

26 June 2017

**SWE Creditors' Trust
ABN 51 277 886 068
(the Trust)**

Circular to Creditors

I advise that the Annual General Meeting (**AGM**) of Swala Energy Limited (**the Company**) was held on 22 June 2017 and shareholders passed all of the resolutions proposed for the recapitalisation of the Company. The shareholder approval was a necessary step in the completion of the Deed of Company Arrangement (**DOCA**) proposed by Trident Capital Pty Ltd (**Trident**).

The DOCA had been extended on two occasions at the request of Trident to provide Trident as the DOCA proponent with sufficient time to present its recapitalisation proposal to shareholders. Following the AGM Trident paid the balance of the DOCA payments, enabling the DOCA to be effectuated (completed) on 26 June 2017.

The effectuation of the DOCA means that:

1. Control of the Company has passed to Trident and its appointed directors,
2. The Trust has been settled; and
3. All of the assets and liabilities of the Company have been transferred to the Trust for the benefit of creditors and shareholders.

The balance of the Deed Administrators' bank account was included in the assets transferred to the Trust.

Realisation of assets

The Trust controls, as the Company had previously, the shares in Swala Oil and Gas (Tanzania) PLC (**SOGTL**) and the Company loan of circa \$5.8 million to SOGTL. It is proposed that the Trustee will execute an agreement with SOGTL to settle the outstanding SOGTL loan for the sum of A\$1 million on the condition that the:

1. All Trust (former Company) creditors are paid in full, and
2. Payment is received by the Trust no later than 24 September 2017.

It has also been agreed with former Company director, David Mestres Ridge and former company adviser Olly Cairns, that the shares in SOGTL held via Swala Energy (BVI) Limited (**Swala BVI**) for the benefit of the Trust will be transferred "in specie" to a new special purpose vehicle (SPV). The SPV will hold the shares for the benefit of those shareholders having held shares in the Company as at 24 June 2016, being the date of commencement of the Administration. The transfer of the shares to the SPV can only occur after the Trust creditors have been paid in full.

The other investments of the Company, held via Swala BVI are considered to be worthless.

Creditor Dividends

Employees having a priority claim will be paid in advance of ordinary unsecured creditor claims in accordance with the Corporations Act and the Trust deed. However, as the priority employee entitlement claims are in excess of \$0.5 million, there will be no dividend paid until the proposed SOGTL loan settlement is completed.

It is expected that all unsecured creditors will be paid a first and final dividend no later than 30 November 2017 on the basis that the proposed transaction with SOGTL is completed. However, should the transaction with SOGTL complete earlier than expected, the dividend will be paid sooner.

Should the SOGTL transaction fail to complete for any reason, it is unlikely that a dividend will be paid to any creditors this calendar year.

If you require any further information, please contact me on +61 419 441 458 or by email at jthackray@hqadvisory.com.

Yours faithfully

SWE Creditors' Trust



James Thackray
Trustee