

Swala Oil and Gas
(Tanzania) Public Limited Company

Consolidated and Separate Unaudited Financial Statements for
the six months period ended 30 June 2018

Swala Oil and Gas (Tanzania) Plc

Consolidated and Separate Unaudited Financial Statements for the period ended 30 June 2018

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Swala Oil and Gas (Tanzania) Plc

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for the period ended 30 June 2018

Corporate Information

1. Registered Number

115280066

2. Registered Office

Swala Oil and Gas (Tanzania) Plc
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) Plc
Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018

Report of the Directors

The Directors present their six months report together with the consolidated and separate unaudited financial statements for the period ended 30 June 2018 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 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 reserves. In February 2012, the Company entered into Production Sharing Agreement (PSA) with the Government of Tanzania and Tanzania Petroleum Development Corporation (TPDC) to undertake exploration of Oil and gas in connection with Kilosa Kilombero onshore block.

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

On 15th January 2018 the Group invested 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 acquired for gross proceeds of US\$21,022,450 paid in US\$17,055.950 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	Date of Resignation
Dr. David Mestres Ridge***	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*	Non-Executive Director	Tanzanian	1 st June 2017	
Mr. Scott Gilbert**	Non-Executive Director	British	7 th July 2017	

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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	Ordinary Shares
	2018	2017
Mr. Harold Temu	701,909	701,909
Mr. Abdullah Mwinyi	484,101	484,101
Mr. Salem Balleith	19,590	19,590

*Mr. Justin Massawe is an Executive Director and Minority shareholder of Erncon Holdings Ltd. Erncon Holding Ltd holds 8,335,033 shares in Swala (7.85% of the issued capital) and a further 889,539 shares in Swala indirectly through its holding in SWE Creditors Trust. Together, Erncon Holding Ltd directly and indirectly holds 9,224,572 shares in Swala (8.68% of the total)

**Mr. Scott Gilbert is an Executive Director and 50% Shareholder of the Group de Clermont whose wholly-owned subsidiary Clermont Capital owns 1,091,634 shares in the Company (1.03%).

***Dr. David Mestres Ridge holds 8,529,352 shares indirectly through SWE Creditors Trust.

Company Secretary is Christina Eugene appointed to the position on 1st January 2018. Prior to that date Yohana Mganga was the Company Secretary of the Company.

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 2018 the Company had 1,957 shareholders (31st December 2017: 1,957). The shares of the Company are held as follows:

	Shareholder's Name	Number of Shares	Ownership percentage
1	SWE Creditors Trust	58,453,561	55.0%
2	Erncon Holding Ltd	8,335,033	7.85%
3	Swala Tanzania Trust Company Limited *	6,351,746	5.98%
4	SureStream Petroleum Limited (UK)	6,247,154	5.88%
5	Energy Tanzania Limited	5,333,334	5.02%
6	Ameir Munif Abdallah Nahdi	2,420,520	2.28%
7	De Clermont Capital Limited	1,091,634	1.03%
8	Gabriel Michael Kessy	767,206	0.72%
9	Maryanne Massawe	734,891	0.69%
10	Harold Enock Temu	701,909	0.66%
11	Other shareholders and General Public	15,764,630	14.72%
	Total	106,201,618	100.00%

* 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 2018**

Report of the Directors (Continued)

STOCK EXCHANGE INFORMATION

In 2014 the Company listed with Dar es Salaam Stock exchange. The average share price during the period was TShs.500. In 2018 the performance of the Company's shares in the secondary market was as follows: Market capitalization as at 30 June 2018 was Tshs 53.1 billion (previous year - Tshs 42.5 billion).

OPERATING AND FINANCIAL REVIEW

Performance for the year

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

Operating review

During the period, the Company suspended the drilling of Kito-1 well to 2019 because of delays in obtaining site access permits which would allow them to drill during the 2018 dry season. The Company continued with other preparation activities for the 2019 Kito-1 well drilling campaign.

FUTURE DEVELOPMENT PLANS

The Company will continue with its work commitments for the second year on the first extension period in the Kilosa - Kilombero area, continue with business development by applying for other licences in Tanzania and elsewhere and grow its position in ownership of PAE Panafrican Energy Corporation (PAEM).

DIVIDEND

Directors do not recommend payment of dividends for the period ended 30 June 2018.

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.

The Board delegates the 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.

Consolidated and Separate Unaudited Financial Statements
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Report of the Directors (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Group. 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 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 system is 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 2018 and is of the opinion that they met accepted criteria.

GOING CONCERN

The Group's and the Company's state of affairs as at 30 June 2018 is set out on page 11 of these consolidated and separate financial statements. Refer to note 2(e) to these consolidated and separate financial statements for further discussion on the Group's and Company's ability to continue as a going concern.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group Corporate Social Responsibility ("CSR") encompasses the management of relationships with shareholders, employees, contractors and the communities in areas where the Group works, together with the impact on society and the environment. The Group recognizes its 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 objective is to support development in local communities and to minimise the impact on the environment. The Group recognises the importance of engaging with local stakeholders and takes seriously concerns regarding oil and gas development. Working closely with host communities achieves the best possible outcome for both the Group and stakeholders.

As part of the CSR and Capacity building the Group set aside 6.4 million shares (2017: 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.

Consolidated and Separate Unaudited Financial Statements
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Report of the Directors (Continued)

EMPLOYEE WELFARE

Employee Relations

The Group continues to have strong employee relations across the Group. We practice an open-door policy with flat structures so that employees are able to get complaints dealt with quickly. We currently have no open cases internally

The Group is an equal opportunity employer. We give equal access to employment opportunities and ensure that 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 provides on-the-job and external training to employees, in and outside Tanzania.

Benefits

The group provides medical insurance coverage for all employees and pays contributions to National Social Security Fund and PPF Pension Fund, which are publicly administered mandatory pension plans and qualify to be a defined contribution plan.

Health and safety

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

Disabled Persons

It is the Group's policy to accept disabled persons for employment for those vacancies that they are able to fill. The Group also maintains its 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) Plc

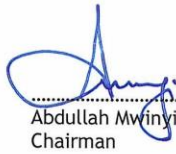
Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018

Report of the Directors (Continued)

AUDITORS

The Group and Company's auditors, KPMG, Certified Public Accountants, are in their first 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: 19/09.....2018

Swala Oil and Gas (Tanzania) Plc

**Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018**

Statement of Directors' Responsibilities

The Group 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) Plc, comprising the consolidated and separate statements of financial position at 30 June 2018, 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.

The Directors have made an assessment of the ability of the Group and Company to continue as going concern and have no reason 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) Plc, as identified in the first paragraph, were approved by the Board of Directors on 19 September 2018 and signed by:


Abdullah Mwinyi
Chairman


David Mestres Ridge
CEO

Swala Oil and Gas (Tanzania) Plc

Consolidated and Separate Unaudited Financial Statements
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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) Plc hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the period ended 30th June 2018 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: 19/09/.....2018

Swala Oil and Gas (Tanzania) Plc

Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income

	Notes	GROUP		COMPANY	
		6 months ended June 2018 USD	6 months ended June 2017 USD	6 months ended June 2018 USD	6 months ended June 2017 USD
Other income	15	1,715,809	48,517	14,333	48,517
Prospecting and exploration expenses	24	(129,808)	(277,515)	(129,808)	(277,515)
Operating and administration expenses	24	(1,033,381)	(171,736)	(477,757)	(171,736)
Finance costs	16	(2,010,905)	(70,831)	(90,697)	(70,831)
loss before income tax		(1,458,285)	(471,565)	(683,929)	(471,565)
Income tax expense	4	-	-	-	-
loss for the period		(1,458,285)	(471,565)	(683,929)	(471,565)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(1,458,285)	(471,565)	(683,929)	(471,565)
LOSS PER SHARE FROM CONTINUED OPERATIONS:					
Basic loss per share	18	(0.014)	(0.004)	(0.006)	(0.004)
Diluted loss per share	18	(0.014)	(0.004)	(0.006)	(0.004)

The notes on pages 14 to 37 are an integral part of these consolidated and separate financial statements.

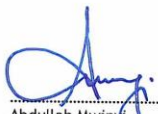
Swala Oil and Gas (Tanzania) plc


Consolidated and Separate Unaudited Financial Statements
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Consolidated and Separate Statements of Financial Position as at 30 June 2018

	Notes	GROUP		COMPANY	
		June 2018 USD	2017(Audited) USD	June 2018 USD	2017(Audited) USD
ASSETS					
Non-Current assets					
Property and equipment	5	19,179	16,656	19,179	16,656
A1 Senior notes/convertible Pref Share issuance cost	10	3,680,110	-	-	-
Investment in PAE PanAfrican Energy Corps ("PAEM")	8	21,022,450	-	-	-
Investment in subsidiaries	8	-	-	3,786,234	234
		24,721,739	16,656	3,805,413	16,890
Current assets					
Current account - Joint operating partner	14	153,580	200,244	153,580	200,244
Inter-company current accounts	9	-	-	15,508	12,333
Other receivables and prepayments	6	222,723	97,467	129,311	97,467
Debit services reserve	7	3,756,155	-	-	-
Cash and cash equivalent	7	242,319	3,470	72,324	3,470
		4,374,777	301,181	370,723	313,514
Total Assets		29,096,516	317,837	4,176,136	330,404
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		(13,166,970)	(11,708,685)	(12,376,462)	(11,692,533)
Total equity		(5,194,069)	(3,735,784)	(4,403,561)	(3,719,632)
LIABILITIES					
Non-Current liabilities					
14.5% A1 Senior Notes	10	25,000,000	-	-	-
10% Convertible Preference Share	10	3,966,500	-	-	-
14.5% Inter-company loan	10	-	-	1,661,398	-
		28,966,500	-	1,661,398	-
Current liabilities					
Borrowings - SWE Creditors Trust	10	-	807,000	-	807,000
Short term loan	13	229,128	213,934	229,128	213,934
Current account - Joint operating partner		-	-	-	-
Convertible notes		-	13,813	-	13,813
Income taxes	4	-	-	-	-
Trade and other payables	12	5,094,957	3,018,874	6,689,171	3,015,289
		5,324,085	4,053,621	6,918,299	4,050,036
Total Equity and Liabilities		29,096,516	317,837	4,176,136	330,404

The consolidated and separate financial statements on pages 14 to 37, were approved by the Board of Directors on 19/09/2018 and signed on its behalf by:


Abdullah Mwinyi
Chairman


David Mestres Ridge
CEO

The notes on pages 14 to 37 are an integral part of these consolidated and separate financial statements.

Swala Oil and Gas (Tanzania) Plc

Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018

Consolidated and Separate Statements of Changes in Equity

GROUP

	Notes	Share Capital USD	Share Premium USD	Accumulated losses USD	Total USD
Balance as at 1 January 2017 (Audited)		64,918	7,907,983	(14,145,499)	(6,172,598)
Profit for the year		-	-	2,436,814	2,436,814
Balance as at 31 December 2017 (Audited)		64,918	7,907,983	(11,708,685)	(3,735,784)
Loss for the period		-	-	(1,458,285)	(1,458,285)
Balance as at 30 June 2018		64,918	7,907,983	(13,166,970)	(5,194,069)

COMPANY

	Notes	Share Capital USD	Share Premium USD	Accumulated Losses USD	Total USD
Balance as at 1 January 2017 (Audited)		64,918	7,907,983	(14,143,465)	(6,170,564)
Profit for the year		-	-	2,450,932	2,450,932
Balance as at 31 December 2017 (Audited)		64,918	7,907,983	(11,692,533)	(3,719,632)
Loss for the period		-	-	(683,929)	(683,929)
Balance as at 30 June 2018		64,918	7,907,983	(12,376,462)	(4,403,561)

The notes on pages 14 to 37 are an integral part of these consolidated and separate financial statements.

Swala Oil and Gas (Tanzania) Plc

Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018

Consolidated and Separate Statements of Cash Flows

	Notes	GROUP		COMPANY	
		6 months ended June 2018	6 months ended June 2017	6 months ended June 2018	6 months ended June 2017
		USD	USD	USD	USD
CASHFLOWS FROM OPERATING ACTIVITIES					
loss before taxation		(1,458,285)	(471,565)	(683,929)	(471,565)
Adjustments for:					
Depreciation - PPE		1,873	7,613	1,873	7,613
Amort for A1 Senior/Preference share Notes Issuance cost		408,901	-	-	-
Dividend received from investment	15	(1,681,766)	-	-	-
Interest income generated from Debit services reserve		(19,434)	-	-	-
Interest expense	24	2,009,524	69,020	89,316	69,020
		(739,187)	(394,932)	(592,740)	(394,932)
Change in receivables and prepayments		(125,255)	78,554	(31,844)	78,554
Change in intercompany payable		(807,000)	-	(807,000)	-
Changes in other payables, accruals and provisions		(64,046)	(115,777)	(112,909)	(115,777)
Changes in current accounts		46,663	431,052	43,488	431,052
Cash (utilised in) from operating activities		(1,688,825)	(1,103)	(1,501,005)	(1,103)
Interest paid		(6,757)	(1,060)	(6,757)	(1,060)
Taxation paid		-	-	-	-
Net cash (outflow) inflow from operating activities		(1,695,582)	(2,163)	(1,507,762)	(2,163)
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property and equipment	5	(4,397)	-	(4,397)	-
Investment in PAE PanAfrican Energy Corps ("PAEM")		(17,055,950)	-	-	-
Restricted Cash to Debit services reserve		(3,736,721)	-	-	-
A1 Senior notes issuance cost		(3,950,267)	-	-	-
Dividend received from investment		1,681,766	-	-	-
Net cash used in investing activities		(23,065,569)	-	(4,397)	-
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowing		25,000,000	-	1,581,013	-
Net cash inflow from financing activities		25,000,000	-	1,581,013	-
Net increase (decrease) in cash and bank balances		238,849	(2,163)	68,854	(2,163)
Cash and bank balances at the start of the year	7	3,470	16,471	3,470	16,471
Cash and bank balances at the end of the year	7	242,319	14,308	72,324	14,308

The notes on pages 14 to 37 are an integral part of these consolidated and separate financial statements.

1. REPORTING ENTITY

Swala Oil and Gas (Tanzania) Plc is incorporated in the United Republic of Tanzania under Companies Act as limited liability Company. The Company 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.

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 compliance with the requirements of 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 the 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 - whether the Group has control over an investee and accounting policy 2 (f) basis of consolidation

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;

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.

2. BASIS OF PREPARATION (CONTINUED)

d) Use of judgment and estimates (continued)

ii) Assumptions and estimation uncertainties (continued)

Asset useful lives

The useful lives of items of property and equipment are estimated annually and are in line 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 a jurisdiction with complex 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.

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)

2. BASIS OF PREPARATION (CONTINUED)

e) Going concern basis of accounting preparation

The Group incurred a net loss of US\$ 1.46 million (Company: US\$ 0.68 million) for the period ended 30 June 2018 (June 2017: Group incurred a net loss of US\$ 0.47 million and Company: US\$ 0.47 million). As at the reporting date the Group's liabilities exceeded its assets by US\$ 5.19 million (Company: US\$ 4.40 million) (2017: Group's liabilities exceeded its assets by US\$ 3.74 million and Company: US\$ 3.72 million) and a Group net current liability position of US\$0.95 million (Company: US\$6.55 million) (2017: Group net current liability of US\$ 3.75 million and Company: US\$ 3.74 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.

The Group and Company is in the exploration stage with no production. The group had acquired 7.93% equity interest in PAE Panafrican Energy Corporation ("PAEM"), a Mauritius registered company and has a right to acquire a further 32.07%, the already acquired 7.93% equity interest entitles the group to dividend cashflow and the directors believes this cashflow is enough to fund the group's forward plans. In the event that additional funds are required the Company will depend on its ability to raise funds in the capital markets.

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 cost.

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, Plant and Equipment

i) Recognition and measurement

Items of property, plant 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, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

ii) Subsequent costs

The cost of replacing part of an item of property, plant 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, plant 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, plant 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, plant and equipment are reviewed at the end of each reporting period and adjusted where appropriate.

b) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) 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, plant and equipment or intangibles as appropriate after being assessed for impairment.

d) 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'.

e) Financial instruments

i) Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets of the Group are classified as loans and receivables, based on the purpose for which financial assets were acquired. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, where time value of money is material, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash and bank balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

ii) Financial liabilities

Group's trade and other payables and borrowings are classified as other financial liabilities and are initially measured at fair value less directly attributable transaction costs and subsequently recorded at amortised cost using effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

ii) Financial liabilities (continued)

Convertible notes

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

When allocating the initial carrying amount of a convertible note to the underlying financial liability the Group first determines the fair value of the liability component. The embedded derivative component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option.

The convertible note derivative liability is removed from the Consolidated and Separate Statements of Financial Position when the obligations specified in the Contract are discharged. This can occur at maturity date, when the convertible notes convert to equity.

Convertible note derivative liabilities are classified as current or non-current based on the maturity date of the convertible note.

Fair values of convertible note derivatives

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

f) Share capital

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.

g) Impairment

i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include 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 will enter bankruptcy, the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment (continued)

i) Financial assets (including receivables) (continued)

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (if any) that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. For the purpose of impairment testing, assets that cannot be tested individually 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 groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Employee benefits

i) Defined contribution plans

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

Contributions to these pension funds 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.

i) 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.

j) 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.

k) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) 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.

m) 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.

n) Dividends

Dividends are recognised as a liability in the period in which they are declared and approved.

o) 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 other receivables 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.

p) Comparatives

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

q) 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).

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A new amendment to standard and interpretation, relevant to the Group is not yet effective for the period ended 30 June 2018 and have not been applied in preparing these financial statements. The Group does not plan to adopt it early and it is not expected to have a significant impact on the Group's financial statements. This standard is summarised below:

i) IFRS 16: Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

This standard will become effective for financial year commencing on 1 January 2019 with early adoption encouraged. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

4. TAXATION

At 30 June 2018, the Group has estimated accumulated tax losses of USD 7,373,084 (Dec2017: USD 6,732,305) available for set-off against future taxable profit.

INCOME TAX EXPENSE	GROUP		COMPANY	
	June2018 USD	Dec2017 USD	June2018 USD	Dec2017 USD
Tax charge				
Income tax charge - recognised*	-	-	-	-
Total	-	-	-	-

DEFERRED TAX	GROUP		COMPANY	
	June2018 USD	Dec2017 USD	June2018 USD	Dec2017 USD
Tax charge /(credit)- current year				
Deferred tax charge (credit) - not recognised	(177,970)	478,232	(177,970)	478,232
Total	(177,970)	478,232	(177,970)	478,232

Tax reconciliation is as follows:

	GROUP		COMPANY	
	June2018 USD	Dec2017 USD	June2018 USD	Dec2017 USD
(Loss)/Profit before income tax	(683,929)	2,450,932	(683,929)	2,450,932
Tax calculated at the statutory of 30%	(205,179)	735,280	(205,179)	735,280
Tax effect of:				
Alternative minimum tax	-	-	-	-
Prior year Deferred tax adjustment	-	(299,667)	-	(299,667)
Expense not deductible for tax purposes	27,209	42,619	27,209	42,619
Effect of prior year corrections	-	-	-	-
Total	(177,970)	478,232	(177,970)	478,232

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)

4. TAXATION (CONTINUED)

Deferred tax

As at 30 June 2018 there is a deferred tax asset of US\$ 2,551,915 (Dec 2017: USD 2,373,945) 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.

	GROUP		COMPANY	
	June2018 USD	Dec2017 USD	June2018 USD	Dec2017 USD
The gross movement on the deferred tax account is as follows:				
At beginning of the year	2,373,945	2,852,177	2,373,945	2,852,177
Movement during the year	177,970	(478,232)	177,970	(478,232)
At the end of the year - Not recognised	2,551,915	2,373,945	2,551,915	2,373,945

	GROUP		COMPANY	
	June2018 USD	Dec2017 USD	June2018 USD	Dec2017 USD
Deferred tax asset includes the following temporary differences:				
Estimated income tax losses	2,211,925	2,019,691	2,211,925	2,019,691
Accelerated capital deductions	320,307	334,231	320,307	334,231
Other timing differences	19,683	20,023	19,683	20,023
Net deferred income tax Assets - Not recognised	2,551,915	2,373,945	2,551,915	2,373,945

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**5. PROPERTY AND EQUIPMENT**

GROUP AND COMPANY				
	Office equipment USD	Furniture and fittings USD	Motor vehicle USD	Total USD
Cost				
At 1 January 2017 (Audited)	14,290	20,741	18,460	53,491
Disposal	-	-	(18,460)	(18,460)
At 31 December 2017 (Audited)	14,290	20,741	-	35,031
Addition	4,397	-	-	4,397
At 30 June 2018	18,687	20,741	-	39,428
Depreciation				
At 1 January 2017 (Audited)	7,486	7,533	13,115	28,134
Charge for the year	1,676	1,680	4,032	7,388
Depreciation on disposal	-	-	(17,147)	(17,147)
At 31 December 2017 (Audited)	9,162	9,213	-	18,375
Charge for the period	961	913	-	1,874
At 30 June 2018	10,123	10,126	-	20,249
Net book value				
At 30 June 2018	8,564	10,615	-	19,179
At 31 December 2017 (Audited)	5,128	11,528	-	16,656

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

	GROUP		COMPANY	
	June 2018 USD	Dec 2017 (Audited) USD	June 2018 USD	Dec 2017 (Audited) USD
Accounts receivable	-	27,728	-	27,728
Accrued Income	1,748	-	1,748	-
Other debtors	50,274	15,511	50,274	15,511
VAT receivables	101,485	43,846	63,964	43,846
Prepayment	69,216	10,382	13,325	10,382
Total	222,723	97,467	129,311	97,467

7. BANK BALANCES

	GROUP		COMPANY	
	June 2018 USD	Dec 2017 (Audited) USD	June 2018 USD	Dec 2017 (Audited) USD
Cash on hand	176	10	176	10
Cash at bank	242,143	3,460	72,148	3,460
Total	242,319	3,470	72,324	3,470

In addition to the above Bank balances, the Group maintains a Debt service reserve bank account amounting US\$ 3,756,155.

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**8. INVESTMENTS IN SUBSIDIARIES****a) In Subsidiaries**

Swala Oil and Gas (Tanzania) Plc 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 2018 USD	2017(Audited) USD
Cost		
At 01 January	1,438,164	1,437,930
Additions	3,786,000	234
At 30 June / 31 December	5,224,164	1,438,164
Accumulated impairment losses		
At 01 January	1,437,930	1,437,930
Additions	-	-
At 30 June /31 December*	1,437,930	1,437,930
Net Investment	3,786,234	234

*Relates to full impairment of investment in Swala (Burundi) Limited.

Particulars of the subsidiaries as at 30 June 2018 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	3,786,134

b) Other Investments

As at 30th June 2018 the Group has an 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 acquired for gross proceeds of US\$21,022,450 paid in US\$17,055,950 cash and US\$3,966,500 face value of Swala convertible preference shares.

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.

i) Due from Related parties

	June 2018 USD	Dec 2017(Audited) USD
Swala (Mauritius) Limited	12,333	12,333
Swala Energy (Burundi) Limited	3,175	-

Swala Oil and Gas (Tanzania) Plc

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

The balance attributed by the Company settling liabilities on behalf of its subsidiaries. The related party balances are not carrying any interest and are due on demand.

ii) 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.

	GROUP		COMPANY	
	June2018 USD	Dec2017 (Audited) USD	June2018 USD	Dec 2017 (Audited) USD
Salaries	115,002	265,714	115,002	265,714
Defined contribution plan	19,175	41,186	19,175	41,186

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

iii) Directors' emoluments

	GROUP		COMPANY	
	June2018 USD	Dec2017 (Audited) USD	June2018 USD	Dec2017 (Audited) USD
Non-executive Chairman	12,000	12,000	12,000	12,000
Non-executive Directors	48,000	46,000	48,000	46,000
Executive director (Including key management personnel)	98,177	262,935	98,177	262,935

10. BORROWING

	GROUP		COMPANY	
	June2018 USD	Dec2017 (Audited) USD	June2018 USD	Dec2017 (Audited) USD
SWE Creditors Trust: - Current Portion*	-	807,000	-	807,000
14.5% Intercompany loan - with Swala PAEM **	-	-	1,661,398	-
14.5% A1 Senior Notes***	25,000,000	-	-	-
10% Convertible Preference Share****	3,966,500	-	-	-
	28,966,500	807,000	1,661,398	807,000

SWE Creditors Trust relates to a loan that was issued for the purpose of funding Company's petroleum operations and secured by fixed and floating charges over Company's all assets, this loan was paid in full on 9th February 2018.

14.5% Intercompany loan relates to a loan 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 loan carries an interest of 14.5% 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

Swala Oil and Gas (Tanzania) Plc

Notes to the Consolidated and Separate Unaudited Financial Statements for the period ended 30 June 2018 (Continued)

10. BORROWING (CONTINUED)

A1 Senior notes relates to the five years Senior notes 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 December 31 and June 30 of each year.

Convertible preference shares carry an interest rate of 10% per annum which is paid/accrued on the last day of March, June, September and December each year the preference share are outstanding. The preference shares will be redeemed by cash for their first 5th Anniversary of the date the preference share is issued, with Swala may elect to convert into fully paid ordinary shares of Swala any outstanding preference share on the 6th Anniversary which is the last Anniversary.

In addition, through the period the group incurred costs which includes agent’s costs, expenses, commission and disbursements amounting to US\$4,089,011 in connection with raising the fund to finance the 7.93% equity interest in PAE Panafrican Energy Corps (“PAEM”), these costs are initially capitalized and amortized to the income statement basing on the units of gas produced.

11. SHARE CAPITAL

	June2018 USD	Dec2017 (Audited) USD
Authorised 9,098,424,000 (Dec2017:150,000,000) Ordinary shares of Tzs 1 (USD 0.00062500) each	5,686,515	93,750
Issued and fully paid up 106,201,618 Ordinary shares of Tzs 1 (USD 0.00061127) each	64,918	64,918
Share Premium Share premium at the start and end of the period / year	7,907,983	7,907,983

Swala Energy Limited (“SWE”), which at the time held 58.5% (now 55%) of the issued share capital of Swala Oil & Gas (Tanzania) Plc (‘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.

12. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	June2018 USD	Dec2017 (Audited) USD	June2018 USD	Dec2017 (Audited) USD
Account payables & other payable	1,478,804	1,428,905	1,287,613	1,425,320
Accruals	3,555,887	1,529,703	5,341,292	1,529,703
Provisions	60,266	60,266	60,266	60,266
Total	5,094,957	3,018,874	6,689,171	3,015,289

The Account Payable and Other payables above includes a settlement to Otto whereby On the 25th May 2017 Swala and Otto settled commercially a dispute brought by Otto against a number of parties in respect of the Pangani licence before the Federal Court in Australia. As part of this settlement of all outstanding matters concerning this licence, Swala shall make a net payment of \$800,000 to Otto. On 27th September 2017 Tanzania Revenue Authority instructed Swala Oil and Gas (Tanzania) Plc to suspend the transfer for the compensation to OTTO until TRA issues Swala with TRA’s determination regarding Otto’s Tax liability and the extent of Swala agency obligation out of the agreement.

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**13. SHORT TERM LOAN**

	GROUP		COMPANY	
	June2018	Dec2017 (Audited)	June2018	Dec2017 (Audited)
	USD	USD	USD	USD
Swala Energy Trust Co. Ltd	57,714	57,714	57,714	57,714
Erncon Holdings Ltd	110,000	110,000	110,000	110,000
Neil Tayrol	32,594	25,100	32,594	25,100
Frank Whitehead	21,120	21,120	21,120	21,120
Neema Kiwelu	5,500	-	5,500	-
Harlod Temu	2,200	-	2,200	-
Total	229,128	213,934	229,128	213,934

USD 171,414 (Dec2017:USD156,220) out of USD 229,128 (Dec2017:USD213,934) attributed by redemption of convertible notes and the balance (USD 57,714) attributed by utilizing the funds resulted by selling 244,200 shares of Swala Energy Trust Co. Ltd to De Clermont Capital Limited at the cost of USD 0.23633907 each.

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 licences 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 2018 are detailed below. Exploration is principle activity performed across these licence areas.

	Kilosa Kilombero Licence	
	June2018	Dec2017
Swala Oil and Gas (Tanzania) plc - Operator	75%	75%
TATA Petrodyne Limited	25%	25%

As at 30 June 2018 the Company has a current account due from JOA partners of USD 153,580 (Dec2017: USD 200,244).

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.

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**15. OTHER INCOME**

	GROUP		COMPANY	
	June2018	June2017	June2018	June2017
	USD	USD	USD	USD
Overhead charge - 3%	2,850	6,035	2,850	6,035
Dividend from Investment*	1,681,766	-	-	-
Interest generated from bank deposit	19,710	-	-	-
Consideration from farm-out transactions **	11,483	42,482	11,483	42,482
	1,715,809	48,517	14,333	48,517

*Dividend income is recognised when the right to receive payment is established.

** 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.

16. FINANCE COSTS

	GROUP		COMPANY	
	June2018	June2017	June2018	June2017
	USD	USD	USD	USD
Interest from Long term loan	1,851,226	69,020	89,316	69,020
Accrued Interest on 10% convertible Preference Share	158,298	-	-	-
Interest from short term loan	1,381	-	1,381	-
Foreign exchange loss	-	1,811	-	1,811
	2,010,905	70,831	90,697	70,831

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):

GROUP June2018:	Designated at fair value USD	Held to maturity USD	Loans and receivables USD	Other liabilities USD	Total carrying amount USD
ASSETS					
Cash and cash equivalents	-	-	242,319	-	242,319
Current account	-	-	153,580	-	153,580
Debit service reserve	-	-	3,756,155	-	3,756,155
Other debtors	-	-	222,723	-	222,723
	-	-	4,374,777	-	4,374,777
LIABILITIES					
Accounts and other payables	-	-	-	1,478,804	1,478,804
Accruals	-	-	-	3,556,116	3,556,116
Short term loan	-	-	-	229,128	229,128
	-	-	-	5,264,048	5,264,048

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)

17. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

COMPANY June 2018:

	Designated at fair value	Held to maturity	Loans and receivables	Other liabilities	Total carrying amount
	USD	USD	USD	USD	USD
ASSETS					
Cash and cash equivalents	-	-	72,324	-	72,324
Current account	-	-	153,580	-	153,580
Other debtors	-	-	52,022	-	52,022
	<u>-</u>	<u>-</u>	<u>277,926</u>	<u>-</u>	<u>277,926</u>
LIABILITIES					
Accounts and other payables	-	-	-	1,287,613	1,287,613
Accruals	-	-	-	1,555,056	1,555,056
Short term loan	-	-	-	229,128	229,128
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,071,797</u>	<u>3,071,797</u>

GROUP 2017 (Audited):

ASSETS					
Cash and cash equivalents	-	-	3,470	-	3,470
Current account	-	-	200,244	-	200,244
Accounts receivable	-	-	27,728	-	27,728
Other debtors	-	-	15,511	-	15,511
	<u>-</u>	<u>-</u>	<u>246,953</u>	<u>-</u>	<u>246,953</u>
LIABILITIES					
Accounts and other payables	-	-	-	1,428,905	1,428,905
Accruals	-	-	-	1,529,703	1,529,703
Short term loan	-	-	-	213,934	213,934
Convertible notes	13,813	-	-	-	13,813
Borrowing	-	-	-	807,000	807,000
	<u>13,813</u>	<u>-</u>	<u>-</u>	<u>3,979,542</u>	<u>3,993,355</u>

COMPANY 2017 (Audited):

	USD	USD	USD	USD	USD
ASSETS					
Cash and cash equivalents	-	-	3,470	-	3,470
Current account	-	-	200,244	-	200,244
Accounts receivables	-	-	27,728	-	27,728
Other debtors	-	-	15,511	-	15,511
	<u>-</u>	<u>-</u>	<u>246,953</u>	<u>-</u>	<u>246,953</u>
LIABILITIES					
Accounts and other payables	-	-	-	1,425,320	1,425,320
Accruals	-	-	-	1,529,703	1,529,703
Short term loan	-	-	-	213,934	213,934
Convertible notes	13,813	-	-	-	13,813
Borrowing	-	-	-	807,000	807,000
	<u>13,813</u>	<u>-</u>	<u>-</u>	<u>3,975,957</u>	<u>3,989,770</u>

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

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**17. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)****Transfers**

During the period ended 30 June 2018, there were no transfers of available-for-sale equity securities or derivatives between levels 1 and 2 of the fair value hierarchy. There were no transfers into or out of level 3 during the period.

18. 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.

	GROUP		COMPANY	
	June2018	June2017	June2018	June2017
Loss attributable to shareholders	(1,458,285)	(471,565)	(683,929)	(471,565)
Weighted average number of shares in issue	106,201,618	106,201,618	106,201,618	106,201,618
Basic loss per share	(0.014)	(0.004)	(0.006)	(0.004)

- 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.

	GROUP		COMPANY	
	June2018	June2017	June2018	June2017
loss attributable to shareholders	(1,458,285)	(471,565)	(683,929)	(471,565)
Weighted average number of shares in issue	106,201,618	106,201,618	106,201,618	106,201,618
Diluted loss per share	(0.014)	(0.004)	(0.006)	(0.004)

19. 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 2018 was 0.02 (At 31 December 2017: -0.65).

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 2018.

20. 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.

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**20. FINANCIAL RISK MANAGEMENT (CONTINUED)**

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.

GROUP	June 2018 USD		Dec 2017 - (Audited) USD	
	Loans & receivables	Exposure to Credit risk	Loans & receivables	Exposure to Credit risk
Current account- Joint operating partner	153,580	153,580	200,244	200,244
Account receivables	-	-	27,728	27,728
Other debtors	222,723	222,723	15,511	15,511
Total	376,303	376,303	243,483	243,483
COMPANY				
Current account- Joint operating partner	153,580	153,580	200,244	200,244
Account receivables	-	-	27,728	27,728
Other debtors	52,022	52,022	15,511	15,511
Total	205,602	205,602	243,483	243,483

Management has not identified any indicators of impairment of the receivable balances.

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**20. 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 2018

	Note	Less than 1 year USD	Between 1 and 2 years USD	Between 2 and 5 years USD	Over 5 years USD
Trade and other payables	12	5,094,957	-	-	-
Short term loan	13	229,128	-	-	-
Convertible notes		-	-	-	-
Borrowing	10	-	-	25,000,000	-
Redeemable Preference Share		-	-	-	3,966,500
		5,324,085	-	25,000,000	3,966,500

As at 31 December 2017 (Audited)

	Note	Less than 1 year USD	Between 1 and 2 years USD	Between 2 and 5 years USD	Over 5 years USD
Trade and other payables	12	3,018,874	-	-	-
Short term loan	13	213,934	-	-	-
Convertible notes		13,813	-	-	-
Borrowings	10	807,000	-	-	-
		4,053,621	-	-	-

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 2018.

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).

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 30 June 2018.

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**21. COMMITMENTS**

As of 30th June 2018, 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 2018 USD	Dec 2017 USD
Approved but not contracted for: Exploration	8,038,189	8,038,189
Approved and contracted: Drilling costs	555,549	565,885
	8,593,738	8,604,074

Pursuant to the farm-in transaction with Tata Petrodyne Limited ("Tata"), Swala Oil and Gas (Tanzania) Plc will be carried for the total commitment of USD 2,864,579.

Lease commitment:	June 2018 USD	Dec 2017 USD
Non-cancellable operating leases - future minimum lease payments payable:		
Within one year	341,671	318,471
Later than one year but not later than 5 years	-	-
	341,671	318,471

22. EVENTS AFTER THE REPORTING PERIOD

The Group has commenced the process of bond-raising to finance the remaining acquisition of 32.07% equity interest in PAE Panafrican Energy Corporation ("PAEM"), a Mauritius-registered Company. On the 5th January 2018 the Group submitted its prospectus to list \$50 million Corporate Bonds (with up to \$30 million Greenshoe Rights) to the Capital Markets and Securities Authority ("CMSA"). On the 2nd of May 2018 the Group withdrew its application and, on the 10th May 2018, commenced the process to list instead on the Stock Exchange of Mauritius (SEM). The Group received consent to list its Corporate Bonds on the SEM on the 7th August 2018 with the listing of the Notes on the Official Market of the SEM expected to happen on or around 1st October 2018.

Following the technical meeting between Tanzania Petroleum Development Corporation and the company held on 22th June 2018 which resolved several issues including uplifting the force majeure declared on 20th April 2018, the company on 30th August 2018 declared officially to uplift the force majeure on Kilosa - Kilombero. It was unanimously agreed by Tanzania Petroleum Development Corporation and the company that Kito-1 cannot be drilled in the year 2018 on the basis of technical reasons, weather window and unavailability of the drilling rig for the year. On 31st August 2018 the company wrote a formal request regarding postponement of Kito-1 well drilling to 2019.

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**23. 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 shall be distributed to the ultimate beneficial owners in accordance with the agreement dated 20th June 2017 between Swala and the SWE Creditors Trust.

24. DETAILED EXPENSES

	GROUP		COMPANY	
	June2018	June2017	June2018	June2017
	USD	USD	USD	USD
Operating and administration expenses				
Wages and salaries	209,055	71,587	209,055	71,587
Directors fees	60,000	18,000	60,000	18,000
Auditor remuneration fees	12,764	7,430	12,764	7,430
Filing Fee	45,574	-	45,574	-
Financial services	433,987	17,222	25,086	17,222
Rent	36,190	13,000	36,190	13,000
Press release /Public Relations Press release /Public Relations/ IPO costs	216	-	216	-
Staff training	544	-	544	-
WHT accrued	(372)	-	(372)	-
Computer consumables	4,153	8,982	4,153	8,982
Printing and stationery	2,094	42	2,094	42
Employer Pension (NSSF & PPF) contribution	20,905	7,772	20,905	7,772
Workers compensation fee	2,091	716	2,091	716
Employer SDL contribution	9,407	3,221	9,407	3,221
Employee leave accrual	9,533	(18,446)	9,533	(18,446)
Licenses, registrations, permits	12,758	-	2,758	-
Insurance	12,485	13,081	12,485	13,081
Accommodation	5,751	10,565	5,751	10,565
Depreciation	1,874	7,613	1,874	7,613
Management Fee (recruitment)	136,508	-	-	-
Other expenses	18,742	10,951	18,527	10,951
Foreign exchange loss	(878)	-	(878)	-
	1,033,381	171,736	477,757	171,736

Notes to the Consolidated and Separate Unaudited Financial Statements
for the period ended 30 June 2018 (Continued)**24. DETAILED EXPENSES (CONTINUED)**

Prospecting and exploration expenses	GROUP		COMPANY	
	June2018	June2017	June2018	June2017
Consultants fees	215,351	34,975	215,351	34,975
Head office support	(17,125)	30,000	(17,125)	30,000
Legal expenses	8,764	24,602	8,764	24,602
Drilling project management & planning costs	523	47,092	523	47,092
Overhead charge - 1% recoverable	712	1,509	712	1,509
Overhead charge - 2% non-recoverable	1,425	3,017	1,425	3,017
Storage	7,081	10,484	7,081	10,484
Surface licence fees	(25,226)	30,833	(25,226)	30,833
Training fees (TPDC)	(75,000)	75,000	(75,000)	75,000
Travelling expenses	13,303	20,003	13,303	20,003
	129,808	277,515	129,808	277,515

Finance costs				
Interest expenses	1,381	-	1,381	-
Interest on loan	2,009,524	69,020	89,316	69,020
Foreign exchange loss	-	1,811	-	1,811
	2,010,905	70,831	90,697	70,831
Grand Total	3,174,094	520,082	698,262	520,082

25. CONTINGENT LIABILITIES**Undetermined tax assessment**

In the year 2017, the Company was assessed by Tanzania Revenue Authority (TRA) for Corporate tax 2015, VAT 2014, Pay As You Earn (PAYE) 2014-2015 and Withholding Tax (WHT) 2015-2016. As result of that demand note of TZS 1,428,674,653 was received. The Company has formally objected these assessments and tax deposit of TZS 50 million was paid in 2018. The objections are undetermined, and the Directors believe that the Group and Company have strong case to object this 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 2018.

26. 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.