

- focus executives on the achievements of key safety and financial targets as well as an individual contribution that the Board believes will lead to sustained and improved business performance;
- establish a variable remuneration arrangement that links performance with reward; and
- reward and recognise superior performance, if achieved.

Long Term Incentive (LTI) Plans

Long Term Incentive's ("LTI") include long service leave and share-based payments. The Board believes that appropriately designed and flexible equity based LTI plans are an important component of the Company's remuneration arrangements. Such plans are a key tool to allow the Company to attract and retain talented directors and employees and ensure the interests of directors and employees are aligned with those of shareholders in creating long-term shareholder value.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to performance of the consolidated entity. The Executive Director holds equity in the Company which provides an alignment with other shareholders in the Company. The Remuneration Committee is of the opinion that the Company's continued good performance in achieving work programme objectives can be attributed in part to the adoption of equity based compensation and is satisfied that good performance would support a promotion of an increase in shareholder wealth, if maintained over the coming years. The Company currently has no specific performance based remuneration component built into Director and executive remuneration packages.

Use of remuneration consultants

During the year ended 31 December 2016 the Company did not engage remuneration consultants. If it is considered appropriate, the Company will consider engaging remuneration consultants in future to review its existing policies and provide recommendations in relation to its STI and LTI programmes.

Voting at the Company's 2016 Annual General Meeting ("AGM")

At the 2016 AGM held on 30 May 2016, shareholders supported the adoption of the Remuneration Report and over 99% of the proxy votes received supported the Remuneration Report for the year ended 31 December 2015.

B Details of Remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables. The key management personnel of the consolidated entity consisted of the following directors of Swala Energy Limited:

Mr Ken Russell	Non-Executive Chairman	Appointed 17 Jan 2013
Mr Mohammed Ishtiaq	Non-Executive Director	Appointed 8 Aug 2014
Mr Ernest Massawe	Non-Executive Director	Appointed 17 Jan 2013 Resigned 20 April 2016
Mr Peter Grant	Non-Executive Director	Appointed 6 Jun 2013 Resigned 27 April 2017
Dr David Mestres Ridge	Managing Director & CEO	Appointed 17 Jan 2013 Resigned 5 September 2016
Mr Frank Moxon	Non-Executive Director	Appointed 22 June 2015 Resigned 27 April 2017
And the following persons:		
Mr Neil Taylor	New Ventures Manager	New Ventures Manager from 14 March 2015
Mr Adrian Di Carlo	Company Secretary and Finance Manager up to 30 June 2015 Chief Financial Officer and Company Secretary from 1 July 2015	

Given the size, nature and stage of development of the Company there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

2016

From 24 June 2016 the Company was in administration. The Company's operations were suspended by the Administrator. The Company does not have adequate information to enable the disclosures required by the Corporations Act 2001 for the year ended 31 December 2016. Formal approval was granted by the Creditors at the meeting of creditors held on 18 October 2016 for remuneration of the Administrator. On 9 November 2016 the Administrator was paid $81,818.

The table below has been prepared based on information made available to the Directors by the Administrator. 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 Remuneration Report.

2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments	
Name	Cash salary and fees [1] $	Bonus $	Non-monetary $	Super-annuation $	Annual Leave $	Options $	Total $
Non-Executive Directors:							
Ken Russell (Chair)	50,000	-	-	-	-	-	**50,000**
Ernest Massawe [2]	18,333	-	-	-	-	-	**18,333**
Peter Grant	22,883	-	-	2,174			**25,057**
Mohammed Ishtiaq [3]	-	-	-	-	-	-	**-**
Frank Moxon [3]	25,000	-	-	-	-	-	**25,000**
Executive Directors:							
David Mestres Ridge [,6]	134,594	-	-	-	-	-	**134,594**
Other Key Management Personnel:							
Neil Taylor [7]	-	-	-	-	-	-	**-**
Adrian Di Carlo [7]	-	-	-	-	-	-	**-**
	250,810	**-**	**-**	**2,174**	**-**	**-**	**252,984**

2015	Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments	
Name	Cash salary and fees [1] $	Bonus $	Non-monetary $	Super-annuation $	Annual Leave $	Options $	Total $
Non-Executive Directors:							
Ken Russell (Chair)	120,000	-	-	-	-	-	**120,000**
Ernest Massawe [2]	76,033	-	-	-	-	-	**76,033**
Peter Grant	54,920	-	-	5,217	-	-	**60,137**
Mohammed Ishtiaq [3]	-	-	-	-	-	-	**-**
Frank Moxon [3]	31,500	-	-	-	-	-	**31,500**
Executive Directors:							
David Mestres Ridge [4]	323,025	-	-	-	(1,193)	-	**321,832**
Neil Taylor [4,5]	306,075	-	-	16,949	(4,562)	-	**318,462**
Other Key Management Personnel:							
Adrian Di Carlo [4,5]	176,087	-	-	16,728	3,710	-	**196,525**
Elizabeth Obiero [4,5]	100,098	-	-	2,010	1,283	-	**103,391**
	1,187,738	**-**	**-**	**40,904**	**(762)**	**-**	**1,227,880**

1 Cash Salary and Fees in 2015 includes an accrual for annual leave entitlements.

2 Mr Massawe is paid a director fee of $60,000 per year by the Company. Mr Massawe is also a director of SOGTP and received a director fee in 2015 from SOGTP at the AUD converted value of $16,033.

3 The Hayaat Group nominated Mr Mohammed Ishtiaq as a Director and he was appointed as a Non-Executive Director of the Company on 8 August 2014. No Director fees were/are payable to Mohammed Ishtiaq.

4 In 2015 Dr Mestres Ridge's cash salary includes a net annual leave taken of $1,193 for the year. Mr Taylor's cash salary includes a net annual leave taken of $4,562 for the year. Mr Di Carlo's cash salary includes a net annual leave accrual of $3,710 for the year. Ms Obiero's cash salary includes a net annual leave accrual of $1,283 for the year.

5 Ms Obiero's remuneration was for the six month period up to 30 June 2015, the date on which Ms Obiero ceased to be the Chief Financial Officer and key management personnel of the Company. Ms Obiero's continued employment with the Company from 1 July 2015. Mr Di Carlo's position with the Company from 1 July 2015 is Chief Financial Officer and Company Secretary.

Mr Taylor continued with the Company from 1 July 2015 as New Ventures Manager.

6 The 2016 amount of $134,594 is an estimate based on Dr Mastres Ridge's gross salary including superannuation as disclosed below. The amount represents 5 months.

7 The information provided to the current Directors in relation to 2016 was insufficiently detailed to determine the amounts paid to Neil Taylor and Adrian Di Carlo up until the date of entering administration.

Name	Fixed Remuneration 2016	2015	At risk - STI 2016	2015	At risk - LTI 2016	2015	Share Based Payments 2016	2015
Non-Executive Directors:								
Ken Russell	**100%**	100%	**- %**	- %	**- %**	- %	**- %**	- %
Ernest Massawe (Director up to 20 April 2016)	**100%**	100%	**- %**	- %	**- %**	- %	**- %**	- %
Peter Grant	**100%**	100%	**- %**	- %	**- %**	- %	**- %**	- %
Mohammed Ishtiaq	**- %**	-%	**-%**	-%	**- %**	- %	**-%**	- %
Frank Moxon (Director from 22/6/15)	**100%**	n/a	**- %**	n/a	**- %**	n/a	**- %**	n/a
Executive Directors:								
David Mestres Ridge (Director up to 5 Sept 2016)	**100%**	100%	**-%**	-%	**- %**	- %	**-%**	-%
Other Key Management Personnel:								
Neil Taylor (Director up to 14/03/15)	**100%**	100%	**-%**	-%	**- %**	- %	**-%**	-%
Adrian Di Carlo	**100%**	100%	**-%**	-%	**- %**	- %	**-%**	-%

C Service agreement

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

David Mestres Ridge

- Term of agreement – no fixed term.
- Gross salary inclusive of superannuation of $323,025 per year to be reviewed annually.
- The executive may terminate the agreement by providing three months written notice.
- On termination up to a maximum of twelve months salary and all accrued entitlements will be paid.

Neil Taylor

- Term of agreements – no fixed term.
- Gross salary of agreements inclusive of superannuation of $323,025 per year to be reviewed annually. (Mr Taylor ceased to be a director of the Company on 14 March 2015 and continued employment with the Company as New Ventures Manager from this date).
- The executive may terminate the agreement by providing three months written notice.
- On termination up to a maximum of six months salary and all accrued entitlements will be paid.

Adrian Di Carlo

- Term of agreement – no fixed term.
- Annualised gross salary inclusive of superannuation of $190,435 per year for the period 1 January 2015 to 30 September 2015. Effective from 1 October 2015 Mr Di Carlo's annualised gross salary inclusive of superannuation was $199,957 per year (Mr Di Carlo was appointed Chief Financial Officer effective from 1 July 2015 and continued in his position as Company Secretary).
- A notice period of one month must be served by either party.
- Other than accrued entitlements, there are no termination benefits to be paid.

Elizabeth Obiero

- Term of agreements – no fixed term.
- Gross salary of $159,120 US dollars per year (Ms Obiero ceased to be a key management personnel from 1 July 2015 and continued employment with the Company. Effective from 1 October 2015 Ms Obiero's gross salary was revised to $132,000 US dollars).
- The executive may terminate the agreement by providing three months written notice.
- The Company may terminate the agreement by providing three months written notice.
- On termination up to a maximum of six months salary and all accrued entitlements will be paid.

D Share-based compensation

Issue of shares

There were no shares issued to Directors and other Key Management Personnel as part of compensation during the year ended 31 December 2016.

Options

The terms and conditions of each grant of Options over ordinary shares affecting remuneration of Directors and other Key Management Personnel in the 2013 financial year are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per Option at grant date
12 April 2013	12 April 2013	11 April 2018	$0.30	$0.132
27 Sep 2013	27 Sep 2013	27 Sep 2018	$0.30	$0.149

Options granted carry no dividend or voting rights.

The fair value per Option at grant date is measured based on a Black-Scholes option valuation methodology.

There were no Options issued to Directors and other Key Management Personnel as part of compensation during the years ended 31 December 2016 and 31 December 2015.

E Additional Information

The earnings of the consolidated entity for the years ended 31 December 2015 and 31 December 2016 respectively is summarised below:

	2016 **$**	2015 $
Sales revenue	**333,496**	8,260,099
EBIT	**(2,426,500)**	1,750,173
Profit/(Loss) after income tax	**(2,427,521)**	1,722,137

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015
Share price at financial period end ($)	**n/a (suspended)**	0.037
Total dividends declared (cents per share)	**n/a**	n/a
Basic profit/(loss) per share (cents per share)	**(1.48)**	1.09

F Additional disclosures relating to key management personnel

Options and Rights Holdings

Details of Options and Rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Name	Relevant Interest Balance at 1 Jan 2016	Granted as compens-ation	Conversion of Class A and Class B Performance Shares	Additions	Relevant Interest Balance at 31 Dec 2016	Balance held nominally	Total Balance At 31 Dec 2016	Total Vested at 31 Dec 2016	Total vested and exercisable at 31 Dec 2016	Total vested and unexercisable at 31 Dec 2016
Mr Ken Russell	2,040,512	-	(40,512)	-	2,000,000	-	2,000,000	-	2,000,000	-
Mr Ernest Massawe	540,156	-	(540,156)	-	-	58,170	58,170	-	-	-
Mr Peter Grant	972,279	-	(972,279)	-	-	-	-	-	-	-
Dr David Mestres Ridge	4,941,813	-	(4,941,813)	-	-	390,534	390,534	-	-	-
Mr Neil Taylor	5,220,435	-	(5,220,435)	-	-	55,670	55,670	-	50,000	-
Total	**13,715,195**	**-**	**(11,715,195)**	**-**	**2,000,000**	**504,374**	**2,504,374**	**-**	**2,050,000**	**-**

Shareholdings

Details of equity instruments (other than Options and Rights) held directly, indirectly or beneficially by key management personnel and their personally related parties are as follows:

Name	Relevant Interest Balance at 1 Jan 2016	Granted as compensation	Received on exercise of Options or Rights	Additions	Disposals/ Other	Relevant Interest Balance at 31 Dec 2016	Balance held nominally	Total Balance 31 Dec 2016
Mr Ken Russell	162,047	-	16,531	-	-	178,578	-	178,578
Mr Ernest Massawe	5,798,347	-	180,412	-	-	5,978,759	232,682	6,211,441
Mr Mohammed Ishtiaq	-	-	-	-	-	-	-	-
Mr Frank Moxon	-	-	-	-	-	-	-	-
Mr Peter Grant	-	-	324,741	-	-	324,741	-	320,741
Dr David Mestres Ridge	21,105,238	-	1,650,563	-	-	22,755,801	1,562,143	24,317,944
Mr Neil Taylor	16,981,744	-	1,743,625	-	-	18,725,369	22,686	18,748,055
Total	**44,047,376**	**-**	**3,915,872**	**-**	**-**	**47,963,248**	**1,817,511**	**49,776,759**

The relevant interest of each of the Directors in the Securities of the Group as at 31 December 2016 is as follows:

Director	Shares	Options
Mr. Ken Russell	178,578	2,000,000
Dr. David Mestres Ridge	22,755,801	-
Mr. Ernest Massawe	5,978,759	-
Mr. Peter Grant	320,741	-

Erncon Holding Limited, a company of which Ernest Massawe, a Director, is a controller of and Director, holds a 9.07% interest in Swala Oil and Gas (Tanzania) Plc.

Other transactions with key management personnel and their related parties

Deed of Indemnity, Insurance and Access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the acting as an officer of the Company.

This concludes the audited remuneration report.

Shares under Option

Unissued ordinary shares of Swala Energy Limited under Option at the date of this report are as follows:

Grant date	Expiry Date	Exercise Price	Number under Option
12 April 2013	11 April 2018	$0.30	8,100,000
27 September 2013	27 September 2018	$0.30	550,000
25 October 2013	25 October 2018	$0.30	50,000
			8,700,000

No person entitled to exercise the Options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of Options

There were no ordinary shares of Swala Energy Limited issued during the year ended 31 December 2016 and up to the date of this report on the exercise of Options granted.

Indemnity and insurance of officers

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the

Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the Auditor for non-audit services provided during the financial year by the auditor are outlined in Note 6 to the financial statements.

	2016 **$**	2015 $
Auditor – BDO Audit (WA) Pty Ltd		
Audit and review of the financial statements	**17,850**	39,447
	17,850	39,447
Auditor – Network Firms		
BDO East Africa	**29,513**	10,849
	29,513	10,849
	47,363	50,296

The Directors are satisfied that the provision of non-audit services during the financial year, by the Auditor (or by another person or firm on the Auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 6 to the financial statements do not compromise the external auditor’s independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the Company who are former audit partners of BDO Audit (WA) Pty Ltd

There are no officers of the Company who are former audit partners of BDO Audit (WA) Pty Ltd.

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 27. 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

Mr Sean McCormick
Non-Executive Director

Dated this day of 27th April 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Swala Energy Limited for the year ended 31 December 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 audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

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 year ended 31 December 2016

	Notes	2016 $	2015 $
REVENUE			
Other income	3	**333,496**	8,260,099
EXPENSES			
Other expenses		**(528,881)**	(1,757,785)
Administrator's costs		**(81,818)**	-
Exploration and evaluation expense		**(716,944)**	(2,455,626)
Depreciation and amortisation expense	9	**(7,790)**	(23,834)
Employee benefits expense		**(1,249,214)**	(1,662,019)
Share based payments expense		**(175,349)**	-
Movements in fair value of financial instruments	13	-	(295,155)
Impairment of assets on relinquishment of Swala Zambia	27	-	(315,507)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		**(2,426,500)**	1,750,173
Income tax expense		**(1,021)**	(28,036)
PROFIT/(LOSS) AFTER INCOME TAX EXPENSE FOR THE PERIOD		**(2,427,521)**	1,722,137
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(5,101)**	131,029
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(2,432,622)**	1,853,166
PROFIT/(LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO:			
Owners of Swala Energy Limited		**(2,160,515)**	(513,227)
Non-controlling interests		**(267,006)**	2,235,364
		(2,427,521)	1,722,137
TOTAL COMPREHENSIVE PROFIT/(LOSS) IS ATTRIBUTABLE TO:			
Owners of Swala Energy Limited		**(2,123,454)**	46,566
Non-controlling interests		**(309,168)**	1,806,600
		(2,432,622)	1,853,166
EARNINGS/(LOSS) PER SHARE FROM CONTINUED OPERATIONS:		**Cents**	Cents
Basic profit/(loss) per share		**(1.48)**	1.09
Diluted profit/(loss) per share		**(1.48)**	1.09

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 31 December 2016

	Notes	31 December 2016 $	31 December 2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**412,361**	1,714,831
Trade and other receivables	8	**735,984**	1,005,797
TOTAL CURRENT ASSETS		**1,148,345**	2,720,628
NON-CURRENT ASSETS			
Property, plant and equipment	9	**72,673**	79,771
TOTAL NON-CURRENT ASSETS		**72,673**	79,771
TOTAL ASSETS		**1,221,018**	2,800,399
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	**1,216,724**	1,300,041
Income tax	11	**4,299**	28,851
Other liabilities	12	**967,071**	181,310
TOTAL CURRENT LIABILITIES		**2,188,094**	1,510,202
TOTAL LIABILITIES		**2,188,094**	1,510,202
NET ASSETS/(NET ASSET DEFICIENCY)		**(967,076)**	1,290,197
EQUITY			
Issued capital	14	**28,164,098**	27,988,749
Reserves	15	**4,311,140**	4,274,079
Non-controlling interests		**(2,592,649)**	(2,283,481)
Accumulated losses		**(30,849,665)**	(28,689,150)
TOTAL EQUITY/(DEFICIENCY) IN EQUITY		**(967,076)**	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 year ended 31 December 2016

	Notes	Share Capital $	Reserves $	Accumulated Losses $	Sub-Total $	Non-Controlling Interests $	Total Equity $
Balance 1 January 2015		27,442,440	3,877,410	(28,175,923)	3,143,927	(4,200,671)	(1,056,744)
Loss for the period		-	-	(513,227)	(513,227)	2,235,364	1,722,137
Other comprehensive income		-	559,793	-	559,793	(428,764)	131,029
Total comprehensive loss for the year		-	559,793	(513,227)	46,566	1,806,600	1,853,166
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests		-	(163,124)	-	(163,124)	110,590	(52,534)
Issue of share capital	14	546,309	-	-	546,309	-	546,309
Share issue costs	14	-	-	-	-	-	-
Balance 31 December 2015		27,988,749	4,274,079	(28,689,150)	3,573,678	(2,283,481)	1,290,197
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		**-**	**-**	**(2,160,515)**	**(2,160,515)**	**(267,006)**	**(2,427,521)**
Other comprehensive income		**-**	**37,061**	**-**	**37,061**	**(42,162)**	**(5,101)**
Total comprehensive loss for the year		**-**	**37,061**	**(2,160,515)**	**(2,123,454)**	**(309,168)**	**(2,432,622)**
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**
Issue of share capital	14	**175,349**	**-**	**-**	**175,349**	**-**	**175,349**
Share issue costs	14	**-**	**-**	**-**	**-**	**-**	**-**
Balance 31 December 2016		**28,164,098**	**4,311,140**	**(30,849,665)**	**1,625,573**	**(2,592,649)**	**(967,076)**

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	Notes	**2016 $**	2015 $
CASH FLOWS FROM OPERATING ACTIVITES			
Cash flows from Joint Operations		**-**	-
Payments to suppliers and employees		**(1,184,481)**	(2,864,956)
Payments for exploration and evaluation		**(732,977)**	(5,180,100)
Reimbursement of past exploration and evaluation costs		**564,340**	8,257,444
Deposit received under DOCA		**50,000**	-
Interest received		**648**	2,655
Net cash (used)/provided in operating activities	19	**(1,302,469)**	215,043
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		**-**	(7,455)
Net cash provided by/(used in) investing activities		**-**	(7,455)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing of shares		**-**	-
Repayment of Convertible Notes		**-**	(841,688)
Proceeds from borrowings		**-**	1,379,957
Repayment of borrowings		**-**	(1,379,957)
Net cash (used in)/provided by financing activities		**-**	(841,688)
Net increase/(decrease) in cash held		**(1,302,469)**	(634,100)
Cash at beginning of financial year		**1,714,831**	2,348,931
Cash and cash equivalents at end of financial year	7	**412,361**	1,714,831

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

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 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 31 December 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 31 December 2016 and for the year 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 $2,427,521 for the year ended 31 December 2016 (2015: net profit $1,722,137).

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. 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) Income Tax

The income tax expense or benefit (revenue) for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

f) Cash and Cash Equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

g) Trade and other receivables

Trade receivables are recognised as the amount receivable and are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

h) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of GST.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

j) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 30 days of recognition.

k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

l) Exploration and Evaluation Expenditure

Costs incurred in the exploration, evaluation and development stages of specific areas of interest are expensed against the profit or loss as incurred.

m) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial Assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

n) Restoration, Rehabilitation and Environmental Costs

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure. Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology.

o) Joint Arrangements

Interests in joint operations are brought to account by including in the respective classifications the Group's share of individual assets employed, liabilities and expenses incurred. The Group's interest in joint operations will be brought to account using the cost method. Where part of a joint operation is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the entity in the joint operation area of interest, exploration expenditure incurred and carried forward prior to farmout continues to be carried forward without adjustment.

Any cash received in consideration for farming out part of a joint operation is treated as a reduction in the carrying value of the related mineral property.

p) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new Shares or Options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

q) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

r) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the statement of financial position date are recognised in respect of employees' services rendered up to statement of financial position date and measured at amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the statement of financial position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

s) Accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Consolidation of group subsidiaries

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.

Taxation

The Company is subject to income taxes in Australia. Significant judgement is required when determining the Company’s provision for income taxes. The Company estimates its tax liabilities based on the Company’s understanding of the tax law.

t) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Swala Energy Limited is Australian Dollars. The functional currency of the overseas subsidiaries is United States Dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(iii) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income, as part of the gain or loss on sale where applicable.

u) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

v) Property, Plant and Equipment

Plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment. Depreciation on each class of depreciable assets is calculated on either the diminishing value basis or straight line method over the estimated useful life of the asset as follows:

» Plant and equipment 1 year to 10 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the Statement of Profit or Loss and Other Comprehensive Income in the year that the item is derecognised.

w) Segment Reporting

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses. They are reported in a manner consistent with the internal reporting to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Directors (“Board”).

x) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 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	Financial years beginning on or after 1 January 2017	No expected impact

Reference	Title	Summary	Application date	Expected Impact
		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 external valuation has been conducted o 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 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 year ended 31 December 2016

2. SEGMENT INFORMATION

The Group operated in one geographical segment for the year ended 31 December 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	2016 $	2015 $
Interest received	**648**	2,655
Deposit received in relation to DOCA	**50,000**	-
Reimbursement of past exploration and evaluation costs [1]	**282,848**	8,257,444
	333,496	8,260,099

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. INCOME TAX EXPENSE	2016 $	2015 $
The reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows: Prima facie tax benefit on loss from ordinary activities before income tax at 30%		
- Consolidated Group	**(727,950)**	558,193
Add:		
Tax effect of non-deductible expenses:		
- Share-based payments	**52,605**	-
- Entertainment	**8**	565
Deferred tax assets relating to tax losses not recognised	**675,337**	(558,758)
Income Tax Expense – Swala Oil and Gas (Tanzania) Plc	**(1,021)**	28,036
Total income tax expense (benefit)	**(1,021)**	28,036
The franking account balance for the year ended 31 December 2016 was Nil (2015: Nil).		
Deferred tax assets and liabilities not recognised relate to the following:		
Deferred tax assets		
Tax losses	**6,034,471**	5,356,134
Deferred tax liabilities recognised	**-**	-
Net deferred asset not recognised	**6,034,471**	5,356,134

5. PROFIT/(LOSS) PER SHARE	2016 $	2015 $
Basic profit/(loss) per share Profit/(Loss) attributable to the ordinary equity holders of Swala Energy Limited used to calculate basic loss per share:		
Profit/(Loss) from continued operations	**(2,426,500)**	1,722,137
	(2,426,500)	1,722,137
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**163,922,254**	158,376,958
Basic earnings per share	**1.48**	1.09
Diluted earnings per share	**1.48**	1.09

(1) 8,700,000 Options on issue are not included in the diluted earnings per share calculation because the Options are out of the money as at 31 December 2016.

The diluted loss per share is the same amount as the basic loss per share as a loss cannot be diluted.

6. REMUNERATION OF AUDITORS	2016 $	2015 $
During the year the following fees were paid or payable for services provided by the auditor of the Group, its network firms and unrelated firms:		
(i) Auditor – BDO Audit (WA) Pty Ltd		
Audit and review of the financial statements	**17,850**	39,447
	17,850	39,447
(ii) Auditor – Network Firms		
BDO East Africa	**29,513**	10,849
	29,513	10,849
(iii) Auditor – Unrelated Firms		
PKF Kenya [1]	**-**	7,153
JNMA Chartered Accountants, Zambia [1]	**-**	-
	-	7,153

[1] 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.

7. CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash at Bank	**409,398**	1,714,557
Petty Cash	**2,963**	274
	412,361	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	**412,361**	1,714,831
Balances as per Consolidated Statement of Cash Flows	**412,361**	1,714,831

8. TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
Current		
Other Debtors	**687,627**	957,009
Prepayment	**48,357**	48,788
	735,984	1,005,797

(a) Prepayments

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

(b) Other Debtors

As at 31 December 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.

9. PROPERTY, PLANT AND EQUIPMENT

	2016 $	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

10. TRADE AND OTHER PAYABLES	**2016**	2015
	$	$
Current		
Trade Creditors	**1,013,039**	705,803
Other Creditors	**203,686**	594,238
	1,216,725	1,300,041

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

Should the recapitalisation of the Company proceed and the DOCA be effectuated, all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company will be released.

11. INCOME TAX	**2016**	2015
	$	$
Current		
Provision for Income Tax [1]	**4,299**	28,851
	4,299	28,851

[1] Income tax payable by Swala Oil and Gas (Tanzania) Plc

12. OTHER LIABILITIES	**2015**	2014
	$	$
Current		
Annual Leave	**162,283**	181,310
Employee Entitlements	**804,788**	-
	967,071	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.

Should the recapitalisation of the Company proceed and the DOCA be effectuated, all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company will be released.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments not measured at fair value

The group also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

Due to their short-term nature, the carrying amount of trade receivable and payables are assumed to approximate their fair values.

14. ISSUED CAPITAL

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

	1 Jan 2016 to 31 Dec 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

15. RESERVES

	2016 $	2015 $
Share based payment reserve [1]	**1,457,350**	1,457,350
Foreign currency translation reserve [2]	**822,395**	785,334
Share premium reserve [3]	**2,031,395**	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.

16. FINANCIAL INSTRUMENTS

	2016 $	2015 $
Categories of Financial Instruments		
Financial Assets		
Cash	**412,360**	1,714,831
Other Debtors	**687,627**	957,007
	1,099,987	2,671,838
Financial Liabilities		
Trade Creditors	**1,013,039**	705,803
	1,013,039	705,803

17. FINANCIAL RISK MANAGEMENT

This note sets out information about the financial risk management policies of Swala Energy Limited for the financial year ended 31 December 2016. The Company was in administration from 24 June 2016. On entering administration, the administrator was responsible for the policies of the Company.

The Directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these policies. These policies may or may not have been in place during the financial period.

If the recapitalisation process is successful, the Directors who are in office at the date of this report, or the proposed Directors who will be appointed at the completion of the acquisition of Symbol Mining Corporation Pty Ltd, will adopt new policies in accordance with the corporate governance framework to be adopted by the Board.

(a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instructions from which financial instrument risk arises is cash at bank and trade and other payments.

The Board has overall responsibility for the determination of the Group's risk management objectives and Policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group develops and reviews risk management policies and processes. The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation, resulting in the Group incurring a financial loss. Credit risk arises from cash and cash equivalents (e.g. deposits and investments held with banks and financial institutions), favourable derivative contracts (derivative assets), loans and receivables, guarantees given on behalf of others and loans and commitments granted but not drawn down at the end of the reporting period.

There is no concentration of credit risk with respect to current and non-current receivables from customers as the Group does not have customers at this time given its stage of development as an exploration company. The Company has exposure to credit risk in relation to the Company's subsidiary company, Swala Oil and Gas (Tanzania) Plc ("Swala Tanzania" or "SOGTP"), in Tanzania where it is operator of the Kilosa-Kilombero and Pangani licences and is dependent on timely contributions from other joint operation participants.

Notes to and Forming Part of the Financial Statements
for the year ended 31 December 2016

In Australia funds are deposited with financial institutions which have AA or better credit ratings. In Tanzania and Kenya funds are deposited with Stanbic Bank, a member of the Standard Bank Group. In Tanzania and Kenya sufficient funds are held to cover expenditure as required. The maximum exposure of the group to credit risk at the end of the reporting period for cash and cash equivalents, loans and receivables and derivative assets is their carrying amount disclosed in the statement of financial position.

The maximum exposure of the group to credit risk at the end of the reporting period by country is as follows:

2016

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

2015

			2015	
	USD	TZS	KES	GBP
Australia	353,867	-	-	-
British Virgin Islands	57,471	-	-	-
Tanzania	841,377	(19,285,128)	-	(221)
Kenya	42,064	-	722,816	-
Total	1,294,779	(19,285,128)	722,816	(221)

(c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments and financial obligations as and when they fall due.

		2016			2015	
Financial Liabilities	**Carrying amount**	**< 6 months**	**< 12 months**	Carrying amount	< 6 months	< 12 months
Non-derivatives						
Trade Creditors	**1,013,039**	**1,013,039**	**-**	705,803	705,803	-
Total non-derivatives	**1,013,039**	**1,013,039**	**-**	705,803	705,803	-
Financial Assets						
Non-derivatives						
Other receivables	**687,627**	**687,627**	**-**	958,349	958,349	-
Total non-derivatives	**687,627**	**687,627**	**-**	958,349	958,349	-

(d) Market Risk

Market risk arises from the use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk).

i. Interest Rate Risk

The Group is exposed to interest rate risk. The Group's exposure to market interest rates relate primarily to cash and cash equivalents held in Australian financial institutions. Cash and cash equivalents held in Tanzanian and Kenyan financial institutions do not attract interest.

The Group's main interest rate risk arises from short term cash deposits. During the financial year, the Group did not have cash on term deposits. As at the reporting date the Group did not have any cash on term deposits that were exposed to interest rate risk.

ii. Currency Risk

The Group is exposed to currency risk on its purchases that are denominated in a currency other than the functional currency of the head of the consolidated entity, Swala Energy Limited. These currency purchases are largely denominated in US dollars, with smaller amounts for purchases denominated in Tanzanian shillings, Kenyan shillings and Zambian Kwacha.

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (USD) with the cash generated from their own operations in that currency. However, as at the reporting date none of the companies within the group generate cash from their own operations. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash will be converted from reserves of the functional currency into that currency.

The Group's exposure to foreign currency risk is as follows:

2016

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

2015

Consolidated	31 December 2015				
	US Dollars	Tanzanian Shillings	Kenyan Shillings	Zambian Kwacha	British Pounds GBP
Cash and cash equivalents	1,222,478	17,216,523	722,816	-	-
Trade and other receivables	689,070	-	-	-	-
Trade and other payables	(616,768)	(36,501,651)	-	-	(221)
Statement of Financial Position Exposure	1,294,780	(19,285,128)	722,816	-	(221)

Sensitivity Analysis

2016

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

2015

A 5% strengthening or weakening of the Australian dollar against the currencies as at 31 December 2015 would have increased (decreased) the profit or loss by the amounts set out in the table below. The analysis below assumes that all other variables remain constant.

	2015	
	+5% Strengthening of AUD	-5% Weakening of AUD
	Profit or Loss	Profit or Loss
USD	(84,638)	93,543
TNZ Shillings	596	(658)
KES Shillings	(470)	519
ZMW Kwacha	-	-
GBP	21	(24)

18. RELATED PARTY DISCLOSURE

Transactions with Related Parties

2016

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

2015

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.

Transactions with director related entity

Hayaat, a substantial shareholder holding 9.08% of the ordinary shares in the Company as at 31 December 2015, provided the Company with a US$1 million short term loan facility (“Loan”) during the year.

Mr Mohammed Ishtiaq is a key management person within the Hayaat Group. Hayaat is a company within the Hayaat Group. Mr Mohammed is also a Non-Executive Director of Swala. As a result Hayaat is a related party of Swala pursuant to AASB 124 Related Party Disclosures and the Loan is a related party transaction for the purposes of this disclosure.

No interest on the Loan was payable by the Company. The Loan was secured on the Company’s assets. An establishment fee of US$25,000 was payable in respect of each US$500,000 tranche drawn down (total establishment fee paid was US$50,000). The Loan was to be repaid and the establishment fee is to be paid by the Company on or before the repayment date. The repayment date was the earlier of (a) three months after the date of the first draw down date, and (b) the occurrence of a repayment event. An additional late repayment fee of US$38,500 was payable.

As at 30 June 2015 the first tranche of US$500,000 had been drawn down under the loan facility. The second tranche was drawn down and received by the Company during July 2015. The Loan and associated fees was paid in full during the year.

Transactions with key management personnel

During the year the Company received a short term loan for a principal amount of $63,900 from Dr Mestres Ridge, a Director of the Company. Pursuant to the terms of the loan no interest was repayable by the Company. The terms of the loan required the Company to repay the loan at the earlier of:

- upon receipt of funds from the short term loan from Hayaat International Limited ("Hayaat"), a substantial shareholder in the Company; or
- twelve months from the date of receipt of $63,900 from the short term loan.

As at 31 December 2015, the Company had repaid in full $63,900 to Dr Mestres Ridge after the first tranche of the short term loan of USD 500,000 was received from Hayaat.

Key management personnel compensation	**2016**	2015
	$	$
Short-term employee benefits	**250,810**	1,187,738
Long-term employee benefits	**-**	(762)
Post-employment benefits	**2,174**	40,904
Share-based payments	**-**	-
	252,984	1,227,880

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

	2016	2015
	$	$
Profit/(Loss)	**(2,427,521)**	1,722,137
Non Cash Items		
Depreciation	**7,790**	23,834
Impairment of assets on relinquishment of Swala Zambia	**-**	315,507
Share based payments	**175,349**	-
Foreign currency movements	**(5,792)**	-
Movement in fair value of financial instruments	**-**	295,155
Employee leave accrual	**(19,028)**	36,562
Changes in Assets & Liabilities		
(Increase)/Decrease in Trade & Other Receivables	**269,813**	(990,219)
Increase/(Decrease) in Trade & Other Payables	**696,921**	(1,187,933)
Net Cash Flow from Operating Activities	**(1,302,468)**	215,043

20. CONTINGENT ASSETS

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

The information disclosed in relation to contingent assets is based on the unaudited financial report of Swala Oil and Gas (Tanzania) PLC for the period ended 30 June 2016.

If a liability arises after 31 December 2016 pursuant to the Contingent Liability referred to in Note 21 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.

21. CONTINGENT LIABILITIES

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

The information disclosed in relation to contingent liabilities is based on the unaudited financial report of Swala Oil and Gas (Tanzania) PLC for the period ended 30 June 2016.

During the prior 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 $1.0million.

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.

Should the recapitalisation of the Company proceed and the DOCA be effectuated, all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company will be released.

The current Directors are not aware of any other contingent liabilities as at the reporting date.

22. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as disclosed elsewhere in this financial report, there are no other matters subsequent to the reporting period.

23. COMMITMENTS

		2016	2015
		$	$
Capital commitments			
Exploration	Within 1 year	-	8,219,160
		-	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 and its Block 12B licence in Kenya. The capital commitments do not represent or include contracts placed for property, plant and equipment or any other asset class.

2016

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

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

2016

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

2015

The Group leases various premises under non-cancellable operating leases expiring between 2017 and 2018 years. 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.

Should the recapitalisation of the Company proceed and the DOCA be effectuated, all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company will be released.

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

24. 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 31 Dec 2016	Equity Holdings 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%

Non-controlling interests (NCI) [1]

The table below sets out the summarised financial information for each subsidiary that has non-controlling interests that are material to the group. Amounts disclosed are before intercompany eliminations.

2016

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

	Swala Oil & Gas (Tanzania) Plc 31 Dec 2016 $	Swala Oil & Gas (Tanzania) Plc 31 Dec 2015 $
Summarised statement of financial position		
Current assets	**-**	1,919,584
Non-current assets	**-**	102,260
Total assets	**-**	2,021,844
Current liabilities	**-**	1,268,200
Non-current liabilities	**-**	6,224,312
Total liabilities	**-**	7,492,512
Net assets	**-**	(5,470,668)
Accumulated NCI	**-**	(2,283,481)

	Swala Oil & Gas (Tanzania) Plc	
	31 Dec 2016	31 Dec 2015
	$	$
Summarised statement of profit or loss and other comprehensive income		
Profit/(Loss) for the period	**-**	(5,474,772)
Other comprehensive loss	**-**	(1,015,175)
Total comprehensive loss	**-**	(4,459,597)
Profit/(Losses) allocated to NCI	**-**	2,272,030
Summarised cash flows		
Cash flows from operating activities	**-**	1,281,099
Cash flows from investing activities	**-**	(9,433)
Cash flows from financing activities	**-**	(1,271,154)
Net increase/(decrease) in cash and cash equivalents	**-**	512

[1] Non-controlling interest (NCI) is the portion of equity ownership in a subsidiary not attributable to the Company, who has a controlling interest, and consolidates the subsidiary's financial results with its own.

25. INVESTMENTS IN JOINT OPERATIONS

2016

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

2015

The Group has entered into three separate joint operations arrangements for licences for its East African projects. As at 31 December 2015 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 31 December 2015 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

26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Swala Energy Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

	2016	2015
	$	$
Current assets	**171,535**	1,312,953
Non-current assets	**9,615**	663,933
Total assets	**181,150**	1,976,886
Current liabilities	**1,037,640**	686,690
Total liabilities	**1,037,640**	686,690
Contributed equity	**28,164,098**	27,988,749
Share-based payment reserve	**1,457,350**	1,457,350
Accumulated losses	**(30,477,938)**	(28,155,902)
Total equity/(Deficiency)	**(856,490)**	1,290,197
Loss for the year	**(2,322,034)**	(3,049,216)
Total comprehensive loss for the year	**(2,322,034)**	(3,049,216)

Lease commitments of the Parent	**2016**	2015
	$	$
Non-cancellable operating leases - future minimum lease payments payable:		
Within one year	-	77,257
Later than one year but not later than 5 years	-	145,561
	-	222,818

2016

On 24 June 2016 the Board resolved to place the Company into voluntary administration and as a result the Company's operations were suspended.

As detailed in note 1(b), 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.

Should the recapitalisation of the Company proceed and the DOCA be effectuated, all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company will be released.

The Parent does not have any contingent liabilities as at the reporting date.

27. DISPOSAL OF SUBSIDIARY

(a) Description

On 31 August 2015 Swala exited from its Zambian operation to focus on its core areas in East Africa and entered into an agreement to relinquish control of Swala Energy (Zambia) Limited to local Zambia shareholders. On completion of the transfer of control, Swala became the beneficial owner of less than 1% of Swala Zambia and as a consequence relinquished its interest and control of the Block 44 license in Zambia.

(b) Details of Subsidiary

	2015 $
Carrying Amount of net assets disposed	**(26,327)**
Loss on Sale before income tax and reclassification of foreign currency translation reserve	**(26,327)**
Loss on transactions with non-controlling interests	**(110,590)**
Write-off of net receivables	**(178,590)**
Loss on relinquishment of Swala Zambia	**(315,507)**
Reclassification of foreign currency translation reserve to profit or loss	**(163,214)**

The carrying amounts of assets and liabilities as at the date of relinquishment (31 August 2015) were:

Cash	**296**
Other Debtors and Prepayments	**25,137**
Property, plant and equipment	**10,990**
Total assets	**36,423**
Trade creditors	**(10,097)**
Total liabilities	**(10,097)**
Net assets	**26,327**

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, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' 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 the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report 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 31 December 2016 and of the performance for the year 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.

3. The declaration required to be made with Section 259A of the Corporations Act 2001 for the financial year ended 31 December 2016 has been unable to be made due to the reasons set out in note 1(b).

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

S. McCormick

Mr Sean McCormick
Non-Executive Director

Dated this day of 27th April 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Swala Energy Limited (subject to Deed of Company Arrangement)

Report on the Audit of the Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of Swala Energy Ltd (the Company) and its subsidiaries (the Group)(subject to Deed of Company Arrangement) which comprises the consolidated statement of financial position as at 31 December 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the financial report.

Basis for Disclaimer of Opinion

(i) On 24 June 2016, Swala Energy Ltd (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 obtain sufficient appropriate audit evidence or 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.

(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 audit 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 report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.We have not determined any other matters to be communicated in our report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We were engaged to audit the Remuneration Report included on pages 9 to 17 of the directors' report for the year ended 31 December 2016.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Remuneration Report

Basis for Disclaimer of Opinion

On 24 June 2016, Swala Energy Ltd (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 being able to access financial records that correctly record and explain the transactions included in the Remuneration Report for the year ended 31 December 2016.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 27 April 2017

Details of Shareholdings

The ASX Additional Information was prepared based on the Company's Share Register and Option Register information as at 5 July 2016. To the best of the Directors' knowledge there has been no amendments to the register since that date. At the request of the Administrator, the Company's share registry, Link Market Services, ceased to provide registry services to the Company.

SUBSTANTIAL SHAREHOLDERS

The number of securities held by substantial shareholders and their associates are set out below:

Fully Paid Ordinary Shares

Names	Number of shares	% of issued shares
David Mestres Ridge and his related parties	24,436,092	14.80%
Neil Catto Taylor	18,725,369	11.34%
Hayaat International Limited	14,533,743	8.80%

UNQUOTED EQUITY SECURITIES

Options

8,700,000 unquoted Options are on issue to 11 Optionholders. The following Optionholders hold 20% or more of the Options:

Optionholder	Number of Options	% of Options
Argonaut Securities Limited	2,500,000	28.74%
Foster Stockbroking Pty Limited	2,500,000	28.74%
Mr Kenneth (Ken) Russell	2,000,000	22.99%

VOTING RIGHTS

Quoted Equity Securities

The voting rights attached to fully paid ordinary shares are that on a show of hands, every member present, in person or by proxy, has one vote and upon a poll, each share shall have one vote.

Unquoted Equity Securities

Option holders do not have any voting rights on the options held by them.

20 LARGEST SHAREHOLDERS OF QUOTED SECURITIES

Fully Paid Ordinary Shares

	Names	Number of shares	% of issued shares
1	Ocra Trustees (Isle Of Man) Limited	21,393,240	12.95%
2	Mr Neil Catto Taylor	18,725,369	11.34%
3	Hayaat International Limited	14,533,743	8.80%
4	Energy Tanzania Limited	5,000,000	3.03%
5	Pershing Australia Nominees Pty Ltd ATF <Argonaut Account>	4,800,000	2.91%
6	Citicorp Nominees Pty Limited	3,887,588	2.35%
7	Mr Ernest Massawe	3,387,724	2.05%
8	J P Morgan Nominees Australia Limited	2,788,513	1.69%
9	Ms Jennifer Allison	2,781,686	1.68%
10	Erncon Holdings Limited	2,591,035	1.57%
11	Mr Anthony Edward Wooles & Mrs Alison Louise Wooles <A & A Super Fund A/C>	2,500,000	1.51%
12	Dr Sonil Kalia	2,431,633	1.47%
13	Tenbagga Resources Fund Pty Ltd <Tenbagga Family A/C>	2,330,000	1.41%
14	Mr Anthony Carl Eriksen	1,800,000	1.09%
14	Mr Kane Rodney Maxwell Phillips	1,707,500	1.03%
15	Mrs Michele Mitchell De Mestres	1,680,291	1.02%
16	Ocean Mist Pty Ltd <Waterford Superfund A/C>	1,400,000	0.85%
18	Mr Matthew Thomas Hearly	1,147,368	0.69%
19	Peter Allan Learmont	1,108,888	0.67%
20	Mr Paul Ward Rodrigues	1,000,000	0.61%
	Total	96,994,578	58.73%

DISTRIBUTION OF SECURITY HOLDERS

Fully Paid Ordinary Shares

Holding	Number of shareholders	Number of shares	% of issued shares
1 – 1000	31	7,226	0.00%
1,001 – 5,000	91	319,037	0.19%
5,001 – 10,000	99	865,086	0.52%
10,001 – 100,000	479	19,647,597	11.90%
100,001 and over	176	144,315,619	87.39%
Total	876	165,154,565	100.00%

Unquoted Equity Securities

Options

Holding	Number of shareholders	Number of Options	% of Options
1 – 1000	-	-	-
1,001 – 5,000	1	5,000	0.06%
5,001 – 10,000	-	-	-
10,001 – 100,000	5	195,000	2.24%
100,001 and over	5	8,500,000	97.70%
Total	11	8,700,000	100.00%

UNMARKETABLE PARCELS

As at 1 April 2016 the number of shareholders holding less than a marketable parcel of fully paid ordinary shares was 275, representing 1,847,777 fully paid ordinary shares, at the Swala Energy Limited closing share price of $0.037 (April 2016).

ON-MARKET BUY-BACK

There is no current on-market buy-back.

RESTRICTED SECURITIES

There are no restricted securities.

Corporate Directory

Administrator
James Thackray
HQ Advisory
Suite 3
Level 3, 1292 Hay Street
West Perth WA 6005

Directors
Mr Kenneth (Ken) Russell, Non-Executive Chairman
Mr Stephen Hewitt-Dutton, Non-Executive Director
Mr Sean McCormack, Non-Executive Director
Mr John Gilfillan, Non-Executive Director
Mr Mohammad Ishtiaq, Non-Executive Director

Company Secretary
Mr Stephen Hewitt-Dutton

Registered Office
C/- HQ Advisory
Suite 3
Level 3, 1292 Hay Street
West Perth WA 6005

Share Registry
Link Market Services Limited
Level 4
Central Park, 152 St Georges Terrace
Perth WA 6000
Telephone: 1300 554 474
Facsimile: +61 (02) 9287 0303

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008 Australia

Securities Exchange Listing
Swala Energy Limited is listed on the Australian Securities Exchange (ASX) under the ticker code “SWE”.

Corporate Governance Statement

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out below. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The corporate governance statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The governance-related documents will be able to be found on the Company's website once established, under the section marked "Corporate Governance":

Board Charter

Board Performance Evaluation Policy;

Code of Conduct;

Audit Committee Charter;

Remuneration and Nomination Committee Charter;

Security Trading Policy;

Continuous Disclosure Policy;

Shareholder Communication and Investor Relations Policy;

Risk Committee Charter;

Risk Management Policy; and

Diversity Policy.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

(a) setting and reviewing strategic direction and planning;
(b) reviewing financial and operational performance;
(c) identifying principal risks and reviewing risk management strategies; and
(d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Chief Executive Officer. The Chief Executive Officer is accountable to the Board.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director.

Recommendation 1.3

The Company has a written agreement with each of the Directors and senior executives setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

(a) ensuring a good flow of information between the Board, its committees, and Directors;

(b) monitoring policies and procedures of the Board;

(c) advising the Board through the Chairman of corporate governance policies; and

(d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

Recommendation 1.5

The Company has a Diversity Policy, the purpose of which is:

(a) to outline the Company’s commitment to creating a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management; and

(b) to provide a process for the Board to determine measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals.

As at 31 December 2016 there are no woman employed or on the Board. The Board maintains full transparency of board processes, reviews and appointments and encourages gender diversity.

Given the Company’s size the Board does not consider it appropriate to set quantitative objectives regarding gender diversity at this time. As the operations grow, the Board will give consideration to the setting of such objectives and their achievement through the appointment of appropriate candidates to the Board and senior executive positions as they become available

Recommendation 1.6

The Chief Executive Officer will be responsible for evaluating the performance of the Company’s senior executives in accordance with the process disclosed in the Company’s Process for Performance Evaluations, which is currently being developed by the Board.

The Chair will be responsible for evaluating the performance of the Company’s Chief Executive Officer in accordance with the process disclosed in the Company’s Process for Performance Evaluations, which is currently being developed by the Board.

Owing to the Company being placed in Administration, the Company has not conducted an evaluation of its Chief Executive Officer.

Recommendation 1.7

The Chair will be responsible for evaluating the performance of the Board, Board committees and individual directors in accordance with the process disclosed in the Company's Board performance evaluation policy.

This policy is to ensure:

(a) individual Directors and the Board as a whole work efficiently and effectively in achieving their functions;
(b) the executive Directors and key executives execute the Company's strategy through the efficient and effective implementation of the business objectives; and
(c) committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in the board charter.

This policy will be reviewed annually.

The Company will report on whether an evaluation of the Board, its committees and individual directors has taken place in the relevant reporting period, and whether the process was in accordance with the process disclosed, in each of its corporate governance statements.

Owing to the Company being placed in Administration, the Company has not conducted an evaluation of its Board.

Principle 2: Structure the board to add value

Recommendation 2.1

Due to the size of the Board, the Company does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board.

The duties of the full Board in its capacity as a nomination committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.

When the Board meets as a remuneration and nomination committee is carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration and Nomination Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed on the Company's website.

Recommendation 2.2

The mix of skills and diversity which the Board is looking to achieve in its composition is:

(a) a broad range of business experience; and
(b) technical expertise and skills required to discharge duties.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles and Recommendations.

Currently the Board is structured as follows:

(a) Ken Russell, Non-Executive Chairman (Appointed 17 January 2013)
(b) Stephen Hewitt-Dutton, Non-Executive Director (Appointed 27 April 2017)
(c) Sean McCormick, Non-Executive Director (Appointed 27 April 2017)
(d) John Gilfillan, Non-Executive Director (Appointed 27 April 2017)
(e) Mohammed Ishtiaq, Non-Executive Director (Appointed 8 August 2014)

Messrs Russell, Hewitt-Dutton, McCormick and Gilfillan are considered independent.

Recommendation 2.4

Currently, the Board has a majority of independent Directors.

Recommendation 2.5

Mr Ken Russell is an independent non-executive Chairman.

Recommendation 2.6

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

Principle 3: Act ethically and responsibly

Recommendation 3.1

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (Code), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board, and is disclosed on the Company's website.

The Code applies to all Directors, employees, contractors and officers of the Company.

The Code will be formally reviewed by the Board each year.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1

Due to the size of the Board, the Company does not have a separate Audit Committee. The roles and responsibilities of an audit committee are undertaken by the Board.

The full Board in its capacity as the audit committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The duties of the full Board in its capacity as the audit committee are set out in the Company's Audit and Risk Management Committee Charter which is available on the Company's website.

When the Board meets as an audit committee it carries out those functions which are delegated to it in the Company's Audit and Risk Management Committee Charter. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board has adopted an Audit and Risk Management Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed on the Company's website.

Recommendation 4.2

Before the Board approves the Company financial statements for each financial period it will receive from the Chief Executive Officer and the Chief Financial Officer or equivalent a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

As a result of the Company being placed into Administration, in relation to the year ended 31 December 2016 the Directors have not received the above declarations.

Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and does not arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company will write to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair will allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair will also allow a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1

The Company is committed to:

(a) ensuring that shareholders and the market are provided with full and timely information about its activities;

(b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and

(c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Continuous Disclosure Policy, which is disclosed on the Company's website. The Continuous Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Chief Executive Officer manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. This policy will be reviewed by the Board annually.

Principle 6: Respect the rights of security holders

Recommendation 6.1

The Company will provide information about itself and its governance to investors via its website (once established). The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by ASX, the following will be posted to the Company website:

(a) relevant announcements made to the market via ASX;
(b) media releases;
(c) investment updates;
(d) Company presentations and media briefings;
(e) copies of press releases and announcements for the preceding three years; and
(f) copies of annual and half yearly reports including financial statements for the preceding three years.

Recommendation 6.2

The Company has a Shareholder Communication Policy which aims to ensure that Shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to Shareholders via:

(a) reports to Shareholders;
(b) ASX announcements;
(c) annual general meetings; and
(d) the Company website.

This Shareholder Communication Policy will be formally reviewed by the Board each year. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact details (via the website) for Shareholders to make their enquiries.

Recommendation 6.3

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals.

However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.

Recommendation 6.4

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

Principle 7: Recognise and manage risk

Recommendation 7.1

Due to the size of the Board, the Company does not have a separate Audit and Risk Management Committee. The Board is responsible for the oversight of the Company's risk management and control framework.

When the Board meets as a risk committee is carries out those functions which are delegated to it in the Company's Audit and Risk Management Committee Charter. Items that are usually required to be discussed by a Audit and Risk Management Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted an Audit and Risk Management Committee Charter which describes the role, composition, functions and responsibilities of the Audit and Risk Management Committee and is disclosed on the Company's website.

Under Audit and Risk Management Committee Charter, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The risk management system covers:

(a) operational risk;
(b) financial reporting;
(c) compliance / regulations; and
(d) system / IT process risk.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

Recommendation 7.2

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Arrangements put in place by the Board to monitor risk management include, but are not limited to:

(a) monthly reporting to the Board in respect of operations and the financial position of the Company; and
(b) quarterly rolling forecasts prepared;

Recommendation 7.3

The Company does not have, and does not intend to establish, an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Audit and Risk Management Committee Charter.

Recommendation 7.4

Given the speculative nature of the Company's business, it will be subject to general risks and certain specific risks.

The Company will identify those economic, environmental and/or social sustainability risks to which it has a material exposure, and disclose how it intends to manage those risks in each of its corporate governance statements.

Principle 8: Remunerate fairly and responsibly
Recommendation 8.1

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board.

The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website

When the Board meets as a remuneration committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.

Recommendation 8.2

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Recommendation 8.3

The Company's Security Trading Policy includes a statement on the Company's policy on prohibiting participants in the Company's Employee Incentive Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Employee Incentive Plan.

Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

(a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;

(b) trading in the Company's securities which is not subject to the Company's trading policy; and

(c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy has been lodged with the ASX.