

17 April 2020

SWE Creditors' Trust
ABN 51 277 886 068

Creditors of Swala Energy Limited

Circular to Creditors and Final Dividend

1 Summary

I refer to my Circular to Creditors dated 14 November 2019 and advise that all outstanding matters have been resolved in order to pay a final dividend and finalise the Trust.

The final dividend has been paid today and enclosed with this circular is your Notice of Final Dividend.

2 Administration and DOCA of Swala

Creditors will recall that I was appointed Administrator of Swala Energy Limited (**Swala**) on 24 June 2016 (**Appointment**).

At the Second Meeting of Creditors of Swala on 18 October 2016, creditors considered the Administrator's s439A Report and resolved to approve a Deed of Company Arrangement (**DOCA**) proposal. On 21 October 2016 the DOCA commenced.

On 26 June 2017 the DOCA was completed and the SWE Creditors' Trust (**Trust**) commenced.

3 Resolution of dispute with Swala Oil and Gas (Tanzania) Plc and Mestres Ridge

The remaining assets of Swala transferred to the Trust including:

- a loan owing by Swala Oil and Gas (Tanzania) Plc (**SOGTL**), which at Appointment was US\$4.6m; and
- a majority shareholding in SOGTL (58.5% at Appointment).

Prior to completion of the DOCA, we negotiated a deal with the managing director of SOGTL, David Mestres Ridge (**Mestres Ridge**), who is also a former director of Swala. This resulted in execution of a series of agreements in June 2017 to deal with the loan owing by SOGTL and the shareholding in SOGTL (the **SOGTL Agreements**).

As reported previously, we subsequently asserted SOGTL had breached the SOGTL Agreements. For more than two years we made numerous attempts to settle the disputed matters with SOGTL and Mestres Ridge.

Our endeavours to settle matters between the parties also addressed the position of Otto Energy Limited (**Otto**). Otto previously lodged a proof of debt against Swala for A\$1.3m relating to a dispute in Tanzania between Otto and SOGTL. The litigation was settled via mediation in May 2017. Otto's claim is for related causes of action filed in the Federal Court against Swala (and its former directors) prior to Administration.

Concurrent with our attempts to settle the disputed matters with SOGTL and Mestres Ridge, Otto was seeking payment of the residual settlement amount from SOGTL. Ultimately this has led to a commercial agreement between the parties and a Deed of Release has recently been executed between SOGTL, Otto, the former directors of Swala (including Mestres Ridge) and me as Trustee and as former Administrator and Deed Administrator of Swala (**Deed of Release**).

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The settlement has enabled remaining creditor claims to be paid in full. It is pleasing that the settlement has delivered the right outcome for creditors of Swala, which is substantially the same outcome that was intended under the SOGTL Agreements executed in 2017.

4 Final dividend

Priority creditors (employee entitlements) were paid in full by March 2018.

Under the final dividend paid today, remaining creditor claims have been paid in full. SOGTL, Mestres Ridge and Otto were excluded from the final dividend.

In accordance with the Deed of Release, Otto will receive residual funds from the Trust after payment or provision for the Trustee's costs and remuneration to finalise the Trust.

Should you have any queries in relation to your final dividend, please contact Richard Abraham on +61 448 543 669 or at rabraham@hqadvisory.com.

5 Finalisation

We will now proceed to finalise all outstanding matters, including statutory returns and payments. We expect the Trust will be terminated by 31 August 2020.

Should you have any queries please contact me on +61 419 441 458 or at jthackray@hqadvisory.com.

SWE Creditors' Trust



James Thackray
Trustee

Attachment:

Form 549 – Notice of Final Dividend