

Swala Oil and Gas
(Tanzania) Public Limited Company

Consolidated and Separate Unaudited Financial Statements for
the six months period ended 30 June 2019

Swala Oil and Gas (Tanzania) Public Limited Company

Consolidated and Separate Unaudited Financial Statements for the period ended 30 June 2019

Table of Contents

	Page No.
Corporate Information	1
Report of the Directors	2-8
Statement of Directors' Responsibilities	9
Declaration of the Accountant	10
Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income	11
Consolidated and Separate Statements of Financial Position	12
Consolidated and Separate Statements of Changes in Equity	13
Consolidated and Separate Statements of Cash Flows	14
Notes to the Consolidated and Separate Financial Statements	15-45

Swala Oil and Gas (Tanzania) Public Limited Company

Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019

Corporate Information

1. Registered Number

115280066

2. Registered Office

Swala Oil and Gas (Tanzania) Public Limited Company
2nd Floor Oyster Plaza
Plot No. 1196 - Oysterbay,
Haile Selassie Road,
P.O. Box 105266
Dar es Salaam, Tanzania

3. Company Secretary

Christina Eugene
2nd Floor Oyster Plaza
Plot No. 1196 - Oysterbay,
Haile Selassie Road,
P.O. Box 105266
Dar es Salaam, Tanzania

4. Auditors

KPMG
2nd Floor, The Luminary
Plot No.574, Haile Selassie Road
Msasani Peninsula
P.O Box 1160
Dar es salaam, Tanzania

5. Tax Advisor

PriceWaterHouseCoopers
Pemba House
369 Toure Drive, Oster Bay
P.O. Box 45
Dar es Salaam, Tanzania

6. Brokers

Arch Financial & Investment Advisors Ltd
Life House, Wing C, Second Floor, Ohio Street
P.O. Box 38024
Dar es Salaam, Tanzania

7. Bankers

Stanbic Bank Tanzania Limited
Stanbic Centre, Corner of Kinondoni & Ali
Hassan Mwinyi Roads, Kinondoni
P.O. Box 72647
Dar es Salaam, Tanzania

Swala Oil and Gas (Tanzania) Public Limited Company

Consolidated and Separate Unaudited Financial Statements for the period ended 30 June 2019

Report of the Directors

The Directors present their six months report together with the unaudited consolidated and separate financial statements for the period ended 30 June 2019 which disclose the state of affairs of Swala Oil and Gas (Tanzania) Public Limited Company ("the Company" or "Swala"), and its subsidiaries Swala (Burundi) Limited, Swala (Mauritius) Limited and Swala (PAEM) Limited, (together, the "Group"), as at that date.

INCORPORATION

The Company was incorporated in Tanzania on 29th July 2011 under the Companies Act, 2002 as a private Company limited by shares, and changed to a Public Company in 2013 followed by listing on Enterprise Growth Market of the Dar es Salaam Stock Exchange in August 2014. The registered office is disclosed on corporate information on page one of these consolidated and separate financial statements.

PRINCIPAL ACTIVITIES

The Group and Company's principal activity is exploration for oil and gas. In February 2012, the Company entered into a Production Sharing Agreement (PSA) with the Government of Tanzania and the Tanzania Petroleum Development Corporation (TPDC) to undertake exploration of oil and gas over the Kilosa - Kilombero onshore licence area.

On 26th September 2016, the Company acquired a 100% interest in Block D (Republic of Burundi) from Surestream Petroleum Limited (UK) limited, in exchange for 6,247,154 ordinary shares in the Company.

On 15th January 2018, the Group acquired 7.93% Class A shares of PAE Panafrican Energy Corporation ("PAEM") for gross proceeds of US\$ 21,022,450 (US\$ 17,055,950 in cash and US\$ 3,966,500 face value of Swala convertible preference shares).

COMPOSITION OF BOARD OF DIRECTORS

The Directors of the Group and Company who held office during the period and up to the date of this report were:

Name	Position	Nationality	Date of Appointment
Dr. David Mestres Ridge ⁽¹⁾	Chief Executive Officer and Director	British	29 th July 2011
Mr. Abdullah Mwinyi	Non-Executive Chairman	Tanzanian	1 st July 2012
Mr. Harold Temu	Non-Executive Director	Tanzanian	1 st June 2017
Mr. Salem Balleith	Non-Executive Director	Tanzanian	1 st June 2017
Mr. Justin Massawe ⁽²⁾	Non-Executive Director	Tanzanian	1 st June 2017
Mr. Scott Gilbert ⁽³⁾	Non-Executive Director	British	7 th July 2017

Swala Oil and Gas (Tanzania) Public Limited Company

Consolidated and Separate Unaudited Financial Statements for the period ended 30 June 2019

Report of the Directors (Continued)

COMPOSITION OF BOARD OF DIRECTORS (CONTINUED)

As at the date of this report, the Directors holding shares are listed below:

Name	Ordinary Shares June 2019	Ordinary Shares 2018
Mr. Harold Temu	749,909	701,909
Mr. Abdullah Mwinyi	533,559	484,101
Mr. Salem Balleith	19,590	19,590

(1) Dr. David Mestres Ridge holds 4,975,708 shares indirectly through SWE Creditors Trust.

(2) Mr. Justin Massawe is an Executive Director and minority shareholder of Erncon Holdings Ltd. Erncon Holding Ltd holds 9,224,572 shares in Swala (8.69% of the issued capital).

(3) Mr. Scott Gilbert is an Executive Director and 50% shareholder of the Group De Clermont whose wholly owned subsidiary De Clermont Capital Limited owns 1,091,634 shares in the Company (1.03%).

Company secretary is Christina Eugene appointed to the position on 1st January 2018.

MANAGEMENT

The Management of the Group and Company is under the Chief Executive Officer and is organized in the following departments.

- Technical Department
- Commercial Department
- Finance Department
- Business Development Department

COMPANY SHAREHOLDING

As at 30th June 2019 the Company had 2,093 shareholders (31st December 2018: 1,957). The shares of the Company are held as follows:

	Shareholder's Name	Number of Shares	Ownership percentage
1	Swala Energy Limited (SWE Creditors Trust)	23,754,941	22.37%
2	Erncon Holdings Ltd	9,224,572	8.69%
3	Swala Tanzania Trust Company Limited ⁽⁴⁾	7,443,380	7.01%
4	Energy Tanzania Limited	7,049,906	6.64%
5	Neil Catto Taylor	6,428,689	6.05%
6	SureStream Petroleum Limited (UK)	6,247,154	5.88%
7	Hayaat Global SFO DMCC	4,989,643	4.70%
8	Mrs Michele Mitchell De Mestres	4,975,708	4.69%
9	Ameir Munif Abdallah Nahdi	2,667,815	2.51%
10	Mr Thomas Fritz Ensmann	1,963,758	1.85%
11	Other shareholders and General Public	31,456,055	29.61%
	Total	106,201,621	100.00%

(4) A number of shares are held in trust for the benefit of local communities in the areas in which Swala operates.

**Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019**

Report of the Directors (Continued)

STOCK EXCHANGE INFORMATION

The average share price during the period was Tshs 490 equivalent to US\$ 0.21 (2018: Tshs 490 equivalent to US\$ 0.21). During the six months period of 2019, the performance of the Group's shares in the secondary market was as follows: Market capitalization as at 30 June 2019 was US\$ 22.30 million (2018: US\$ 22.30 million).

OPERATING AND FINANCIAL REVIEW

Performance for the period

The results of the Group's and Company's operations for the period are set out on page 10.

Operating review and status of the exploration licences

The Company has one exploration licence in Tanzania (the Kilosa Kilombero licence). The licence requires annual renewal by the 20th of February and is automatically renewed through the operation of the 2015 Petroleum Act. The delays incurred in the operations to date mean that the Company would need to commence activity for a 2020 drilling campaign in September 2019 whereas the provisions of the 2015 Petroleum Act would not give certainty until a formal intention of the minister to extend the license has been provided or until the actual extension has been received. Any investment incurred during the period from September to the point where either a formal intention of the minister to extend the license has been provided or until the actual extension has been received would lack commercial certainty. To address this, the Company has sought clarity in respect of licence extensions with enough time that it may commence operations in a timely fashion.

On 6th May 2019, the Company declared Force Majeure under the Kilosa-Kilombero Production Sharing Agreement ("PSA") resulting from a notification received on 30th January 2019 from the Ministry of Energy that all matters relating to a licence extension would be notified to them once the government had concluded a review of existing PSAs. Until that review process has been concluded the Company does not have the basis to ascertain what impact - if any - it may have on the timing and approach to not only the exploration drilling but to any subsequent development that may follow a successful exploration campaign. The PSA will remain in Force Majeure until such time as the contractual and technical uncertainty ceases to persist. The Company maintains a readiness to re-commence its drilling commitments once all issues are resolved.

FUTURE DEVELOPMENT PLANS

The Group and the Company will continue with its work commitments for the second year on the first extension period in the Kilosa - Kilombero area and, continue with business development by applying for other licences in Tanzania and elsewhere.

DIVIDEND

Directors do not recommend payment of dividends for the period ended 30 June 2019.

CORPORATE GOVERNANCE

The Board takes overall responsibility for the Group and the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019

Report of the Directors (Continued)

CORPORATE GOVERNANCE (CONTINUED)

The Board delegates day to day management of the business to the Chief Executive Officer who is assisted by management team. Management team is invited to attend board meetings and facilitates the effective control of all the Group's and the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The Group and the Company are committed to the principles of effective corporate governance. The directors also recognise the importance of integrity, transparency and accountability.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Group and the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Group's and Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal conditions; and
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Group's and Company's systems are designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial period ended 30th June 2019 and is of the opinion that they met accepted criteria.

GOING CONCERN

The Group incurred a net loss of US\$ 2.98 million (Company: US\$ 1.28 million) for the period ended 30 June 2019 (June 2018: Group incurred a net loss of US\$ 1.46 million and Company: US\$ 0.68 million). As at the reporting date the Group's liabilities exceeded its assets by US\$ 24.41 million (Company: US\$ 10.90 million) (2018: Group's liabilities exceeded its assets by US\$ 21.43 million and Company: US\$ 9.62 million) and a Group net current liability position of US\$ 4.03 million (Company: US\$ 2.89 million) (2018: Group net current liability of US\$ 2.25 million and Company: US\$ 2.47 million). These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Group and the Company are in exploration stage with no production, therefore the ability of the Group and the Company to continue as a going concern is dependent on the success in raising funds in the future to allow continuation of the work programmes in Tanzania. The Group and the Company had acquired 7.93% equity interest in PAE Panafrican Energy Corporation ("PAEM"), a Mauritius registered company. The already acquired 7.93% equity interest entitles the Group and the Company to dividend cashflows and the directors believes this cashflows are enough to fund the Group's and the Company's forward plans. On 3rd of December 2018 the Group and the Company entered into a US\$30 million equity investment Agreement with Energy Tanzania Limited, with a US\$11 million breakup fee as a penalty if the agreement is cancelled. As part of its forward planning the company has commenced the process of cross-listing on the London Stock Exchange and is in discussions with several parties about farming down its exploration assets.

Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019

Report of the Directors (Continued)

GOING CONCERN (CONTINUED)

On 25th February 2019 the Group proposed a transaction to the board of Orca Exploration Group Inc (“Orca”), indirect owner of 92.07% of PAEM. On the 26th July 2019 the Group indicated that it had agreed an acquisition proposal with the owners of a majority of the issued shares in Orca involving the payment of \$75 million for the acquisition of Orca and the subsequent distribution of either:

- a) CDN\$8.25 per Class A Voting Common Share and CDN\$8.25 per Class B Subordinate Voting Share (together the “Orca shares”), less any dividends, distributions or extraordinary payments made by Orca from the 15th June 2019 until closing; or
- b) CDN\$7.75 per Orca share, less any dividends, distributions or extraordinary payments made by Orca from the 15th June 2019 until closing, and one common share of Swala for each Orca Share, which if shareholders could elect for 100% of this alternative, would equate to approximately 30% of the equity of Swala post Transaction.

On the 6th September 2019 the Group advised that the Special Committee of the Orca board had engaged RBC Capital Markets as advisor.

The Group has entered appropriate term sheets covering the acquisition finance and is in advanced discussions to extend this to cover the refinancing of the loan extended by the International Finance Corporation to PanAfrican Energy Tanzania Limited (the “IFC Loan”). The need to replace the IFC Loan is unclear, as Orca has blocked discussions between the Group and the IFC that would have helped determine IFC’s preferences. In the absence of such discussions, the Group is progressing alternative finance that is assumed to be broadly comparable to the terms of the IFC Loan.

The trade and other payables includes an amount of US\$862,572 in unpaid training and licence fees claimed by TPDC for the period starting 2016. The Company has withheld payment of these on the grounds that they arise from the failure of TPDC and the Government to allow the Company access to the drilling site in order to complete the drilling of Kito-1, originally expected in 2016. This delay has resulted in the Company spending an additional US\$ 2,361,714 excluding the claimed training and licence fees. The Company has raised the matter of costs with TPDC and made proposals in respect of the timing and quantum of any repayments such that they are linked to the timing and success of Kito-1. No response has been received as at this date.

In addition, the group and the company entered into deferment agreement to the earlier of the completion of the proposed transaction with Orca Exploration Group Inc. and July 2020, with some of its creditors included in the above trade and other payables for a total amount of US\$ 923,319.

As a result of the underperformance of the Songo Songo field, the Group and the Company entered into an amendment to its financing agreements with Franklin Templeton deferring payment into the calendar year 2020 of interest due on the Senior Notes during the calendar year 2019.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group and Company’s Corporate Social Responsibility (“CSR”) encompasses the management of relationships with shareholders, employees, contractors and the communities in areas where the Group and Company works, together with the impact on society and the environment. The Group and the Company recognizes their specific responsibilities in each of these areas and considers adherence to CSR values to be a key factor in securing our long-term success. The Group’s and Company’s objective is to support development in local communities and to minimise the impact on the environment. The Group and Company recognises the importance of engaging with local stakeholders and takes seriously concerns regarding oil and gas

Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019

Report of the Directors (Continued)

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

development. Working closely with host communities achieves the best possible outcome for both the Group, the Company and stakeholders.

As part of the CSR and capacity building the Group set aside 7.4 million shares (2018: 6.4 million shares) in the Company managed by Swala Tanzania Trust Company Limited to the benefit of local communities in the areas of operations.

EMPLOYEE WELFARE

Employee Relations

The Group and Company continues to have strong employee relations and practice an open-door policy with flat structures so that employees are able to get complaints dealt with quickly. Currently there are no open cases internally.

The Group and the Company are equal opportunity employers giving equal access to employment opportunities and ensures the best available person is appointed to any given position, free from discrimination of any kind and without regard to factors such as gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

Training

The Group and the Company provides on-the-job and external training to employees, in and outside Tanzania.

Benefits

The Group and the Company provides medical insurance coverage for all employees and pays contributions to National Social Security Fund, which is publicly administered mandatory pension plan and qualify to be a defined contribution plan.

Health and safety

The Group and the Company continued to assure safety standards as required by factory ordinance and provided safe working environment for employees.

Disabled Persons

It is the Group's and the Company's policy to accept disabled persons for employment for those vacancies that they are able to fill. The Group and the Company also maintains policy of continued employment of employees who become disabled while in service.

RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 9 to these financial statements.

POLITICAL AND CHARITABLE DONATIONS

The Group and the Company did not make any charitable and political donations during the period.

Swala Oil and Gas (Tanzania) Public Limited Company

Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019

Report of the Directors (Continued)

STATEMENT OF COMPLIANCE

The Directors are of the opinion that the Group and the Company complied with all laws and regulations and guidelines affecting the Group and the Company and its related operations

ACCOUNTING PERIOD

The Group's and the Company's accounting circle is January to December. The financial information presented in these consolidated and separate financial statements are for the period ended 30 June 2019 together with comparative information for the period ended 30 June 2018 and 31 December 2018


ACCOUNTING POLICIES

Accounting policies applied are consistent, unless where new standards have been applied. New standards applied in 2019 did not result to any significant change in the financial performance or disclosures of the Group's and the Company's consolidated and separate financial statements. Future changes are also not expected to bring any significant change in the financial performance or disclosures of the Group's and the Company's consolidated and separate financial statements.

AUDITORS

The Group's and Company's auditors, KPMG, Certified Public Accountants, are in their second year and are eligible for re-appointment. A resolution proposing the re-appointment of KPMG as the auditors of the Group and the Company will be put to the Annual General Meeting.

By order of the Board


.....
Abdullah Mwinyi
Chairman

Date: 19th December 2019

Swala Oil and Gas (Tanzania) Public Limited Company

Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019

Statement of Directors' Responsibilities

The Group and Company's Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view of Swala Oil and Gas (Tanzania) Public Limited Company, comprising the consolidated and separate statements of financial position at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

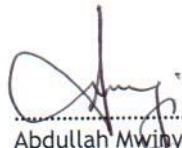
The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

As noted on the Directors' report, Directors have made an assessment of the Group and Company's ability to continue as going concern and noted it is dependent on the success in raising funds in the future to allow continuation of the work programs in Tanzania. The Directors believes they will be able to raise the required funds as such, have no reasons to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the consolidated and separate financial statements

The consolidated and separate financial statements of Swala Oil and Gas (Tanzania) Public Limited Company, as identified in the first paragraph, were approved by the Board of Directors on^{19th December}.....2019 and signed by:


.....
Abdullah Mwinyi
Chairman


.....
David Mestres Ridge
CEO

Swala Oil and Gas (Tanzania) Public Limited Company

**Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019**

Declaration of the Accountant

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires consolidated and separate financial statements to be accompanied with a declaration issued by the Professional Accountant responsible for the preparation of consolidated and separate financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing consolidated and separate financial statements of an entity showing true and fair view of position of the entity in accordance with International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of consolidated and separate financial statements rests with the Board of Directors as under Directors Responsibilities statement on an earlier page.

I, **CPA Elias M. Mosses**, being the Accountant of Swala Oil and Gas (Tanzania) Public Limited Company hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the period ended 30th June 2019 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the consolidated and separate financial statements comply with applicable accounting standards and statutory requirement as on that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: Accountant

NBAA Membership No. GA 4784

Date: 19th Dec.2019

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income
for the period ended 30 June 2019

	Notes	CONSOLIDATED		SEPARATE	
		6 months ended June 2019 USD	6 months ended June 2018 USD	6 months ended June 2019 USD	6 months ended June 2018 USD
Other income	15	962,734	1,715,809	5,679	14,333
Prospecting and exploration expenses	26	(149,960)	(129,808)	(149,960)	(129,808)
Operating and administration expenses	26	(1,478,381)	(1,033,381)	(682,653)	(477,757)
Finance costs	26	(2,313,431)	(2,010,905)	(455,319)	(90,697)
Loss before income tax		(2,979,038)	(1,458,285)	(1,282,253)	(683,929)
Income tax expense	4	-	-	-	-
Loss for the period		(2,979,038)	(1,458,285)	(1,282,253)	(683,929)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(2,979,038)	(1,458,285)	(1,282,253)	(683,929)
LOSS PER SHARE FROM CONTINUED OPERATIONS:					
Basic loss per share	19	(0.028)	(0.014)	(0.012)	(0.006)
Diluted loss per share	19	(0.028)	(0.014)	(0.012)	(0.006)

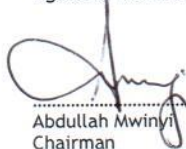
The notes on pages 15 to 45 are an integral part of these consolidated and separate financial statements.

Swala Oil and Gas (Tanzania) Public Limited Company

Consolidated and Separate Statements of Financial Position
as at 30 June 2019

	Notes	CONSOLIDATED		SEPARATE	
		June 2019 USD	2018 (Audited) USD	June 2019 USD	2018 (Audited) USD
ASSETS					
Non-Current assets					
Property and equipment	5	19,277	18,374	19,277	18,374
Investment in subsidiaries	8(a)	-	-	100	100
Investment in PAE PanAfrican Energy Corps ("PAEM")	8(b)	7,017,979	7,017,979	-	-
		7,037,256	7,036,353	19,377	18,474
Current assets					
Current account - Joint operating partner	14	242,357	231,805	242,357	231,805
Inter-company current accounts	9(a)	-	-	3,175	22,950
Other receivables and prepayments	6	144,102	197,180	186,424	391,488
Cash and cash equivalent	7	463,539	4,594,130	231,368	492,694
		849,998	5,023,115	663,324	1,138,937
Total Assets		7,887,254	12,059,468	682,701	1,157,411
EQUITY					
Equity attributable to equity holders					
Share capital	11	64,918	64,918	64,918	64,918
Share premium	11	7,907,983	7,907,983	7,907,983	7,907,983
Accumulated losses		(32,385,785)	(29,406,747)	(18,871,834)	(17,589,581)
Total equity		(24,412,884)	(21,433,846)	(10,898,933)	(9,616,680)
LIABILITIES					
Non-Current liabilities					
14.5% inter-company Loan	10	-	-	3,202,687	2,241,088
14.5% A1 senior notes	10	21,597,809	21,288,815	-	-
10% convertible preference share	10	3,966,500	3,966,500	3,966,500	3,966,500
14.5% convertible notes	18	1,860,000	960,000	860,000	960,000
		27,424,309	26,215,315	8,029,187	7,167,588
Current liabilities					
Borrowing	10	-	-	-	-
16.5% inter-company loan	10	-	-	381,356	211,232
Short term loan	13	163,714	171,414	163,714	171,414
Convertible notes	18	-	-	-	-
Income taxes payable	4	-	-	-	-
Trade and other payables	12	4,712,115	7,106,585	3,007,377	3,223,857
		4,875,829	7,277,999	3,552,447	3,606,503
Total Equity and Liabilities		7,887,254	12,059,468	682,701	1,157,411

The consolidated and separate financial statements on pages 11 to 45, were approved by the Board of Directors on2019 and signed on its behalf by:


Abdullah Mwinji
Chairman


David Mestres Ridge
CEO

The notes on pages 15 to 45 are an integral part of these consolidated and separate financial statements.

Swala Oil and Gas (Tanzania) Public Limited Company

Consolidated and Separate Statements of Changes in Equity
for the period ended 30 June 2019

CONSOLIDATED

	Share Capital USD	Share Premium USD	Accumulated losses USD	Total USD
Balance as at 1 January 2018 (Audited)	64,918	7,907,983	(11,708,685)	(3,735,784)
Profit or loss and other comprehensive income				
Loss for the year	-	-	(17,698,062)	(17,698,062)
Total comprehensive loss for the year	-	-	(17,698,062)	(17,698,062)
Balance as at 31 December 2018 (Audited)	64,918	7,907,983	(29,406,747)	(21,433,846)
Balance as at 1 January 2019	64,918	7,907,983	(29,406,747)	(21,433,846)
Profit or loss and other comprehensive income				
Loss for the period	-	-	(2,979,038)	(2,979,038)
Total comprehensive loss for the period	-	-	(2,979,038)	(2,979,038)
Balance as at 30 June 2019	64,918	7,907,983	(32,385,785)	(24,412,884)

SEPARATE

	Share Capital USD	Share Premium USD	Accumulated Losses USD	Total USD
Balance as at 1 January 2018 (Audited)	64,918	7,907,983	(11,692,533)	(3,719,632)
Profit or loss and other comprehensive income				
Loss for the year	-	-	(5,897,048)	(5,897,048)
Total comprehensive loss for the year	-	-	(5,897,048)	(5,897,048)
Balance as at 31 December 2018 (Audited)	64,918	7,907,983	(17,589,581)	(9,616,680)
Balance as at 1 January 2019	64,918	7,907,983	(17,589,581)	(9,616,680)
Profit or loss and other comprehensive income				
Loss for the period	-	-	(1,282,253)	(1,282,253)
Total comprehensive loss for the period	-	-	(1,282,253)	(1,282,253)
Balance as at 30 June 2019	64,918	7,907,983	(18,871,834)	(10,898,933)

The notes on pages 15 to 45 are an integral part of these consolidated and separate financial statements.

Swala Oil and Gas (Tanzania) Public Limited Company

Consolidated and Separate Statements of Cash Flows
for the period ended 30 June 2019

	Notes	CONSOLIDATED		SEPARATE	
		6 months ended June 2019	6 months ended June 2018	6 months ended June 2019	6 months ended June 2018
		USD	USD	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		(2,979,038)	(1,458,285)	(1,282,253)	(683,929)
Adjustments for:					
Depreciation	5	1,915	1,873	1,915	1,873
A1 Senior notes issuance cost		-	389,467	-	-
Fair value changes	8	-	-	-	-
Loss on disposal of items of property and equipment	26	-	-	-	-
Dividend from Investment	15	(955,580)	(1,681,766)	-	-
Interest expense	26	2,313,431	2,009,524	455,319	89,316
		(1,619,272)	(739,187)	(825,019)	(592,740)
Change in receivables and prepayments		53,059	(125,255)	205,063	(31,844)
Change in intercompany payable		-	(807,000)	-	(807,000)
Changes in other payables, accruals and provisions		(624,367)	(64,046)	(671,605)	(112,909)
Changes in current accounts		(10,552)	46,663	9,222	43,488
Cash utilised in operating activities		(2,201,132)	(1,688,825)	(1,282,339)	(1,501,005)
Interest paid		(3,774,521)	(6,757)	-	(6,757)
Taxation paid		-	-	-	-
Net cash utilised in operating activities		(5,975,653)	(1,695,582)	(1,282,339)	(1,507,762)
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property and equipment	5	(2,818)	(4,397)	(2,818)	(4,397)
Proceed from disposal of Motor Vehicle		-	-	-	-
Investment in PAE PanAfrican Energy Corps. ("PAEM")		-	(17,055,950)	-	-
A1 Senior Notes Issuance Cost		-	(3,950,267)	-	-
Dividend from PAE Investment		955,580	1,681,766	-	-
Net cash generated from / (utilised in) investing activities		952,762	(19,328,848)	(2,818)	(4,397)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issuing of A1 Senior Notes		-	25,000,000	-	-
Proceeds from Inter- company loan		-	-	1,140,000	1,581,013
Repayment of convertible notes & inter-company loan		(107,700)	-	(116,169)	-
Proceeds from convertible notes		1,000,000	-	-	-
Net cash generated from financing activities		892,300	25,000,000	1,023,831	1,581,013
Net (decrease) / Increase in cash and bank balances		(4,130,591)	3,975,570	(261,326)	68,854
Cash and bank balances at the start of the year	7	4,594,130	3,470	492,694	3,470
Cash and bank balances at the end of the year	7	463,539	3,979,040	231,368	72,324

The notes on pages 15 to 45 are an integral part of these consolidated and separate financial statements.

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated and Separate Unaudited Financial Statements for the period ended 30 June 2019

1. REPORTING ENTITY

Swala Oil and Gas (Tanzania) Public Limited Company is incorporated in the United Republic of Tanzania under Companies Act as limited liability Company. The Group is listed on the Dar es Salaam Stock Exchange and is domiciled in the United Republic of Tanzania. These consolidated and separate financial statements comprise the Company and its Subsidiaries Swala (Burundi) Limited, Swala (Mauritius) Limited and Swala (PAEM) Limited, (together referred to as the “Group”). The Group and Company are primarily involved in exploration for oil and gas reserves.

For the purpose of these financial statements “consolidated” is included to refer to “Group” and “separate” is included to refer to “Company”.

2. BASIS OF PREPARATION

a) Basis of accounting

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (‘IASB’) and in the manner required by the Companies Act, 2002.

b) Basis of Measurement

The consolidated and separate financial statements are prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as detailed in the accounting policies below.

c) Functional and Presentation Currency

These consolidated and separate financial statements are presented in United States Dollars (USD), which is the Group and Company’s presentation and functional currency.

d) Use of judgment and estimates

The preparation of consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated and separate financial statements is included in the following notes: Note 8 Investment and accounting policy 2 (f) basis of consolidation- which includes the policy on determination whether the Group has control over investee.

ii) Assumptions and estimation uncertainties

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated and separate financial statements are described in below;

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

2. BASIS OF PREPARATION (CONTINUED)

d) Use of judgment and estimates (continued)

ii) Assumptions and estimation uncertainties (continued)

Exploration and evaluation assets

Exploration and evaluation costs are initially expensed until reserves are appraised to be commercially viable and technologically feasible as commercial, at which time they are transferred to property and equipment following an impairment review and depleted accordingly. Where properties are appraised to have no commercial value or are appraised at values less than book values, the associated costs are treated as an impairment loss in the period in which the determination is made.

Asset useful lives

The useful lives of items of property and equipment are estimated annually and are required to align with the rate at which they are depreciated.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Taxes

The Group operates in jurisdictions with various tax laws and regulations, which are evolving over time. The Group has taken certain tax positions in its tax filings and these filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax impact may differ significantly from that estimated and recorded by management.

Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Financial Instruments classification and measurement

The Group classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including expected interest rate, share prices, and volatility factors, which can be substantially observed or corroborated in the marketplace. The not observable prices include contracts with certain industrial customers.

Level 3 - Valuation in this level are those with inputs for the asset or liabilities that are not based on observable market data.

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated and Separate Unaudited Financial Statements for the period ended 30 June 2019 (Continued)

2. BASIS OF PREPARATION (CONTINUED)

e) Going concern basis of accounting preparation

The Group incurred a net loss of US\$ 2.98 million (Company: US\$ 1.28 million) for the period ended 30 June 2019 (June 2018: Group incurred a net loss of US\$ 1.46 million and Company: US\$ 0.68 million). As at the reporting date the Group's liabilities exceeded its assets by US\$ 24.41 million (Company: US\$ 10.90 million) (2018: Group's liabilities exceeded its assets by US\$ 21.43 million and Company: US\$ 9.62 million) and a Group net current liability position of US\$ 4.03 million (Company: US\$ 2.89 million) (2018: Group net current liability of US\$ 2.25 million and Company: US\$ 2.47 million). These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Group and the Company are in exploration stage with no production, therefore the ability of the Group and the Company to continue as a going concern is dependent on the success in raising funds in the future to allow continuation of the work programmes in Tanzania. The Group and the Company had acquired 7.93% equity interest in PAE Panafrican Energy Corporation ("PAEM"), a Mauritius registered company. The already acquired 7.93% equity interest entitles the Group and the Company to dividend cashflows and the directors believes this cashflows are enough to fund the Group's and the Company's forward plans. On 3rd of December 2018 the Group and the Company entered into a US\$30 million equity investment Agreement with Energy Tanzania Limited, with a US\$11 million breakup fee as a penalty if the agreement is cancelled. As part of its forward planning the company has commenced the process of cross-listing on the London Stock Exchange and is in discussions with several parties about farming down its exploration assets.

On 25th February 2019 the Group proposed a transaction to the board of Orca Exploration Group Inc ("Orca"), indirect owner of 92.07% of PAEM. On the 26th July 2019 the Group indicated that it had agreed an acquisition proposal with the owners of a majority of the issued shares in Orca involving the payment of \$75 million for the acquisition of Orca and the subsequent distribution of either:

- c) CDN\$8.25 per Class A Voting Common Share and CDN\$8.25 per Class B Subordinate Voting Share (together the "Orca shares"), less any dividends, distributions or extraordinary payments made by Orca from the 15th June 2019 until closing; or
- d) CDN\$7.75 per Orca share, less any dividends, distributions or extraordinary payments made by Orca from the 15th June 2019 until closing, and one common share of Swala for each Orca Share, which if shareholders could elect for 100% of this alternative, would equate to approximately 30% of the equity of Swala post Transaction.

On the 6th September 2019 the Group advised that the Special Committee of the Orca board had engaged RBC Capital Markets as advisor.

The Group has entered appropriate term sheets covering the acquisition finance and is in advanced discussions to extend this to cover the refinancing of the loan extended by the International Finance Corporation to PanAfrican Energy Tanzania Limited (the "IFC Loan"). The need to replace the IFC Loan is unclear, as Orca has blocked discussions between the Group and the IFC that would have helped determine IFC's preferences. In the absence of such discussions, the Group is progressing alternative finance that is assumed to be broadly comparable to the terms of the IFC Loan.

The trade and other payables includes an amount of US\$862,572 in unpaid training and licence fees claimed by TPDC for the period starting 2016. The Company has withheld payment of these on the grounds that they arise from the failure of TPDC and the Government to allow the Company access to the drilling site in order to complete the drilling of Kito-1, originally expected in 2016. This delay has resulted in the Company

spending an additional US\$ 2,361,714 excluding the claimed training and licence fees. The Company has raised the matter of costs with TPDC and made proposals in respect of the timing and quantum of any

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated and Separate Unaudited Financial Statements for the period ended 30 June 2019 (Continued)

2. BASIS OF PREPARATION (CONTINUED)

e) Going concern basis of accounting preparation (continued)

repayments such that they are linked to the timing and success of Kito-1. No response has been received as at this date.

In addition, the group and the company entered into deferment agreement to the earlier of the completion of the proposed transaction with Orca Exploration Group Inc. and July 2020, with some of its creditors included in the above trade and other payables for a total amount of US\$ 923,319.

As a result of the underperformance of the Songo Songo field, the Group and the Company entered into an amendment to its financing agreements with Franklin Templeton deferring payment into the calendar year 2020 of interest due on the Senior Notes during the calendar year 2019.

f) Basis of consolidation

i) Subsidiaries

Subsidiary is the entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In the separate financial statements, the investment in subsidiary is carried at fair value.

ii) Non - controlling interest (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii) Loss of control

When the Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

iv) Transaction eliminated on consolidation

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

g) Joint operations

The Company is engaged in oil and gas exploration, through unincorporated joint arrangements; these are classified as joint operations. The Company accounts for its share of the assets, liabilities, revenue, and expenses for these joint operations. In addition, where the Company acts as Operator to the joint operation, the gross liabilities of the joint operation are included in the Company's statement of financial position, with the debit representing the partners' share recognised in amounts due from joint operating partners.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Property and Equipment

i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets is recognised in profit or loss as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within the profit or loss.

ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day to day servicing of property and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of an item of property and equipment. The annual depreciation rates for this purpose are as follows:

- | | |
|-------------------------------------|-------|
| • Computers | 25% |
| • Office equipment | 25% |
| • Furniture, fittings and equipment | 12.5% |
| • Motor vehicle | 25% |

Useful lives and residual values of the items of property and equipment are reviewed at the end of each reporting period and adjusted where appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Senior notes issuance costs

i) Recognition and measurement

Senior notes issuance costs are capitalized by netting off the amount of the related loan raised.

The cost includes expenditure that is directly attributable to the acquisition of financial instruments (loans), these includes agent's costs, expenses, commission and disbursements.

ii) Amortization

Amortization is recognised in profit or loss on a straight-line method basis over the useful lives of each part of an item of financial instrument (loan).

c) Foreign currency translation

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 Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss in the year in which they arise.

d) Prospecting and exploration costs

Costs incurred in the exploration and evaluation stages of specific areas of interest are expensed against the consolidated and separate statements of profit or loss as incurred. Expenditure incurred prior to the acquisition of a licence and the costs of other exploration and evaluation activities are written off in the year incurred. Exploration and evaluation costs are capitalised if there is reasonable assessment of the existence of economically recoverable reserve. Once commercial viability is demonstrated the capitalized exploration costs are transferred to property and equipment or intangibles as appropriate after being assessed for impairment.

e) Farm-in /Farm-out arrangement

The Group may enter into farm-in or farm-out arrangements, where it may introduce partners and assign participating interest in the licence for the development of an asset. The Group adopts accounting policy such that it recognizes as income on expenditure made on its behalf under a 'carried interest' by the farm-in partner ('the farmee') and record respective expenditure to the respective line item in the Statement of Profit or Loss. Where applicable past costs are reimbursed, any consideration relating to expenditure previously written off is credited in the Statement of Profit or Loss as other income during year and any consideration relating to expenditure previously capitalized is credited against costs previously capitalised in relation to the whole interest with any excess accounted as gain on disposal. Farmed-out oil and gas properties are accounted for in accordance with IAS 16 'Property, Plant and Equipment'.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments

i) Recognition and initial measurement

The Group initially recognises loans and receivables and debt securities issued on the date when they originated. All other financial assets and financial liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets - policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets - Business model assessment: policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets - Subsequent measurement and gains and losses: policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets - policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
 - held for trading;
 - derivative hedging instruments; or
 - designated as at FVTPL.

Financial assets - Subsequent measurement and gains and losses: policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible notes

Convertible notes issued by the Group comprise convertible notes that could be converted to share capital.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of compound financial instrument is not remeasured.

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 Group's underlying share price and the foreign exchange rate at the relevant dates.

g) Share capital

Ordinary shares

Ordinary shares are classified as equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Preference shares

The Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

h) Impairment

i) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment (continued)

i) Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower/customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Measurement of ECL's

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the customer or borrower;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the customer/borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment (continued)

i) Non-derivative financial assets (continued)

Policy applicable before 1 January 2018

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of customer or borrower;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a Group of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost	The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.
	In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.
	An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.
Available for sale financial assets	Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment (continued)

ii) Non- financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Employee benefits

i) Defined contribution plans

The Group makes statutory Contributions to the National Social Security Fund (NSSF) . The Group's obligations in respect of contributions to such fund are 10% of the employees' gross emoluments and at agreed amount for executive Directors and foreign employees.

Contributions to this pension fund are recognized as an expense in the year the employees render the related services.

ii) Termination benefits

Termination benefits are recognised as an expense in the year when it becomes payable. Termination benefits are determined in accordance with the Tanzanian Labour Law.

iii) Short term benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Environmental expenditure

The Group has remediation obligations comprising decommissioning and restoration liabilities relating to its past operations which are based on the Company's environmental management plans, in compliance with current environmental and regulatory requirements.

l) Decommissioning costs

Provision is made at the start of the life of the producing asset for the decommissioning of oil and gas wells and other oilfield facilities at the end of the life of the asset. The cost of decommissioning is determined through discounting the amounts expected to be payable to their present value at the date the provision is recorded and is reassessed at each balance sheet date. This amount is included within exploration and evaluation assets or the developed and producing assets as appropriate and the liability is included in provisions. Such cost is depleted over the life of the field on a unit of production basis and charged to the income statement. The unwinding of the discount is reflected as a finance cost in the income statement over the remaining life of the well. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset. The Company is still at its early exploration stage as such no provision has been made.

m) Operating lease payments

Lease payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

n) Taxation

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Dividends

Dividends payable or receivable are recognised as a liability or asset in the period in which they are declared and approved.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Appropriate technique is used based on fact and circumstances specific to the asset or liability. Where applicable, the fair value of a receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. And fair value non-derivative financial liabilities, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Group classification of fair values of financial instruments has been described in Note 2(d)

q) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

The Group has one reportable segment (see note 28).

s) Relevant new standards, amendments and interpretations issued but not yet effective and not early adopted

At the date of authorisation of the financial statements of the Group and the Company for the period ended 30 June 2019, the following Standards and Interpretations were in issue but not yet effective:

Effective for the financial year commencing 1 January 2020

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

Effective for the financial year commencing 1 January 2022

- IFRS 17 Insurance Contracts

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

A number of these Standards and Interpretations are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining applicable Standard will be as follows:

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

4. TAXATION

At 30 June 2019, the Group has estimated accumulated tax losses of USD 9,618,110 (Dec2018: USD 8,815,855) available for set-off against future taxable profit.

INCOME TAX EXPENSE	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec2018 USD
Tax charge				
Income tax charge - recognised*	-	-	-	-
Total	-	-	-	-

DEFERRED TAX	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec2018 USD
Tax charge /(credit)- current year				
Deferred tax (credit) charge - not recognised	(248,351)	(1,786,668)	(248,351)	(1,786,668)
Total	(248,351)	(1,786,668)	(248,351)	(1,786,668)

Tax reconciliation is as follows:

	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec 2018 USD
Loss before income tax	(1,282,253)	(5,897,048)	(1,282,253)	(5,897,048)
Tax calculated at the statutory of 30%	(384,676)	(1,769,114)	(384,676)	(1,769,114)
Tax effect of:				
Alternative minimum tax	-	-	-	-
Prior year deferred tax adjustment	-	(265,756)	-	(265,756)
Expense not deductible for tax purposes	136,325	248,202	136,325	248,202
Effect of prior year adjustments	-	-	-	-
Total	(248,351)	(1,786,668)	(248,351)	(1,786,668)

Deferred tax

As at 30 June 2019 there is a deferred tax asset of US\$ 4,408,964 (Dec 2018: USD 4,160,613) arising mainly on account of the estimated accumulated tax losses. In the opinion of the Directors, it is prudent not to recognise this asset, as the Company is yet to start making taxable profits from ordinary course of the business.

The gross movement on the deferred tax account is as follows:	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec2018 USD
At beginning of the year	4,160,613	2,373,945	4,160,613	2,373,945
Movement during the year	248,351	1,786,668	248,351	1,786,668
At the end of the year - Not recognised	4,408,964	4,160,613	4,408,964	4,160,613

Deferred tax asset includes the following temporary differences:	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec2018 USD
Estimated income tax losses	2,885,433	2,644,757	2,885,433	2,644,757
Accelerated capital deductions	1,448,451	1,461,673	1,448,451	1,461,673
Other timing differences	75,080	54,183	75,080	54,183
Net deferred income tax Assets - Not recognised	4,408,964	4,160,613	4,408,964	4,160,613

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

5. PROPERTY AND EQUIPMENT

CONSOLIDATED AND SEPARATE				
	Office equipment USD	Furniture and fittings USD	Motor vehicle USD	Total USD
Cost				
At 1 January 2018 (Audited)	14,290	20,741	-	35,031
Disposal	5,525	-	-	5,525
At 31 December 2018 (Audited)	19,815	20,741	-	40,556
At 1 January 2019	19,815	20,741	-	40,556
Additions	2,818	-	-	2,818
At 30 June 2019	22,633	20,741	-	43,374
Depreciation				
At 1 January 2018 (Audited)	9,162	9,213	-	18,375
Charge for the year	2,346	1,461	-	3,807
At 31 December 2018 (Audited)	11,508	10,674	-	22,182
At 1 January 2019	11,508	10,674	-	22,182
Charge for the period	1,286	629	-	1,915
At 30 June 2019	12,794	11,303	-	24,097
Net book value				
At 30 June 2019	9,839	9,438	-	19,277
At 31 December 2018 (Audited)	8,307	10,067	-	18,374

The Group's Property and Equipment are the same as Company's Property and Equipment since Subsidiaries had no Property and Equipment.

6. RECEIVABLES AND PREPAYMENTS

	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec2018 USD
Accounts receivable	-	-	-	-
Other debtors	2,704	47,957	2,704	47,957
Accrued Income	2,535	18,753	52,535	218,753
VAT receivables	110,406	76,154	107,628	76,154
Prepayment	28,457	54,316	23,557	48,624
Total	144,102	197,180	186,424	391,488

7. BANK BALANCES

	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec2018 USD
Cash on hand	207	251	207	251
Cash at bank	463,332	4,593,879	231,161	492,443
Total	463,539	4,594,130	231,368	492,694

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

8. INVESTMENTS

a) In subsidiaries

Swala Oil and Gas (Tanzania) Public Limited Company owns shares of Swala Energy (Burundi) Limited incorporated in British Virgin Island, Swala (Mauritius) Limited incorporated in Mauritius and Swala (PAEM) limited incorporated in United Kingdom.

	June 2019 USD	Dec 2018 USD
Cost		
At 01 January	5,404,664	1,438,164
Additions*	-	3,966,500
At period end	5,404,664	5,404,664
Accumulated impairment losses**		
At 01 January	(5,404,564)	(1,437,930)
Impairment loss	-	(3,966,634)
At period end	(5,404,564)	(5,404,564)
Net Investment	100	100

**Accumulated Impairment losses relates to full impairment of investment in Swala (Burundi) Limited of US\$ 1,437,930 and additional impairment of investment in Swala (PAEM) Limited in 2018 of US\$ 3,966,634 which has been impaired as a result of the change in reference profile from proven and probable (2P) used in 2016 to proven, developed and producing (PDP) in 2018 and the change to the discount rate from 12.5% (2016) to 25% (2018) reflecting the changing fiscal and contractual uncertainties of operations. The group and the company believe the same conditions are still applicable during this period.

Particulars of the subsidiaries as at 30 June 2019 are as follows:

Name	Nature of Operations	Number of shares	% holding	Country of incorporation	Cost (USD)
Swala Energy (Burundi) Limited	Exploration	50,000	100%	Burundi	1,437,930
Swala (Mauritius) Limited	Special purpose vehicle- investment	100	100%	Mauritius	100
Swala (PAEM) Limited	Investment	2,829,380	100%	UK	3,966,634

b) Other investment

In 2018 the Group acquired investment in PAE Panafrican Energy Corps. ("PAEM") through acquisition of 7,933 Class A PAEM shares from ORCA (the "PAEM Shares") which is equal to 7.93% that Swala (PAEM) Limited acquired for gross proceed of US\$ 21,022,450 paid in US\$ 17,055,950 cash and US\$ 3,966,500 face value of Swala Oil and Gas (Tanzania) Public Limited Company (the Parent) convertible preference shares.

	June 2019 USD	Dec 2018 USD
Cost		
At 01 January	21,022,450	-
Additions	-	21,022,450
At period end	21,022,450	21,022,450
Accumulated Fair Value changes		
At 01 January	(14,004,471)	-
Fair value changes	-	(14,004,471)
At period end	(14,004,471)	(14,004,471)
Net investment at fair value	7,017,979	7,017,979

Of the US\$ 14,004,471 impairment 33% (US\$ 7,039,960) is due of the change in reference profile from 2P used in 2016 to PDP in 2018 and further 50% (US\$ 6,964,511) is due change to the discount rate from 12.5% (2016) to 25% (2018) reflecting the changing fiscal and contractual uncertainties of operations. The group and the company believe the same conditions are still applicable during this period.

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

9. RELATED PARTY TRANSACTIONS AND BALANCES

The Group and Company enter into transactions with parties that fall within the definition of a related party as contained in International Financial Reporting Standards (IFRS). Related parties comprise companies and entities under common ownership and/or common management and control, and their partners and key Management personnel.

The Group and Company provide/receive funds to/from related parties as and when required to meet the business/transaction needs to meet cash flow requirement from time to time.

The management believes that the terms of such transactions are not of significantly different from those that could have been obtained from third parties.

a) Due to/from Related parties

Name of related party	June2019 USD	Dec2018 USD
Due from related party		
Swala (Mauritius) Limited	-	19,775
Swala (Burundi) Limited	3,175	3,175
Swala (PAEM) Limited	-	-
Total	3,175	22,950

The balances due from related party with no interest, attributed by the Company settling liabilities on behalf of its subsidiaries.

b) Key management compensation

Key management compensations are for those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director of the Company.

	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec 2018 USD
Salaries	115,002	230,004	115,002	230,004
Defined contribution plan	4,650	9,300	4,650	9,300

No terminal or other long-term benefits were paid to key management personnel during the period (2017: Nil)

c) Directors' emoluments

	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec2018 USD
Non-executive Chairman	12,000	24,000	12,000	24,000
Non-executive Directors	48,000	96,000	48,000	96,000
Executive director	85,002	170,004	85,002	170,004

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

10. BORROWINGS

	CONSOLIDATED		SEPARATE	
	June 2019 USD	Dec 2018 USD	June 2019 USD	Dec 2018 USD
Non- current liabilities				
14.5% intercompany loan	-	-	3,202,687	2,241,088
14.5% A1 senior notes	21,597,809	21,288,815	-	-
10% convertible preference shares	3,966,500	3,966,500	3,966,500	3,966,500
	25,564,309	25,255,315	7,169,187	6,207,588
Current liabilities				
14.5% intercompany loan	-	-	-	-
16.5% intercompany loan	-	-	381,356	211,232
	-	-	381,356	211,232
	25,564,309	25,255,315	7,550,543	6,418,820

Information about Group's and Company's exposure to interest rate, foreign currency and liquidity risk is included in note 21.

Movement of borrowings during the year was as follows:

	CONSOLIDATED		SEPARATE	
	June 2019 USD	Dec 2018 USD	June 2019 USD	Dec 2018 USD
At the start of the year	25,255,315	807,000	6,418,820	807,000
Proceeds from borrowings:-				
14.5% intercompany loan - with Swala PAEM	-	-	140,000	2,241,088
14.5% intercompany loan - with Swala Mauritius	-	-	1,000,000	-
14.5% A1 senior notes	-	21,703,010	-	-
10% preference share	-	3,966,500	-	3,966,500
14.5 borrowings- SWE creditors	-	-	-	-
16.5% intercompany loan - with Swala PAEM	-	-	170,124	211,232
Repayments:-				
borrowings- SWE creditors	-	(807,000)	-	(807,000)
14.5 borrowings- Swala Mauritius	-	-	(178,401)	-
Borrowing costs -14.5% A1 senior notes	308,994	(414,195)	-	-
At end of the year	25,564,309	25,255,315	7,550,543	6,418,820

14.5% unsecured Intercompany loan is between the parent company and its subsidiary (Swala PAEM limited) issued to fund the payment of certain outstanding liabilities of the borrower as identified in the agreement. The interest is per annum which is due and payable on December 31 and June 30 of each year. Unless otherwise agreed between the parties, this loan is repayable in full by the borrower on 31 December 2020.

14.5% unsecured Intercompany loan is between the parent company and its subsidiary (Swala Mauritius limited) to fund general working capital requirement of the borrower. The interest is per annum which is due and payable on December 31 and June 30 of each year. Unless otherwise agreed between the parties, this loan is repayable in full by the borrower on the fourth anniversary.

A1 senior notes relates to the five years senior notes (maturity date being 15th of January 2023) issued by Swala (PAEM) Limited (Subsidiary) to facilitate the acquisition of 7.93% equity interest in PAE Panafrican Energy Corporation ("PAEM"), a Mauritius-registered company. These notes carry an interest of 14.5% per annum which is due and payable on July 15th and Jan 15th of each year. This loan is collateralised secured by 7.93% investment of Swala (PAEM) Limited in PAE Panafrican Energy Corporation ("PAEM").

Preference shares relates to the Six years redeemable preference shares issued by Swala Oil and Gas (Tanzania) Public Limited Company("the parent") to Orca Exploration Group Inc. as part of consideration on the acquisition of 7.93% equity interest in PAE Panafrican Energy Corporation ("PAEM"), a Mauritius-registered company. The holders of these Preference shares are entitled to receive out of the distributable profits or reserves, USD dollars cash distribution in an amount equal to 10% per annum of the face value of each preference shares which is paid quarterly.

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated Unaudited Financial Statements for the period ended 30 June 2019 (Continued)

11. SHARE CAPITAL

	June2019 USD	Dec2018 USD
Authorised		
9,098,424,000 Ordinary shares of Tzs 1 (USD 0.00062500) each	5,686,515	5,686,515
Issued and fully paid up		
106,201,621 Ordinary shares of Tzs 1 (USD 0.00061127) each	64,918	64,918
Share Premium		
Share premium at the start and end of the year	7,907,983	7,907,983

Swala Energy Limited ("SWE"), which at the time held 58.5% (now 22.37%) of the issued share capital of Swala Oil & Gas (Tanzania) Public Limited Company ('Swala') was placed in voluntary administration as part of a corporate restructuring on the 24th June 2016. On the 18th October 2016 the administrator sold the listed share to Trident Capital, in a transaction that was approved by the shareholders of SWE at an Extraordinary General Meeting on the 22nd June 2017. On the 30th June 2017 SWE and Swala announced that they had agreed that Swala would redeem an outstanding inter-company loan for Australian Dollars (A\$) 1,000,000 which was paid on 9th February 2018 (equivalent USD 807,000) and this requires SWE to release the shares it held in Swala to the SWE shareholders in an intermediated in-specie distribution for nil consideration, and this process is still ongoing.

12. TRADE AND OTHER PAYABLES

	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec2018 USD	June2019 USD	Dec 2018 USD
Account payables & other payable	886,654	1,861,353	832,302	1,593,251
Accruals	3,581,380	4,940,885	1,969,253	1,364,518
Provisions	244,081	304,347	205,822	266,088
Total	4,712,115	7,106,585	3,007,377	3,223,857

The Trade and other payable above, includes US\$ 862,572 training and surface licence fees to Tanzania Petroleum Development Corporation for the period starting 2016. The Company has withheld payment of these on the grounds that they arise from the failure of TPDC and the Government to allow the Company access to the drilling site in order to complete the drilling of Kito-1, originally expected in 2016. This delay has resulted in the Company spending an additional US\$ 2,361,714 excluding the claimed training and licence fees. The Company has raised the matter of costs with TPDC and made proposals in respect of the timing and quantum of any repayments such that they are linked to the timing and success of Kito-1. No response has been received as at this date.

13. SHORT TERM LOAN

	CONSOLIDATED		SEPARATE	
	June2019 USD	Dec 2018 USD	June2019 USD	Dec 2018 USD
Swala Energy Trust Co. Ltd	-	-	-	-
Erncon Holdings Ltd	110,000	110,000	110,000	110,000
Neil Tayrol	32,594	32,594	32,594	32,594
Frank Whitehead	21,120	21,120	21,120	21,120
Neema Kiwelu	-	5,500	-	5,500
Harlod Temu	-	2,200	-	2,200
Total	163,714	171,414	163,714	171,414

The outstanding short-term loan attributed by redemption of convertible notes at redemption premium of 10%.

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated Unaudited Financial Statements for the period ended 30 June 2019 (Continued)

14. JOINT OPERATING AGREEMENT

The Company (Swala) has entered into a joint operating agreement (JOA) with Otto Energy (Tanzania) Pty Limited (Otto) for the Kilosa-Kilombero exploration licence in 2012. TATA Petrodyne Limited (TATA) became part of the JOA after farm-in to the licence in October 2015. The JOA details the rights and obligations of each partner together with detailed criteria of allocation of the joint assets, liabilities, expenses and income.

The joint rights and obligations are allocated according to the participating interest of JOA partners. In the JOA the partners are charged 3% overhead on all expenses to cover indirect costs incurred by the operator and this forms the other income component in these consolidated and separate financial statements. The Company and partners interests in joint arrangement as at 30 June 2019 are detailed below. Exploration is principle activity performed across these licence areas.

	Kilosa Kilombero Licence	
	June2019	Dec2018
Swala Oil and Gas (Tanzania) Public Limited Company- Operator	75%	75%
TATA Petrodyne Limited	25%	25%

As at 30 June 2019 the Company has a current account due from JOA partner (TATA Petrodyne Limited) of US\$ 242,357 (2018: US\$ 231,805).

On the 26th March 2017 Swala advised that it had issued Otto Energy (Tanzania) Pty Ltd (“Otto”) with a withdrawal notice requiring it to withdraw from the Kilosa-Kilombero Joint Operating Agreement and the Production Sharing Agreement. The matter was resolved on the 25th May 2017, following which Swala retained a 75% participating interest in the Kilosa-Kilombero Licence. Otto agreed and paid certain payments in respect of past costs incurred by the Joint Venture and has retained a 2% Gross Over-Riding Royalty Interest over possible future production from the Kito prospect. There are no further disputes between the two companies on the Kilosa-Kilombero licence.

15. OTHER INCOME

	CONSOLIDATED		SEPARATE	
	June2019 USD	June2018 USD	June2019 USD	June2018 USD
Dividend from investment in PAE	955,580	1,681,766	-	-
Management services fees	-	-	-	-
Interest from Bank deposit	1,475	19,710	-	-
Overhead charge - 3%	3,144	2,850	3,144	2,850
Discount on repayment of distressed loan	-	-	-	-
Consideration from farm-out transactions *	2,535	11,483	2,535	11,483
	962,734	1,715,809	5,679	14,333

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

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

16. FINANCE COSTS

	CONSOLIDATED		SEPARATE	
	June 2019 USD	June 2018 USD	June 2019 USD	June 2018 USD
Interest on 14.5% convertible notes	67,467	-	67,467	-
Interest on preference share	198,325	158,298	198,325	-
Interest on other loan facilities (Incl. inter-company loan)	2,047,639	1,851,226	189,527	89,316
	2,313,431	2,009,524	455,319	89,316

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy as described in note 2(d):

CONSOLIDATED June 2019:	Amortised cost USD	Other liabilities at amortised cost USD	Total carrying amount USD
ASSETS			
Cash and cash equivalents	463,539	-	463,539
Current account - Joint operating partner	242,357	-	242,357
Other debtors	5,239	-	5,239
	711,135	-	711,135
LIABILITIES			
Accounts and other payables	-	886,654	886,654
Accruals	-	3,581,380	3,581,380
Short term loan	-	163,714	163,714
14.5% A1 senior notes	-	21,597,809	21,597,809
10% convertible preference share	-	3,966,500	3,966,500
14.5% convertible notes	-	1860,000	1860,000
	-	32,056,057	32,056,057
SEPARATE June 2019:			
ASSETS			
Cash and cash equivalents	231,368	-	231,368
Current account -Joint Operating Partner	242,357	-	242,357
Other debtors	55,239	-	55,239
	528,964	-	528,964
LIABILITIES			
Accounts and other payables	-	832,302	832,302
Accruals	-	1,969,253	1,969,253
Short term loan	-	163,714	163,714
16.5% Inter-company loan	-	381,356	381,356
14.5% A1 senior notes	-	3,202,687	3,202,687
10% convertible preference share	-	3,966,500	3,966,500
14.5% convertible notes	-	860,000	860,000
	-	11,375,812	11,375,812

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

17. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED Dec 2018:			
	Amortised cost USD	Other liabilities at amortised cost USD	Total carrying amount USD
ASSETS			
Cash and cash equivalents	4,594,130	-	4,594,130
Current account - Joint operating partner	231,805	-	231,805
Other debtors	66,710	-	66,710
	<u>4,892,645</u>	<u>-</u>	<u>4,892,645</u>
LIABILITIES			
Accounts and other payables	-	1,861,353	1,861,353
Accruals	-	4,940,885	4,940,885
Short term loan	-	171,414	171,414
14.5% A1 senior notes	-	21,288,815	21,288,815
10% convertible preference share	-	3,966,500	3,966,500
14.5% convertible notes	-	960,000	960,000
	<u>-</u>	<u>33,188,967</u>	<u>33,188,967</u>
SEPARATE Dec 2018:			
ASSETS			
Cash and cash equivalents	492,694	-	492,694
Current account -Joint Operating Partner	231,805	-	231,805
Other debtors	266,710	-	266,710
	<u>991,209</u>	<u>-</u>	<u>991,209</u>
LIABILITIES			
Accounts and other payables	-	1,593,251	1,593,251
Accruals	-	1,364,518	1,364,518
Short term loan	-	171,414	171,414
16.5% Inter-company loan	-	211,232	211,232
14.5% A1 senior notes	-	2,241,088	2,241,088
10% convertible preference share	-	3,966,500	3,966,500
14.5% convertible notes	-	960,000	960,000
	<u>-</u>	<u>10,508,003</u>	<u>10,508,003</u>

The Company has not disclosed fair values for financial instruments such as bank balances, receivables, payables and loans because their carrying values are a reasonable approximation of their fair values.

Transfers

During the period ended 30 June 2019, there were no transfers of equity securities or derivatives measured at FVOCI between levels 1 and 2 of the fair value hierarchy. There were no transfers into or out of level 3 during the period.

18. CONVERTIBLE NOTES

June 2019				
Name	Details	Unit Price In USD	Number of Units	Amounts in USD
Dr. David Mestres Ridge	Convertible Notes	1	450,000	450,000
Companyscene Limited	Convertible notes	1	410,000	410,000
Mr. Lars Bader	Convertible notes	1	1,000,000	1,000,000
			<u>1,860,000</u>	<u>1,860,000</u>

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated Unaudited Financial Statements for the period ended 30 June 2019 (Continued)

18. CONVERTIBLE NOTES (CONTINUED)

The Convertible notes issued in 2019, relate to the five years convertible notes issued by the Group and the Company to facilitate its general working capital requirements. These notes carry an interest of 14.5% per annum which is due and payable semi-annually on 24th of October and 24th of April.

Dec 2018				
Name	Details	Unit Price In USD	Number of Units	Amounts in USD
Dr. David Mestres Ridge	Convertible Notes	1	550,000	550,000
Companyscene Limited	Convertible notes	1	410,000	410,000
			960,000	960,000

The 2018 Convertible notes relate to the seven years convertible notes issued by the Group and the Company to facilitate its general working capital requirements. These notes carry an interest of 14.5% per annum which is due and payable on 31st of December each year.

19. EARNINGS PER SHARE

- a) Basic earnings (loss) per share are calculated by dividing the earnings (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	CONSOLIDATED		SEPARATE	
	June2019	June2018	June2019	June 2018
Loss attributable to shareholders	(2,979,038)	(1,458,285)	(1,282,253)	(683,929)
Weighted average number of shares in issue	106,201,621	106,201,618	106,201,621	106,201,618
Basic loss per share	(0.028)	(0.014)	(0.012)	(0.006)

- b) Diluted earnings (loss) per share is calculated by dividing the earnings (loss) attributable to shareholders by the weighted average number of ordinary shares adjusted to assume conversion of all dilutive potential ordinary shares during the period.

	CONSOLIDATED		SEPARATE	
	June2019 USD	June2018 USD	June2019 USD	June 2018 USD
Loss attributable to shareholders	(2,979,038)	(1,458,285)	(1,282,253)	(683,929)
Weighted average number of shares in issue	106,201,621	106,201,618	106,201,621	106,201,618
Diluted loss per share	(0.028)	(0.014)	(0.012)	(0.006)

20. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Rate of return on capital employed at 30 June 2019 was 0.12 (At 31 December 2018: 0.83).

The Groups manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ending 30 June 2019.

Notes to the Consolidated Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

21. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks from its use of financial instruments; Credit risk, Liquidity risk, Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Group's Directors have overall responsibility of the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Directors are responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Group. The Directors are assisted in these functions by the management.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables and other receivables and cash at bank.

Receivables are not having similar credit characteristics; they differ depending on whether they are debtors or other receivables (mainly staff advances and sundry debtors), "governed by specific receivables loan and/or loan terms" or the creditworthiness of party from which they are receivable. The Group is in exploration stage with no production and banks with financial institution with strong financial standing. Therefore, the management does not believe there is significant exposure to credit risks.

CONSOLIDATED	June 2019 USD		2018 USD	
	Loans & receivables	Exposure to Credit risk	Loans & receivables	Exposure to Credit risk
Current account- Joint operating partner	242,357	242,357	231,805	231,805
Account receivables	-	-	-	-
Other debtors	2,704	2,704	47,957	47,957
Total	245,061	245,061	279,762	279,762
SEPARATE				
Current account- Joint operating partner	242,357	242,357	231,805	231,805
Account receivables	-	-	-	-
Other debtors	2,704	2,704	47,957	47,957
Total	245,061	245,061	279,762	279,762

Notes to the Consolidated Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flows on monthly basis.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2019

	Note	Less than 1 year USD	Between 1 and 2 years USD	Between 2 and 5 years USD	Over 5 years USD
Trade & other payables	12	886,654	-	-	-
Accruals	12	3,581,380	-	-	-
Short term loan	13	163,714	-	-	-
Convertible notes	18	-	-	860,000	1,000,000
Borrowings	10	-	-	25,564,309	-
		4,631,748	-	26,424,309	1,000,000

As at 31 December 2018

	Note	Less than 1 year USD	Between 1 and 2 years USD	Between 2 and 5 years USD	Over 5 years USD
Trade & other payables	12	1,861,353	-	-	-
Accruals	12	4,940,885	-	-	-
Short term loan	13	171,414	-	-	-
Convertible notes	18	-	-	960,000	-
Borrowings	10	-	-	21,288,815	3,966,500
		6,973,652	-	22,248,815	3,966,500

All liquidity policies and procedures are subject to review and approval by the Group's Board of Directors.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group is in exploration stage with no production therefore market risk is not material as at 30th June 2019.

Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the functional currency i.e. US Dollars. The currency (-ies) in which Group's transactions are primarily denominated other than the functional currency is the Tanzanian Shillings (Tzs) and Great British Pound (GBP).

The Group's strategy to manage currency risk is by transacting mainly in US Dollars therefore the Group's currency risk exposure is not material as at 30th June 2019.

22. COMMITMENTS

As of 30th June 2019, the Company has contractual work commitments in respect of Production Sharing Agreement with Tanzania Petroleum Development Corporation (TPDC) for the Kilosa-Kilombero licence area, suppliers and office rental obligation as shown below:

Capital commitments: (net to Swala's working interest)	June 2019 USD	2018 USD
Approved but not contracted for: Drilling Costs	10,869,962	10,869,962
Approved and contracted: Drilling costs	-	-
	10,869,962	10,869,962

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated Unaudited Financial Statements for the year period 30 June 2019 (Continued)

22. COMMITMENTS (CONTINUED)

Pursuant to the farm-in transaction with Tata Petrodyne Limited (“Tata”), Swala Oil and Gas (Tanzania) Public Limited Company will be carried for the total commitment of US\$ 2,070,057.

The Company has not contracted any services as it is awaiting clarification from the Ministry of Energy/TPDC on the announced process of PSA reviews.

Lease commitment:	June 2019	2018
	USD	USD
Non-cancellable operating leases - future minimum lease payments payable:		
Within one year	269,281	269,281
Later than one year but not later than 5 years	-	-
	269,281	269,281

23. EVENTS AFTER THE REPORTING PERIOD

On the 10th of September 2019, the Group and the Company issued Tata Petrodyne Limited (“TPL”) with a Withdrawal Notice under the Joint Operating Agreement (“JOA”) requiring that TPL withdraw from the JOA, the Farm-Out Agreement (“FOA”) and the Production Sharing Agreement. On the 22nd of October 2019, the Group and the Company issued TPL with final invoices amounting US\$ 2.9MM being the obligations assumed by TPL under the JOA and the FOA. On the 28th November 2019, and in the absence of any communication from TPL, the Company issued TPL with a Notice of Dispute under the JOA. This triggered the commencement of the dispute resolution process of the JOA, the first step of which required that Senior Management of the two companies engage to attempt to resolve the disagreement. On the 9th of December 2019, and again in the absence of any communication from TPL, the Company issued TPL with a notice of mediation, the second step in the dispute resolution process of the JOA. On the 11th of December 2019, TPL acknowledged receipt of the Withdrawal Notice. As a result of this withdrawal, Swala’s working interest in the Kilosa-Kilombero PSA increases from 75% to 100%.

24. ULTIMATE HOLDING COMPANY

There is no holding or ultimate parent Company. The shares in Swala BVI were transferred to the SWE Creditors Trust when SWE was sold to Trident Capital and currently are being distributed to the ultimate beneficial owners in accordance with the agreement dated 20th June 2017 between Swala and the SWE Creditors Trust.

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

26. DETAILED EXPENSES

	CONSOLIDATED		SEPARATE	
	June2019 USD	June2018 USD	June2019 USD	June2018 USD
Operating and administration expenses				
Wages and salaries	231,909	209,055	231,909	209,055
Administration charges	3,329	-	-	-
Directors fees	60,000	60,000	60,000	60,000
Auditor remuneration fees	14,000	12,764	14,000	12,764
Filing Fee	-	45,574	-	45,574
Financial services	201,268	433,987	75,162	25,086
Rent	34,414	36,190	34,414	36,190
Press release /Public Relations Press release /Public Relations/ IPO costs	87	216	87	216
Staff training	45	544	45	544
WHT accrued	18,903	(372)	-	(372)
Computer consumables	2,184	4,153	2,184	4,153
Printing and stationery	1,585	2,094	1,585	2,094
Employer Pension (NSSF & PPF) contribution	14,783	20,905	14,783	20,905
Workers compensation fee	2,318	2,091	2,318	2,091
Employer SDL contribution	10,478	9,407	10,478	9,407
Employee leave accrual	5,873	9,533	5,873	9,533
Employees other benefits	921	-	921	-
Consultants fees	182,781	-	105,655	-
Licenses, registrations, permits	1,338	12,758	100	2,758
Insurance	3,287	12,485	3,287	12,485
Accommodation	6,628	5,751	6,628	5,751
Depreciation	1,915	1,874	1,915	1,874
Management Fee (recruitment)	-	136,508	-	-
Legal expenses	544,456	-	69,355	-
Travelling expenses	10,424	-	10,424	-
Other interest expenses	11,753	-	11,753	-
Provisions	7,394	-	-	-
Other expenses	22,651	18,742	17,849	18,527
Foreign exchange loss	83,657	(878)	1,928	(878)
	1,478,381	1,033,381	682,653	477,757

Swala Oil and Gas (Tanzania) Public Limited Company

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2019 (Continued)

26. DETAILED EXPENSES (CONTINUED)

Prospecting and exploration expenses	CONSOLIDATED		SEPARATE	
	June 2019	June 2018	June 2019	June 2018
Consultants fees	621	215,351	621	215,351
Head office support	-	(17,125)	-	(17,125)
Legal expenses	-	8,764	-	8,764
Drilling project management & planning costs	39,125	523	39,125	523
Overhead charge - 1% recoverable	785	712	785	712
Overhead charge - 2% non-recoverable	1,573	1,425	1,573	1,425
Storage	7,081	7,081	7,081	7,081
Surface licence fees	25,227	(25,226)	25,227	(25,226)
Training fees (TPDC)	75,000	(75,000)	75,000	(75,000)
Travelling expenses	548	13,303	548	13,303
	149,960	129,808	149,960	129,808

Finance costs				
Interest expense	67,467	1,381	67,467	1,381
Interest on preference share	198,325	-	198,325	-
Interest on loan	2,047,639	2,009,524	189,527	89,316
	2,313,431	2,010,905	455,319	90,697
Grand Total	3,941,772	3,174,094	1,287,932	698,262

27. CONTINGENT LIABILITIES

Undetermined tax assessment

In the year 2017, the Group was assessed by Tanzania Revenue Authority (TRA) for Corporate Tax 2015, Value Added Tax (VAT) 2014, Pay As You Earn (PAYE) 2014-2015, Skills and Development Levy (SDL) 2014-2015 and Withholding Tax (WHT) 2014-2015. As result of that demand note of TZS 1,428,674,653 was received. The Company formally objected these assessments and tax deposit of TZS 50 million was paid during the year 2018 as required by tax laws. Currently, TRA and the Company are going through the assessments and during March 2019, TRA issued the company with amended assessments amounting TZS 251,886,353. The Company has responded to these amended assessments by conceding TZS 141,427,153 paid in May 2019, and disputed TZS 110,459,200, the Directors believe that the Group and Company have strong cases against the disputed amended assessment and no additional provisions are required in the financial statements. The Directors also confirm that there are no other commitments or contingent liabilities against the Group and Company other than those already disclosed as at 30 June 2019.

28. SEGMENT INFORMATION

Financial information for the operating segment are reported to the Board of Directors. The Board of Directors monitors the operating results of its segment for the purpose of making decisions about resource allocation and performance assessment. The Group is still under exploration stage and operates in only one geographical location (Kilosa- Kilombero) which is the only reportable segment. No other operational segmentation has been determined by the chief operating decision maker.