Swala Energy Limited
ACN 161 989 546

swala energy

2014
annual report

Annual Report for the Year Ending
31 December 2014

KEY HIGHLIGHTS DURING 2014

10 MAR
Farm-out of 25% of Block 12B in Kenya

23 APR
Start of the seismic acquisition programme over Block 12B

27 MAY
The Tanzanian Capital Markets and Security Authority approved Swala Tanzania´s IPO prospectus

30 JUN
Positive results from the seismic programme over Block 12B

11 AUG
Swala Tanzania lists on the Dar es Salaam Stock Exchange

about swala

Swala Energy Limited is an Australian oil and gas company listed on the Australian Securities Exchange (“ASX”) under the ticker code “SWE”. Swala’s holdings are predominantly in the world-class East African Rift System with a total net land package in excess of 18,800km^2 in Kenya, Tanzania and Zambia. New discoveries have been announced in a number of licences along this trend, including Ngamia, Twiga and Etuko, which extend the multi-billion barrel Albert Graben play into the eastern arm of the rift system. Swala has an active operational and business development programme to continue to grow its presence in the promising hydrocarbon provinces of Africa.

25 AUG
Start of the seismic acquisition programme over the Pangani licence in Tanzania

17 SEP
Swala awarded Block 44 in Zambia

9 OCT
Drill target identified in Block 12B

29 OCT
Seismic survey identifies ´String of Pearls´ in the Kilombero Basin in Tanzania

10 NOV
Farm-out of Block 12B reversed and Swala retains 50% equity interest

29 DEC
Interim fund raise through issue of equity and convertible notes

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Photo 1: AWDs working in tandem during the Moshi survey

chairman's letter

The year 2014 will go down in the history of the oil and gas industries as a momentous one; we have experienced a drastic fall in the price of a barrel of oil, we have large fluctuations in the currencies we deal with and in many cases we have government bodies that administer and award exploration permits trying themselves to come to terms with these massive changes that are taking place within the industry.

Be that as it may, however, it's pleasing to be able to advise that the Swala companies have continued throughout the year to undertake their permit obligations, with further successful seismic acquisition programmes that have been conducted well within budget and within the designated time frame and – importantly- provided tangible evidence of large onshore potentially hydrocarbon-bearing structures. Reduction in service company costs being seen in the industry at this time will allow for us to benefit from reduced drilling costs in our planned drilling programmes in these areas currently estimated to start later in 2015. We have also secured an additional permit for our portfolio in Zambia, Block 44.

At the beginning of last year the Company was working towards listing Swala Oil and Gas (Tanzania) Plc on the Dar es Salaam Stock Exchange. Swala had developed what was a unique model that had been designed to allow the joint participation of local investors in the development of the Company with the aim of ensuring that local participants could benefit from the extractive industry being undertaken in their own country. During 2014 the Company has successfully completed this task, a first in the region and one that shows clearly Swala is working diligently to ensure it works with the peoples and governments of the areas where the Company has entered into agreements to undertake work programmes across its assets.

As part of our constant review of the Company's financial needs and in an effort to minimize exposure for the Company we entered into a farm-out agreement with Compañía Española de Petróleos S.A.U. (CEPSA), the Spanish exploration and production company for a 25% interest in our 12B Kenya permit. Unfortunately, not long after completing this transaction CEPSA made the decision to withdraw from the permit but I'm happy to report that the final outcome of these events were that we reverted to our 50% interest and without any financial loss. We now have an active process underway at the moment where we are working to once again farm-down our percentage ownership of some of our assets as this is a viable way of reducing cost exposure for the Company.

In an industry such as ours we are constantly reviewing our risks and our approach to health and safety issues. These, and environmental undertakings, are areas that we have applied a lot of emphasis to during the past year and by doing this we are steadily infusing a culture of safety first into our daily work. We will continue to do this and hold these requirements as important to how a Company prospers.

It is normal practice in these covering letters to recognise the efforts of personnel. This year I believe it's even more important to recognise the effort that the management and personnel of Swala, both in Australia and in our offices in Africa, have been applying in what has sometimes been very challenging times. Dr David Mestres Ridge and the team he leads have taken on these challenges presented to our industry. People outside the company don't know of the great effort that these people put in to maintain the Company's growth so I think we should all acknowledge this and I sincerely thank them, and all of our outside consultants and suppliers for it.

We all know that the coming year will be one full of challenges but we also know that it will be full of opportunities and it will be our task to take advantage of those opportunities as they arise. I can assure you all that the whole team at Swala Energy is mindful of this. We continue to work for the benefit of our shareholders who I thank for their ongoing support and to assist in bringing benefits to the local peoples of East Africa.

Mr Ken Russell
Non-Executive Chairman

ceo & managing director's letter

Dear Shareholder,

OIL PRICE AND THE SECTOR

The greatest impact on the sector during the second half of 2014 was the relatively rapid decline in the oil price from over US$100 per barrel to around US$50 per barrel. The impact of this change was felt equally rapidly, with shares in the exploration sector companies being badly hit and companies everywhere seeking to make savings in projects across the globe.

Over the same period, the Australian dollar, after the Reserve Bank lowered interest rates, fell by some 15% relative to the US dollar. The Company keeps most of its cash reserves in US dollars and these have to date provided a natural hedge against variations in our main trading currency. The fall in the Australian dollar has allowed the Company to benefit from a positive foreign exchange conversion. However, the overall effect has been to increase the cost of raising working capital on the Australian Securities Exchange (ASX) relative to the cost of raising capital at the start of 2014 and, as a result, the Company started to consider alternatives to equity financing during 2014.

CORPORATE FINANCING AS A CONTINUOUS PROJECT

The Company started a number of financing initiatives during 2014 ahead of the drilling campaign currently planned to commence later in 2015.

As part of our overall approach to corporate financing of the Company's projects in early 2014 we announced that the Company had farmed down a 25% equity interest in Block 12B, Kenya, to Compañía Española de Petróleos S.A.U. (CEPSA), an integrated Spanish multinational, in exchange for the payment of past costs, the payment of the seismic programme that was required under the terms of our licence obligations and a carry over the costs of drilling an exploration well. In July 2014 we advised that, following the payment of approximately US$5.2 million in past costs and seismic carry, CEPSA had elected to withdraw from the licence – as it was entitled to do under both the farm-out agreement and the joint operating agreement. In November 2014 we further advised that Swala would be returned the farmed-out equity interest of 25%, thereby bringing the ownership of Block 12B back to the earlier status whereby 50% of the licence is held by a subsidiary of Tullow Oil plc and 50% is held by Swala.

In August 2014 the Company's partially-owned subsidiary, Swala Oil and Gas (Tanzania) plc ("Swala Tanzania"), took a major step by listing on the Dar es Salaam Stock Exchange's Enterprise Growth Market (or EGM), the first listing of an East African oil and gas exploration company on an East African stock exchange. The placement on the EGM was oversubscribed and, on closing, some 2,000 local investors had participated in this opportunity. Swala Energy's equity interest in Swala Tanzania was reduced from 65.13% to 58.5% as part of this process. Together with the Swala Trust and our sponsoring the university studies of a number of Tanzanian students, the Dar es Salaam stock exchange listing establishes Swala as a company that is truly committed to growth in the East African areas in which it operates.

In late 2014 we sought to raise equity on the ASX, first through a placement to current investors and, in parallel, to sophisticated investors. The equity raise coincided with the collapse of worldwide oil prices and investor confidence across the globe and the Company, faced with unrealistic and unsettled valuations, decided instead to raise a restricted amount through the issuance of Convertible Notes. As of the date of this report, we had placed a total of 750,000 Convertible Notes (potentially equivalent to some 10 million shares or a dilution over the existing issued share capital of 6.5%).

THE COMPANY'S FOCUS IN 2014

The Company focussed during the year mainly on completing its seismic acquisition projects in its Tanzanian licences and on the farming down of its interests in Block 12B in Kenya. The seismic projects, over the Pangani and Kilosa-Kilombero licences were completed in the second half of 2014. The results obtained in Kilosa-Kilombero, where we had previously identified the Kito prospect, were particularly interesting in that they showed a series of leads and prospects extending along the edge of the basin in a 'string of pearls' configuration. As of the date of this report, the data are still being processed ahead of more detailed interpretation.

STRONG SHAREHOLDER SUPPORT

The Company closed the year with 972 shareholders, the 'Top 20' of whom held 60.67% of the Company's securities. By number of shares held, our biggest investor group is in Australia (63.02%), followed by the United Kingdom (15.03%), the United Arab Emirates (9.92%) and Tanzania (9.83%). We are fortunate in having the support of our shareholders and all within Swala are conscious of having to honour that support by continuing to grow the value of the Company.

HEALTH, SAFETY AND THE ENVIRONMENT

Swala, and all the companies in the Swala group take health, safety and environment (HS&E) seriously. The Company strives to engage with local communities before carrying out activities in any area. The Company has progressed the establishment of its risk management system with the objective of ensuring that all operations are conducted on consistent standards.

CORPORATE SOCIAL RESPONSIBILITY

The 10 students that we are sponsoring to pursue geology degrees at the University of Dar es Salaam (Tanzania) are mid-way through their courses and scheduled to complete their studies in 2016. The Company remains in close contact with these students and will seek to add practical experience to their university studies. The Company also concluded the establishment of the Swala Tanzania Trust Company Limited, a trust that holds some 7.5 million shares in Swala Tanzania and which has the remit of investing the proceeds from the managed sale of those shares into the communities in which Swala Tanzania operates.

FORWARD VIEW

During 2015 we remain focused on two main projects: the ongoing development of our existing assets and the growth of our licence portfolio. The first step in 2015 is to farm-down licence interests so as to properly balance technical upside with financial risk. In parallel, the processing and interpretation of the seismic data acquired during 2014 will give us drilling targets for our upcoming drilling campaign. Later in 2015 we plan to dual-list the Company on the Alternative Investment Market ("AIM") of the London Stock Exchange in order to allow the Company access to the deeper liquidity of the London capital markets.

We remain conscious of the need to continue to grow the Company and to diversify across the East African region. The new oil price environment has opened up potential corporate opportunities for it that the Company continues to review. We also continue to advance our preparations for new licence applications in a number of jurisdictions within the East African Rift System region, some of which were delayed from 2014. Although the oil price environment is now challenging, the management and personnel of Swala see this same environment presenting corporate opportunities in this coming year.

Dr David Mestres Ridge
CEO & Managing Director

directors' report

The Directors present their Report, together with the financial statements, on the consolidated entity ("consolidated entity") consisting of Swala Energy Limited ("Company") and the entities it controlled ("Swala Energy", "Swala" or "Group") for the year ended 31 December 2014.

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
Dr David Mestres Ridge	CEO & Managing Director	Appointed 17 January 2013
Mr Neil Taylor	Exploration Director	Appointed 17 January 2013
Mr Ernest Massawe	Non-Executive Director	Appointed 17 January 2013
Mr Peter Grant	Non-Executive Director	Appointed 6 June 2013
Mr Charles Benson	Non-Executive Director	Appointed 5 December 2013 Resigned 5 Aug 2014
Mr Mohammed Ishtiaq	Non-Executive Director	Appointed 8 August 2014

PRINCIPAL ACTIVITIES

During the year, the Group's operations were principally concerned with the exploration for hydrocarbons in Kenya, Tanzania and Zambia and in the preparation of its operated seismic acquisition programmes onshore Tanzania and Kenya.

DIVIDENDS

There were no dividends paid during the year.

OPERATING RESULTS

Net operating loss after tax for the year ended 31 December 2014 was $11,521,794 (2013: $8,568,096).

directors' report
review of operations

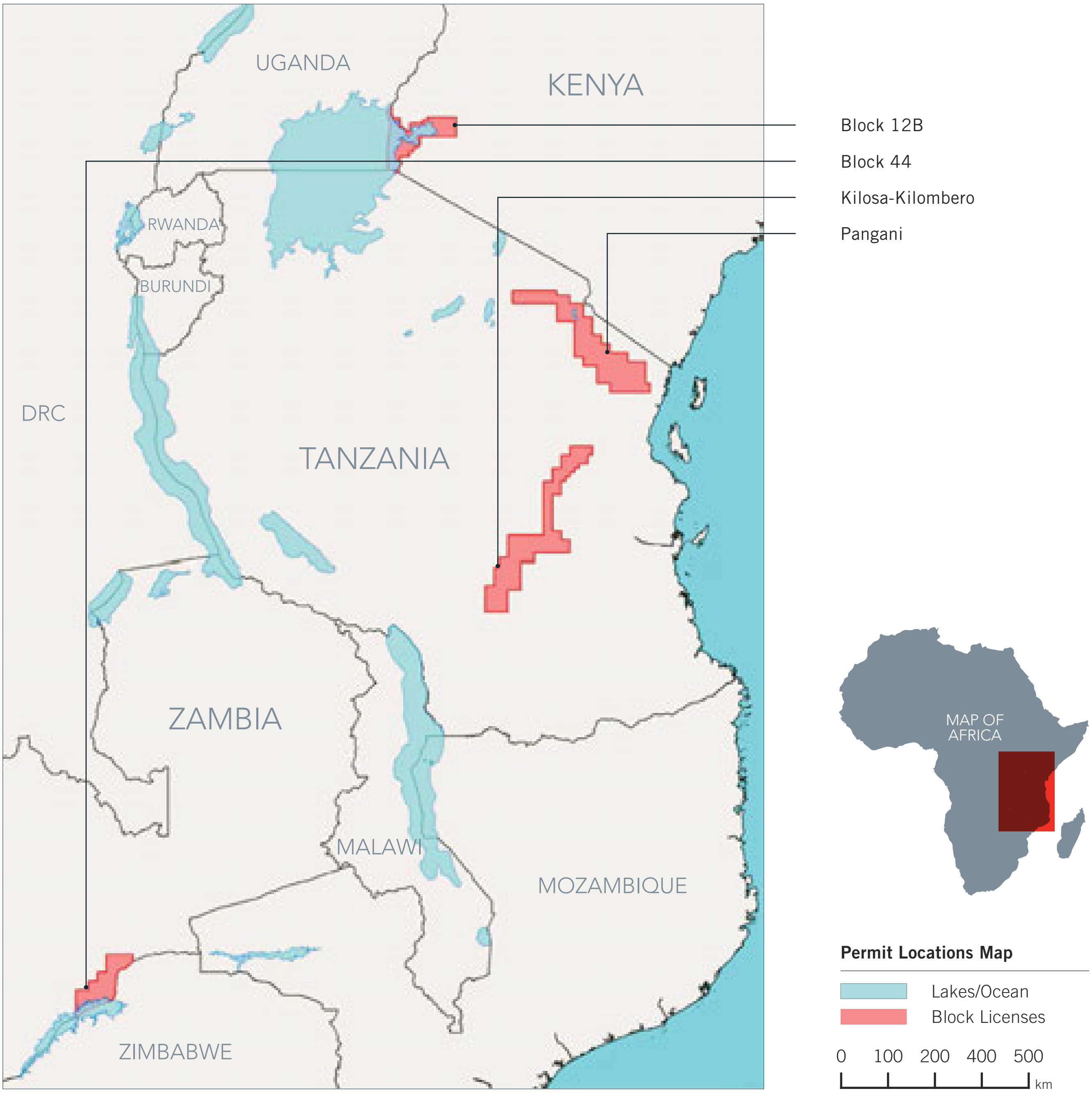

Figure 1: Swala Energy Asset Holdings

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Tanzania

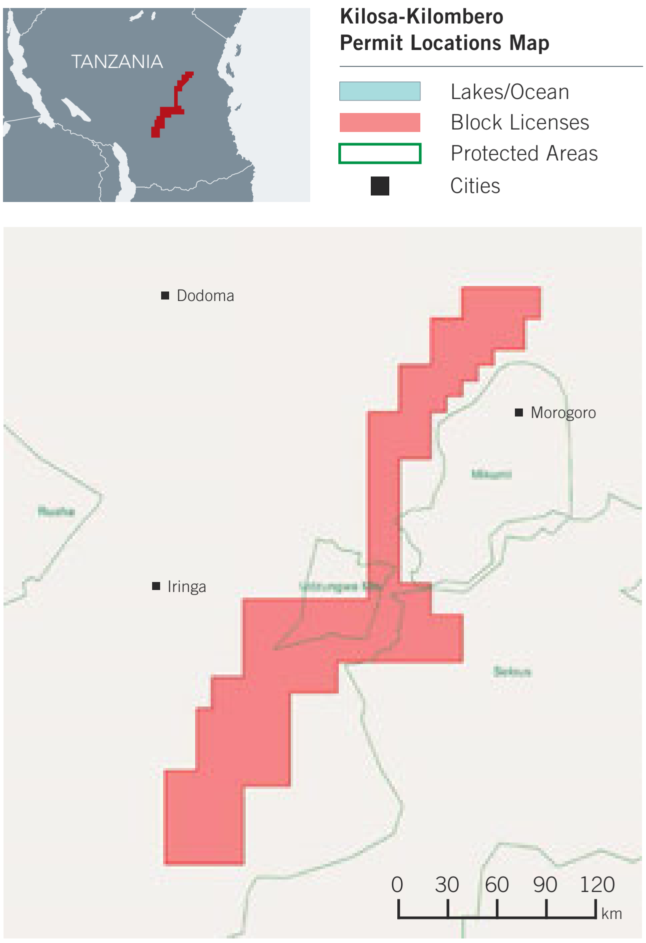

Figure 2: Kilosa-Kilombero Location Map

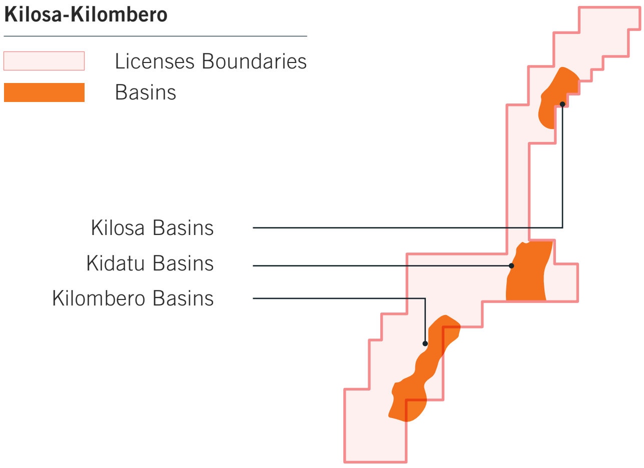

Figure 3: Sedimentary basins within the Kilosa-Kilombero Licence Area

Kilosa-Kilombero licence
(Swala Energy Limited indirect 29.2% working interest)

The 430km 2D seismic survey carried out in the Kilombero Basin by Swala Oil and Gas (Tanzania) Plc ("SOGTP") provided the first evidence of multiple structures - a 'string of pearls'- along the western basin boundary fault. The seismic survey was planned after the 2013 seismic survey suggested structural similarities between the Kilombero Basin and the Lokichar Basin in Kenya. The 2013 seismic survey also identified the Kito Prospect.

The first line of the current seismic survey acquired in the Kilombero Basin, Line 101, extends along the strike of the main bounding fault. Initial interpretation of these data suggest the presence of four new structured leads, each being 5 to 10km in length. At the northern end of Line 101, just beyond the Kito Prospect, the data showed that one of the identified reservoir horizons is rising, potentially indicating the presence of another structural closure (see Figure 4).

The Kito structure was originally mapped from the 2013 data and has been enhanced by the 2014 data. The Two Way Time structure map over the Kito structure is shown for the "Blue" and "Yellow" reservoir horizons as identified by RISC in 2013. The Yellow and Blue horizons are also shown on the strike line 101 on Figure 4. wThe additional leads identified have areal closures of around 10 to 20 square kilometres, similar to those in the Lokichar basin.

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Photo 2: The recording instrument room during the Kilombero survey

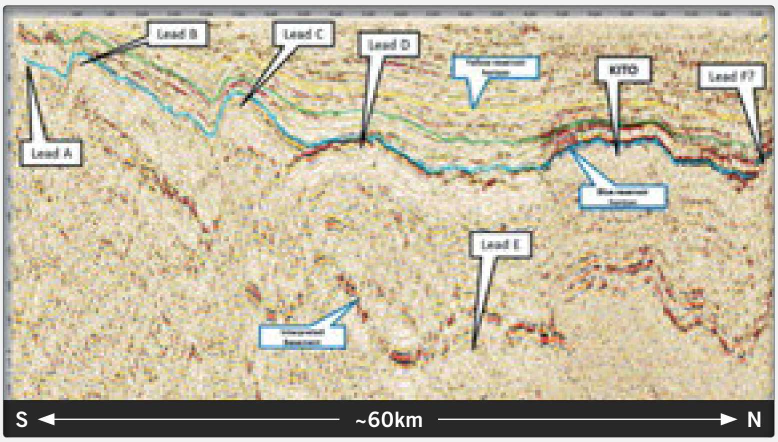

Figure 4: Seismic composite Strike line (101-001) along the Kilombero main bounding fault

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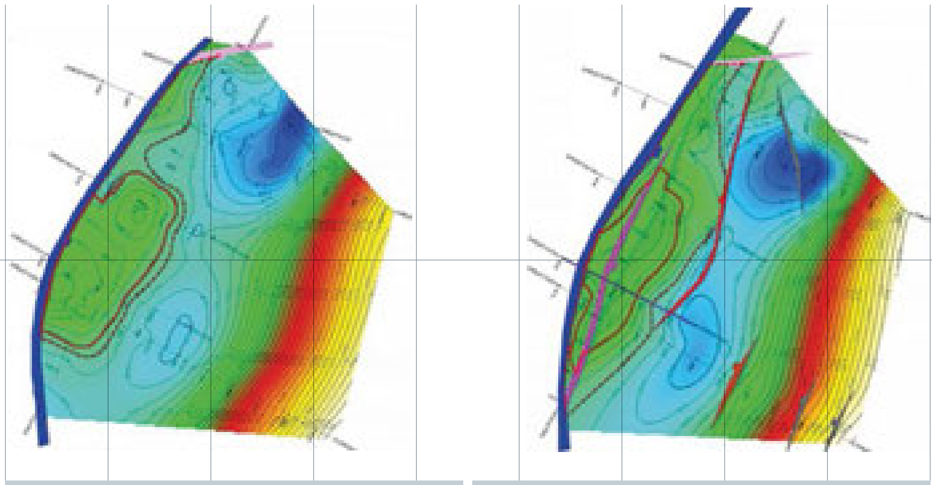

YELLOW HORIZON

Possible top shallow reservoir, with P50 and P10 closures.

BLUE HORIZON

Possible top deep reservoir, with P50 and P10 closures.

Figure 5: Structure Map at Two Horizons Over Kito Prospect, Kilombero Basin

Photo 3: Layout crew positioning geophones during the Kilombero survey

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Yellow Horizon	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisked oil in place	153 mmstb	387 mmstb	862 mmstb
Gross prospective unrisked oil resources[1]	42 mmstb	112 mmstb	269 mmstb
Net of Government back-in rights[2]	33.6 mmstb	89.6 mmstb	215.2 mmstb
SOGTP (50%)	16.8 mmstb	44.8 mmstb	107.6 mmstb
Net to Swala[3]	9.8 mmstb	26.2 mmstb	62.9 mmstb

Blue Horizon	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisked oil in place	40 mmstb	209 mmstb	740 mmstb
Gross prospective unrisked oil resources[1]	6 mmstb	39 mmstb	155 mmstb
Net of Government back-in rights[2]	4.8 mmstb	31.2 mmstb	124 mmstb
SOGTP (50%)	2.4 mmstb	15.6 mmstb	62 mmstb
Net to Swala[3]	1.4 mmstb	9.1 mmstb	36.3 mmstb

Combined (Yellow + Blue)	Low estimate (P90)	Best estimate (P50)	High estimate (P10)
Gross undiscovered unrisked oil in place	193 mmstb	596 mmstb	1,602 mmstb
Gross prospective unrisked oil resources[1]	48 mmstb	151 mmstb	424 mmstb
Net of Government back-in rights[2]	38.4 mmstb	120.8 mmstb	339.2 mmstb
SOGTP (50%)	19.2 mmstb	60.4 mmstb	169.6 mmstb
Net to Swala[3]	11.2 mmstb	35.3 mmstb	99.2 mmstb

Figure 6: Prospective Resource as at 11 December 2013 in the Kito Prospect, located within the Kilosa-Kilombero licence, Tanzania

(1) Recovery factor range used is 20% (P90) - 30% (P50) – 40% (P10) for the Yellow Horizon, and 10% (P90) – 20% (P50) – 30% (P10) for the Blue Horizon.

(2) TPDC retains a 20% back-in right to any successful development in the Kilosa-Kilombero licence.

(3) Swala has a 58.5% equity interest in Swala Oil and Gas (Tanzania) Plc.

Note: "mmstb" means million stock tank barrels.

Refer Swala's ASX Announcement made on 11/12/13 for the statements and consent made by RISC Operations Pty Ltd, an independent petroleum advisory firm. The Company is not aware of any new information or data that materially affects the information in the ASX Announcement and all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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Tanzania

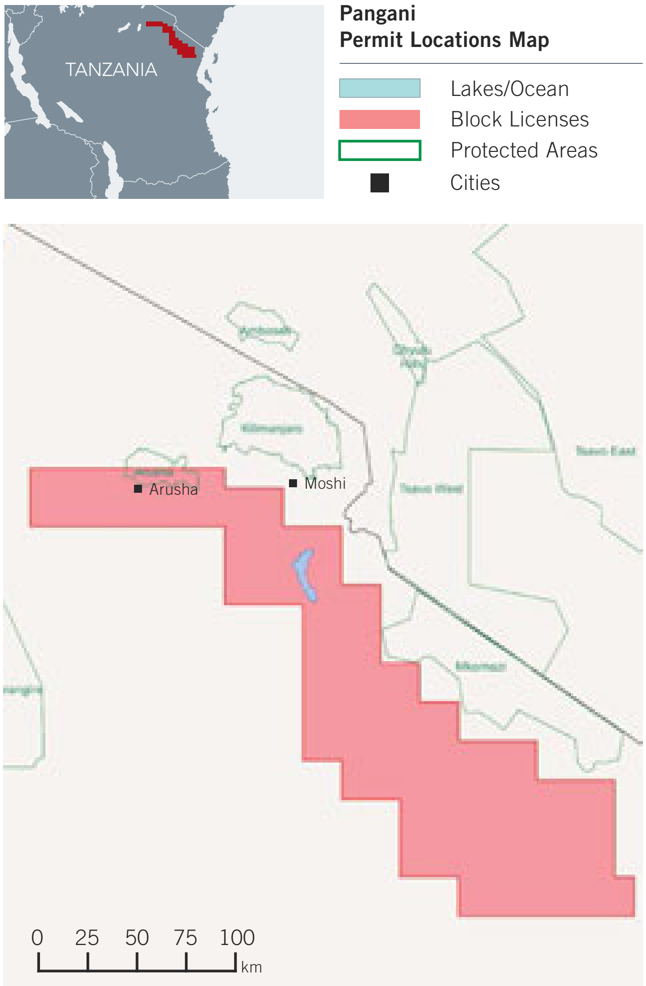

Figure 7: Pangani Location Map

Photo 4: Layout crew positioning geophones during the Moshi survey

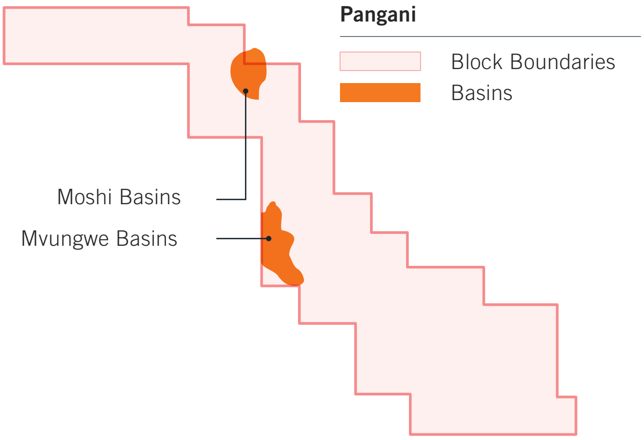

Figure 8: Sedimentary basins Identified in the Pangani Licence Area

Pangani licence

(Swala Energy Limited indirect 29.2% working interest)

SOGTP commenced its 2014 2D seismic data acquisition programme over the Moshi Basin located within the Pangani exploration licence in northern Tanzania. The acquisition programme acquired 200km of 2D seismic data satisfying the work programme for the third contract year. The preliminary interpretation of the data allowed SOGTP to identify a number of potential structural leads which are expected to define potential targets for SOGTP's drilling programme in 2015/2016, although final processing of the data was still being completed as at year end.

Tanzania Summary

The Company informed the Tanzania Petroleum Development Corporation ("TPDC") that it committed to entering the second 2-Year exploration phase of the Initial Exploration Term in both its Pangani and Kilosa-Kilombero Production Sharing Agreement ("PSA") licence areas. Swala's decision to proceed into years 3 and 4 in both licence areas was supported by the encouraging results observed following interpretation of Swala's highly successful 2D seismic campaign undertaken during 2013. During 2014 the two prospective hydrocarbon basins (Moshi, in Pangani and Kilombero in Kilosa-Kilombero) were further evaluated by the acquisition of an additional 630km of data.

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Kenya

Block 12B
(Swala Energy Limited 50% working interest)

Tullow Kenya BV ("Tullow"), as Operator of Block 12B in Kenya, commenced acquisition of the 350km 2D seismic programme on 22 April 2014. The programme was successfully completed in May 2014. Initial interpretation of the data prior to final processing was positive and 10 structural leads were identified over the block's Nyanza basin. These are shown in Figure 10. The Ahero "A" lead was identified by Tullow as a potential drilling candidate for 2015/2016. The gross mean recoverable resources for this lead were quoted as 44mmbbls by Tullow in its 2014 Half-Year Results Report and quoted on Tullow's website www.tullowoil.com. As at year end final processing was being completed.

Following the results of the 2D seismic acquisition Swala and Tullow informed the Government of Kenya of their intention to proceed into the First Additional Exploration Period (Contract Years 3 and 4) of the Production Sharing Contract (PSC).

Under the terms of the PSC the joint venture is obliged to either acquire 300km^2 of 3D seismic data or drill one exploratory well during Years 3 and 4. The interpreted data received from the completed seismic survey over Block 12B provided Swala and Tullow firm confidence to continue the work programme – with both companies favouring an exploration well rather than acquisition of more seismic data.

The Company announced the completion of the farm-out agreement for a 25% working interest in Block 12B to Compañía Española de Petróleos, S.A.U. ("CEPSA"). CEPSA opted to withdraw from the PSC before committing to the First Additional Exploration Period and returned the entire 25% participating interest back to Swala Energy (Kenya) Limited ("Swala Kenya") in accordance with the terms of the Farm-Out Agreement ("FOA") entered into between Swala Kenya and CEPSA.

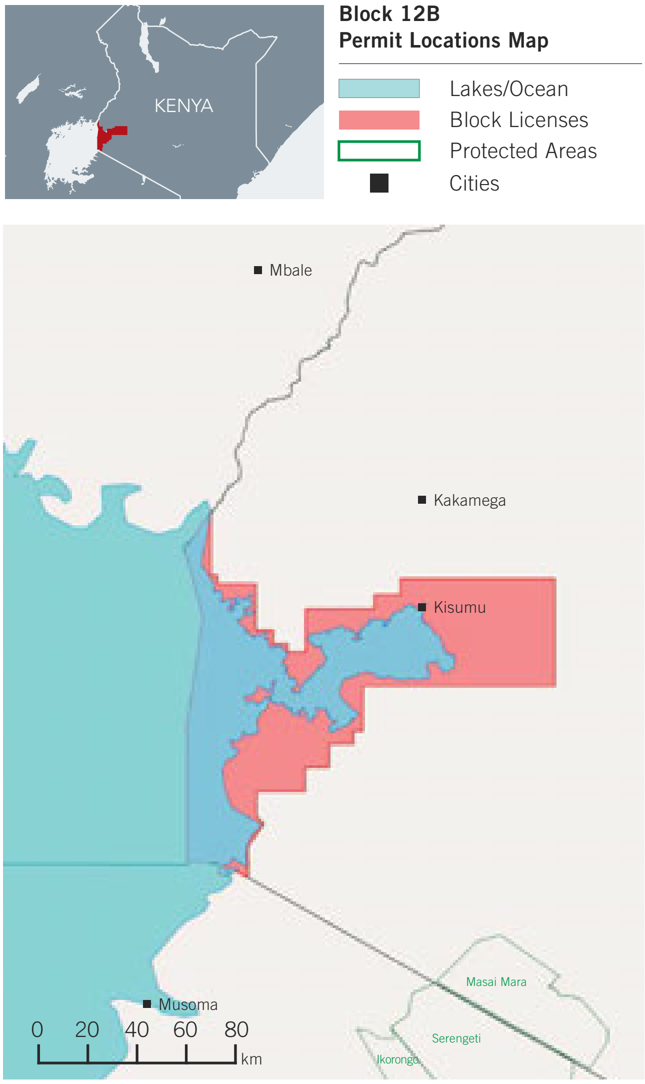

Figure 9: Block 12B Location Map

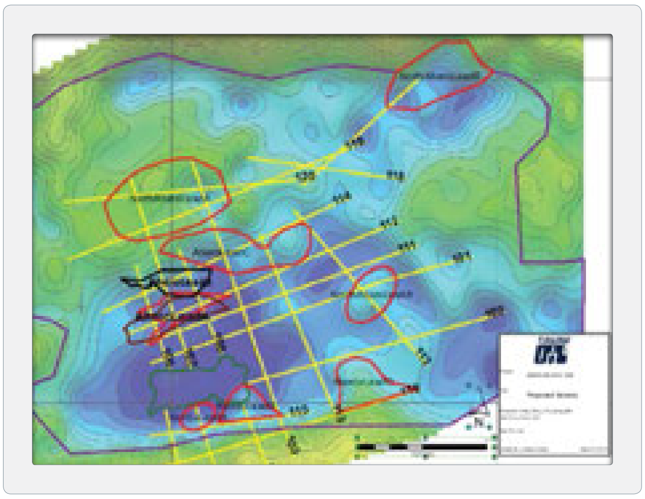

Figure 10: Block 12B Structural Leads (Author: Tullow Oil)

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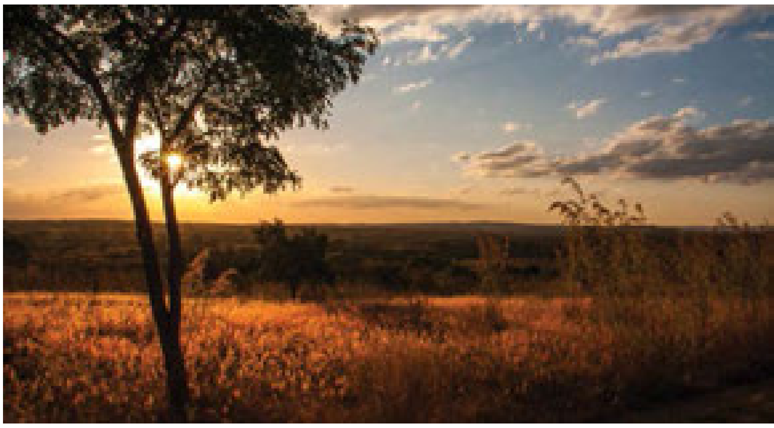
Zambia

Block 44 licence
(Swala Energy Limited indirect 93% indirect working interest)

The Company acquired hydrocarbon exploration rights over Block 44 from the Ministry of Energy, Zambia. Block 44 lies in the southern part of the country and covers an area of 6,000km^2 on the margins of the Karoo-aged Kariba basin. Gravity and seismic data suggest that the basin has a thick sequence of Karoo-aged sediments. The basin was explored by Mobil in the early 1990's and a large volume of 2D seismic data was acquired at the time but no wells were drilled. It is evident from these data that the Kariba Basin has a significant sedimentary fill with large structural traps. Under the provisions of the award, Swala may withdraw after each of the first 2 years of the contract should the work conducted not confirm the basin's prospectivity.



Summary of Assets as at 31 December 2014

Asset	Equity in the licence owned by the Swala Subsidiary	Swala Net Working Interest	Joint Venture Partners	Notes
Tanzania				
Kilosa-Kilombero PSA	50% Subsidiary: Swala Oil and Gas (Tanzania) Plc	29.2% indirect working interest	Otto Energy (Tanzania) Pty Ltd, a subsidiary company of Otto Energy Ltd (ASX: OEL)	Licence acquired in February 2012
Pangani PSA	50% Subsidiary: Swala Oil and Gas (Tanzania) Plc	29.2% indirect working interest	Otto Energy (Tanzania) Pty Ltd, a subsidiary company of Otto Energy Ltd (ASX: OEL)	Licence acquired in February 2012
Kenya				
Block 12B	50% Subsidiary: Swala Energy (Kenya) Limited	50% direct working interest	Tullow Kenya BV, a wholly owned subsidiary company of Tullow Oil plc (LSE:TLW)	Licence acquired in February 2012
Zambia				
Block 44	100% Subsidiary: Swala Energy (Zambia) Limited	93% indirect working interest	None	Licence acquired in September 2014

directors' report

Operating and Financial Review

Operating review

The Group explores for hydrocarbons in Kenya, Tanzania and Zambia. The Group committed to entering the second 2-Year exploration phase in both its Pangani and Kilosa-Kilombero Production Sharing Agreement ("PSA") licence areas. The Group also committed to proceed into the First Additional Exploration Period (Contract Years 3 and 4) of the Production Sharing Contract for its Block 12B licence in Kenya.

During the year the Group commenced the seismic acquisition programmes in the Kilosa-Kilombero and Pangani licenses onshore Tanzania. The seismic acquisition programme in the Pangani licence commenced in August 2014 and was completed in October 2014 and acquired 200km of 2D seismic data satisfying the work programme for the third contract year. The Kilosa-Kilombero seismic acquisition programme commenced in October 2014 and was largely completed as at 31 December 2014, by which time 430km of seismic data was acquired.

The seismic programme over Block 12B in Kenya commenced in April 2014 and was completed in June 2014 and the preliminary interpretation of the results was positive. A total of 350km of 2D seismic were acquired over Block 12B with ten structural leads identified and one of the leads, the Ahero "A" lead, was considered as the first viable drilling candidate.

Swala Energy (Zambia) Limited was awarded the Block 44 licence during the year.

The Group's Review of Operations is set out above in this Report.

Financial review

During the year the Group raised in total $4.7 million (before costs and expenses) in funding from various sources. The Company's 58.5% owned subsidiary company SOGTP raised funds by way of an Initial Public Offering (IPO) on the Dar es Salaam Stock Exchange and from the issue of convertible notes. The parent Company also issued convertible notes pursuant to a convertible notes facility it had entered into. The Company also raised $75,000 from a small share placement with existing investors.

The Company announced the completion of a farm-out agreement for a 25% working interest in Block 12B. However, CEPSA opted to withdraw from the Production Sharing Contract and Swala Kenya's working interest in Block 12B reverted back to 50% after CEPSA agreed to re-assign to Swala Kenya the entire 25% participating interest.

During the year the Group's focus was to undertake the work commitment programme in Tanzania and Kenya and consequently exploration expenses were approximately $7.5 million during the year. Exploration expenses were net of reimbursements for past exploration costs from CEPSA Kenya Limited pursuant to the farm-out agreement entered into in March 2014. The Group recorded a net operating loss after tax for the year ended 31 December 2014 of $11.5 million (2013: $8.6 million).

As at 31 December 2014 cash and cash equivalents were $2.35 million (2013: $9.31 million).

The Company recorded shareholder returns for the 2014 year of:

» Basic loss per share (7.49) (2013: (9.62))

» Diluted loss per share (7.49) (2013: (9.62))

Business strategies and prospects for future financial years

The Group's aim is to operate its leases where possible. The Group has demonstrated an ability to undertake its 2014 seismic acquisition programmes in Tanzania and Kenya. The Group expects to continue with the strategy of assessing farm-ins and other corporate activity as it arises. The Group believes that its business strategy of securing assets by direct negotiations with governments and in licence round awards allows financial commitments to be tailored to the portfolio and to bring in farm-in partners as required. The Company remains committed to its work commitment and drilling obligations.

Significant changes in the state of affairs

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

Matters Subsequent to the End of the Financial Year

On 5 January 2015 the Company announced that its 58.5% owned subsidiary company, Swala Oil and Gas (Tanzania) Plc, had completed its 430 km 2D seismic programme over the Kilombero Basin in central Tanzania.

On 20 January 2015 the Company announced that it had appointed London based FirstEnergy Capital LLP to manage a process with a view of reviewing the Company's options to maximise the long term value of the Company's portfolio.

On 3 February 2015, 777,829 ordinary shares were issued upon the conversion of 47,619 convertible notes.

On 4 March 2015 the Company announced its intention to list on the AIM market of the London Stock Exchange and as part of this process appointed Stifel Nicolaus Europe Limited to act as its Nominated Advisor and broker.

On 5 March 2015, 829,725 ordinary shares were issued upon the conversion of 47,619 convertible notes.

On 14 March 2015 Mr Taylor resigned as a Director of the Company continuing in his employment with the Company as New Ventures Manager and as a key management personnel on the same key employment terms.

On 25 March 2015, 1,713,642 ordinary shares were issued upon the conversion of 83,333 convertible notes.

There are no other matters subsequent to the end of the financial year.

Likely developments and expected results

The likely developments of the Group's operations is that it expects to continue with its work commitments on its current licenses in Kenya, Tanzania and Zambia and progress towards drilling operations.

directors' report

Environmental regulation

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

The Group is in compliance with the various environmental legislation and regulations that govern its activities in the jurisdictions in which it operates and is not aware of any breach of environmental legislation for the period under review.

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 35 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 of 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, 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: 162,047

Interests in Options and Rights Holdings: 2,040,512

Dr David Mestres Ridge
Managing Director & Chief Executive Officer

Appointed 17 January 2013

Dr Mestres Ridge is the Managing Director and Chief Executive Officer of the Company.

Dr Mestres Ridge worked first for Total Oil Marine (1998-2000) and then worked as an independent mergers and acquisition and business development advisor to oil companies active in the North Sea and North Africa (2000-2006). From 2006 to 2008 he was a Vice-President at the Royal Bank of Canada, first in the Global Investment Banking Oil and Gas team and then in the Equity Research team. During 2008 to 2009 he briefly managed Petrodel Resources Limited, a company active in Tanzania. During 2009 to 2010 he worked with Black Marlin Energy Holdings Limited during its IPO on the Toronto Stock Exchange.

Dr Mestres Ridge holds a Bachelor of Science in Applied Geology, a Master of Science in Mining Geology, a PhD in Chemical Engineering and a Master of Laws.

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: 19,937,255

Interests in Options and Rights Holdings: 4,941,813

Mr Neil Taylor
Executive Director

Appointed 17 January 2013

Subsequent to the end of the year Mr Taylor resigned as a Director on 14 March 2015

Mr Taylor is an Executive Director of the Company.

Mr Taylor is the former Exploration Manager of East African Exploration Limited (EAX), Black Marlin Energy Holdings Limited's subsidiary. A geologist by background, Mr Taylor has over 30 years of experience in the oil and gas business with internationally renowned energy and petroleum companies including British Petroleum (1981-1992) and Woodside Petroleum Limited (1992-2007). Through his time with those companies Mr Taylor has been involved with or led exploration and production activities worldwide, including significant work with the giant gas fields of the northwest shelf of Australia and exploration in Europe, North Sea, South East Asia, Australia and the Middle East. Mr Taylor joined EAX with the remit of growing the company's asset base, and added six new licences to EAX's portfolio during his tenure.

directors' report

Mr Taylor holds an Honours BSc in Geology from the University of Aberdeen.

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

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

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

Interests in Shares: 20,981,744

Interests in Options and Rights Holdings: 5,220,435

Mr Ernest Massawe
Non-Executive Director

Appointed 17 January 2013

Mr Ernest Massawe is a Non-Executive Director of the Company.

Mr Massawe is the founder as well as the former Chairman and Managing Partner of what is now the Ernst and Young Tanzania practice after having led the firm for the past 30 years until his retirement in 2010. Mr Massawe is widely respected within the professional and business community in Tanzania which is evidenced by his many high profile appointments in the financial services, capital markets and mining sectors. As a professional accountant and the country leader for Ernst & Young Tanzania, Mr Massawe was extensively involved in providing financial consulting and business advisory services both in the public and private sectors in Tanzania.

Mr Massawe has played a leading role in the development of the capital market and the accountancy profession in Tanzania; he was the founder and chairman of the Tanzania Association of Accountants/Board Member of the National Board of Accountants and Auditors and the first chairman of the Dar es Salaam Stock Exchange and the Tanzania Chamber of Mines. He has also served on the Banking and Financial Sector Reform Committee, The Value Added Consultative Board, the USAID sponsored Tanzania Business Centre Advisory Board and the Ministry of Finance's Think Tank on Tax Reform and Fiscal Policy. As an entrepreneur, Mr Massawe has interests in micro-finance, banking, insurance brokerage, real estate development, medium scale gemstone mining and stock brokerage. He is also a director in a number of leading companies in Tanzania.

Mr Massawe is a certified accountant (ACCA, UK) and holds a Bachelors of Commerce Degree from the then University of East Africa, Nairobi.

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: 540,156

Mr Peter Grant
Non-Executive Director

Appointed 6 June 2013

Mr Grant is a Non-Executive Director of the Company.

Mr Grant was General Manager International Ventures for Woodside Energy, prior to which he was General Manager of Woodside UK (2000-2006), International Exploration Manager (1998-2003) and Exploration Manager Northern Australia (1995-1997). Before joining Woodside Petroleum Limited (Woodside) Mr Grant worked for BHP Petroleum for 13 years in the exploration division where he held the positions: Exploration Manager - Africa and Middle East, General Manager for Yemen operations and Country Manager - Myanmar.

As Woodside's initial International Exploration Manager Mr Grant established a successful strategy and developed a portfolio that provided Woodside Petroleum with growth opportunities in the significant oil and gas areas such as the Gulf of Mexico, Brazil, Peru, Mauritania, Kenya, Algeria, Libya, Spain, West Africa, Cambodia and Korea.

Mr Grant is well respected in international commerce and is a National Director of the Arab Australian Chamber of Commerce and Industry and is the Chairman of the Board of the Australia Korea Business Council of Western Australia. He is also the President of the Asia Pacific chapter of the American Association of Petroleum Geologists.

Mr Grant holds a Bachelor of Science (Hons) in Geology from Nottingham University.

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. Subsequent to the reporting date Mr Grant became a member of the Audit and Risk Management Committee and the Remuneration Committee.

Interests in Shares: Nil

Interests in Options and Rights Holdings: Nil

directors' report

Mr Charles Benson
Non-Executive Director

Appointed 5 December 2013 - Resigned 5 August 2014

Mr Benson was a Non-Executive Director of the Company until his resignation on 5 August 2014. Mr Benson was nominated to be a Director of the Company by the Hayaat Group, a substantial shareholder in the Company.

Mr Benson was the Chief Operating Officer of the Hayaat Group, a private investment company headquartered in Abu Dhabi. Prior to joining the Hayaat Group, Mr Benson was a founder and Commercial Director of iMan Services, a support services company based in Dubai that produced a 35% ROE in its first full year of trading. Before founding iMan, Mr Benson was Chief Operations Officer of Fujairah Bulk Shipping, a joint venture between Pacific Basin Shipping and the Government of Fujairah. Mr Benson was one of the Fujairah Bulk Shipping's three founding executive managers and a Board Director. Before relocating to the United Arab Emirates, Mr Benson was a Project Manager for Pacific Basin Shipping Limited in Hong Kong where he was responsible for evaluating investment opportunities not directly correlated to Pacific Basin's core revenue streams. Prior to this Mr Benson was an assistant fund manager for Cazenove Fund Management in London.

Mr Benson holds a Bachelor of Arts (Hons) in Classical Studies from the University of Newcastle Upon Tyne.

Mr Benson was not a Director of any other listed company.

Mr Benson was not previously a director of any other listed company.

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

Interests in Shares held at the date of resignation: 150,000

Interests in Options and Rights Holdings: Nil

Mr Mohammed Ishtiaq
Non-Executive Director

Appointed 8 August 2014

Mr Mohammed Ishtiaq is a Non-Executive Director of the Company.

Mohammed Ishtiaq is a Director of the Hayaat Group ("Hayaat"), a private investment company headquartered in Abu Dhabi that holds a 9.4% shareholding in the Company. Mohammed Ishtiaq worked for British Aerospace in the defence industry for 6 years following graduation from Leeds Metropolitan University. He then moved to the Fast Moving Consumer Goods ("FMCG") sector building a career over 25 years and where at a senior level specialising in retail and wholesale development concepts he conducted extensive evaluation of markets in the Middle East. Throughout the last 15 years Mohammed Ishtiaq has been involved with large commercial and development projects in the property sector, something that he was able to achieve through an ability to build strong relationships with stakeholders and joint venture partners.

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: 150,000

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 Adrian Di Carlo was appointed to the position of Company Secretary on 17 January 2013. Mr Di Carlo has been working for public companies for 22 years in various accounting, commercial and company secretary positions.

Previously, Mr Di Carlo worked for Company Matters Pty Limited, a firm providing company secretary services where he held various appointments as the statutory company secretary for listed companies predominantly in the resources sector and consulted to numerous other private and public companies. Prior to that, Mr Di Carlo worked for the Barrick Gold Corporation and Antofagasta Minerals joint venture, Tethyan Copper Company. Prior to that Mr Di Carlo worked within the Wesfarmers Limited group for 13 years, firstly for Bunning Forest Products Pty Ltd and then CSBP Limited, in various accounting, systems, project and commercial management positions. Mr Di Carlo has completed a Bachelor of Business degree (Accounting) and a Master of Business Administration (MBA) degree at Curtin University, Western Australia. Mr Di Carlo has also completed a Graduate Diploma in Applied Corporate Governance, and is a Certified Practising Accountant (CPA) and a Chartered Secretary (AGIA).

directors' report

MEETINGS OF DIRECTORS

Name of Director	Board Meeting		Audit & Risk Management Committee Meeting		Remuneration Committee Meeting		Health, Safety & Environment Committee Meeting	
	A	B	A	B	A	B	A	B
Ken Russell (Appointment date 17/1/13)	18	18	4	4	1	1	4	4
David Mestres Ridge (Appointment date 17/1/13)	18	18	-	-	-	-	4	4
Neil Taylor (Appointment date 17/1/13)	18	14	-	-	-	-	-	-
Ernest Massawe (Appointment date 17/1/13)	18	13	4	4	1	1	-	-
Peter Grant (Appointment date 6/6/13)	18	18	4	4	-	-	4	4
Charles Benson (Appointment date 5/12/13, Resignation date 5/8/14)	9	4	-	-	-	-	-	-
Mohammed Ishtiaq (Appointment date 8/08/14)	9	8	-	-	-	-	-	-

A – the number of meetings held during the time the director held office or was a member of the relevant committee.
B – the number of meetings attended.

REMUNERATION REPORT (AUDITED)

This remuneration report, which has been audited, outlines the key management personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its regulations. The remuneration report has been audited and forms part of the Directors' Report. Remuneration is also referred to as compensation throughout this report.

KMP have authority and responsibility for planning, directing and controlling the activities of the Company and comprise the Directors, executives and senior management in accordance with section 300A of the *Corporations Act 2001*.

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.

directors' report

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 remunerations.

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, financial targets as well as 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's") 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.

directors' report

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to performance of the consolidated entity. The Executive Directors hold 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 2014 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 2014 Annual General Meeting ("AGM")

At the 2014 AGM, shareholders unanimously supported the adoption of the Remuneration Report and 97% of the proxy votes received supported the Remuneration Report for the year ended 31 December 2014. The Company did not receive any feedback at the AGM regarding its remuneration practices.

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 17th January 2013
Mr Ernest Massawe	Non-Executive Director	Appointed 17th January 2013
Mr Peter Grant	Non-Executive Director	Appointed 6th June 2013
Mr Charles Benson	Non-Executive Director	Appointed 5th Dec. 2013, Resigned 5th August 2014
Mr Mohammed Ishtiaq	Non-Executive Director	Appointed 8th August 2014
Dr David Mestres Ridge	Managing Director & CEO	Appointed 17th January 2013
Mr Neil Taylor	Executive Director – Exploration	Appointed 17th January 2013

And the following persons:

Ms Elizabeth Obiero – Chief Financial Officer
Mr Adrian Di Carlo – Company Secretary and Finance Manager

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*.

directors' report

2014		Short-term benefits		Post-employment benefits	Long-term benefits	Share based payments	
Name	Cash salary and fees [1] $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Options $	Total $
Non-Executive Directors:							
Ken Russell (Chair)	120,000	-	-	-	-	-	120,000
Ernest Massawe [2]	73,128	-	-	-	-	-	73,128
Peter Grant	54,920	-	-	5,149	-	-	60,069
Charles Benson [3]	-	-	-	-	-	-	-
Mohammed Ishtiaq [3]	-	-	-	-	-	-	-
Executive Directors:							
David Mestres Ridge [4]	311,640	-	-	15,979	-	-	327,619
Neil Taylor [4]	309,958	-	-	27,656	-	-	337,614
Other Key Management Personnel:							
Elizabeth Obiero [4]	183,060	-	-	-	-	-	183,060
Adrian Di Carlo [4]	183,824	-	-	16,304	-	-	200,128
	1,236,530	-	-	65,088	-	-	1,301,618

1 Cash Salary and Fees 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 from SOGTP at the AUD converted value of $13,128.

3 Mr Benson was appointed as a Non-Executive Director on 5 December 2013 upon being nominated as a Director by the Hayaat Group, a substantial shareholder of the Company, and resigned as a Director on 5 August 2014. 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 Charles Benson and Mohammed Ishtiaq respectively.

4 Dr Mestres Ridge's cash salary includes an annual leave accrual of $4,963 for the year. Mr Taylor's cash salary includes an annual leave accrual of $14,958 for the year. Ms Obiero's cash salary includes an annual leave accrual of $8,395 for the year. Mr Di Carlo's cash salary includes an annual leave accrual of $9,911 for the year.

2013		Short-term benefits		Post-employment benefits	Long-term benefits	Share based payments	
Name	Cash salary and fees [1] $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Options $	Total $
Non-Executive Directors:							
Ken Russell (Chair)	90,000	-	-	-	-	264,000	354,000
Ernest Massawe	75,870	-	-	-	-	-	75,870
Peter Grant	32,037	-	-	2,963	-	-	35,000
Charles Benson	-	-	-	-	-	-	-
Executive Directors:							
David Mestres Ridge	304,446	-	507	16,178	-	-	321,131
Neil Taylor	310,695	-	337	13,644	-	-	324,676
Other Key Management Personnel:							
Elizabeth Obiero	162,941	-	-	-	-	74,500	237,441
Adrian Di Carlo	47,408	-	-	4,111	-	-	51,519
	1,023,397	-	844	36,896	-	338,500	1,399,637

directors' report

Name	Fixed Remuneration 2014	Fixed Remuneration 2013	At risk - STI 2014	At risk - STI 2013	At risk - LTI 2014	At risk - LTI 2013	Share BasedPayments 2014	Share BasedPayments 2013
Non-Executive Directors:								
Ken Russell	100%	25%	- %	- %	- %	75%	- %	75%
Ernest Massawe	100%	100%	- %	- %	- %	- %	- %	- %
Peter Grant	100%	100%	- %	- %	- %	- %	- %	- %
Charles Benson	-%	- %	- %	- %	- %	- %	- %	- %
Mohammed Ishtiaq	-%	n/a	-%	n/a	-%	n/a	-%	n/a
Executive Directors:								
David Mestres Ridge	100%	100%	-%	-%	- %	- %	-%	-%
Neil Taylor	100%	100%	-%	-%	- %	- %	-%	-%
Other Key Management Personnel:								
Elizabeth Obiero	100%	69%	-%	-%	- %	31%	-%	31%
Adrian Di Carlo	100%	100%	-%	-%	- %	- %	-%	-%

C Service agreements

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 a maximum of twelve months salary and all accrued entitlements will be paid.

Neil Taylor

- 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 a maximum of twelve months salary and all accrued entitlements will be paid.

Elizabeth Obiero

- Term of agreement – no fixed term.
- Gross salary of $156,000 US dollars per year to be reviewed annually.
- The executive may terminate the agreement by providing three months written notice.
- The Company may terminate the agreement by providing three months written notice.
- There are no termination benefits to be paid.

Adrian Di Carlo

- Term of agreement – no fixed term.
- Annualised gross salary inclusive of superannuation of $190,435.
- A notice period of one month must be served by either party.
- There are no termination benefits to be paid.

directors' report

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 2014.

Options

The terms and conditions of each grant of Options over ordinary shares affecting remuneration of Directors and other Key Management Personnel in this financial year or future reporting years 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 year ended 31 December 2014.

E Additional Information

The earnings of the consolidated entity for the years ended 31 December 2013 and 31 December 2014 respectively is summarised below:

	2014 $	2013 $
Sales revenue	446,641	174,723
EBIT	(11,521,794)	(8,568,096)
Loss after income tax	(11,521,794)	(8,568,096)

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

	2014	2013
Share price at financial period end ($)	0.10	0.30
Total dividends declared (cents per share)	n/a	n/a
Basic loss per share (cents per share)	(7.49)	(9.62)

directors' report

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 2014	Granted as compens-ation	Options exercised	Other changes	Relevant Interest Balance at 31 Dec 2014	Balance held nominally	Total Balance At 31 Dec 2014	Total Vested at 31 Dec 2014	Total vested and exercisable at 31 Dec 2014	Total vested and unexercisable at 31 Dec 2014
Mr Ken Russell	2,040,512	-	-	-	2,040,512	-	2,040,512	-	2,000,000	-
Mr Ernest Massawe	540,156	-	-	-	540,156	58,170	598,326	-	-	-
Dr David Mestres Ridge	4,941,813	-	-	-	4,941,813	390,534	5,332,347	-	-	-
Mr Neil Taylor	5,220,435	-	-	-	5,220,435	55,670	5,276,105	-	50,000	-
Ms Elizabeth Obiero	572,687	-	-	-	572,687	-	572,687	-	500,000	-
Total	13,315,603	-	-	-	13,315,603	504,374	13,819,977	-	2,550,000	-

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 2014	Granted as compensation	Received on exercise of Options or Rights	Additions	Disposals/ Other	Relevant Interest Balance at 31 Dec 2014	Balance held nominally	Total Balance 31 Dec 2014
Mr Ken Russell	162,047	-	-	-	-	162,047	-	162,047
Mr Ernest Massawe	2,410,623	-	-	3,387,724	-	5,798,347	232,682	6,031,029
Mr Charles Benson*	150,000	-	-	-	(150,000)	-	-	-
Mr Mohammed Ishtiaq^	-	-	-	150,000	-	150,000	-	150,000
Dr David Mestres Ridge	19,912,255	-	-	25,000	-	19,937,255	1,562,143	21,499,398
Mr Neil Taylor	20,981,744	-	-	-	-	20,981,744	22,686	21,004,430
Ms Elizabeth Obiero	290,743	-	-	-	-	290,743	-	290,743
Total	43,907,412	-	-	3,562,724	(150,000)	47,320,136	1,817,511	49,137,647

* Disposals/other represents 150,000 share held at Mr Charles Benson's resignation date on 5 August 2014.
^ Additions represents 150,000 shares held at Mr Mohammed Ishtiaq's appointment date on 8 August 2014.

directors' report

The relevant interest of each of the Directors in the Securities of the Group as at 31 December 2014 is as follows:

Director	Shares 1	Class A Performance Shares 2	Class B Performance Shares 3	Options
Mr. Ken Russell	162,047	27,008	13,504	2,000,000
Dr. David Mestres Ridge	19,937,255 (a)	3,294,542 (a)	1,647,271 (a)	-
Mr. Neil Taylor	20,981,744 (b)	3,480,290 (b)	1,740,145 (b)	-
Mr. Ernest Massawe	5,798,347 (c)	360,104 (c)	180,052 (c)	-
Mr. Mohammed Ishtiaq	150,000	-	-	-

(a) Related parties of Dr Mestres Ridge where Dr Mestres Ridge does not hold a relevant interest: related parties hold 1,562,143 Shares, 260,356 Class A Performance Shares and 130,178 Class B Performance Shares.

(b) Related parties of Mr Taylor where Mr Neil Taylor does not hold a relevant interest: related party holds 22,686 Shares, 3,780 Class A Performance Shares, 1,890 Class B Performance Shares and 50,000 Options.

(c) Related party of Mr Massawe where Mr Massawe does not hold a relevant interest: related party holds 232,682 Shares, 38,780 Class A Performance Shares and 19,390 Class B Performance Shares.

1 Fully Paid Ordinary Shares are held in escrow until 18th April 2015, except for 170,000 Fully Paid Ordinary Shares held by Dr Mestres Ridge that are not held in escrow and 100,005 Fully Paid Ordinary Shares held by Mr Taylor that are not held in escrow.

2 Class A Performance Shares are held in escrow until 18th April 2015.

3 Class B Performance Shares are held in escrow until 18th April 2015.

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

The Company has entered into a deed of indemnity, insurance and access with each of it's 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.

directors' 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 2014 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.

	2014 $	2013 $
Auditor – BDO Audit (WA) Pty Ltd		
Audit and review of the financial statements	29,202	56,368
BDO Corporate Finance (WA) Pty Ltd	-	10,200
	29,202	66,568

directors' report

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 34.

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 Kenneth (Ken) Russell
Non-Executive Chairman

Dr David Mestres Ridge
Managing Director & CEO

Dated this day of 30th March 2015

corporte governance statement

The Company is committed to implementing the highest standards of corporate governance. The ASX's Corporate Governance Council's (CGC) Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) (ASX Principles and Recommendations) applies to the Company the year ended 31 December 2014. The Company is also guided by ASX Guidance Note 9. This Corporate Governance Statement is made pursuant to the 2nd Edition ASX Principles and Recommendations. The Company follows the ASX Principles and Recommendations to the extent that it is practicable.

This corporate governance statement is current as at the date of this Report and discloses the extent to which the Company followed the recommendations contained in the ASX Principles and Recommendations during the reporting year. Where the Company's corporate governance practices do not follow a recommendation, it is because the Board does not consider it practical or necessary to implement those recommendations due to the size and stage of development of the Company's operations and the Board's reasoning for any departure is explained.

The following table sets out in summary form whether the Company followed the recommendations contained in the ASX Principles and Recommendations during the reporting year.

ASX P & R	Comply	ASX P & R	Comply
Recommendation 1.1	✓	Recommendation 4.2	✓
Recommendation 1.2	⦸	Recommendation 4.3	✓
Recommendation 1.3	⦸	Recommendation 4.4	✓
Recommendation 2.1	⦸	Recommendation 5.1	✓
Recommendation 2.2	✓	Recommendation 5.2	✓
Recommendation 2.3	✓	Recommendation 6.1	✓
Recommendation 2.4	✓	Recommendation 6.2	✓
Recommendation 2.5	⦸	Recommendation 7.1	⦸
Recommendation 2.6	✓	Recommendation 7.2	✓
Recommendation 3.1	✓	Recommendation 7.3	✓
Recommendation 3.2	⦸	Recommendation 7.4	✓
Recommendation 3.3	⦸	Recommendation 8.1	✓
Recommendation 3.4	✓	Recommendation 8.2	✓
Recommendation 3.5	⦸	Recommendation 8.3	✓
Recommendation 4.1	✓	Recommendation 8.4	✓

A copy of the Company's corporate governance documentation is available on the Company's website at www.swala-energy.com.

corporte governance statement

Principle 1: The Board lays solid foundations for management and oversight.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. In addition, it is the intention that Non-Executive Directors receive formal letters of appointment setting out the key terms, conditions, responsibilities and expectations of their appointment.

Responsibilities of the Board

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

Board responsibilities are set out in the Company's Board Charter which is located on the Company's website (www.swala-energy.com).

Responsibilities of Senior Executives

It is the role of senior executives to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out those delegated duties. Senior executives' responsibilities are set out in the Board Charter which is located on the Company's website (www.swala-energy.com). The Board shall approve all delegations of authority.

Independent Professional Advice and Access to information

The Board collectively and each Director individually has the right of access to all the Company's information and to the Company's executives. Further, each Director individually and the Board collectively has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Performance Review/Evaluation of Executives

Senior Executive performance was reviewed during the reporting period. The nature of the performance review process was an informal process which considered overall general work performance during the year. The Company plans to set clear objectives for Senior Executive's performance against appropriate measures and to formally review performance annually, with performance appraised by the Chief Executive Officer and Managing Director, and reviewed by the Board.

Principle 2: The Board is structured to add value

Composition of the Board and Details of Directors

To add value to the Company, the Board has been formed so that it has an effective composition, size and commitment to adequately discharge its responsibilities and duties. During the reporting year the Board comprised six Directors and as at 31 December 2014 they were:

» Ken Russell, Non-Executive and independent Chairman

» David Mestres Ridge, Managing Director and CEO

» Ernest Massawe, Non-Executive Director

» Peter Grant, Non-Executive Director

» Mohammed Ishtiaq, Non-Executive Director

» Neil Taylor, Executive Director - Exploration

Further details of the Directors including their qualifications, skills, experience, expertise and period of office are set out in the Directors' Report on pages 16 to 18 of this Report. The Board has assessed the current mix of skills, experience and diversity to be appropriate for an oil and gas exploration company with its Directors collectively having experience within international oil and gas companies, experience in industrial companies, operating in east-African countries and having relevant financial and corporate experience. The Board periodically assess the mix of skills, experience and diversity for which the Board is looking to achieve in its composition.

The Board performs the functions of a nomination committee. The Board's procedure for the nomination selection and (re) appointment of Directors is set out in the Board Charter. The Board has not established a separate nomination committee because the Board deems it more efficient to undertake this function, and will undertake the functions of a nomination committee as and when required at its board meetings.

Independence

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. There are currently three independent Non-Executive Directors on the Board of the Company: Mr Ken Russell (Chairman), Mr Ernest Massawe and Mr Peter Grant.

corporte governance statement

In assessing independence, the Board has taken into consideration the relationships affecting the independence of a director pursuant to the ASX Principles and Recommendation guidelines. Independent directors are those who have the ability to exercise their duties unfettered by any business or other relationships and are willing to express an objective opinion. It is the approach and attitude of each Non-Executive Director which is critical to determining independence and this must be considered in relation to each Director while taking into account all other relevant factors. The factors the Board takes into consideration are set out in the Board Charter. The Board considers whether a Director:

- is a substantial shareholder (defined as owning more than 5 percent of the issued share capital of the Company), or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has, within the last three years, been employed in an executive capacity by the Company or any other Group company;
- has, within the last three years, been a principal of a material professional adviser or a material consultant to the Company or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if the Board so determines, after taking into account all relevant information;
- is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with, a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if the Board so determines, after taking into account all relevant information;
- has any contractual relationship with the Company other than as a director, which could, or could reasonably be perceived to, interfere with the director's ability to act in the best interests of the Company; or
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, interfere with the director's ability to act in the best interests of the Company.

During the year three of the six Directors are not independent and as such a majority of the Board is not independent. During the year, the Managing Director and CEO, David Mestres Ridge, and the Exploration Director, Neil Taylor, were employed by the Company in an executive capacity so are not independent. The Board considers that it is necessary for the Company's stage of development to have Executive Directors as members of the Board due to the experience and skills that the Executive Directors provide to the Company. Mr Charles Benson who resigned as a Director on 5 August 2014 was not independent because he is an officer of the Hayaat Group which is a substantial shareholder of the Company. Mr Mohammed Ishtiaq was appointed as a Non-Executive Director on 8 August 2014 as the nominee director of the Hayaat Group and also is not independent. One of the key terms of the share placement was that the Hayaat Group could nominate a Non-Executive Director to be appointed to the Company's Board. The Board periodically reviews the number of independent Directors on the Board.

On 14 March 2015 Mr Taylor resigned as an Executive Director of the Company resulting in a majority of the Directors of the Board being independent Non-Executive Directors, subsequent to the end of the year and at the date of this Report.

The Chairman, Mr Ken Russell, is an independent Non-Executive Director and there is a clear division of responsibility between the Chairman and the CEO. The Board has determined that Mr Ernest Massawe and Mr Peter Grant are Non-Executive independent Directors.

Performance review/evaluation

The Board will review their performance as determined by the Board from time to time. It is the Board's intention to conduct an informal review of the skills and experience of the Directors prior to their appointment and the alignment of those skills with the requirements of the Board. This review will be ongoing and undertaken as required by the Company. The Company has not established a formal process for evaluating the performance of its Board, its committees and individual directors, however, the Company believes its informal assessment of its Board performance is appropriate for the Company's stage of development. The Board intends to establish a process for evaluating the performance of the Board, its committees and individual directors against appropriate measures, which may include director questionnaires and interview processes, which it intends to disclose this review process in the Company's subsequent corporate governance statements.

Principle 3: The Board promotes ethical and responsible decision-making

Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the practices necessary to maintain the Company's integrity and to assist the Board to carry out its functions. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole.

A copy of the Code of Conduct is available on the Company's website (www.swala-energy.com).

Diversity

The Company has not established a diversity policy, nor set measurable objectives for achieving gender diversity at this time. The Company's intention is to develop its diversity policy, including considering whether it will establish measurable objectives for achieving gender diversity and will disclose the policy on the Company's website once adopted.

corporte governance statement

Principle 4: The Board safeguards integrity in financial reporting

The Board's Audit and Risk Management Committee comprises of three independent Non-Executive Directors: Mr Ernest Massawe (Chair), Mr Ken Russell and Mr Peter Grant. The members of this Committee are delegated responsibilities to assist the Board in fulfilling its corporate governance responsibilities in regard to:

» The reliability and integrity of financial information for inclusion in the Company's financial statements;

» Audit, accounting and financial reporting obligations;

» Safeguarding the independence of the external auditor;

» Financial risk management;

» The oversight and management of material business risks; and

» The effectiveness of the Company's management of its material business risks.

Mr Massawe, who is an independent Non-Executive Director, is Chairman of the Audit and Risk Management Committee. During the year the Committee had three Non-Executive Directors in accordance with Recommendation 4.2.

The members of the Audit and Risk Management Committee consider themselves to be financially literate and have industry knowledge. Mr. Massawe is a certified accountant (ACCA, UK) and holds a Bachelors of Commerce from the then University of East Africa - Nairobi. Further details of each of the Directors' qualifications are set out in the Directors' Report on pages 16 to 18 of this Report.

After a recommendation has been made by the Audit and Risk Management Committee, the Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company. Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis. The Company requires audit partners of its external auditor to rotate in accordance with current professional standards, including Section 324DA of the Corporations Act. The lead audit engagement partner is required to rotate every 5 years. This procedure for the selection and appointment of the external Auditor and for the rotation of the external audit engagement partners is reviewed by the Audit and Risk Management Committee.

A copy of the Audit and Risk Management Committee Charter is available on the Company's website (www.swala-energy.com).

Principle 5: The Board makes timely and balanced disclosure

The Company's Continuous Disclosure Policy is designed to ensure that procedures are in place to ensure compliance with ASX Listing Rule disclosure requirements. The CEO and Managing Director, and the Company Secretary, have been designated as the Company's disclosure officers responsible for implementing and administering the policy.

A copy of the Continuous Disclosure Policy is available on the Company's website (www.swala-energy.com).

Principle 6: The Board respects the rights of shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights, by promoting effective communication with shareholders and encouraging shareholder participation at annual general meetings, the Company has established a Shareholder Communications Policy which is available on the Company's website (www.swala-energy.com).

Principle 7: The Board recognises and manages risk

The Company has not established a risk management policy however it has established a risk management framework as the organisation structure, systems and procedures has developed, and employed relevant personnel where applicable. As the Company develops it is its intention to identify, monitor and manage the material business risks of its activities.

The Board will delegate its responsibility for the oversight of the Company's risk management and control framework to the Audit and Risk Management Committee, with the Committee to provide periodic reports to the Board. The Company has delegated responsibilities to the Health, Safety and Environment (HSE) Committee during the year. The HSE Committee's objectives and responsibilities are set out in the HSE Committee Charter and its activities contribute to the Company's risk management practices.

Management is responsible for overseeing and approving risk management strategies and periodically updates the Board regarding the existence and status of material business risks with a formal risk management reporting system. Management reports material business risks to the Board and where possible management aims to improve the effectiveness of this process as the Company develops its operations.

The Audit and Risk Management Committee will oversee the Company's management of risks of the Company's activities and it is responsible for approving risk management policies and the monitoring of those policies. Through its oversight function, the Audit and Risk Management Committee and the Board reviews the areas of material business risks and aims to ensure, where applicable, that management has appropriate measures in place to protect the assets of the Company.

corporte governance statement

The Company's risk management strategy encompasses the following objectives:

- identify risks to the Company;
- balance risk to reward;
- implement actions to mitigate identified risks;
- where appropriate, ensure regulatory compliance is achieved; and
- ensure senior executives, the Board and investors understand the risk profile of the Company.

The Board requires management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board will also require management to report to it confirming that those risks are being managed effectively.

In accordance with Recommendation 7.3 of the ASX Principles and Recommendations, the Managing Director and Chief Financial Officer have stated to the Board:

That:

- the statement given in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8: The Board remunerates fairly and responsibly

The Board is ultimately responsible for the Company's remuneration policy and to assist the Board it has delegated its responsibility for the approval and monitoring of remuneration policies to the Remuneration Committee which consists of the Company's three independent Non-Executive Directors; Mr Ken Russell (Chair), Mr Ernest Massawe and Mr Peter Grant. As at the date of this Report, the Committee is structured with three independent Non-Executive Directors and structured in accordance with Recommendation 8.2.

The responsibilities of the Remuneration Committee in relation to remuneration policies are set out in the Remuneration Committee's charter approved by the Board and available on the Company's website (www.swala-energy.com).

The Remuneration Committee will monitor and review the performance of the Managing Director and CEO, senior executives and management. The Board also has responsibility for ensuring that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees.

It is the Board's policy (as set out in the Company's Securities Trading Policy available on the Company's website) that Directors and senior executives are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the future. However, Directors and senior executives will consult with the Chairman if they are considering, or if they are not sure, as to whether entering into transactions may limit the economic risk of unvested entitlements they may have.

There are no termination or retirement benefits for Non-Executive Directors (other than superannuation). 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 unquoted Options to Non-Executive Directors, subject to obtaining the relevant approvals. This policy is subject to annual review. Pay and rewards for Executive Directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include Options granted at the discretion of the Board and subject to obtaining the relevant approvals.

Further details of the remuneration structure of the Executive Directors, Non-Executive Directors and senior executives' remuneration are set out in the Remuneration Report of this Report.

auditor's declaration of independence

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Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF SWALA ENERGY LIMITED

As lead auditor of Swala Energy Limited for the year ended 31 December 2014, 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.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 30 March 2015

financial report contents

consolidated statement of profit or loss and other comprehensive income

for the year ended 31 december 2014

	Notes	2014 $	2013 $
REVENUE			
Other income	3	446,641	174,723
EXPENSES			
Other expenses		(2,029,069)	(1,000,924)
Exploration and evaluation expense		(7,484,339)	(6,539,394)
Depreciation and amortisation expense	9	(23,258)	(9,718)
Share based payments		-	(365,350)
Employee benefits expense		(1,555,422)	(827,433)
Movements in fair value of financial instruments	13	(876,347)	-
LOSS BEFORE INCOME TAX EXPENSE		(11,521,794)	(8,568,096)
Income tax expense		-	-
LOSS AFTER INCOME TAX EXPENSE FOR THE PERIOD		(11,521,794)	(8,568,096)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		201,306	(11,026)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(11,320,488)	(8,579,122)
LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO:			
Owners of Swala Energy Limited		(7,951,235)	(6,518,586)
Non-controlling interests		(3,570,559)	(2,049,510)
		(11,521,794)	(8,568,096)
TOTAL COMPREHENSIVE LOSS IS ATTRIBUTABLE TO:			
Owners of Swala Energy Limited		(7,749,929)	(6,529,612)
Non-controlling interests		(3,570,559)	(2,049,510)
		(11,320,488)	(8,579,122)
LOSS PER SHARE FROM CONTINUED OPERATIONS:		Cents	Cents
Basic loss per share		(7.49)	(9.62)
Diluted loss per share		(7.49)	(9.62)

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 2014

	Notes	31 December 2014 $	31 December 2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	2,348,931	9,306,852
Trade and other receivables	8	1,996,014	604,322
TOTAL CURRENT ASSETS		4,344,945	9,911,174
NON-CURRENT ASSETS			
Property, plant and equipment	9	99,391	56,042
Exploration and evaluation asset	10	14,462,161	14,279,025
TOTAL NON-CURRENT ASSETS		14,561,552	14,335,067
TOTAL ASSETS		18,906,497	24,246,241
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	5,356,332	3,775,144
Other liabilities	12	144,748	91,411
TOTAL CURRENT LIABILITIES		5,501,080	3,866,555
TOTAL LIABILITIES		5,501,080	3,866,555
NET ASSETS		13,405,417	20,379,686
EQUITY			
Issued capital	14	27,442,440	27,367,440
Reserves	15	4,191,922	1,448,105
Non-controlling interests		(3,759,124)	(1,917,273)
Accumulated losses		(14,469,821)	(6,518,586)
TOTAL EQUITY		13,405,417	20,379,686

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 2014

	Notes	Share Capital $	Reserves $	Accumulated Losses $	Sub-Total $	Non-Controlling Interests $	Total Equity $
Balance 17 January 2013		-	-	-	-	-	-
Loss for the period		-	-	(6,518,586)	(6,518,586)	(2,049,510)	(8,568,096)
Other comprehensive income		-	(11,026)	-	(11,026)	-	(11,026)
Total comprehensive loss for the period		-	(11,026)	(6,518,586)	(6,529,612)	(2,049,510)	(8,579,122)
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests		-	-	-	-	132,237	132,237
Issue of share capital	14	29,992,006	-	-	29,992,006	-	29,992,006
Share issue costs		(2,624,566)	-	-	(2,624,566)	-	(2,624,566)
Reserves		-	1,459,131	-	1,459,131	-	1,459,131
Balance 31 December 2013		27,367,440	1,448,105	(6,518,586)	22,296,959	(1,917,273)	20,379,686
Balance 1 January 2014		27,367,440	1,448,105	(6,518,586)	22,296,959	(1,917,273)	20,379,686
Loss for the period		-	-	(7,951,235)	(7,951,235)	(3,570,559)	(11,521,794)
Other comprehensive income		-	201,306	-	201,306	-	201,306
Total comprehensive loss for the period		-	201,306	(7,951,235)	(7,749,929)	(3,570,559)	(11,320,488)
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests		-	2,542,511	-	2,542,511	1,728,708	4,271,219
Issue of share capital	14	75,000	-	-	75,000	-	75,000
Share issue costs	14	-	-	-	-	-	-
Reserves	15	-	-	-	-	-	-
Balance 31 December 2014		27,442,440	4,191,922	(14,469,821)	17,164,541	(3,759,124)	13,405,417

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 2014

	Notes	31 Dec 2014 $	31 Dec 2013 $
CASH FLOWS FROM OPERATING ACTIVITES			
Cash flows from Joint Operations		500,000	233,905
Payments to suppliers and employees		(3,576,611)	(1,392,787)
Payments for exploration and evaluation		(8,590,646)	(3,896,621)
Interest received		50,413	174,723
Net cash used in operating activities	20	(11,616,844)	(4,880,780)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow from asset acquisition		-	560,343
Payment for property, plant and equipment		(70,196)	(32,906)
Net cash provided by/(used in) investing activities		(70,196)	527,437
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing of shares		75,000	15,492,761
Proceeds from issuing of shares by Swala Oil & Gas (Tanzania) Plc		2,381,003	-
Share issue costs		-	(1,832,566)
Proceeds from convertible notes		917,656	-
Proceeds from convertible notes issued by Swala Oil & Gas (Tanzania) Plc		1,355,460	-
Net cash provided by financing activities		4,729,119	13,660,195
Net increase/(decrease) in cash held		(6,957,921)	9,306,852
Cash at beginning of financial period		9,306,852	-
Cash and cash equivalents at end of financial period	7	2,348,931	9,306,852

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

notes to the consolidated financial statements

for the year ended 31 december 2014

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.

The Company was registered on the 17th January 2013 and listed on the ASX on 18th April 2013, and therefore the comparatives are for the period 17 January 2013 to 31 December 2013. 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) 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 AUD$11,521,794 for the year ended 31 December 2014 following the Group's undertaking of work commitments across its assets during the year and writing off the related expenses in conformity with accepted industry practice and the Company's accounting policies. Notwithstanding this, the financial report has been prepared on a going concern basis.

The ability of the Group to continue as a going concern is dependent on the Group's ability to raise funds in the future to allow continuation of the Group's committed work programmes under its licences in Tanzania, Kenya and surrounding areas. The Directors believe that the Company will continue as a going concern and as a result the financial information has been prepared on that basis.

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.

(c) 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.

(d) Income Tax

The income tax expense or benefit (revenue) for the period is the tax payable on the current period'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 period 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.

notes to the consolidated financial statements

for the year ended 31 december 2014

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Exploration and Evaluation Expenditure

Initial acquisition costs have been capitalised however the subsequent costs incurred in the exploration, evaluation and development stages of specific areas of interest are expensed as incurred.

(l) 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

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.

notes to the consolidated financial statements

for the year ended 31 december 2014

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

Share-based payments transactions

The Group provides benefits to employees (including directors) of the Company in the form of Share Options. The fair value of Options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the Options. The fair value of the Options granted is measured using Black-Scholes valuation model, taking into account the terms and conditions upon which the Options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the period from grant date to the date on which the relevant employees become fully entitled to the award ("vesting date"). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding Options is reflected as additional share dilution in the computation of earnings per share.

(r) 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:

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted.

notes to the consolidated financial statements

for the year ended 31 december 2014

Options

The fair value of Options issued is determined using the Black-Scholes model, taking into account the terms and conditions upon which the Options were granted.

Determination of fair values on exploration and evaluation assets acquired in asset acquisitions

On initial recognition, the assets and liabilities of the acquired business are included in the statement of financial position at their fair values. In measuring fair value of exploration projects, management considers generally accepted technical valuation methodologies and comparable transactions in determining the fair value. Due to the subjective nature of valuation with respect to exploration projects with limited exploration results, management have determined the price paid to be indicative of its fair value.

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.

Exploration and evaluation costs

Initial exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of any hydrocarbon resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant hydrocarbon interest. Factors that could impact the future commercial production include the future level of reserves and resources, future technology changes, which could impact the cost of hydrocarbon development and production, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

(s) 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.

(t) Asset Acquisition

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in an asset acquisition are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as deferred exploration expenditure acquired at acquisition. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in Statement of Profit or Loss and Other Comprehensive Income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in Statement of Profit or Loss and Other Comprehensive Income.

(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) Convertible Note at Fair Value through Profit and Loss

Convertible Notes issued by the Group comprise convertible notes that can be converted to share capital and convertible note embedded derivatives whose fair value changes with the Company's underlying share price and the foreign exchange rate.

The embedded derivative component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. Subsequent to initial recognition, the fair value of the embedded derivative is valued using valuation techniques that include reference to the foreign exchange rate and company's underlying share price at reporting date and/or at conversion date. The convertible note derivative is measured at fair value through profit or loss.

The convertible note derivative liability is removed from the Consolidated Statement of Financial Position when the obligations specified in the Contract are discharged. This can occur at maturity date, when the convertible notes convert to equity. Convertible Note Derivative Liabilities are classified as current or non-current based on the maturity date of the convertible note.

Fair values of convertible note derivatives

On initial recognition, at reporting date and/or at conversion date, the fair value of the convertible note derivative has been determined by reference to the company's underlying share price and the foreign exchange date at the relevant dates.

notes to the consolidated financial statements

for the year ended 31 december 2014

(y) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 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.

Title of standard	Nature of change	Impact	Mandatory application date/ Date adopted by company
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.	There will be no impact on the Company's accounting for financial assets and financial liabilities, as the new requirements only effect the accounting for available-for-sale financial assets and the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such financial assets or financial liabilities. The new hedging rules align hedge accounting more closely with the Company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.	Must be applied for financial years commencing on or after 1 January 2017. Therefore application date for the company will be 31 December 2017. The Company does not currently have any hedging arrangements in place.
IFRS 15 (issued June 2014) Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	Due to the recent release of this standard the Company has not yet made an assessment of the impact of this standard.	Must be applied for annual reporting periods beginning on or after 1 January 2017. Therefore application date for the Company will be 31 December 2017.

notes to the consolidated financial statements

for the year ended 31 december 2014

2. SEGMENT INFORMATION

The Group predominately operated in one geographical segment for the period ended 31 December 2014.

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	2014 $	2013 $
Interest Received	50,413	174,723
Reimbursement of past exploration and evaluation costs [1]	396,228	-
	446,641	174,723

[1] The reimbursement of past exploration and evaluation costs relates to the reimbursement from CEPSA Kenya Limited pursuant to the farm-out agreement entered into in March 2014.

4. INCOME TAX EXPENSE	2014 $	2013 $
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	(3,456,539)	(2,570,429)
Add:		
Tax effect of non-deductible expenses:		
- Share-based payments	-	109,605
- Entertainment	1,590	880
Deferred tax assets relating to tax losses not recognised	3,454,949	2,459,944
Total income tax expense (benefit)	-	-

The franking account balance for the period ended 31 December 2014 was Nil (2013: Nil)

Deferred tax assets and liabilities not recognised relate to the following:

Deferred tax assets		
Tax losses	5,914,892	2,459,944
Deferred tax liabilities recognised	-	-
Net deferred asset not recognised	5,914,892	2,459,944

5. LOSS PER SHARE	2014 $	2013 $
Basic loss per share		
Loss attributable to the ordinary equity holders of Swala Energy Limited used to calculate basic loss per share:		
Loss from continued operations	(11,521,794)	(8,568,096)
	(11,521,794)	(8,568,096)

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

notes to the consolidated financial statements

for the year ended 31 december 2014

6. REMUNERATION OF AUDITORS

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:

	2014 $	2013 $
(i) Auditor – BDO Audit (WA) Pty Ltd		
Audit and review of the financial statements	29,202	56,368
BDO Corporate Finance (WA) Pty Ltd	-	10,200
	29,202	66,568
(ii) Auditor – Network Firms		
BDO East Africa	10,584	20,311
	10,584	20,311
(iii) Auditor – Unrelated Firms		
PKF Kenya	8,464	-
JNMA Chartered Accountants, Zambia	14,713	-
	23,177	-

7. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at Bank	2,347,873	9,305,192
Petty Cash	1,058	1,660
	2,348,931	9,306,852

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:

	2014 $	2013 $
Balance as above	2,348,931	9,306,852
Balances as per Consolidated Statement of Cash Flows	2,348,931	9,306,852

8. TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Current		
Other Debtors	1,950,600	559,628
Prepayment	45,414	44,694
	1,996,014	604,322

(a) Prepayments

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

(b) Other Debtors

As at 31 December 2014, included in other debtors is a receivable of $143,700 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.

notes to the consolidated financial statements

for the year ended 31 december 2014

9. PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
Furniture, Fittings and Equipment		
At Cost	133,196	65,992
Less: Accumulated Depreciation	(33,805)	(9,950)
Net book amount	99,391	56,042
Total Property, Plant & Equipment	99,391	56,042
Reconciliation		
Opening net book amount	56,042	-
Acquisition of business	-	32,290
Exchange differences	1,888	564
Additions	70,196	32,906
Disposals	(5,477)	-
Depreciation charge	(23,258)	(9,718)
Closing net book amount	99,391	56,042

10. EXPLORATION AND EVALUATION ASSETS ACQUIRED AT ACQUISITION

	2014 $	2013 $
Deferred Exploration Expenditure Acquired at Acquisition	14,265,860	14,265,860
Foreign Exchange Adjustment	196,301	13,165
	14,462,161	14,279,025

The ultimate recovery is dependent upon various factors including the discovery and/or acquisition of economically recoverable reserves, access to adequate capital for project development and securing and maintaining titles to interest.

11. TRADE AND OTHER PAYABLES

	2014 $	2013 $
Current		
Trade Creditors	2,254,277	2,349,019
Other Creditors	2,184,399	1,426,125
Convertible Notes (Note 13)	917,656	-
	5,356,332	3,775,144

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

12. OTHER LIABILITIES

	2014 $	2013 $
Current		
Annual Leave	144,748	91,411
	144,748	91,411

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 period.

notes to the consolidated financial statements

for the year ended 31 december 2014

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

The following financial instruments are subject to recurring fair value measurements:

	As at 31 Dec 2014 $
Derivative liabilities	
- Convertible note with embedded foreign exchange derivative - Level 3	917,656

Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1 - the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- Level 3 - a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

Transfers

During the year ended 31 December 2014, there were no transfers of available-for-sale equity securities or derivatives between levels 1 and 2 of the fair value hierarchy. There were also no transfers into or out of level 3 during the period.

Valuation techniques used to derive level 3 fair values

The following table sets out the valuation techniques used to measure fair values within Level 3 at 31 December 2014, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Description	Valuation Approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
SOGTP				
Foreign exchange derivative.	The fair value is determined based on the latest public offering share price; and foreign exchange rate at reporting date.	Fluctuations in share price.	Share price on issue 300 TZS based on convertible note agreement to share price of 500 TZS on issue of prospectus. FX rate of 0.0006 at date of con note agreement and FX rate of 0.0006 at reporting date.	The higher the share price the higher the liability to record and the greater the impact on profit and loss. The higher the FX rate the higher the liability to record and the greater the impact on the profit and loss.
Swala				
Foreign exchange derivative	The fair value is by the foreign exchange rate at reporting date.	Fluctuations in exchange rate	FX rate of 1.2235 at the issue date of the convertible notes and FX rate of 1.2258 at report date.	The higher the FX rate the higher the liability to record and the greater the impact on the profit and loss.

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for the year ended 31 december 2014

Reconciliation of level 3 movements

The following table sets out the movements in level 3 fair values for contingent consideration payable.

	SOGTP $	Swala $
Opening balance 1 January 2014	-	-
Convertible note with embedded foreign exchange derivative liability	1,355,460	917,656
Fair value at conversion date	2,231,807	-
Closing balance 31 December 2014	-	917,656
Recognised losses recognised in profit or loss	876,347	-

Valuation processes for level 3 fair values

The finance department performs Level 3 valuations. The finance department reports to the Board of Directors. Valuations are performed every six months to ensure that they are current for the annual financial statements. Valuations are reviewed and approved by the Board of Directors.

Disclosed fair values

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

	2014	2013
154,302,173 Fully Paid Ordinary Shares (2013: 153,758,698)	27,442,440	27,367,440

	1 Jan 2014 to 31 Dec 2014		17 Jan 2013 to 31 Dec 2013	
	Number of Securities	$	Number of Securities	$
Balance at the beginning of the periods	153,758,698	27,367,440	-	-
Ordinary shares issued upon the Company's registration	-	-	5	1
Ordinary shares issued pursuant to the Share Sale Agreement [1]	-	-	60,000,000	12,000,000
Ordinary shares issued pursuant to the Convertible Note Deeds [2]	-	-	19,224,950	2,499,244
Ordinary shares issued pursuant to the Company's prospectus	-	-	55,000,000	11,000,000
Ordinary Shares issued 20th November 2013	-	-	14,533,743	3,342,761
Ordinary Shares issued 26th November 2013	-	-	5,000,000	1,150,000
Ordinary Shares issued 29th December 2014	543,475	75,000	-	-
Balance before Share issue costs	154,302,173	27,442,440	153,758,698	29,992,006
Share issue costs		-		(2,624,566)
Balance at the end of the period	154,302,173	27,442,440	153,758,698	27,367,440

[1] Information regarding the Share Sale Agreement is located in the Company's prospectus dated 12 March 2013.

[2] Information regarding the Convertible Note Deeds is located in the Company's prospectus dated 12 March 2013.

notes to the consolidated financial statements

for the year ended 31 december 2014

15. RESERVES	2014 $	2013 $
Share based payment reserve [1]	1,457,350	1,457,350
Foreign currency translation reserve [2]	190,280	(11,026)
Share premium reserve [3]	2,544,292	1,781
	4,191,922	1,448,105

1 The Share-based payments reserve is used to recognise the fair value of Options issued. 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 Share premium reserve relates to the revaluation of the capital in Swala Energy (Zambia) Ltd for the amount of $2,084. The other component of the share premium reserve for the amount of $2,542,208 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. 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. SHARE BASED PAYMENTS

2014

There were no Share Based Payments during the year.

2013

Grant Date	Details	Granted	Vested and Exercisable	Value	AUD$
12/04/2013	Options Issued	8,100,000	-	$0.132	1,069,200
27/09/2013	Options Issued	550,000	-	$0.149	81,950
25/10/2013	Options Issued	50,000	-	$0.124	6,200
					1,157,300

Period ended 31 December 2013	2013 $
Expensed as follows:	
Share issue expenses	792,000
Share based payment expense	365,350
Total	1,157,350

Fair Value of Share Options and Assumptions at 31 December 2013

The fair value of services received in return for Share Options granted is measured by the reference to the fair value of Options. The estimate of fair value of the services is measured based on a Black-Scholes option valuation methodology. The life of the Options and early exercise option are built into the Option model.

notes to the consolidated financial statements

for the year ended 31 december 2014

The assumptions used for third party valuation for Options issued in the period ended 31 December 2013 are as follows:

Options exercisable at $0.30 before 12 April 2018

Exercise Price	$0.30
Expected Life	5 years
Share Price at time of issue	$0.20
Expected volatility	90%
Dividend Yield	0%
Risk Free Interest Rate	5%
Option Value	$0.132

Options exercisable at $0.30 before 27 September 2018

Exercise Price	$0.30
Expected Life	5 years
Share Price at time of issue	$0.22
Expected volatility	90%
Dividend Yield	0%
Risk Free Interest Rate	5%
Option Value	$0.149

Options exercisable at $0.30 before 27 October 2018

Exercise Price	$0.30
Expected Life	5 years
Share Price at time of issue	$0.19
Expected volatility	90%
Dividend Yield	0%
Risk Free Interest Rate	5%
Option Value	$0.124

17. FINANCIAL INSTRUMENTS

	2014 $	2013 $
Categories of Financial Instruments		
Financial Assets		
Cash	2,348,931	9,306,852
Other Debtors	1,950,600	559,628
	4,299,531	9,866,480
Financial Liabilities		
Trade Creditors	2,454,277	2,349,019
Convertible Notes	917,656	-
	3,371,933	2,349,019

notes to the consolidated financial statements

for the year ended 31 december 2014

18. FINANCIAL RISK MANAGEMENT

(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 as the Group does not have customers at this time given its stage of development as an exploration company.

In Australia funds are deposited with financial institutions which have AA or better credit ratings. In Tanzania, Kenya and Zambia funds are deposited with Stanbic Bank, a member of the Standard Bank Group. In Tanzania, Kenya and Zambia sufficient funds are held to cover expenditure as required.

The board will assess whether foreign currency purchases of United States (US) dollars is appropriate from time to time. The purchase of US dollars as appropriate is aimed at mitigating the credit risk associated with adverse movements in the Australian dollar and US dollar exchange rates.

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:

	2013				
	USD	TZS	KES	ZMW	GBP
Australia	4,453,500	-	-	-	-
British Virgin Islands	205,253	-	-	-	-
Tanzania	(457,319)	(2,279,235)	-	-	(6,999)
Kenya	3,904	-	32,271	-	-
Zambia	28,932	-	-	29,991	-
Total	4,234,270	(2,279,235)	32,271	29,991	(6,999)

notes to the consolidated financial statements

for the year ended 31 december 2014

	2014				
	USD	TZS	KES	ZMW	GBP
Australia	45,156	-	-	-	-
British Virgin Islands	54,752	-	-	-	-
Tanzania	(1,258,737)	(32,931,145)	-	-	-
Kenya	102,122	-	1,138,814	-	-
Zambia	(23,504)	-	-	16,366	-
Total	(1,080,211)	(32,931,145)	1,138,814	16,366	-

(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. It is the Group's approach in managing its liquidity to ensure that there are sufficient funds to meets its liabilities as and when they fall due. The Group manages liquidity risk by continuously monitoring its actual cash flows and forecast cash flows.

The Group plans for fund raising activities and potential farm-out of its exploration licences, as required, taking into account its forecasts and planned activities. Any unplanned and unforeseen circumstances that may arise from time to time would be incorporated into any fund raising activities undertaken.

	2014			2013		
Financial Liabilities	**Carrying amount**	**< 6 months**	**< 12 months**	**Carrying amount**	**< 6 months**	**< 12 months**
Non-derivatives						
Trade Creditors	2,254,277	2,254,278	-	2,349,019	2,349,019	-
Convertible Notes	-	-	917,656	-	-	-
Total non-derivatives	2,254,277	2,254,278	917,656	2,349,019	2,349,019	-
Financial Assets						
Non-derivatives						
Other receivables	1,950,600	1,950,600	-	559,628	559,628	-
Total non-derivatives	1,950,600	1,950,600	-	559,628	559,628	-

(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. As at 31st December 2014 all cash and cash equivalents in the Group were held with two financial institutions.

The Group's main interest rate risk arises from short term cash deposits. During the financial period, 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.

notes to the consolidated financial statements

for the year ended 31 december 2014

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 value of the convertible note (Note 13) can fluctuate due to fluctuations in the exchange rate and there is exposure to currency risk that the settlement of liabilities can fluctuate due to the fluctuations in the exchange rate and share price.

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

Consolidated	31 December 2013				
	US Dollars	Tanzanian Shillings	Kenyan Shillings	Zambian Kwacha	British Pounds GBP
Cash and cash equivalents	6,082,383	10,433	32,271	29,991	-
Trade and other receivables	214,314	-	-	-	-
Trade and other payables	(2,062,427)	(2,289,668)	-	-	(6,999)
Statement of Financial Position Exposure	4,234,270	(2,279,235)	32,271	29,991	(6,999)

Consolidated	31 December 2014				
	US Dollars	Tanzanian Shillings	Kenyan Shillings	Zambian Kwacha	British Pounds GBP
Cash and cash equivalents	923,292	214,610,454	1,138,814	16,366	-
Trade and other receivables	107,633	-	-	-	-
Trade and other payables	(2,111,136)	(247,541,599)	-	-	-
Statement of Financial Position Exposure	(1,080,211)	(32,931,145)	1,138,814	16,366	-

Sensitivity Analysis

A 5% strengthening or weakening of the Australian dollar against the currencies as at 31 December 2014 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.

	2014		2013	
	+5% Strengthening of AUD	-5% Weakening of AUD	+5% Strengthening of AUD	-5% Weakening of AUD
	Profit or Loss	Profit or Loss	Profit or Loss	Profit or Loss
USD	63,067	(69,705)	(227,165)	251,077
TNZ Shillings	1,130	(1,249)	79	(87)
KES Shillings	(747)	825	(20)	22
ZMW Kwacha	(151)	166	(293)	324
GBP	-	-	619	(685)

notes to the consolidated financial statements

for the year ended 31 december 2014

19. RELATED PARTY DISCLOSURE

Transactions with Related Parties

Technical services agreement

Swala Energy Limited has entered into technical services agreements ("Technical Services Agreements") with each of SOGTP and Swala Energy (Zambia) Limited (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 acquire (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 and Swala Zambia in connection with the provision of such technical support. As at 31 December 2014 no such costs have been recognised in the financial statements.

Loan agreement

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.

Key management personnel compensation	2014 $	2013 $
Short-term employee benefits	1,236,530	1,024,241
Post-employment benefits	65,088	36,896
Share-based payments	-	338,500
	1,301,618	1,399,637

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

	2014 $	2013 $
Profit/(Loss)	(11,521,794)	(8,568,096)
Non Cash Items		
Depreciation	23,258	9,718
Movement in fair value of financial instruments	876,347	-
Share based payments	-	365,350
Employee leave accrual	43,942	77,422
Other accrued employee costs	-	20,961
Loss on sale of fixed assets	4,270	-
Changes in Assets & Liabilities		
(Increase)/Decrease in Trade & Other Receivables	(1,365,003)	(339,728)
Increase/(Decrease) in Trade & Other Payables	322,136	3,553,593
Net Cash Flow from Operating Activities	(11,616,844)	(4,880,780)

notes to the consolidated financial statements

for the year ended 31 december 2014

21. ASSET ACQUISITION

2013

Summary of Acquisition

On 12th April 2013, Swala Energy Limited acquired 100% of the issued shares of Swala Energy Limited (Swala BVI) by the issue of shares and performance shares to obtain 100% interest. Swala BVI is an unlisted private company that was incorporated in the British Virgin Islands on 10 September 2010. Swala BVI explores for oil and gas in the sub-Saharan Africa, with a particular focus on eastern and central Africa.

As the transaction is not deemed a business acquisition, the transaction must be accounted for as a share based payment for the net assets acquired.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

The fair value of the assets acquired at the date of acquisition and share based payments are outlined as follows:

	12 April 2013 $
Purchase consideration	
Cash paid	-
Contingent consideration – Performance Shares	300,000
Shares in lieu of cash	12,000,000
Total purchase consideration	12,300,000

	Fair Value
Cash at Bank	560,343
Other debtors	93,120
Prepayment	7,665
Plant and equipment	32,290
Deferred exploration expenditure acquired at acquisition	14,265,860
Trade creditors	(147,616)
Other creditors	(505,952)
Convertible notes	(2,704,526)
Net Identifiable assets acquired	11,601,184
Less: non-controlling interests	(236,495)
Add: Loan – Swala Energy Limited	935,311
Net assets acquired	12,300,000

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for the year ended 31 december 2014

The fair value of deferred exploration expenditure is attributable to the value of the tenements held by Swala BVI. It will not be deductible for tax purposes.

(i) Non controlling interests

In accordance with the accounting policy set out in note 1(c), the group elected to recognise the non-controlling interests in Swala BVI as its proportionate share of the ownership in each subsidiary.

(ii) Contingent consideration

The terms and conditions of the Class A and Class B Performance Shares can be located in the Company's prospectus dated 12 March 2013. Management determined the probability of reaching the terms and conditions set out in the prospectus is 10%. The valuation has been calculated as follows:

Total Performance Shares	15,000,000
Share Price	$0.20
Probability	10%
Performance Shares Valuation	$300,000

22. CONTINGENT LIABILITIES

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

23. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 5 January 2015 the Company announced that its 58.5% owned subsidiary company, Swala Oil and Gas (Tanzania) Plc, had completed its 430 km 2D seismic programme over the Kilombero Basis in central Tanzania.

On 20 January 2015 the Company announced that it had appointed London based FirstEnergy Capital LLP to manage a process with a view of reviewing the Company's options to maximise the long term value of the Company's portfolio.

On 3 February 2015, 777,829 ordinary shares were issued upon the conversion of 47,619 convertible notes.

On 4 March 2015 the Company announced its intention to list on the AIM market of the London Stock Exchange and as part of this process appointed Stifel Nicolaus Europe Limited to act as its Nominated Advisor and broker.

On 5 March 2015, 829,725 ordinary shares were issued upon the conversion of 47,619 convertible notes.

On 14 March 2015 Mr Taylor resigned as a Director of the Company continuing in his employment with the Company as New Ventures Manager and as a key management personnel on the same key employment terms.

On 25 March 2015, 1,713,642 ordinary shares were issued upon the conversion of 83,333 convertible notes.

There are no other matters subsequent to the reporting period.

24. COMMITMENTS	2014 $	2013 $
Capital commitments		
Exploration and evaluation asset	13,573,062	2,694,500

The Exploration and Evaluation Asset commitments are USD 11,073,000. The exchange rate used to convert to Australian dollars is AUD/USD 1.22578.

The Exploration and Evaluation Asset 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.

notes to the consolidated financial statements

for the year ended 31 december 2014

Lease commitments	2014 $	2013 $
Non-cancellable operating leases - future minimum lease payments payable:		
Within one year	230,323	203,515
Later than one year but not later than 5 years	216,186	292,136
	446,509	495,651

The Group leases various premises under non-cancellable operating leases expiring between 2015 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 for 4 years. Lease conditions do not impose any restrictions on the ability of Swala Energy Limited and its subsidiaries from borrowing further funds.

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

25. 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):

			Equity Holdings	
Name of Entity	Country of Incorporation	Class of Shares	31 Dec 2014	31 Dec 2013
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%	65%
Swala Energy (Kenya) Limited	Kenya	Ordinary	100%	100%
Swala Energy (Zambia) Limited	Zambia	Ordinary	93%	93%
Swala Energy (Uganda) Limited	Uganda	Ordinary	100%	100%

notes to the consolidated financial statements

for the year ended 31 december 2014

Non-controlling interests (NCI)

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.

Summarised statement of financial position	**Swala Oil & Gas (Tanzania) Plc**		**Swala Energy (Zambia) Limited**	
	31 Dec 2014 $	**31 Dec 2013 $**	**31 Dec 2014 $**	**31 Dec 2013 $**
Current assets	1,280,478	1,842,341	25,039	61,018
Non-current assets	1,115,186	1,236,387	209,014	199,920
Total assets	2,395,664	3,078,728	234,053	260,938
Current liabilities	4,858,391	4,049,645	44,856	8,838
Non-current liabilities	6,469,519	5,111,012	1,031,134	586,318
Total liabilities	11,327,910	9,160,657	1,075,990	595,156
Net assets	(8,932,246)	(6,081,929)	(841,937)	(334,218)
Accumulated NCI	(3,706,882)	(1,895,337)	(52,242)	(21,936)
Summarised statement of profit or loss and other comprehensive income				
Loss for the period	(8,657,138)	(5,769,411)	(432,945)	(431,661)
Other comprehensive loss	(1,786,273)	(337,656)	(110,818)	(25,263)
Total comprehensive loss	(1,786,273)	(337,656)	(110,818)	(25,263)
Losses allocated to NCI	(3,592,712)	(2,019,294)	(30,306)	(30,216)
Summarised cash flows				
Cash flows from operating activities	(4,348,482)	1,809,597	(22,929)	38,429
Cash flows from investing activities	(43,084)	(5,048)	(7,414)	(311)
Cash flows from financing activities	3,736,463	-	-	-
Net increase/(decrease) in cash and cash equivalents	(655,103)	1,804,549	(30,343)	38,118

notes to the consolidated financial statements

for the year ended 31 december 2014

26. INVESTMENTS IN JOINT OPERATIONS

The Group has entered into three separate joint operations arrangements for licences for it's East African projects.

The Group has:

- a 50% 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 it's 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 it's 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 2014 are detailed as follows:

Kilosa-Kilombero Licence (Tanzania)

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

Pangani Licence (Tanzania)

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

Block 12B Licence (Kenya)

Swala Energy (Kenya) Ltd holds a 50% participating interest in Block 12B as at 31 December 2014. A 50% participating interest is held by Tullow Kenya BV, the operator of the licence. During the year, the Company announced the completion of the farm-out agreement for a 25% working interest in Block 12B to CEPSA. CEPSA opted to withdraw from the PSC before committing to the First Additional Exploration Period and returned the entire 25% participating interest back to Swala Energy (Kenya) Limited ("Swala Kenya") in accordance with the terms of the Farm-Out Agreement ("FOA") entered into between Swala Kenya.

notes to the consolidated financial statements

for the year ended 31 december 2014

27. 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.

	2014 $	2013 $
Current assets	1,981,222	8,066,820
Non-current assets	12,539,477	12,572,074
Total assets	14,520,699	20,638,894
Current liabilities	1,115,065	259,208
Total liabilities	1,115,065	259,208
Contributed equity	27,442,440	27,367,440
Share-based payment reserve	1,457,350	1,457,350
Accumulated losses	(15,494,373)	(8,445,104)
Total equity	13,405,417	20,379,686
Loss for the period	(7,049,268)	(8,445,104)
Total comprehensive loss for the period	(7,049,268)	(8,445,104)

Contingent Liabilities

The parent entity had no contingent liabilities as at 31 December 2014 and 31 December 2013.

Capital Commitments – Property, Plant and Equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2014 and 31 December 2013.

Significant Accounting Policies

The accounting policies of the parent are consistent with those of the consolidated entity.

swala energy limited
directors' declaration

The Directors of the Company declare that:

1. The consolidated financial statements and notes as set out in pages 36 to 62, are in accordance with the *Corporations Act 2001* and:

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

   (b) Give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the consolidated group;

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Mr Kenneth (Ken) Russell
Non-Executive Chairman

Dr David Mestres Ridge
Managing Director & CEO

Dated this day of 30th March 2015

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INDEPENDENT AUDITOR'S REPORT

To the members of Swala Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Swala Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Opinion

In our opinion:

(a) the financial report of Swala Energy Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as 31 December 2014 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding. This conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 31 December 2014. 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.

Opinion

In our opinion, the Remuneration Report of Swala Energy Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

JPrue

Jarrad Prue

Director

Perth, 30 March 2015

Shareholder Information

The ASX Additional Information was prepared based on the Company's Share, Option and Convertible Notes register information as at 10 April 2015.

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
Neil Taylor	20,981,744	13.31%
Ocra Trustees (Isle of Man) Limited	19,744,569	12.53%
Hayaat International Limited	14,533,743	9.22%

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%

Class A Performance Shares

10,000,000 Class A Performance Shares are on issue to 75 Class A Performance Shareholders. The following Class A Performance Shareholders hold 20% or more of the Class A Performance Shares:

Class A Performance Shares	Number of Class A Perf. Shares	%
Mr Neil Taylor	3,480,290	34.80%
Ocra Trustees (Isle Of Man) Limited	3,290,762	32.91%

Class B Performance Shares

5,000,000 Class B Performance Shares are on issue to 75 Class B Performance Shareholders. The following Class B Performance Shareholders hold 20% or more of the Class B Performance Shares:

Class B Performance Shares	Number of Class B Perf. Shares	%
Mr Neil Taylor	1,740,145	34.80%
Ocra Trustees (Isle Of Man) Limited	1,645,381	32.91%

Convertible Notes

The following Convertible Note holder held 100.00% of the Convertible Notes.

Convertible Notes	Number of Convertible Notes	%
Magna Equities II LLC	571,429	100.00%

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.

Shareholder Information

Unquoted Equity Securities

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

Class A and Class B Performance shareholders do not have any voting rights at a general meeting of the shareholders other than a resolution to amend the rights attaching to Class A or Class B Performance Shares.

Convertible Note holders do not have any voting rights at a general meeting of the shareholders.

20 LARGEST SHAREHOLDERS OF QUOTED SECURITIES

Fully Paid Ordinary Shares

	Names	Number of shares	% of issued shares
1	Mr Neil Taylor	20,981,744	13.31%
2	Ocra Trustees (Isle Of Man) Limited	19,744,569	12.53%
3	Hayaat International Limited	14,533,743	9.22%
4	Pershing Australia Nominees Pty Ltd	5,150,000	3.27%
5	Energy Tanzania Limited	5,000,000	3.17%
6	Citicorp Nominees Pty Limited	3,651,670	2.32%
7	Mr Ernest Massawe	3,387,724	2.15%
8	Tenbagga Resources Fund Pty Ltd <Tenbagga Family A/C>	2,730,000	1.73%
9	AEW Holdings Pty Ltd	2,500,000	1.59%
10	Erncon Holdings Limited	2,410,623	1.53%
11	J P Morgan Nominees Australia Limited	2,292,917	1.45%
12	Dr Sonil Kalia	2,244,239	1.42%
13	Ian James Arathoon	1,822,983	1.16%
14	Mrs Michele Mitchell De Mestres	1,550,800	0.98%
15	Mr Richard Walters	1,500,000	0.95%
16	Magna Equities II LLC	1,050,224	0.67%
17	Mr Kane Rodney Maxwell Phillips	972,418	0.62%
18	Mr Thomas Ensmann	920,000	0.58%
19	Mr Peter Allan Learmont	880,000	0.56%
20	Mr Godfrey Shiletikwa Urasa	820,000	0.52%
	Total	94,143,654	59.73%

DISTRIBUTION OF SECURITY HOLDERS

Fully Paid Ordinary Shares

Holding	Number of shareholders	Number of shares	% of issued shares
1 – 1000	27	2,304	0.00%
1,001 – 5,000	98	337,195	0.21%
5,001 – 10,000	116	1,014,686	0.64%
10,001 – 100,000	528	21,398,487	13.58%
100,001 and over	175	134,870,697	85.57%
Total	944	157,623,369	100.00%

Shareholder Information

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%

Class A and Class B Performance Shares

	Class A Performance Shares			Class B Performance Shares		
Holding	Number of shareholders	Number of Pref A Shares	% of issued Pref A Shares	Number of holders	Number of Pref B Shares	% of issued Pref B Shares
1 – 1000	-	-	-	24	22,548	0.45%
1,001 – 5,000	39	94,962	0.95%	22	49,719	0.99%
5,001 – 10,000	7	49,572	0.50%	4	26,696	0.53%
10,001 – 100,000	21	601,528	6.02%	18	329,469	6.59%
100,001 and over	8	9,253,938	92.53%	7	4,571,568	91.44%
Total	75	10,000,000	100.00%	75	5,000,000	100.00%

Convertible Notes

Holding	Number of holders	Number of Con. Notes	% of Con. Notes
1 – 1000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and over	1	571,429	100.00%
Total	1	571,429	100.00%

UNMARKETABLE PARCELS

As at 10 April 2015 the number of shareholders holding less than a marketable parcel of fully paid ordinary shares was 140, representing 425,572 fully paid ordinary shares, at the Swala Energy Limited closing share price of $0.081.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

RESTRICTED SECURITIES

The class of restricted securities, the number of securities and the release date is as follows:

Security description	Release date	Number
Fully Paid Ordinary Shares	18 April 2015	45,273,583
Class A Performance Shares	18 April 2015	7,545,594
Class B Performance Shares	18 April 2015	3,772,797

corporate directory

Directors	Mr Kenneth (Ken) Russell (Non-Executive Chairman)
	Dr David Mestres Ridge (Chief Executive Officer & Managing Director)
	Mr Ernest Massawe (Non-Executive Director)
	Mr Peter Grant (Non-Executive Director)
	Mr Mohammed Ishtiaq (Non-Executive Director)
Company Secretary	Mr Adrian Di Carlo
Principal & Registered Office	70C Kishorn Road Mount Pleasant WA 6153 Telephone: +61 (08) 6270 4700 Facsimile: +61 (08) 6314 4675
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
Solicitors	Richard O'Shannassy & Co Pty Ltd Level 3, Ord Street West Perth WA 6005 Australia
Bankers	Westpac Banking Corporation Level 6,109 St Georges Terrace Perth WA 6000 Australia
Securities Exchange Listing	Swala Energy Limited is listed on the Australian Securities Exchange (ASX) under the ticker code "SWE".

ISO CERTIFICATION · FOREST MANAGEMENT · pH NEUTRAL ARCHIVAL · ECO BLEACHING PROCESS · EMS ENVIRONMENTAL MANAGEMENT SYSTEMS

This annual report is printed on Splendorgel paper stock, a FSC Mixed Sources Certified paper. It is elemental chlorine free and is manufactured by an ISO 14001 certified mill.

swala energy

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