

## SWALA IPO - FREQUENTLY ASKED QUESTIONS

*This document is intended only to address some of the questions raised by potential investors. It is not intended to replace the Listing Prospectus and interested parties are advised to read the Listing Prospectus and to consult their financial advisors.*

- **What is Swala?**

Swala is a junior oil and gas explorer with assets in Tanzania. It is a subsidiary of Swala Energy Limited, a company that is listed on the Australian Securities Exchange. Swala itself has an independent board of directors, its own management team and is now seeking its own listing on the Dar Stock Exchange (“DSE”).

- **What assets does Swala have?**

Swala currently operates two licences, Pangani and Kilosa-Kilombero, with a 50% equity interest in each. The two licences contain five basins; three that we believe contain Neogene sediments and two that we believe contain Karoo sediments. The oil basins of Uganda and Kenya contain Neogene sediments and so Swala intends to focus its work activities in 2014 over two of the Tanzanian basins that it believes contain Neogene sediments: the Moshi Basin in the Pangani licence and the Kilombero Basin in the Kilosa-Kilombero licence.

- **What is Swala’s capital structure?**

Swala has 80,000,000 shares in issue. In January 2014 it also placed Convertible Notes with new and existing shareholders. Convertible Notes are ‘loans’ that investors make to a company and can be either repaid at a given rate of interest or converted into shares. The Swala Convertible Notes will be converted into 6,666,667 shares at listing.

When we list we aim to raise between the minimum subscription of 1.6 billion shillings and the maximum subscription of 4.8 billion shillings, equating to selling between 3,200,000 and 9,600,000 new shares to new investors. The company will therefore list on the DSE with between 89,866,667 shares and 96,266,667 shares.

- **Who owns Swala?**

At this time, Swala’s main shareholder is Swala Energy Limited (65.13%). The next largest shareholder is Erncon Limited (9.83%), followed by the Swala Trust Company Limited (9.30%), a trust that has been set up to manage a number of Swala shares for the benefit of local communities. The remaining 15.74% of the company is owned by 31 independent Tanzanian shareholders.

When the Convertible Notes are converted into shares, the ownership will change slightly: Swala Energy Limited will own 60.11%, Erncon Limited will own 9.62%, the Swala Trust Company Limited will own 8.59% and the remaining 21.67% will be owned by 32 independent Tanzanian shareholders.

Upon listing, the resulting equities will depend on the number of subscriptions, including by the parent company. No single individual currently controls Swala, and this situation will continue after the listing. (The ownership structure of Swala Energy Limited itself is updated regularly on [swala-energy.com](http://swala-energy.com)).

- **Why are you raising so little, and will it be enough?**

We are aiming to raise between 1.6 and 4.8 billion shillings. Together with our current cash, we believe that this will be sufficient to complete our 2014 seismic work programme and to continue our business development programme. Swala also benefits from the support of its parent company, which ensures access to greater capital if required.

The company decided to raise this amount because the liquidity of the DSE is still untested for natural resources companies. If there is demand, the company can always seek to place more shares in due course. If it does so, it will aim to do so at a premium to the listing price of 500 shillings. Initial indications are that there is significant appetite to participate, with over 100 subscriptions in the first five days.

- **I have never bought shares. Why should I buy shares?**

The DSE has explained, in a series of very good newspaper editorials, the advantages of share ownership as part of a general investment strategy. For specific advice, please contact your broker.

- **How do I buy Swala shares? How can Tanzanians abroad buy shares? What shall I do if there are no brokers or any CRDB branches in my area?**

We have prepared a comprehensive guide, which can be downloaded from [Nihisa.com](http://Nihisa.com) or from our website at [swala-energy.co.tz](http://swala-energy.co.tz).

- **As an individual can I buy the shares or do I need to be part of a company? Since there is no maximum limit, what will happen if one person buys all the shares?**

Individuals and companies can buy shares, and our current shareholder register contains both. No single individual can buy all the shares because our aim is to maximise the number of shareholders, not concentrate the shares.

- **Where can I find more information about Swala?**

Please visit [Nihisa.com](http://Nihisa.com) or from our website at [swala-energy.co.tz](http://swala-energy.co.tz). Additional information from independent brokers discussing the Tanzanian licences can be found at [swala-energy.com](http://swala-energy.com).

- **Can you assure us that we will make a profit? Will I receive any dividends?**

Junior natural resources companies do not at first issue dividends because, without production, there is no cashflow stream to distribute as dividends. Later on, when production

starts, these companies can sometimes issue dividends and sometimes they reinvest the production into growing the company. At this early stage, the investment proposition is one of capital gains.

- **What happens if Swala does not find oil or gas, what will happen to our money? Why are you selling before you find any products?**

There is a misunderstanding that oil and gas companies are only valuable when they have made a discovery. Whilst it is undoubtedly true that companies that have found hydrocarbons are more valuable than those that have not, it is not true to say that a company exploring for hydrocarbons does not generate shareholder value. As we show in our Presentation (swala-energy.co.tz), the greatest rate of increase in value for oil and gas explorers happens before a well is drilled.

This fact allows shareholders to manage the risk of their investment and it also explains why we are listing the shares now: this is the time at which the greatest value can accrue to investors. The current shareholders are not selling their shares (in fact, Swala Energy Limited is underwriting the listing) but we are seeking to bring in Tanzanian shareholders at an early stage rather than a later one where the exploration value has increased.

Any shareholder that remains fully exposed to the results of a well (whether that is with a company on the DSE or on any other stock exchange) carries risk. Risk is an unavoidable element of investing but one that can be minimised. Swala itself is very conscious of the risk profile of our Tanzanian investors and the need to minimise that risk to the extent that it can be.

- **When will I get my shares? When I get more money can I buy shares again?**

Shares must be applied for by the 4<sup>th</sup> of July. After that, we shall allocate the shares to subscribers and issue the share certificates. We expect that the shares will start listing on the DSE during the week of the 14<sup>th</sup> of July, although that might vary slightly if the allocation process takes longer. Once listed, shareholders can trade their shares on the market and increase or decrease their equity holdings.