SacOil Holdings Limited

SacOil Holdings Limited
(Formerly SA Mineral Resources Corporation Limited)
(Incorporated in the Republic of South Africa)
(Registration number 1993/000460/06)
ISIN: ZAE000127460
("SacOil" or "the Company" or "the Group")

Unaudited Interim Results
for the six months ended 31 August 2010

Consolidated Statements of Comprehensive Income

	Unaudited Six months August 2010 R'000	Unaudited Six months August 2009 R'000	**Audited 12 months February 2010 R'000**
Revenue	**16 474**	16 106	**31 724**
Cost of sales	**(11 456)**	(10 051)	**(20 210)**
Gross profit	**5 018**	6 055	**11 514**
Operating costs	**(7 958)**	(4 914)	**(10 144)**
Results from operating activities	**(2 940)**	1 141	**1 370**
Finance income	**179**	327	**731**
Finance costs	**(10)**	(1)	**(13)**
Net finance income	**169**	326	**718**
Impairment losses	**–**	–	**(3 017)**
Share-based payment expense	**(4 179)**	–	**–**
	(4 179)	–	**(3 017)**
(Loss)/profit for the period before tax	**(6 950)**	1 467	**(929)**
Income tax	**–**	–	**895**
(Loss)/profit for the period	**(6 950)**	1 467	**(34)**
Other comprehensive income			
Fair value gain on revaluation of property, plant and equipment	**–**	–	**3 196**
Income tax on other comprehensive income	**–**	–	**(895)**
Other comprehensive income for the period net of income tax	**–**	–	**2 301**
Total comprehensive (loss)/income for the period	**(6 950)**	1 467	**2 267**
Reconciliation of headline (loss)/earnings			
(Loss)/profit for the period	**(6 950)**	1 467	**(34)**
Adjustments for headline (loss)/earnings:			
– Impairment of loans receivable	**–**	–	**3 016**
	(6 950)	1 467	**2 982**
Weighted average number of shares ('000)	**314 800**	313 292	**313 292**
Basic (loss)/earnings per share (cents)	**(2.21)**	0.47	**0.72**
Diluted (loss)/earnings per share (cents)	**(2.20)**	0.47	**0.72**
Headline (loss)/earnings per share (cents)	**(2.21)**	0.47	**0.95**
Diluted headline (loss)/earnings per share (cents)	**(2.20)**	0.47	**0.95**

Consolidated Statements of Financial Position

	Unaudited Six months August 2010 R'000	Unaudited Six months August 2009 R'000	**Audited 12 months February 2010 R'000**
ASSETS			
Non-current assets	**8 030**	7 784	**8 535**
Property, plant and equipment	**7 135**	4 785	**7 640**
Deferred tax asset	**895**	–	**895**
Loans receivable	**–**	2 999	**–**
Current assets	**40 636**	41 210	**40 942**
Loans receivable	**27 867**	27 867	**27 867**
Inventories	**2 578**	2 199	**2 305**
Trade accounts receivable	**5 012**	5 399	**3 558**
Sundry accounts receivable	**564**	368	**214**
Cash and cash equivalents	**4 616**	5 377	**6 998**
Total assets	**48 667**	48 994	**49 477**
EQUITY AND LIABILITIES			
Equity attributable to equity holders	**43 064**	42 532	**43 332**
Stated capital	**86 229**	83 726	**83 726**
Share-based payment reserve	**27 933**	23 754	**23 754**
Revaluation reserves	**2 301**	–	**2 301**
Accumulated loss	**(73 399)**	(64 948)	**(66 449)**
Non-current liabilities	**886**	1 075	**934**
Instalment sale obligations	**–**	310	**108**
Provision for environmental rehabilitation	**886**	765	**826**
Current liabilities	**4 717**	5 387	**5 211**
Trade accounts payable	**2 638**	2 643	**1 330**
Instalment sale obligations	**166**	–	**138**
Deferred tax liability	**895**	–	**895**
Loans payable	**–**	2 503	**2 503**
Sundry accounts payable	**1 018**	241	**345**
Total equity and liabilities	**48 667**	48 994	**49 477**
Number of shares in issue ('000)	**321 635**	313 292	**313 292**
Net asset value per share (cents)	**13.39**	13.58	**13.83**

Statements of Changes in Equity

R'000	**Stated capital**	**Share-based payment reserve**	**Revaluation reserve**	**Accumulated loss**	**Total equity**
Balance at 28 February 2010	83 726	23 754	2 301	(66 449)	43 332
Share issue	2 503	–	–	–	2 503
Loss for the period	–	–	–	(6 950)	(6 950)
Share-based payment expense	–	4 179	–	–	4 179
Revaluation reserve on revaluation of property, plant and equipment	–	–	–	–	–
Deferred tax liability	–	–	–	–	–
Balance at 31 August 2010	**86 229**	**27 933**	**2 301**	**(73 399)**	**43 064**

Cash Flow Statements

	Unaudited Six months August 2010 R'000	Unaudited Six months August 2009 R'000	**Audited 12 months February 2010 R'000**
Cash utilised in operating activities	**(2 472)**	(1 723)	**(277)**
Finance costs	**(10)**	(1)	**(13)**
Investment income	**179**	198	**731**
Net cash flows from operating activities	**(2 303)**	(1 526)	**441**
Cash flows from investing activities			
Increase in loans receivable	**–**	310	**(144)**
Additions to property, plant and equipment	**–**	(263)	**(263)**
Net cash flows from investing activities	**–**	47	**(407)**
(Decrease)/increase in loans payable	**(79)**	–	**108**
Net cash flows from financing activities	**(79)**	–	**108**
Net movement in cash and cash equivalents	**(2 382)**	(1 479)	**142**
Cash and cash equivalents at the beginning of the year	**(6 998)**	6 856	**6 856**
Cash and cash equivalents at the end of the year	**4 616**	5 377	**6 998**

Notes to the Interim Financial Statements for the six months ended 31 August 2010

1. **Basis of preparation**

The interim financial statements of the Group for the six months ended 31 August 2010 have been prepared in accordance with the Group's accounting policies, which comply with International Financial Reporting Standards as well as the AC 500 standards as issued by the Accounting Practices Board or its successor and are consistent with those of the previous year. This interim report has been prepared in accordance with and containing the information required by International Accounting Standard 34 – Interim Financial Reporting. The interim report has been prepared on a going concern basis.

The interim report has not been audited or reviewed by the Company's auditors.

All monetary information and figures presented in these interim financial statements are stated in thousands of Rand (R'000), unless otherwise indicated.

2. **Commentary on the results**

Sales volumes at the Greenhills plant were less than expected due to good rainfall in the summer rainfall areas causing a decline in the demand for animal feeds. Orders from the Company's anchor client continued at expected levels. Despite a marginal decrease in sales volumes, the plant managed to achieve 0.84 cents per share in earnings net of 0.36 cents per share (R1.1 million) in relation to maintaining and upgrading the plant.

The Company is currently reviewing the condition of the plant and has engaged a consultant to evaluate the plant and report back to the board of directors ("Board"). Pursuant to this evaluation, the Board will consider its options in relation to this non-core asset.

The Group's results reported a loss of 2.21 (2009: earnings of 0.47) cents per share, a headline loss of 2.21 (2009: earnings of 0.47) cents per share and a net asset value of 13.39 (2009: 13.58) cents per share.

Of the loss of 2.21 cents per share, 1.33 cents per share relates to a share-based payment expense recognised in profit and loss, in an amount of R4.2 million, in relation to 10 464 446 share options that were granted to directors on 8 July 2010. The total expense was recognised during the period under review in compliance with IFRS 2 – Share-Based Payments.

Corporate head office costs in an amount of R4.3 million are included in operating costs for the period under review, accounting for 1.36 cents per share of the loss reported for the period. These costs include expenses amounting to R2.0 million incurred in relation to the circular posted to shareholders on 4 September 2010 to consider and approve, *inter alia,* the restructuring of the Company's proposed investment in the oil concession rights pertaining to Block 3 ("Block 3 Rights"), Albertine Graben in the Democratic Republic of the Congo ("Block 3"), the acquisition of 50% of the entire issued share capital of, and all claims of the South African Congo Oil Company (Proprietary) Limited ("SacOil (Proprietary) Limited") vendors against, SacOil (Proprietary) Limited, the proposed acquisition by SacOil of a 55% participating interest in the Chaal Gas Exploration Permit Area in Tunisia and proposed specific issues of SacOil shares ("Shares") for cash (collectively, "the Transactions"). It furthermore includes ongoing costs amounting to R1.1 million in relation to the Transactions.

3. **Results of general meeting and general issues of Shares for cash**

As announced on 20 September 2010, a general meeting was held on Monday, 20 September 2010 to consider the ordinary resolutions relating to the Transactions as detailed in the circular posted to SacOil shareholders ("Shareholders") on Saturday, 4 September 2010.

All the ordinary resolutions tabled at the general meeting were approved by the requisite majority of votes required from Shareholders. A listing of the 255 456 000 new Shares in respect of the Transactions was granted by the JSE Limited ("JSE") on Wednesday, 22 September 2010.

In accordance with its general authority, 1 700 000 new Shares were issued by the Board to Abdur Rahman Moosa and listed on the JSE on Monday, 13 September 2010 ("Issue to Moosa"). The 1 700 000 new Shares were issued at 60 cents per Share, being a 3% premium to the 30-day volume weighted average price ("VWAP") of the Shares on the JSE on Monday, 23 August 2010, being the date that the price of the Issue to Moosa was agreed by the Board.

On Friday, 17 September 2010, STANLIB Asset Management Limited ("STANLIB") signed an irrevocable undertaking to subscribe for 40 000 000 new Shares for a cash amount of R25 000 000 ("Issue to STANLIB"). The Shares were issued at 62.5 cents per Share, being a 4% premium to the 30-day VWAP of the Shares on the JSE on Thursday, 16 September 2010, being the date that the price of the Issue to STANLIB was agreed by the Board. The Shares were listed on Tuesday, 28 September 2010. Following the listing and the issue of the new Shares in respect of the Transactions, the Issue to Moosa and the Issue to STANLIB, the Company will have 618 790 828 Shares in issue and the Issue to STANLIB will equate to 6.46% of the issued share capital of the Company.

The 41 700 000 new Shares will rank *pari passu* with the existing Shares.

The proceeds from the issues for cash detailed above will be used by the Company to fund working capital.

4. **Investment in SacOil (Proprietary) Limited**

As announced on 25 June 2010, SacOil (Proprietary) Limited was granted the Block 3 Rights after the President and the Prime Minister of the Democratic Republic of the Congo ("DRC") signed Presidential Ordinances in respect of Block 3 in June 2010. SacOil has appointed Mr Glen Penfield as its senior exploration advisor in respect of Block 3. Glen has more than 30 years of professional experience in hydrocarbon and mineral exploration, geophysical contracting, project management and business development in more than 35 countries but primarily in Africa and specifically within the DRC. Glen is both a geologist and geophysicist. He is a noted mentor of scientific talent, having supervised or trained a number of now prominent geoscientists, many during his eight year tenure as Manager of Integrated Interpretation Services at the Western Atlas International group of companies.

Shareholders are referred to an announcement made on 30 September 2010 for details of its work programme on Block 3.

5. **Entry into unincorporated joint venture ("JV") agreement with Energy Equity Resources ("EER")**

SacOil has embarked on its strategy of seeking to acquire production and near production oil and gas fields on the African continent ("Production Assets"). SacOil's focus, in this regard, will be to target such Production Assets in established oil and gas production basins in Africa. Nigeria is the natural first stop given the long-standing relations between Nigeria and South Africa. More specifically, Nigeria has many discovered but undeveloped oil and gas fields and there is active divestment of certain Production Assets by international oil companies ("IOCs") because of, *inter alia*, Nigeria's Indigenisation Laws.

To acquire Production Assets, SacOil needed a local Nigerian partner and on 5 October 2010 announced its entry into an unincorporated JV agreement with EER.

The arrangement with EER fits neatly with SacOil's objective of working with credible local partners in the jurisdictions the Company looks to enter. EER maintains strong relationships with the Nigerian authorities, host communities and IOCs operating in Nigeria. The JV's envisaged initial transaction (in onshore Niger Delta) has a recoverable contingent resource (P50) (as verified by an independent competent person) of 100 million barrels of oil equivalent (mboe) and a potential to produce up to 30 000 barrels of oil per day.

6. **Legal action against SacOil**

Shareholders are advised that the Company has been cited as defendent in two actions instituted by one Joseph Gadifele Modibane ("the Plaintiff") in the North Gauteng High Court. In his first action the Plaintiff alleges that he was entitled to receive 105 000 000 Shares in the ordinary share capital of SacOil at an issue price of 30 cents per Share. The Plaintiff further alleges that he is entitled to claim damages from SacOil in the amount of R67 200 000.

In a second action the Plaintiff alleges that the content of the announcement made on 15 September 2010, was defamatory to the Plaintiff and claims payment from the Company of damages in the amount of R80 000 000.

Having regard to the information in its possession the Board is of the view that the claims are without factual foundation and have no substance. The Company has therefore instructed its legal representatives, Deneys Reitz, to vigorously defend the actions and seek punitive costs.

7. **Dividend**

The Board has resolved not to declare any dividend to Shareholders for the period under review.

8. **Changes to the Board**

On 10 August 2010, Mrs Carina de Beer was appointed Finance Director of SacOil. On 15 October 2010 Mr Colin Bird's designation changed from that of Non-executive Director to Executive Director.

9. **Listing on the London Alternative Investment Market ("AIM") and future direction**

As announced on 12 October 2010, SacOil is pursuing a secondary listing on AIM by the end of Q1 2011. Although SacOil has successfully raised capital by way of issues of shares for cash, the Company's intention is to attract new institutional investors to ensure that SacOil is sufficiently capitalised to further develop current exploration projects and execute near production and producing asset oil and gas transactions it has in the pipeline.

SacOil has progressed on its stated strategic focus of targeting the acquisition of discovered but undeveloped or indeed prior producing but now shut in near term producing and production assets on the African continent. In the important Nigerian oil and gas market, the JV with EER gives SacOil an opportunity to pursue an initial transaction in the onshore swamp area of the Niger Delta of discovered but undeveloped oil assets. The JV partnership further benefits SacOil in that it can now acquire oil and gas assets disposed of by International oil companies as a result of Nigeria's indigenisation legislation.

An introduction to AIM will provide the Company with a further platform to raise its public profile and afford United Kingdom ("UK") investors the opportunity to participate in the future growth of the business. It is understood that the AIM market has a bigger appetite for upstream oil and gas assets.

The Company's vision is to successfully build SacOil into a Pan African independent upstream oil and gas company. It has an ambitious and aggressive acquisition led growth strategy and it is well positioned to harness its foot hold into Africa. Its JV with EER is a case in point.

SacOil has appointed FINNCAP Limited as its NOMAD and joint broker while Renaissance Capital Limited will act as lead broker. Fasken Martineau LLP has been appointed as UK legal adviser to SacOil.

By order of the Board

Melinda Gous
Fusion Corporate Secretarial Services (Proprietary) Limited
Company secretary

29 October 2010

Directors: RJ Linnell (*Chairman*), RT Vela (*Chief Executive Officer*), C de Beer (*Finance Director*), C Bird (*Executive*), G Moseneke

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Transfer secretary: Link Market Services SA (Proprietary) Limited

Company secretary: Melinda Gous

Legal advisors: Deneys Reitz Inc.

Sponsor: BDO South Africa Advisory Services (Pty) Limited