Swala Energy Limited
ACN 161 989 546

swala energy

2015
annual report

Annual Report for the Year Ending
31 December 2015

KEY HIGHLIGHTS DURING 2015

6 JAN

Successful Completion 2014 Seismic Programme over Kilombero

1 JUN

Agreement with Tata Petrodyne Limited to farm-out the Kilosa-Kilombero and Pangani licences in Tanzania

1 JUN

US $1 million loan facility received from Hayaat International, the Company's cornerstone shareholder

21 AUG

Swala one of 16 companies accepted as pre-qualified by the Ugandan Petroleum Commission to bid for licences in Uganda

31 AUG

Swala Concludes Agreement to exit Zambia Block 44

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 9,000km^2 in Tanzania and Kenya. 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.

31 AUG

Swala Licence Extension to Progress Drilling in each of the Kilosa-Kilombero and Pangani licences in Tanzania

8 > 16 OCT

Successful Completion of Farm-out of Kilosa-Kilombero and Pangani to Tata Petrodyne Limited and receipt of US $5.7 million in past licence costs

4 NOV

Swala awarded the Drill Support Team contract for the 2016 drilling campaign to the Tanzanian subsidiary company of AWT International

20 NOV

Redemption of all of the outstanding convertible notes

24 NOV

Swala debt free upon repayment of loan to Hayaat International Limited

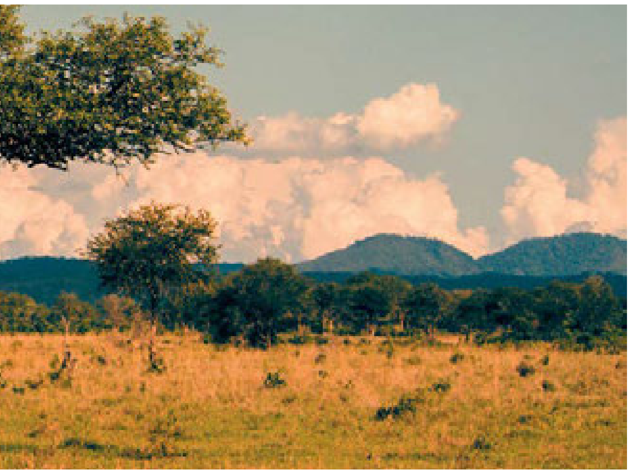
contents

chairman's letter

As Chairman it is part of my job to provide shareholders with an overview of the Company's current status, so as a person who has had many years involved in the oil and gas industry I have to say I have never witnessed the impact that we have seen on the industry such as we have seen over the last 12 months.

Everybody, whether in the industry or just viewing what is taking place from the outside knows we are in a period of significant change, characterised by fluctuating oil prices and general stock market turmoil. Therefore, it may seem surprising to you when I say that it is pleasing to be able to advise our shareholders, that Swala can look back on the preceding 12 months knowing that it has been reacting proficiently by recognising the need and making monumental changes as to how we operate, how we source new projects and what type they are and of course importantly how we spend the capital of the Company. This is all done with an underlying desire to change the Company to not only survive in these difficult times but to reposition it so that it can be ready to take advantage when the upturn and a degree of stability in the demand for oil and gas comes, as many of us with a long history in the industry feel confidently that it will.

The Company and its management are and continue to be, conscious of the need to prudently manage our shareholders' equity and you will see more detail of this in our CEO/MD Dr David Mestres Ridge report in the following pages of this Annual Report. During 2015 we have continued to implement a number of cost-saving measures that are bearing fruit for us, these include changes to where we operate such as our exit from Zambia and our office commitments by relocating our Perth office. You will be seeing and hearing of further changes in that regard. We continuously



monitor our operating costs both internally and by comparison with those of our peer group and are implementing reviews of potential and sometimes painful cost savings to ensure that our whole operating philosophy ensures the Company remains efficient and able to react to opportunities as they arise. The difficulty in making some of these changes is that sometimes there are impediments to being able to react instantaneously, for instance the time to cease operating a unit can be due to office leases or liability clauses in agreements that can cost the Company more than if a lease was allowed to run its distance.

On the operations front, we have made considerable progress in maturing our understanding of our East African Rift assets. Swala Oil & Gas (Tanzania) plc, in which the Company holds a 58.5% equity interest, is scheduled to drill what we believe to be a promising well known as the Kito prospect in 3Q 2016. Success here could open up additional prospectivity in the Kilombero Basin and it's in a country that needs a local supply of oil and gas so has a ready market place and would eliminate some of Tanzania's need to import oil, a costly exercise even with low oil prices. This drilling programme comes about following a successful farm-out of part of the permit to Tata Petrodyne during the year, something that required significant management skills and technical support from the Company's staff and needs to be recognised. We continue to seek additional opportunities in East Africa and elsewhere and having been recognised by the Ugandan authorities as a significant company have been allowed by them to recently submit an application for licences under the 2016 Ugandan Licencing Round that is scheduled to complete in June 2016. Uganda is a country that has been shown to have significant oil reserves over the last few years but is eager to bring those assets onto production making our proposed entry there an opportunity to take advantage as we are of a size that would allow us to react quickly to any finds if we are successful in obtaining a licence.

However, we all know as well that companies need to raise capital at various times and your company is no different. The Company is conscious of the current poor market conditions and is engaging with its London brokers and financial specialist to consider innovative approaches to future financing needs.

The Company's management and staff have worked extremely hard during the last 12 months, they are constantly looking at ways to improve, to save costs, maintain a safe working environment and find new opportunities, we need to recognise their efforts and I thank them for this support.

This Annual Report will hopefully provide you with a degree of confidence that your Company is working hard to protect your investments and we thank you our shareholders for your support.

Mr Ken Russell
Non-Executive Chairman

ceo & managing director's letter

Dear Shareholder,

OIL PRICE AND THE SECTOR

The issue of 'oil price and the sector' opened your CEO's letter in the 2014 Annual Report and is again the most significant trend to which your Company has been exposed during the past twelve months. In 2014 we wrote that oil had closed at around US$50 per barrel; twelve months later it closed at US$35 per barrel. The current expectation amongst different forecasters is that the oil price shall average somewhere between US$20 per barrel and US$45 per barrel during 2016, with all expecting an increase in oil prices over subsequent years to its long term average of $70 per barrel.

Over the same period the Australian dollar (AU$) has remained weak against the US dollar. One Australian dollar bought 81 US cents on the first of January 2015; a year later it brought 72 US cents. Like many currencies, it appears undervalued against the greenback but from Swala's perspective a weak Australian dollar has two main consequences: it reduces the relative cost of our Australian operations however it makes equity raises through our ASX listing more expensive and dilutive.

OTHER EFFECTS OF THE LOW OIL PRICE ENVIRONMENT

The continued weakness in oil prices has had a direct effect on Swala – our share price has dropped by 60% in the past year. It has also had an indirect effect, in that it has reduced corporate activity not just in East Africa but globally. On the negative side this makes corporate transactions, whether through mergers, acquisitions or farm-ins, keener; on the positive side it reduces the cost of the service sector – particularly, for our purposes, of drilling services.

In this context it is therefore so much more noteworthy that a significant industry player such as Tata Petrodyne Limited (TPL) chose to farm into the Pangani and Kilosa-Kilombero licences in Tanzania. TPL took a 25% equity interest in each of these licences in exchange for US$5.7 million in past costs and a carry through two commitment wells. We did not have a complete technical story that allowed us to farm down the 12B licence in Kenya and we shall re-try in 2016 now that we have advanced our understanding of the licence and have this understanding backed by a Competent Person's Report. In the meantime, we have secured an extension to this licence that allows us to do additional work with a relatively low outlay ahead of drilling a commitment well in 2017. Our approach to an environment of low oil

prices has therefore been to farm down our commitments where we could and to delay and reduce them where we could not. In this we have been successful.

There are some silver linings in such cloudy times. We have mentioned one already: the reduction in service sector costs. A second is that the low oil price has had a sobering effect on the expectations of host governments across the region in which we operate. We had seen over the past years the growth of expectations beyond a point of reasonableness and the failure of several high profile licencing rounds worldwide have reminded licencing authorities that contractors shall only invest in projects that are commercially sound on a long term basis.

A third silver lining is the greater willingness of companies to review the strategic fit of assets within their portfolio. We expected to be awarded several licences more over the past years but found that, for a variety of reasons, the licencing rounds develop slowly. We have therefore moved to what we always considered 'the next step': consolidating the Swala group, targeting a smaller number of exploration licences elsewhere in East Africa, and expanding our search for production and development assets both in East Africa and elsewhere. A low oil price environment has opened a number of potential asset opportunities and our new ventures team has been actively screening the more interesting ones. We are aware of the need to refresh and upgrade our portfolio and that is a core task for us in 2016.

STRONG SHAREHOLDER SUPPORT

The Company closed the year with 876 shareholders, the 'Top 20' of whom held 58.09% of the Company's securities (972 shareholders and 60.67% in 2014). By number of shares held, our biggest investor group is in Australia (64.55%), followed by the United Kingdom (14.49%), the United Arab Emirates (9.56%) and Tanzania (9.47%). At the close of 2015, 64.55% of our shares were held in Australia and 35.45% outside (at the close of 2014 it was 63.02% and 36.98% respectively). In 2015 a cornerstone investor Hayaat International Limited assisted the Company with a short term loan that we repaid in November 2015 from the proceeds of the TPL farm-in. 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.

CORPORATE SOCIAL RESPONSIBILITY

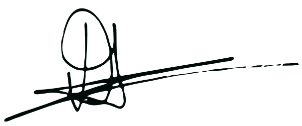
The ten students we are sponsoring to pursue geology degrees at the University of Dar es Salaam are nearing their final year of studies. The Swala Tanzania Trust Company Limited, set up to invest into the communities in which we operate, established a strategic relationship with Darecha, an entity set up to encourage local entrepreneurship and with a successful track record in places like Mtwara, Lindi and Zanzibar. Within our own team we are pleased to say that three members of staff are availing themselves of the opportunity to study additional courses that will enhance their potential within the oil and gas industry.

HEALTH, SAFETY AND THE ENVIRONMENT

Swala, and all the companies in the Swala group, take health safety and environment seriously. The Company strives to engage with local communities before carrying out activities in any area, something particularly important as we progress into the drilling phase. The Company continues to develop its risk management system with the objective of ensuring that all operations are conducted to consistent health, safety and environmental standards.

FORWARD VIEW

During 2016 we remain focussed on three main projects: the farm-down of 12B on acceptable terms; the growth of our asset portfolio; and the successful and safe drilling of the Kito prospect in Tanzania. We delayed our intended listing on London's Alternative Investment Market because of adverse conditions and the changes in our portfolio as a consequence of the TPL farm-in. We will continue to assess the desirability of a London listing in the course of 2016. We bid for the Ugandan licencing round and are assessing other opportunities. This year, as a consequence, is likely to see a significant news flow as Swala progresses its various projects.



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 2015.

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, Resigned 14 March 2015
Mr Ernest Massawe	Non-Executive Director	Appointed 17 January 2013
Mr Peter Grant	Non-Executive Director	Appointed 6 June 2013
Mr Mohammed Ishtiaq	Non-Executive Director	Appointed 8 August 2014
Mr Frank Moxon	Non-Executive Director	Appointed 22 June 2015

PRINCIPAL ACTIVITIES

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

DIVIDENDS

There were no dividends paid during the year.

OPERATING RESULTS

Net operating profit after tax for the year ended 31 December 2015 was $1,722,137 (2014: net loss $11,521,794).

directors' report

review of operations

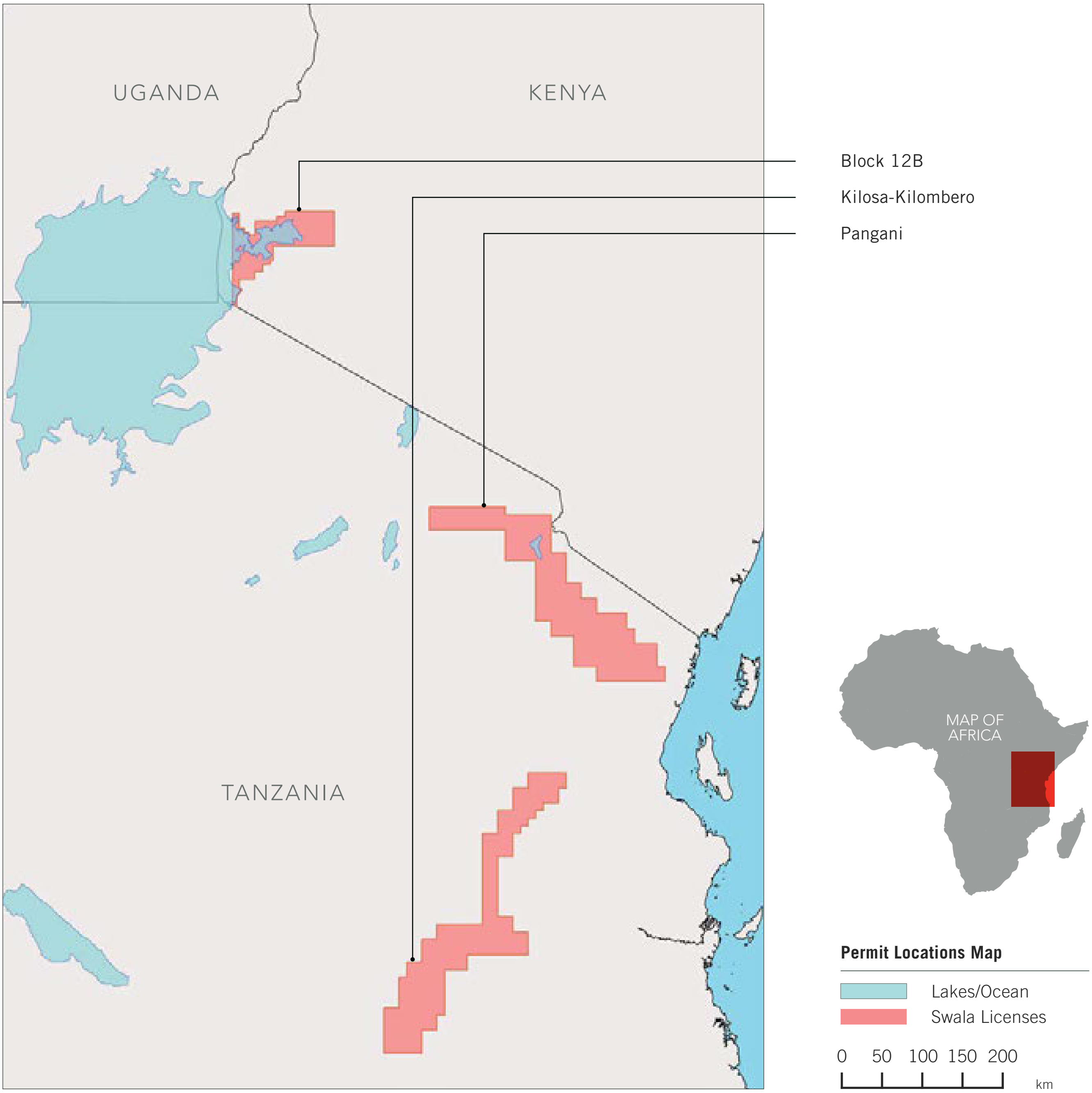


Figure 1: Swala Energy Asset Holdings

directors' report
review of operations

TANZANIA

Kilosa-Kilombero Licence

(Swala Energy Limited indirect 14.6% working interest)

Tanzania Summary

Swala Oil and Gas (Tanzania) Plc ("Swala Tanzania") reached agreement with Tata Petrodyne Limited ("TPL"), a subsidiary of the multinational Tata Sons Limited, under which TPL farmed into the Kilosa-Kilombero and Pangani licences in Tanzania. Swala owns 58.5% of Swala Tanzania. Swala Tanzania retained a 25% working interest and continued to act as Operator. Under the terms of the farm-in, Swala Tanzania received US$5.7 million in cash from TPL for pasts costs comprising US$3.9 million towards Kilosa-Kilombero and US$1.8 million for the Pangani licence. In addition, up to US$2.5 million in cash is to be contributed towards Swala Tanzania's costs of a well on the Kito prospect and should the first well be a commercial success TPL shall contribute a further US$1 million towards Swala Tanzania's cost of a second exploration well.

The Tanzanian Ministry of Energy and Mining agreed to extend the period within which an exploration well must be drilled in each of the Kilosa-Kilombero and Pangani licences in Tanzania to the 20th February 2017. This one-year extension is to be deducted from the 4-year First Extension Period that commenced on 20th February 2016, resulting in the First Extension Period now having a duration of three years.

Swala Tanzania has appointed contractors to carry out the Environmental Impact Assessment (EIA) for the drilling of the wells in the Kilosa-Kilombero and Pangani licences. In November 2015, Swala Tanzania also awarded the contract for drill planning services to manage the planning and execution of the wells.

The 430 km 2D seismic survey was successfully completed in the Kilombero Basin by Swala Oil and Gas Swala Tanzania and provided the first evidence of multiple structures - a 'string of pearls'- along

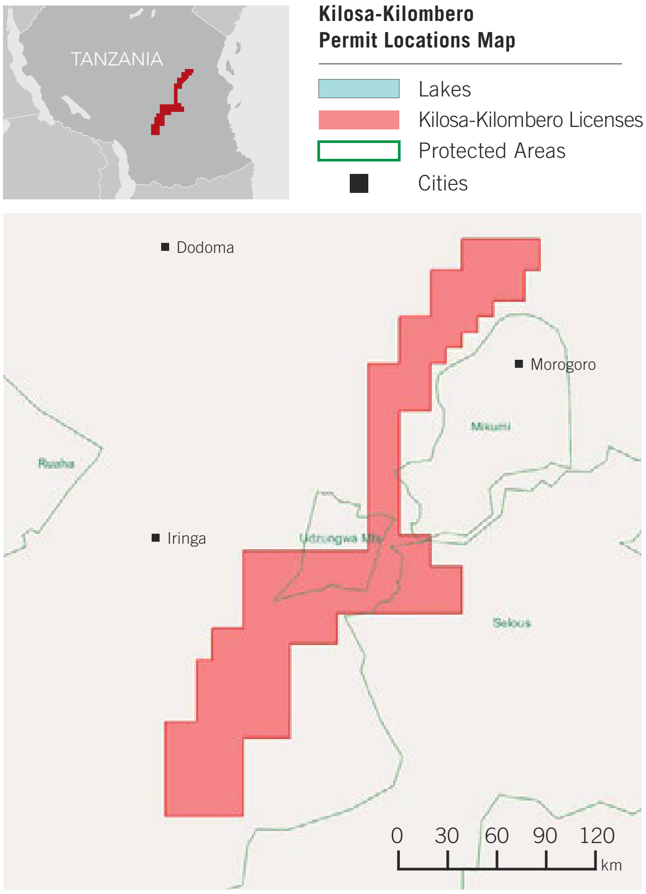


Figure 2: Kilosa-Kilombero Location Map

directors' report

review of operations

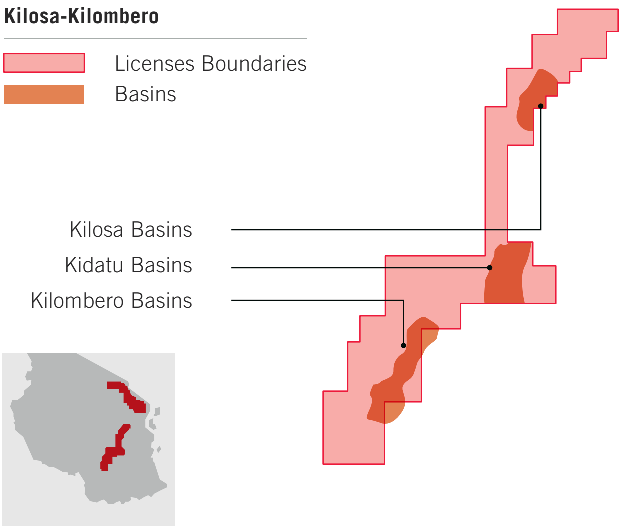


Figure 3: Sedimentary basins within the Kilosa-Kilombero Licence Area

the western margin of the basin. The low seismic velocities recorded appeared to indicate that the age of the sediments in the basin is similar to that of the proven oil basins of Kenya (Lokichar) and Uganda. The new seismic data were processed ahead of a detailed interpretation that aimed to map additional potential drilling targets for a drilling campaign.

Evaluation of the processed 2D seismic data acquired in late 2014 resulted in a re-assessment of the reservoir section of the Kito prospect and its overall size (46 square kilometres). The Company reviewed the estimated potential increase in volumes of this prospect. In addition, early results indicated a marked amplitude anomaly coincidental with the Kito structure.

During the year Swala firmed up the Kito Prospect as the drilling candidate for the 2016 drilling programme and by the end of the year the Joint Venture was in the process of determining the ideal location for the Joint Venture's first exploration well ("Kito-1"). Review of the seismic data had identified six other additional structural leads in the Kilombero basin.

Swala Tanzania awarded the drill support team contract for the 2016 drilling campaign to the Tanzanian subsidiary of AWT International (Asia) Sdn Bhd which will effectively act as Swala Tanzania's drilling management team, tasked with designing the wells and implementing the planning required ahead of the wells.

Figure 4 shows the location of the Kito-1 well on the dip seismic line through the crest of the structure. Figure 5 shows the Kito structure map with the proposed Kito-1 well location. As at the end of the year Swala were making preparations for land purchase and for site design.

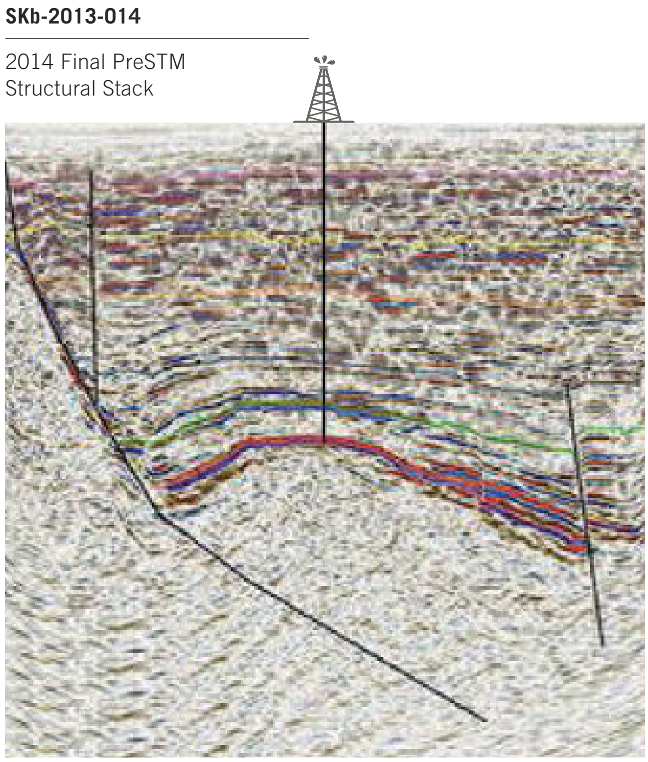


Figure 4: Kito-1 Location on seismic dip line 2014-014

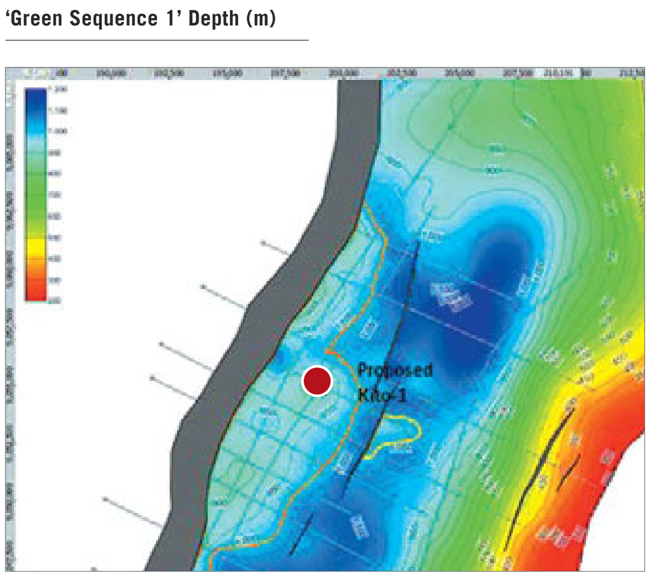


Figure 5: Kito Structure Map with Proposed Well Location

directors' report
review of operations

TANZANIA

Pangani Licence
(Swala Energy Limited indirect 14.6% working interest)

The seismic processing and evaluation work over the Moshi basin confirmed the Kikuletwa West and Kikuletwa East leads as the largest potential structure in the basin. However further work is to be undertaken to identify and confirm structural closure to the south of the lead.

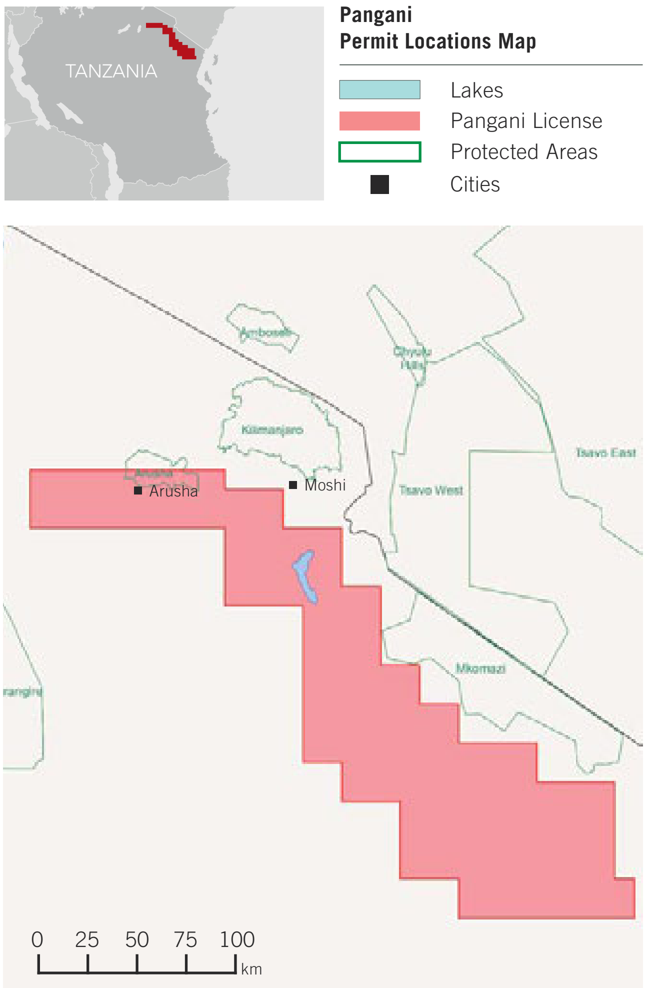


Figure 6: Pangani Location Map

KENYA

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

Further interpretation of Block 12B in Kenya allowed Swala and the licence Operator, Tullow Kenya BV, a wholly owned subsidiary company of Tullow Oil plc (LSE:TLW), to identify a series of ten leads and prospects from which one of those leads, 'Ahero–"A"', had been identified as a potential drilling target. The technical review of the Block 12B basin progressed during the year through detailed processing of the seismic data by the interpretation company CGG.

Swala evaluated the reprocessed seismic data which primarily focussed on better defining the deeper parts of the basin below the Middle Miocene surface basalts, where earlier passive seismic work had identified basement to depths of greater than 3,000m. The results of the reprocessing on two test lines support the interpretation of Miocene (and possibly older) basin-fill in excess of 3,000m.

The new sesimic processing parameters which have revealed reflectors below the basalts will now be expanded to all of the data over the block so as to confirm the deep structures and traps within the basin. Towards the end of the year Swala and Tullow were considering the use of Full Tensor Gravity ("FTG") to firm up the prospects into drill-ready targets.

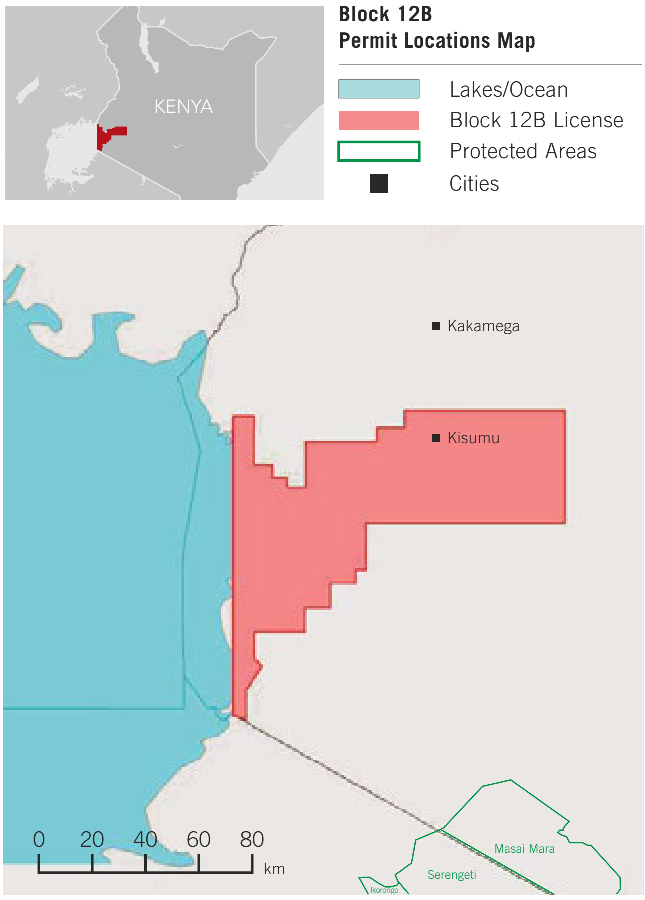


Figure 7: Block 12B Location Map

directors' report
review of operations

ZAMBIA

Block 44 Licence

The Company decided to exit from Zambia to continue to focus on its core areas of East Africa. To facilitate this action it entered into an agreement to relinquish control of Swala Energy (Zambia) Limited ("Swala Zambia") to local Zambian shareholders and upon transfer of control on 31 August 2015 Swala became the beneficial owner of less than 1% of Swala Zambia and effectively relinquished its interest and control of the Block 44 license in Zambia.

Summary of Assets as at 31 December 2015

Asset	Percentage held by Swala in the licence	Swala Beneficial Interest	Joint Venture Partners	Notes
Tanzania				
Kilosa-Kilombero PSA	25% held by the Operator: Swala Oil and Gas (Tanzania) Plc	14.6% indirect working interest	25% Operator: Swala Oil and Gas (Tanzania) Plc. 50% Otto Energy (Tanzania) Pty Ltd, a subsidiary company of Otto Energy Ltd (ASX: OEL). 25% Tata Petrodyne Limited.	Licence acquired in February 2012
Pangani PSA	25% held by the Operator: Swala Oil and Gas (Tanzania) Plc	14.6% indirect working interest	25% Operator: Swala Oil and Gas (Tanzania) Plc. 50% Otto Energy (Tanzania) Pty Ltd, a subsidiary company of Otto Energy Ltd (ASX: OEL). 25% Tata Petrodyne Limited.	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

directors' report

Operating and Financial Review

Operating review

The Group explores for hydrocarbons in Tanzania and Kenya. Swala Tanzania was granted an extension to the period by one year within which an exploration well must be drilled in each of the Kilosa-Kilombero and Pangani licences in Tanzania.

During the year the Company's 58.5% owned subsidiary, Swala Tanzania, agreed with Tata Petrodyne Limited to farm-out 50% of its participating interest in each of the Kilosa-Kilombero and Pangani licences in Tanzania resulting in Swala Tanzania having a 25% interest in the licences as at 31 December 2015.

At the beginning of the year the Group completed its seismic acquisition programme in the Kilombero basin onshore Tanzania. During the year Swala confirmed the Kito prospect as the drilling candidate for the 2016 drilling programme and by the end of the year the joint venture was in the process of determining the well location.

Further interpretation of Block 12B in Kenya enabled a series of ten leads and prospects to be identified from which one was identified as a potential drilling target.

The Company relinquished control of Swala Energy (Zambia) Limited and consequently relinquished 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 received $8.3 million for reimbursement of past costs pursuant to the farm-out transaction with Tata Petrodyne Limited. The Company also sourced $1.3 million funding from a short term loan from the Company's substantial shareholder, Hayaat International Limited, which was subsequently repaid by the Company during the year. The Company also received $63,900 from a short term loan from Dr Mestres Ridge, a director of the Company. This short term loan was also repaid by the Company.

During the year the Group incurred exploration expenses of $2.5 million. The Group impaired its assets in relation to Swala Zambia and as a result $0.3 million was written-off and expensed. The Group recorded a net operating profit after tax for the year ended 31 December 2015 of $1.7 million (2014: net loss $11.5 million).

As at 31 December 2015 cash and cash equivalents were $1.7 million (2014: $2.35 million).

The Company recorded shareholder returns for the 2015 year of:

- Basic profit/(loss) per share 1.09 (2014: (7.49))
- Diluted profit/(loss) per share 1.09 (2014: (7.49))

Business strategies and prospects for future financial years

The Group's aim is to operate its leases where possible and has demonstrated an ability to undertake its 2014 and 2015 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 including acquisition of additional licences or production assets. The Group maintains that its business strategy of securing assets by direct negotiations with governments and in licencing rounds and through discussion with other industry participants 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 as it works towards its first drill operation in Tanzania.

Significant changes in the state of affairs

During the year the Company relinquished control of Swala Energy (Zambia) Limited in which it became the beneficial holder of less than 1% of Swala Zambia thereby relinquishing its interest and control of the Block 44 licence in Zambia.

The Company's 58.5% owned subsidiary company SOGTP farmed out 50% of its 50% participating interest in the Kilosa-Kilombero and Pangani licences in Tanzania resulting in SOGTP holding a 25% interest in each licence at the conclusion of the farm-out transaction with Tata Petrodyne Limited.

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

Matters Subsequent to the End of the Financial Year

The Company announced on 14 March 2016 that:

- Gaffney, Cline & Associates ("CGA"), an independent petroleum advisory firm, completed a resource review of the Kilombero Basin, located within the Kilosa-Kilombero licence (Tanzania) and of Block 12B (Republic of Kenya) and pursuant to CGA's review the Company published its revised Prospective Resources and 14 new leads;
- the joint venture had confirmed with the Tanzania Development Petroleum Corporation of its desire to relinquish the Pangani licence; and
- the Government of Kenya approved the new work programme and granted an extension to 16 August 2017 within which to drill the Block 12B well.

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 and Tanzania and progress towards drilling operations.

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.

directors' report

INFORMATION ON DIRECTORS

Mr Kenneth (Ken) Russell
Non-Executive Chairman

Appointed 17 January 2013

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

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

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

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

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

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

Interests in Shares: 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: 21,105,238

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

Mr Neil Taylor
Executive Director

Appointed 17 January 2013 > Resigned 14 March 2015

Mr Taylor was an Executive Director of the Company during the year.

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.

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: 16,981,744

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

directors' report

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, the Audit and Risk Management Committee and the Remuneration Committee.

Interests in Shares: Nil

Interests in Options and Rights Holdings: 972,279

directors' report

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: Nil

Interests in Options and Rights Holdings: Nil

Mr Frank Moxon
Non-Executive Director

Appointed 22 June 2015

Mr. Moxon is the Managing Director of Hoyt Moxon Ltd, a corporate finance consultancy. He has over 25 years' experience as a corporate financier to developing and growth companies in a wide range of industrial sectors but has specialised for some 18 years in natural resources. He is or has been a director of a number of companies quoted on the stock exchanges of London, Australia and Canada and is a director of the Chartered Institute for Securities & Investment ("CISI"). Mr. Moxon is a former head of corporate finance at Williams de Broë Plc, then a leading natural resources stockbroking firm in London, and was senior independent non-executive director at Cove Energy Plc until its August 2012 sale to PTT for £1.2 billion.

Mr Moxon has a Bachelor of Science (BSc) degree in Economics from Loughborough University and is a Chartered Fellow of the CISI and a Fellow of the Energy Institute and of the Institute of Materials, Minerals & Mining.

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

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

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

Interests in Shares: Nil

Interests in Options and Rights Holdings: Nil

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

COMPANY SECRETARY

Mr Adrian Di Carlo was appointed to the position of Company Secretary on 17 January 2013. Mr Di Carlo has been working for public companies as an employee and as a consultant for 23 years in various accounting, commercial and company secretary positions.

Previously, Mr Di Carlo worked for Company Matters Pty Limited, a professional services firm providing legal, company secretary and CFO 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, and also for a period of time held an appointment as CFO for an ASX listed biotech company. Prior to that, Mr Di Carlo worked for the Barrick Gold Corporation and Antofagasta Minerals joint venture, Tethyan Copper Company. Previous to this appointment 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)	13	13	3	3	2	2	4	4
David Mestres Ridge (Appointment date 17/1/13)	13	13	-	-	-	-	4	4
Neil Taylor (Resignation date 14/3/15)	2	2	-	-	-	-	-	-
Ernest Massawe (Appointment date 17/1/13)	13	10	3	3	2	0	-	-
Peter Grant (Appointment date 6/6/13)	13	12	3	3	2	2	4	3
Mohammed Ishtiaq (Appointment date 8/08/14)	13	9	-	-	-	-	-	-
Frank Moxon (Appointment date 22/6/15)	7	7	1	1	2	2	3	3

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.

CORPORATE GOVERNANCE STATEMENT

A copy of Swala's full 2015 Corporate Governance Statement, which provides detailed information about governance, and a copy of Swala's Appendix 4G which sets out the company's compliance with the recommendations in the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) is available on the corporate governance section of the company's website at http://www.swala-energy.com/corporate-governance.php

The Board believes that the governance policies and practices adopted by Swala during the year ended 2015 are in accordance with the recommendations contained in the ASX's Corporate Governance Council's Corporate Governance 3rd Edition Principles and Recommendations.

REMUNERATION REPORT (AUDITED)

This remuneration report 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.

directors' report

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

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

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

Alignment to shareholders' interests:

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

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

» attracts and retains high calibre executives.

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

Non-Executive Directors Remuneration

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

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

Executive Remuneration

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

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

1. Total Fixed Remuneration;

2. Short Term Incentive, payable as cash; and

3. Long Term Incentive,

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

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

Total Fixed Remuneration

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

Short Term Incentive (STI) Plan

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

» focus executives on the achievements of key safety and financial targets as well as an individual contribution that the Board believes will lead to sustained and improved business performance;

» establish a variable remuneration arrangement that links performance with reward; and

» reward and recognise superior performance, if achieved.

Long Term Incentive (LTI) Plans

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

directors' report

Consolidated entity performance and link to remuneration

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

Use of remuneration consultants

During the year ended 31 December 2015 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 2015 Annual General Meeting ("AGM")

At the 2015 AGM, shareholders unanimously supported the adoption of the Remuneration Report and 99% of the proxy votes received supported the Remuneration Report for the year ended 31 December 2015. 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 17 Jan 2013
Mr Ernest Massawe	Non-Executive Director	Appointed 17 Jan 2013
Mr Peter Grant	Non-Executive Director	Appointed 6 Jun 2013
Mr Mohammed Ishtiaq	Non-Executive Director	Appointed 8 Aug 2014
Dr David Mestres Ridge	Managing Director & CEO	Appointed 17 Jan 2013
Mr Neil Taylor	Executive Director – Exploration	Appointed 17 Jan 2013, Resign. 14 Mar 2015 New Ventures Manager from 14 March 2015
Mr Frank Moxon	Non-Executive Director	Appointed 22 June 2015

And the following persons:

Mr Adrian Di Carlo	Company Secretary and Finance Manager up to 30 June 2015 Chief Financial Officer and Company Secretary from 1 July 2015
Ms Elizabeth Obiero	Chief Financial Officer up to 30 June 2015

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

directors' report

2015

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

1 Cash Salary and Fees 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 $16,033.

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

4 Dr Mestres Ridge's cash salary includes a net annual leave taken of $1,193 for the year. Mr Taylor's cash salary includes a net annual leave taken of $4,563 for the year. Mr Di Carlo's cash salary includes a net annual leave accrual of $3,710 for the year. Ms Obiero's cash salary includes a net annual leave accrual of $1,283 for the year.

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

directors' report

2014	Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Annual Leave $	Options $	Total $
Non-Executive Directors:							
Ken Russell (Chair)	120,000	-	-	-	-	-	120,000
Ernest Massawe	73,128	-	-	-	-	-	73,128
Peter Grant	54,920	-	-	5,149	-	-	60,069
Charles Benson	-	-	-	-	-	-	-
Mohammed Ishtiaq	-	-	-	-	-	-	-
Executive Directors:							
David Mestres Ridge	306,677	-	-	15,979	4,963	-	327,619
Neil Taylor	295,000	-	-	27,656	14,958	-	337,614
Other Key Management Personnel:							
Adrian Di Carlo	173,913	-	-	16,304	9,911	-	200,128
Elizabeth Obiero	174,665	-	-	-	8,395	-	183,060
	1,198,303	-	-	65,088	38,227	-	1,301,618

	Fixed Remuneration		At risk - STI		At risk - LTI		Share Based Payments	
Name	2015	2014	2015	2014	2015	2014	2015	2014
Non-Executive Directors:								
Ken Russell	100%	100%	- %	- %	- %	- %	- %	- %
Ernest Massawe	100%	100%	- %	- %	- %	- %	- %	- %
Peter Grant	100%	100%	- %	- %	- %	- %	- %	- %
Mohammed Ishtiaq	- %	-%	-%	-%	- %	- %	-%	- %
Frank Moxon (Director from 22/6/15)	100%	n/a	- %	n/a	- %	n/a	- %	n/a
Executive Directors:								
David Mestres Ridge	100%	100%	-%	-%	- %	- %	-%	-%
Neil Taylor (Director up to 14/03/15)	100%	100%	-%	-%	- %	- %	-%	-%
Other Key Management Personnel:								
Adrian Di Carlo	100%	100%	-%	-%	- %	- %	-%	-%
Elizabeth Obiero (KMP up to 30/06/15)	100%	100%	-%	-%	- %	- %	-%	- %

directors' report

C Service agreement

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

David Mestres Ridge

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

Neil Taylor

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

Adrian Di Carlo

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

Elizabeth Obiero

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

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 2015.

Options

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

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

Options granted carry no dividend or voting rights.

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

There were no Options issued to Directors and other Key Management Personnel as part of compensation during the years ended 31 December 2015 and 31 December 2014.

E Additional Information

The earnings of the consolidated entity for the period ended 31 December 2013, and the years ended 31 December 2014 and 31 December 2015 respectively is summarised below:

	2015 $	2014 $	2013 *RESTATED $
Sales revenue	8,260,099	446,641	174,723
EBIT	1,750,173	(11,521,794)	(22,274,198)
Profit/(Loss) after income tax	1,722,137	(11,521,794)	(22,274,198)

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

	2015	2014	2013 * RESTATED
Share price at financial period end ($)	0.037	0.10	0.30
Total dividends declared (cents per share)	n/a	n/a	n/a
Basic profit/(loss) per share (cents per share)	1.09	(7.49)	(25.00)

* The 2013 EBIT, Loss after income tax and Basic Loss per share has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 1(c)).

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 2015	Granted as compens-ation	Options exercised	Additions	Relevant Interest Balance at 31 Dec 2015	Balance held nominally	Total Balance At 31 Dec 2015	Total Vested at 31 Dec 2015	Total vested and exercisable at 31 Dec 2015	Total vested and unexercisable at 31 Dec 2015
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	-	-	-
Mr Peter Grant	-	-	-	972,279	972,279	-	972,279	-	-	-
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	-	-	-	14,287,882	504,374	14,792,256	-	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 2015	Granted as compensation	Received on exercise of Options or Rights	Additions	Disposals/ Other	Relevant Interest Balance at 31 Dec 2015	Balance held nominally	Total Balance 31 Dec 2015
Mr Ken Russell	162,047	-	-	-	-	162,047	-	162,047
Mr Ernest Massawe	5,798,347	-	-	-	-	5,798,347	232,682	6,031,029
Mr Mohammed Ishtiaq^	150,000	-	-	-	(150,000)	-	-	-
Mr Frank Moxon	-	-	-	-	-	-	-	-
Dr David Mestres Ridge	19,937,255	-	-	1,167,983	-	21,105,238	1,562,143	22,667,381
Mr Neil Taylor	20,981,744	-	-	-	(4,000,000)	16,981,744	22,686	17,004,430
Ms Elizabeth Obiero	290,743	-	-	-	-	290,743	-	290,743
Total	47,320,136	-	-	1,167,983	(4,150,000)	44,338,119	1,817,511	46,155,630

^ Change represents a correction to Mr Mohammed Ishtiaq's initial disclosure of shareholdings pursuant to the ASX Announcement made by the Company on 30 April 2015.

directors' report

The relevant interest of each of the Directors in the Securities of the Group as at 31 December 2015 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	21,105,238 (a)	3,294,542 (a)	1,647,271 (a)	-
Mr. Neil Taylor	16,981,744 (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	-	-	-	-
Mr Peter Grant	-	648,186	324,093	-
Mr Frank Moxon	-	-	-	-

(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 were held in escrow until 18th April 2015.

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

3 Class B Performance Shares were 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

Deed of Indemnity, Insurance and Access

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.

Transactions with key management personnel

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

» upon receipt of funds from the short term loan from Hayaat International Limited ("Hayaat"), a substantial shareholder in the Company; or

» twelve months from the date of receipt of $63,900 from the short term loan.

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

Transactions with director related entity

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

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

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

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

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 2015 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.

	2015 $	2014 $
Auditor – BDO Audit (WA) Pty Ltd		
Audit and review of the financial statements	39,447	29,202
	39,447	29,202

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 27.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

Auditor

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

On behalf of the Directors

Mr Kenneth (Ken) Russell
Non-Executive Chairman

Dr David Mestres Ridge
Managing Director & CEO

Dated this day of 23rd March 2016

auditor's independence declaration

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PO Box 700 West Perth WA 6872
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 2015, 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, 23 March 2016

financial report contents

consolidated statement of profit or loss and other comprehensive income

for the year ended 31 december 2015

	Notes	2015 $	2014 $
REVENUE			
Other income	3	8,260,099	446,641
EXPENSES			
Other expenses		(1,757,785)	(2,029,069)
Exploration and evaluation expense		(2,455,626)	(7,484,339)
Depreciation and amortisation expense	9	(23,834)	(23,258)
Employee benefits expense		(1,662,019)	(1,555,422)
Movements in fair value of financial instruments	13	(295,155)	(876,347)
Impairment of assets on relinquishment of Swala Zambia	27	(315,507)	-
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		1,750,173	(11,521,794)
Income tax expense		(28,036)	-
PROFIT/(LOSS) AFTER INCOME TAX EXPENSE FOR THE PERIOD			
		1,722,137	(11,521,794)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		131,029	(231,204)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		1,853,166	(11,752,998)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO:			
Owners of Swala Energy Limited		(513,227)	(7,951,235)
Non-controlling interests		2,235,364	(3,570,559)
		1,722,137	(11,521,794)
TOTAL COMPREHENSIVE PROFIT/ (LOSS) IS ATTRIBUTABLE TO:			
Owners of Swala Energy Limited		45,566	(7,553,325)
Non-controlling interests		1,806,600	(4,199,673)
		1,853,166	(11,752,998)
EARNINGS/(LOSS) PER SHARE FROM CONTINUED OPERATIONS:		**Cents**	**Cents**
Basic profit/(loss) per share		1.09	(7.49)
Diluted profit/(loss) per share		1.09	(7.49)

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 2015

	Notes	31 December 2015 $	31 December Rested* 2014 $	1 January Restated* 2014 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	7	1,714,831	2,348,931	9,306,852
Trade and other receivables	8	1,005,797	1,996,014	604,322
TOTAL CURRENT ASSETS		2,720,628	4,344,945	9,911,174
NON-CURRENT ASSETS				
Property, plant and equipment	9	79,771	99,391	55,042
TOTAL NON-CURRENT ASSETS		79,771	99,391	55,042
TOTAL ASSETS		2,800,399	4,444,336	9,966,216
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	10	1,300,041	5,356,332	3,775,144
Income tax	11	28,851	-	-
Other liabilities	12	181,310	144,748	91,411
TOTAL CURRENT LIABILITIES		1,510,202	5,501,080	3,866,555
TOTAL LIABILITIES		1,510,202	5,501,080	3,866,555
NET ASSETS/(NET ASSET DEFICIENCY)		1,290,197	(1,056,744)	6,099,661
EQUITY				
Issued capital	14	27,988,749	27,442,440	27,367,440
Reserves	15	4,274,079	3,877,410	1,448,105
Non-controlling interests		(2,283,481)	(4,200,671)	(2,491,196)
Accumulated losses		(28,689,150)	(28,175,923)	(20,224,688)
TOTAL EQUITY/(DEFICIENCY) IN EQUITY		1,290,197	(1,056,744)	6,099,661

* The 31 December 2014 Statement of Financial Position has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 1(c)).

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 2015

	Notes	Share Capital $	Reserves $	Accumulated Losses $	Sub-Total $	Non-Controlling Interests $	Total Equity $
Balance 1 January 2014 - Restated		27,367,440	1,448,105	(20,224,688)	8,590,857	(2,491,196)	6,099,661
Loss for the year		-	-	(7,951,235)	(7,951,235)	(3,570,559)	(11,521,794)
Other comprehensive income		-	397,910	-	397,910	(629,114)	(231,204)
Total comprehensive loss for the year		-	397,910	(7,951,235)	(7,553,325)	(4,199,673)	(11,752,998)
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests		-	2,031,395	-	2,031,395	2,490,198	4,521,593
Issue of share capital		75,000	-	-	75,000	-	75,000
Share issue costs		-	-	-	-	-	-
Reserves		-	-	-	-	-	-
Balance 31 December 2014 - Restated		27,442,440	3,877,410	(28,175,923)	3,143,927	(4,200,671)	(1,056,744)
Balance 1 January 2015 - Restated		27,442,440	3,877,410	(28,175,923)	3,143,927	(4,200,671)	(1,056,744)
Loss for the period		-	-	(513,227)	(513,227)	2,235,364	1,722,137
Other comprehensive income		-	559,793	-	559,793	(428,764)	131,029
Total comprehensive loss for the year		-	559,793	(513,227)	46,566	1,806,600	1,853,166
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests		-	(163,124)	-	(163,124)	110,590	(52,534)
Issue of share capital	14	546,309	-	-	546,309	-	546,309
Share issue costs	14	-	-	-	-	-	-
Reserves	15	-	-	-	-	-	-
Balance 31 December 2015		27,988,749	4,274,079	(28,689,150)	3,573,678	(2,283,481)	1,290,197

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 2015

	Notes	31 Dec 2015 $	31 Dec 2014 $
CASH FLOWS FROM OPERATING ACTIVITES			
Cash flows from Joint Operations		-	500,000
Payments to suppliers and employees		(2,864,956)	(3,576,611)
Payments for exploration and evaluation		(5,180,100)	(8,590,646)
Reimbursement of past exploration and evaluation costs		8,257,444	-
Interest received		2,655	50,413
Net cash (used)/provided in operating activities	19	215,043	(11,616,844)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(7,455)	(70,196)
Net cash provided by/(used in) investing activities		(7,455)	(70,196)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing of shares		-	75,000
Proceeds from issuing of shares by Swala Oil & Gas (Tanzania) Plc		-	2,381,003
Proceeds from convertible notes		-	917,656
Proceeds from convertible notes issued by Swala Oil & Gas (Tanzania) Plc		-	1,355,460
Repayment of Convertible Notes		(841,688)	-
Proceeds from borrowings		1,379,957	-
Repayment of borrowings		(1,379,957)	-
Net cash (used in)/provided by financing activities		(841,688)	4,729,119
Net increase/(decrease) in cash held		(634,100)	(6,957,921)
Cash at beginning of financial year		2,348,931	9,306,852
Cash and cash equivalents at end of financial year	7	1,714,831	2,348,931

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 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of historical financial information

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

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

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

The consolidated financial statements comprise the financial statements of Swala Energy Limited and its subsidiaries.

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

(b) 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 profit of $1,722,137 for the year ended 31 December 2015 (2014: net loss $11,521,794).

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 and Kenya. The Group is progressing a number of funding alternatives which may include equity raising or the sale or farm-down of assets. Should the Group not raise funds there will be material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business.

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) Voluntary Change in Accounting Policy - Exploration and evaluation expenditure and recognition of assets

The report for the year ended 31 December 2015 has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure.

The previous accounting policy was to capitalise acquisition related exploration and evaluation expenditure as an asset when rights to tenure of the area of interest are current and either:

» such expenditure is expected to be recovered through successful development and commercial exploitation of the area of interest; or

» the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration expenditure, which no longer satisfied the above policy, was written off to profit or loss.

The new exploration and evaluation expenditure accounting policy is to charge exploration and evaluation expenditure against profit or loss.

The new accounting policy was adopted as at 30 June 2015 and has been applied retrospectively. Management judges that the change in policy will result in the financial report providing more relevant and no less reliable information. Recognition treatment of exploration and evaluation assets are inherently uncertain and expensing as incurred results in a more transparent Statement of Financial Position and Statement of Comprehensive Profit or Loss and other comprehensive income. Both the previous and new accounting policies are compliant with AASB 6 Exploration for and Evaluation of Mineral Resources.

The impacts of the accounting policy change are set out below:

The capitalised exploration and evaluation asset previously reported as at 31 December 2014 has decreased by $14,462,161 (2013: decreased by $14,279,025). Accumulated losses brought forward at 1 January 2014 increased by $13,706,102.

notes to the consolidated financial statements

for the year ended 31 december 2015

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Swala Energy Limited and its subsidiaries.

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

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

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

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

(e) Income Tax

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

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

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

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

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

(f) Cash and Cash Equivalents

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

(g) Trade and other receivables

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

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

(h) Revenue Recognition

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

Interest

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

(i) Provisions

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

(j) Trade and Other Payables

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

notes to the consolidated financial statements
for the year ended 31 december 2015

(k) Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Exploration and Evaluation Expenditure

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

(m) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Financial Assets

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

Non-Financial Assets

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

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

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

(n) Restoration, Rehabilitation and Environmental Costs

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

(o) Joint Arrangements

Interests in joint operations are brought to account by including in the respective classifications the Group's share of individual assets employed, liabilities and expenses incurred. The Group's interest in joint operations will be brought to account using the cost method.

Where part of a joint operation is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the entity in the joint operation area of interest, exploration expenditure incurred and carried forward prior to farmout continues to be carried forward without adjustment. Any cash received in consideration for farming out part of a joint operation is treated as a reduction in the carrying value of the related mineral property.

(p) Contributed Equity

Ordinary shares are classified as equity.

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

notes to the consolidated financial statements

for the year ended 31 december 2015

(q) Financial Instruments

Recognition

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

Loans and receivables

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

Financial liabilities

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

(r) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

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

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

Long Service Leave

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

(s) Accounting estimates and judgements

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

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

Taxation

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

(t) Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group entities

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

» assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

» income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

» all resulting exchange differences are recognised as a separate component of equity.

notes to the consolidated financial statements

for the year ended 31 december 2015

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income, as part of the gain or loss on sale where applicable.

(u) Earnings Per Share

Basic earnings per share

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

Diluted earnings per share

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

(v) Property, Plant and Equipment

Plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment.

Depreciation on each class of depreciable assets is calculated on either the diminishing value basis or straight line method over the estimated useful life of the asset as follows:

» Plant and equipment 1 year to 10 years

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

(w) Segment Reporting

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

(x) Convertible Note at Fair Value through Profit or 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.

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(y) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 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 de-recognition 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 2018. Therefore application date for the Company will be 31 December 2018. The Company does not currently have any hedging arrangements in place.
AASB 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.	Since the 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 2018. Therefore application date for the Company will be 31 December 2018.
AASB 16 Leases (issued February 2016)	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.	Due to recent release of this standard the company has not yet made an assessment of the impact.	The application date of this standard is for annual reporting periods beginning on or after 1 January 2019.

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2. SEGMENT INFORMATION

The Group operated in one geographical segment for the year ended 31 December 2015.

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	2015 $	2014 $
Interest Received	2,655	50,413
Reimbursement of past exploration and evaluation costs [1, 2]	8,257,444	396,228
	8,260,099	446,641

[1] In the 2014 year 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.

[2] In the 2015 year reimbursement of past exploration and evaluation costs relates to the reimbursement from Tata Petrodyne Limited pursuant to the farm-out agreement completed in October 2015.

4. INCOME TAX EXPENSE		2015 $	2014 $
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		558,193	(3,456,539)
Add:			
Tax effect of non-deductible expenses:			
- Share-based payments		-	-
- Entertainment		565	1,590
Deferred tax assets relating to tax losses not recognised		(558,758)	3,454,949
Income Tax Expense – Swala Oil and Gas (Tanzania) Plc	11	28,036	-
Total income tax expense (benefit)		28,036	-
The franking account balance for the year ended 31 December 2015 was Nil (2014: Nil).			
Deferred tax assets and liabilities not recognised relate to the following:			
Deferred tax assets			
Tax losses		5,356,134	5,914,892
Deferred tax liabilities recognised		-	-
Net deferred asset not recognised		5,356,134	5,914,892

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5. PROFIT/(LOSS) PER SHARE

	2015 $	2014 $
Basic profit/(loss) per share		
Profit/(Loss) attributable to the ordinary equity holders of Swala Energy Limited used to calculate basic loss per share:		
Profit/(Loss) from continued operations	1,722,137	(11,521,794)
	1,722,137	(11,521,794)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	158,376,958	153,761,676
Adjustments for calculation of diluted earnings per share:		
Options over Ordinary Shares [1]	-	8,700,000
Convertible Notes	-	7,045,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	158,376,958	169,506,676
Basic earnings per share	1.09	(7.49)
Diluted earnings per share	1.09	(7.49)

[1] 8,700,000 Options on issue are not included in the diluted earnings per share calculation because the Options are out of the money as at 31 December 2015.

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

6. REMUNERATION OF AUDITORS

	2015 $	2014 $
During the year the following fees were paid or payable for services provided by the auditor of the Group, its network firms and unrelated firms:		
(i) Auditor – BDO Audit (WA) Pty Ltd		
Audit and review of the financial statements	39,447	29,202
	39,447	29,202
(ii) Auditor – Network Firms		
BDO East Africa	10,849	10,584
	10,849	10,584
(iii) Auditor – Unrelated Firms		
PKF Kenya	7,153	8,464
JNMA Chartered Accountants, Zambia	-	14,713
	7,153	23,177

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7. CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash at Bank	1,714,557	2,347,873
Petty Cash	274	1,058
	1,714,831	2,348,931

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:

	2015 $	2014 $
Balance as above	1,714,831	2,348,931
Balances as per Consolidated Statement of Cash Flows	1,714,831	2,348,931

8. TRADE AND OTHER RECEIVABLES

	2015 $	2014 $
Current		
Other Debtors	957,009	1,950,600
Prepayment	48,788	45,414
	1,005,797	1,996,014

(a) Prepayments

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

(b) Other Debtors

As at 31 December 2015, included in other debtors is a receivable of $93,700 (2014: $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.

9. PROPERTY, PLANT AND EQUIPMENT

	2015 $	2014 $
Furniture, Fittings and Equipment		
At Cost	131,942	133,196
Less: Accumulated Depreciation	(52,171)	(33,805)
Net book amount	79,771	99,391
Total Property, Plant & Equipment	79,771	99,391
Reconciliation		
Opening net book amount	99,391	56,042
Exchange differences	3,421	1,888
Additions	793	70,196
Disposals	-	(5,477)
Depreciation charge	(23,834)	(23,258)
Closing net book amount	79,771	99,391

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10. TRADE AND OTHER PAYABLES

	2015 $	2014 $
Current		
Trade Creditors	705,803	2,254,277
Other Creditors	594,238	2,184,399
Convertible Notes (Note 13)	-	917,656
	1,300,041	5,356,332

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

11. INCOME TAX

	2015 $	2014 $
Current		
Provision for Income Tax [1]	28,851	-
	28,851	-

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

12. OTHER LIABILITIES

	2015 $	2014 $
Current		
Annual Leave	181,310	144,748
	181,310	144,748

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

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 2015 $	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).

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Transfers

During the year ended 31 December 2015, 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 2015, 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 – convertible notes				
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 or loss. The higher the FX rate the higher the liability to record and the greater the impact on the profit or loss.
Swala – convertible notes				
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 lthe issue date.	The higher the FX rate the higher the liability to record and the greater the impact on the profit or loss.

Reconciliation of level 3 movements

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

	SOGTP Conv. Notes $	Swala Conv. Notes $	Total $
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 for the year ended 31 December 2014	876,347	-	876,347
Opening balance 1 January 2015	-	917,656	
Convertible notes converted to ordinary shares at fair value [1]	-	(546,309)	
Convertible notes repaid	-	(841,688)	
Early repayment fee expensed to profit or loss		175,190	
Closing balance 31 December 2015	-	-	
Recognised losses recognised in profit or loss for the year ended 31 December 2015	-	(295,155)	(295,155)

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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.

Fair value of financial instruments not measured at fair value

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

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

(1) In relation to the conversion of convertible notes to ordinary shares at fair value, the following ordinary shares were issued:

777,829 ordinary shares were issued at $0.0796 per share. For accounting purposes share capital was recorded at fair value being the closing share price on 3 February 2015 at $0.115 per share.

829,725 ordinary shares were issued at $0.0764 per share. For accounting purposes share capital was recorded at fair value being the closing share price on 5 March 2015 at $0.105 per share.

1,713,642 ordinary shares were issued at $0.0670 per share. For accounting purposes share capital was recorded at fair value being the closing share price on 25 March 2015 at $0.093 per share.

818,680 ordinary shares were issued at $0.0768 per share. For accounting purposes share capital was recorded at fair value being the closing share price on 14 May 2015 at $0.12 per share.

997,576 ordinary shares were issued at $0.0650 per share. For accounting purposes share capital was recorded at fair value being the closing share price on 19 June 2015 at $0.07 per share.

704,982 ordinary shares were issued at $0.0482 per share. For accounting purposes share capital was recorded at fair value being the closing share price on 21 July 2015 at $0.06 per share.

14. ISSUED CAPITAL

	2015 $	2014 $
160,144,607 Fully Paid Ordinary Shares (2014: 154,302,173)	27,988,749	27,442,440
	27,988,749	27,442,440

	1 Jan 2015 to 31 Dec 2015		1 Jan 2014 to 31 Dec 2014	
	Number of Securities	$	Number of Securities	$
Balance at the beginning of the year	154,302,173	27,442,440	153,758,698	27,367,440
Ordinary Shares issued 29 Dec. 2014	-	-	543,475	75,000
Ordinary Shares issued 3 February 2015 [1]	777,829	89,450	-	-
Ordinary Shares issued 5 March 2015 [1]	829,725	87,121	-	-
Ordinary Shares issued 25 March 2015 [1]	1,713,642	159,368	-	-
Ordinary shares issued 14 May 2015 [1]	818,680	98,241	-	-
Ordinary shares issued 19 June 2015 [1]	997,576	69,830	-	-
Ordinary shares issued 21 July 2015 [1]	704,982	42,299	-	-
Balance before Share issue costs	160,144,607	27,988,749	154,302,173	27,442,440
Share issue costs		-		-
Balance at the end of the year	160,144,607	27,988,749	154,302,173	27,442,440

Note (1) Refer to Note 13 for issues of ordinary shares upon conversion of convertible notes.

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15. RESERVES

	2015 $	2014 $
Share based payment reserve [1]	1,457,350	1,457,350
Foreign currency translation reserve [2]	785,334	388,665
Share premium reserve [3]	2,031,395	2,031,395
	4,274,079	3,877,410

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

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

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

16. FINANCIAL INSTRUMENTS

	2015 $	2014 $
Categories of Financial Instruments		
Financial Assets		
Cash	1,714,831	2,348,931
Other Debtors	957,007	1,950,600
	2,671,838	4,299,531
Financial Liabilities		
Trade Creditors	705,803	2,454,277
Convertible Notes	-	917,656
	705,803	3,371,933

17. 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.

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(b) Credit Risk

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

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

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

The maximum exposure of the group to credit risk at the end of the reporting period for cash and cash equivalents, loans and receivables and derivative assets is their carrying amount disclosed in the statement of financial position.

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

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

			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 aim 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.

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	2015			2014		
Financial Liabilities	**Carrying amount**	**< 6 months**	**< 12 months**	**Carrying amount**	**< 6 months**	**< 12 months**
Non-derivatives						
Trade Creditors	705,803	705,803	-	2,254,278	2,254,278	-
Convertible Notes	-	-	-	917,656	-	917,656
Total non-derivatives	705,803	705,803	-	3,171,934	2,254,278	917,656
Financial Assets						
Non-derivatives						
Other receivables	958,349	958,349	-	1,950,600	1,950,600	-
Total non-derivatives	958,349	958,349	-	1,950,600	1,950,600	-

(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 2015 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 year, the Group did not have cash on term deposits.

As at the reporting date the Group did not have any cash on term deposits that were exposed to interest rate risk.

ii. Currency Risk

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

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

The 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.

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

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

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 2015 would have increased (decreased) the profit or loss by the amounts set out in the table below. The analysis below assumes that all other variables remain constant.

	2015		2014	
	+5% Strengthening of AUD	-5% Weakening of AUD	+5% Strengthening of AUD	-5% Weakening ofAUD
	Profit or Loss	Profit or Loss	Profit or Loss	Profit or Loss
USD	(84,638)	93,543	63,067	(69,705)
TNZ Shillings	596	(658)	1,130	(1,249)
KES Shillings	(470)	519	(747)	825
ZMW Kwacha	-	-	(151)	166
GBP	21	(24)	-	-

18. RELATED PARTY DISCLOSURE

Transactions with Related Parties

Technical services agreement

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

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

   i. bids for new assets

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

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

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

Loan agreements

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

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

Transactions with director related entity

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

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

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

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

Transactions with key management personnel

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

» upon receipt of funds from the short term loan from Hayaat International Limited ("Hayaat"), a substantial shareholder in the Company; or

» twelve months from the date of receipt of $63,900 from the short term loan.

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

Key management personnel compensation	**2015 $**	**2014 $**
Short-term employee benefits	1,187,738	1,198,303
Long-term employee benefits	(762)	38,227
Post-employment benefits	40,904	65,088
Share-based payments	-	-
	1,227,880	1,301,618

notes to the consolidated financial statements

for the year ended 31 december 2015

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

	2015 $	2014 $
Profit/(Loss)	1,722,137	(11,521,794)
Non Cash Items		
Depreciation	23,834	23,258
Impairment of assets on relinquishment of Swala Zambia	315,507	-
Movement in fair value of financial instruments	295,155	876,347
Employee leave accrual	36,562	43,942
Loss on sale of fixed assets	-	4,270
Changes in Assets & Liabilities		
(Increase)/Decrease in Trade & Other Receivables	(990,219)	(1,365,003)
Increase/(Decrease) in Trade & Other Payables	(1,187,933)	322,136
Net Cash Flow from Operating Activities	215,043	(11,616,844)

20. CONTINGENT ASSETS

If a liability arises after 31 December 2015 pursuant to the Contingent Liability referred to in Note 21 (refer Note 21) then Swala Tanzania will be entitled to a reimbursement of US $139,000 for costs related to the farm-out of the Pangani licence to Tata Petrodyne Limited during the year.

21. CONTINGENT LIABILITIES

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

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

22. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Company announced on 14 March 2016 that:

» Gaffney, Cline & Associates ("CGA"), an independent petroleum advisory firm, completed a resource review of the Kilombero Basin, located within the Kilosa-Kilombero licence (Tanzania) and of Block 12B (Republic of Kenya) and pursuant to CGA's review the Company published its revised Prospective Resources and 14 new leads;

» the joint venture had confirmed with the Tanzania Development Petroleum Corporation of its desire to relinquish the Pangani licence; and

» the Government of Kenya approved the new work programme and granted an extension to 16 August 2017 within which to drill the Block 12B well.

There are no other matters subsequent to the reporting period.

notes to the consolidated financial statements

for the year ended 31 december 2015

23. COMMITMENTS

		2015 $	2014 $
Capital commitments			
Exploration [(1)]	Within 1 year	8,219,160	13,573,062
		8,219,160	13,573,062

The Group's exploration commitments are commitments by the Group in order to maintain good standing pursuant to its Kilosa-Kilombero and Pangani licences in Tanzania and its Block 12B licence in Kenya. The capital commitments do not represent or include contracts placed for property, plant and equipment or any other asset class.

Note [(1)]:

The exploration commitments are USD 6,000,000: comprised of USD 3,000,000 (carried) in Tanzania plus USD 3,000,000 in Kenya.

In relation to Tanzania, pursuant to the farm-in transaction with Tata Petrodyne Limited ("Tata"), Swala Oil and Gas (Tanzania) Plc will be carried for the total commitment of USD 3,000,000 (AUD 4,109,580) for the Kilosa-Kilombero and Pangani and licenses.

The exchange rate used to convert to Australian dollars is AUD/USD 1.36986.

Lease commitments	2015 $	2014 $
Non-cancellable operating leases - future minimum lease payments payable:		
Within one year	222,871	230,323
Later than one year but not later than 5 years	230,434	216,186
	453,305	446,509

The Group leases various premises under non-cancellable operating leases expiring between 2017 and 2018 years. All leases have annual CPI or other escalation clauses. The above commitments do not include any turnover rentals which are contingent upon the various group companies achieving defined sales levels. Nor do they include commitments for any renewal options on leases. Lease terms usually run from 3 to 4 years. Lease conditions do not impose any restrictions on the ability of Swala Energy Limited and its subsidiaries from borrowing further funds.

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

24. SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Significant investments in subsidiaries

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

			Equity Holdings	
Name of Entity	**Country of Incorporation**	**Class of Shares**	**31 Dec 2015**	**31 Dec 2014**
Swala Energy Australia Pty Ltd	Australia	Ordinary	100%	100%
Swala Energy Limited (BVI)	British Virgin Islands	Ordinary	100%	100%
Swala Oil & Gas (Tanzania) Plc	Tanzania	Ordinary	58.5%	58.5%
Swala Energy (Kenya) Limited	Kenya	Ordinary	100%	100%
Swala Energy (Zambia) Limited [1]	Zambia	Ordinary	-	93%
Swala Energy (Uganda) Limited	Uganda	Ordinary	100%	100%

[1] During the year the Company relinquished control of Swala Energy (Zambia) Limited and as at 31 December 2015 was not part of the consolidated entity.

notes to the consolidated financial statements

for the year ended 31 december 2015

Non-controlling interests (NCI) [2]

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.

	Swala Oil & Gas (Tanzania) Plc		Swala Energy (Zambia) Limited [1]	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	$	$	$	$
Summarised statement of financial position				
Current assets	1,919,584	1,280,478	-	25,039
Non-current assets	102,260	1,014,430	-	198,066
Total assets	2,021,844	2,294,908	-	223,105
Current liabilities	1,268,200	4,858,391	-	44,856
Non-current liabilities	6,224,312	6,469,519	-	1,031,134
Total liabilities	7,492,512	11,327,910	-	1,075,990
Net assets	(5,470,667)	(9,946,677)	-	(1,040,003)
Accumulated NCI	(2,283,481)	(4,127,870)	-	(72,800)
Summarised statement of profit or loss and other comprehensive income				
Profit/(Loss) for the period	5,474,772	(8,657,138)	-	(432,945)
Other comprehensive loss	(1,015,175)	(1,448,617)	-	(85,555)
Total comprehensive loss	(4,459,597)	(10,105,755)	-	(518,500)
Profit/(Losses) allocated to NCI	2,272,030	(3,540,253)	-	(30,306)
Summarised cash flows				
Cash flows from operating activities	1,281,099	(4,348,482)	-	(22,929)
Cash flows from investing activities	(9,433)	(43,084)	-	(7,414)
Cash flows from financing activities	(1,271,154)	3,736,463	-	-
Net increase/(decrease) in cash and cash equivalents	512	(655,103)	-	(30,343)

1 During the year the Company relinquished control of Swala Energy (Zambia) Limited and as at 31 December 2015 was not part of the consolidated entity,

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

notes to the consolidated financial statements

for the year ended 31 december 2015

25. INVESTMENTS IN JOINT OPERATIONS

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

As at 31 December 2015 the Group has:

» a 25% participating interest in its Tanzanian joint operations arrangements for the Pangani and Kilosa-Kilombero licenses; and

» a 50% participating interest in its Kenyan joint operations arrangements for the Block 12B licence.

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

Details of the individual joint operations arrangements as at 31 December 2015 are detailed as follows:

Kilosa-Kilombero Licence (Tanzania)

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

Pangani Licence (Tanzania)

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

Block 12B Licence (Kenya)

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

26. PARENT ENTITY INFORMATION

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

	2015 $	2014* Restated $
Current assets	1,312,953	1,981,222
Non-current assets	663,933	2,927,162
Total assets	1,976,886	4,908,384
Current liabilities	686,690	1,115,065
Total liabilities	686,690	1,115,065
Contributed equity	27,988,749	27,442,440
Share-based payment reserve	1,457,350	1,457,350
Accumulated losses	(28,155,902)	(25,106,471)
Total equity	1,290,197	3,793,319
Loss for the year	(3,049,216)	(7,049,268)
Total comprehensive loss for the year	(3,049,216)	(7,049,268)

* The 31 December 2014 Parent Entity Information has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 1(c)).

notes to the consolidated financial statements

for the year ended 31 december 2015

Lease commitments of the Parent	2015 $	2014 $
Non-cancellable operating leases - future minimum lease payments payable:		
Within one year	77,257	99,365
Later than one year but not later than 5 years	145,561	-
	222,817	99,365

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

27. DISPOSAL OF SUBSIDIARY

(a) Description

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

(b) Details of Subsidiary

	2015 $
Carrying Amount of net assets disposed	(26,327)
Loss on Sale before income tax and reclassification of foreign currency translation reserve	(26,327)
Loss on transactions with non-controlling interests	(110,590)
Write-off of net receivables	(178,590)
Loss on relinquishment of Swala Zambia	(315,507)
Reclassification of foreign currency translation reserve to profit or loss	(163,214)
The carrying amounts of assets and liabilities as at the date of relinquishment (31 August 2015) were:	
Cash	296
Other Debtors and Prepayments	25,137
Property, plant and equipment	10,990
Total assets	36,424
Trade creditors	(10,097)
Total liabilities	(10,097)
Net assets	26,327

swala energy limited
directors' declaration

The Directors of the Company declare that:

1. The consolidated financial statements and notes as set out in pages 29 to 54, 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 2015 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
CEO & Managing Director

Dated this day of 23rd March 2016

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Australia

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 2015, 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(a), 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 at 31 December 2015 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(a).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(b) 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 condition, along with other matters as set out in Note 1(b), 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 in the directors' report for the year ended 31 December 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

JPrue

Jarrad Prue

Director

Perth, 23 March 2016

Shareholder Information

The ASX Additional Information was prepared based on the Company's Share Register and Option Register information as at 1 April 2016.

SUBSTANTIAL SHAREHOLDERS

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

Fully Paid Ordinary Shares

Names	Number of shares	% of issued shares
David Mestres Ridge and his related parties	24,432,542	14.80%
Neil Catto Taylor	18,721,889	11.34%
Hayaat International Limited	14,533,743	8.80%

UNQUOTED EQUITY SECURITIES

Options

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

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

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%

VOTING RIGHTS

Quoted Equity Securities

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

Unquoted Equity Securities

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

Class A 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 Performance Shares.

Shareholder Information

20 LARGEST SHAREHOLDERS OF QUOTED SECURITIES

Fully Paid Ordinary Shares

	Names	Number of shares	% of issued shares
1	Ocra Trustees (Isle Of Man) Limited	21,389,950	12.95%
2	Mr Neil Catto Taylor	18,721,889	11.34%
3	Hayaat International Limited	14,533,743	8.80%
4	Energy Tanzania Limited	5,000,000	3.03%
5	Pershing Australia Nominees Pty Ltd ATF <Argonaut Account>	4,800,000	2.91%
6	Citicorp Nominees Pty Limited	3,717,588	2.25%
7	Mr Ernest Massawe	3,387,724	2.05%
8	Ms Jennifer Allison	2,966,178	1.80%
9	J P Morgan Nominees Australia Limited	2,958,513	1.79%
10	Erncon Holdings Limited	2,590,675	1.57%
11	AEW Holdings Pty Ltd	2,500,000	1.51%
12	Dr Sonil Kalia	2,431,259	1.47%
13	Tenbagga Resources Fund Pty Ltd <Tenbagga Family A/C>	2,730,000	1.65%
14	Mr Kane Rodney Maxwell Phillips	1,707,500	1.03%
15	Mrs Michele Mitchell De Mestres	1,680,033	1.02%
16	Ocean Mist Pty Ltd <Waterford Superfund A/C>	1,400,000	0.85%
17	Mr Anthony Carl Eriksen	1,150,000	0.70%
18	Mr Matthew Thomas Hearly	1,147,368	0.69%
19	Peter Allan Learmont	1,108,888	0.67%
20	Mr Paul Ward Rodrigues	1,000,000	0.61%
	Total	96,921,308	58.69%

DISTRIBUTION OF SECURITY HOLDERS

Fully Paid Ordinary Shares

Holding	Number of shareholders	Number of shares	% of issued shares
1 – 1000	31	7,221	0.00%
1,001 – 5,000	91	314,030	0.19%
5,001 – 10,000	99	865,086	0.52%
10,001 – 100,000	479	19,802,208	11.99%
100,001 and over	176	144,156,062	87.30%
Total	876	165,144,607	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 Performance Shares

	Class A Performance Shares ("CAPS")		
Holding	Number of holders	Number of CAPS	% of issued CAPS
1 – 1000	-	-	-
1,001 – 5,000	39	94,962	0.95%
5,001 – 10,000	7	49,572	0.50%
10,001 – 100,000	21	601,528	6.02%
100,001 and over	8	9,253,938	92.53%
Total	75	10,000,000	100.00%

UNMARKETABLE PARCELS

As at 1 April 2016 the number of shareholders holding less than a marketable parcel of fully paid ordinary shares was 275, representing 1,847,777 fully paid ordinary shares, at the Swala Energy Limited closing share price of $0.035.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

RESTRICTED SECURITIES

There are no restricted securities.

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
	Mr Frank Moxon, Non-Executive Director
Company Secretary	Mr Adrian Di Carlo
Principal & Registered Office	Level 4, 21 Kintail Road Applecross 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".

swala energy

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