SacOil

SacOil Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1993/000460/06)
JSE share code: SCL AIM share code: SAC
ISIN: ZAE000127460
("SacOil" or "the Company" or "the Group")

Reviewed provisional results for the year ended 29 February 2012

Consolidated Statement of Comprehensive Income

	Notes	12 months to 29 February 2012	12 months to 28 February 2011
Revenue		**37 172 586**	35 143 119
Cost of sales		**(26 569 161)**	(23 615 391)
Gross profit/(loss)	4	**10 603 425**	11 527 728
Operating costs		**(55 237 484)**	(38 684 867)
Loss from operations		**(44 634 059)**	(27 157 139)
Share based payment expense	5	**(8 891 216)**	(4 178 928)
Net loss on derecognition of intangible assets	6	**(83 446 480)**	–
Other income	6	**219 138 297**	–
Operating profit/(loss)		**82 166 542**	(31 336 067)
Investment income	7	**27 552 335**	1 271 134
Finance costs	8	**(44 123 631)**	(17 309)
Fair value adjustments		**(20 115)**	427 447
Profit/(Loss) before taxation		**65 575 131**	(29 654 795)
Current tax	14.2	**(61 485 300)**	–
Deferred tax	14.1	**(93 823 463)**	(95 200)
Loss for the year		**(89 733 633)**	(29 749 995)
Attributable to:			
Owners of the parent		**(95 506 424)**	(29 749 995)
Non-controlling interest		**5 772 791**	–
		(89 733 633)	(29 749 995)
Other comprehensive loss:			
Gains and losses on property revaluation		**(340 000)**	(340 000)
Taxation related to components of other comprehensive income		**95 200**	95 200
Other comprehensive loss for the year net of taxation		**(244 800)**	(244 800)
Total comprehensive loss		**(89 978 433)**	(29 994 795)
Attributable to:			
Owners of the parent		**(95 751 224)**	(29 994 795)
Non-controlling interest		**5 772 791**	–
		(89 978 433)	(29 994 795)
Reconciliation of headline earnings			
Loss for the year		**(95 506 424)**	(29 749 995)
Loss on sale of intangible asset attributable to owners of the parent net of tax		**65 254 812**	–
Headline loss		**(30 251 611)**	(29 749 995)
Weighted average number of shares		**717 411 053**	449 628 622
Diluted weighted average number of shares		**721 553 230**	482 933 132
Basic loss per share (cents)	3	**(13,35)**	(6,62)
Diluted loss per share (cents)		**(13,24)**	(6,16)
Headline loss per share (cents)	3	**(4,22)**	(6,62)
Diluted headline loss per share (cents)		**(4,19)**	(6,16)

Consolidated Statement of Financial Position

	Notes	2012	2011
Assets			
Non-current assets			
Property, plant and equipment		**6 148 362**	6 644 269
Intangible assets	6	**181 995 823**	394 641 967
Other financial assets	6, 7	**331 430 863**	45 086 969
		519 575 048	446 373 205
Current assets			
Inventories		**2 540 131**	2 408 474
Other financial assets		**–**	11 413 375
Trade and other receivables	9	**85 219 043**	6 317 846
Cash and cash equivalents		**10 774 298**	17 898 834
		98 533 472	38 038 529
Total assets		**618 108 520**	484 411 734
Equity and liabilities			

Notes to the Group Financial Statements for the year ended 29 February 2012

1. Basis of preparation

The annual financial statements of the group for the year ended 29 February 2012 have been prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards, IAS 34: Interim Financial Reporting, as well as the AC 500 standards as issued by the Accounting Practices Board or its successor, the Listings Requirements of the JSE Limited and the Companies Act of South Africa and are consistent with those of the previous period except for the adoption of IFRIC 19, amendments to IAS 24 and amendments to various IFRS standards. The adoption of these changes did not have a significant impact on the financial statements as reported.

These financial statements have been prepared on a going concern basis.

All monetary information is presented in the functional currency of the Company being South African Rand.

2. Auditors' review report

The Group annual financial statements have been reviewed by Ernst & Young Inc., the Group's auditors, and are the responsibility of the directors of the Company. They have been prepared under the supervision of the Group's Finance Director, Carina de Beer CA(SA). The unqualified review report includes an "other legal and regulatory requirements" paragraph with respect to a reportable irregularity reported to the Independent Regulatory Board for Auditors in terms of section 45 of the Auditing Profession Act in relation to employees' tax that was not withheld by the Company and paid over to the South African Revenue Services. The error in the employees' tax withheld was due to an administrative oversight. The Company has already taken steps to rectify the oversight. The review report is available for inspection at the Company's registered office.

3. Financial indicators

The Group reported a net asset value of 53.93 cents per ordinary share ("cps") (2011: 69.57), a net tangible asset value of 32.06 cps (2011: 11.03), basic loss of 13.35 cps (2011: 6.62) and a headline loss of 4.22 cps (2011: 6.62).

The decrease in net asset value per share of 15.64 cps is largely attributable to a provision for deferred tax against profit and loss in an amount of R93.8 million (11.26 cps). Refer to note 14.

4. Greenhills

The Company's chemical processing plant in Mpumalanga, better known as Greenhills, increased sales by 6% whilst gross profit was negatively impacted by increased maintenance costs. With the shift of the Group's focus to oil and gas, management is currently considering a number of alternatives in relation to the future of the plant.

5. Share-based payments

Share-based payments relate to 12 million call options issued to Renaissance BJM Securities Proprietary Limited (South Africa) ("Rencap") in relation to funding provided to enable SacOil to fulfil its obligations in relation to, *inter alia*, signature bonuses and farm in fees payable to the Nigerian Government on oil concessions OPL 281 and OPL 233. The average strike price of these call options was R1.46 and the call options expired at 29 February 2012.

6. Block III, Albertine Graben, Democratic Republic of the Congo, divestment

At 29 February 2012, SacOil owned 50 per cent of the issued capital of Semliki Energy SPRL ("Semliki"), which in turn holds the oil concession rights pertaining to Block III, Albertine Graben in the DRC ("the Block III Rights"). SacOil and the other shareholder of Semliki, DIG Oil Proprietary Limited ("DIG") (collectively "the Initial Shareholders"), have committed to transfer an aggregate 15 per cent shareholding in Semliki to the DRC government, leaving the Initial Shareholders with an effective 85 per cent interest in Block III before the implementation of the Agreement. In terms of the Production Sharing Contract signed on 4 December 2007 (the "Block III PSC"), within six months of the issue of Presidential Ordinance approving the Block III PSC, the partnership between South Africa Congo Oil Company (Proprietary) Limited and the DRC national oil company, Cohydro (collectively the "Block III Contracting Party") was required to transfer the rights held by the Block III Contracting Party under the Block III PSC to a locally incorporated company. A Presidential Ordinance approving the Block III PSC was issued in June 2010 and Semliki was established to hold the Block III Rights in November 2010.

In March 2011, Semliki disposed of 60% ("Disposed Asset") of its 85% interest in Block III to TOTAL RDC ("Total") for a cash consideration of US$15 million and future contingent bonus payments of US$108 million. Upon disposal, Semliki derecognised that portion of the intangible asset that was disposed of. SacOil furthermore received cash proceeds in an amount of US$1.4 million (net of costs in relation to Block III) from DIG's share of the cash consideration in full and final settlement of a loan advanced to DIG in respect of, inter alia, the Block III Rights.

The loss on derecognition of an intangible asset of R83.4 million represents the difference between the carrying value of the Disposed Asset and the fair value of the consideration receivable at the closing date of the transaction being 31 March 2011.

The farm in agreement between Semliki and Total provides for a cash payment by Total to Semliki upon the occurrence of certain future events ("Bonus"). As there is a contractual right to receive cash from Total, Semliki has recognised a financial asset on its statement of financial position. The asset is initially recognised at its fair value. Subsequently, the financial asset meets the definition of a loan and receivable, and is accounted for at amortised cost taking into account interest revenue and currency movements. At each reporting period SacOil revises its estimate of receipts from the financial asset in line with the requirements of IAS 39. Included in profit and loss is a re-measurement gain of R219 million. At 29 February 2012 the fair value of the financial asset is R263 million and the amount is included in other financial assets. A provision for deferred tax on the

10. Reclassification of Block III acquisition

The purchase of SacOil Proprietary Limited in the 2011 financial year was disclosed as a business combination. On closer reflection, this is not a business combination, but rather an acquisition of an intangible asset (and related liabilities). The purchase was financed through an issue of shares by SacOil Holdings, and therefore constitutes an equity-settled share based payment transaction. The values attributed to this transaction remain unchanged, with the only impact of this reclassification relating to disclosures presented in the annual financial statements.

11. Specific issue of shares for cash

Shareholders are referred to the announcement released on the Securities Exchange News Service ("SENS") of the JSE Limited ("JSE") and on the Regulatory News Service ("RNS") of the London Stock Exchange ("LSE") on Friday, 2 September 2011, regarding the specific issue of ordinary shares to Timtex Investments (Proprietary) Limited ("Timtex"), an associate of Encha Group Limited ("Encha") ("the Specific Issue").

On Tuesday, 30 August 2011, Timtex signed an irrevocable undertaking to subscribe for 111 940 298 new SacOil shares at an issue price of 67 cents per share, being the closing price of SacOil ordinary shares on 29 August 2011, the day before Timtex signed the irrevocable undertaking. The issue price is at a premium of 8.06% to the 30 day volume weighted average price of SacOil on 29 August 2011.

12. Standby Equity Distribution Agreement

On Wednesday, 12 October 2011 SacOil entered into a Standby Equity Distribution Agreement ("SEDA") of US$25 million ("Commitment Amount") with Yorkville Advisers UK LLP ("YA"), an exempt limited partnership registered in the Cayman Islands.

The SEDA is available, unless otherwise terminated earlier in accordance with its terms, for a period of three years, and the number and timing of each advance draw down ("Advance") is at the discretion of the Company provided that the Company shall not be entitled to draw down more than one advance every five trading days, unless otherwise approved by YA.

Limitations on the number of Advances as well as the quantum of the Advances ensures a spread of the drawdown amounts over a three year period. In spreading the drawdowns over three years, the dilution of existing Shareholders is also spread to avoid sudden dilution of existing Shareholders' interests in the Company.

Each Advance by the Company will be settled by the issue of new Ordinary Shares ("Ordinary Shares"). Any Ordinary Shares to be issued in relation to an Advance shall be listed on the JSE and admitted to trading on AIM. The number of Ordinary Shares to be issued in relation to an Advance shall be equal to the Advance amount divided by the purchase price, where the purchase price shall be 94% of the lowest of the daily volume weighted average prices of the Ordinary Shares of the Company during the period of five consecutive trading days beginning on the first trading day after the date of the Advance notice.

At 29 February 2012 an amount of R12.5 million was owed to YA in terms of the SEDA. During the period under review SacOil issued 25 245 087 Ordinary Shares to YA.

13. Stated capital

SacOil issued the following Ordinary Shares during the period under review:

Date	Issued to	Nature of issue	Number of shares	Stated capital
Opening balance			**674 090 410**	**374 029 488**
04-Apr-11	Rencap	Specific Issue	796 577	1 720 607
08-May-11	AIM bonus shares	Specific Issue	9 042 215	19 350 341
22-Nov-11	Timtex	Specific Issue	111 940 298	75 000 000
13-Dec-11	YA	Specific Issue	14 318 181	6 300 000
17-Jan-12	Peregrine Securities	General Issue	11 111 112	5 000 000
08-Feb-12	YA	Specific Issue	10 926 906	4 783 988
Closing balance			**832 225 699**	**486 184 425**

14. Taxation

14.1 Deferred tax

Included in the deferred tax liability is an amount of R105.4 million provided in relation to the contingent bonus payments of US$108 million as referred to in note 6 ("Bonus"). This amount was reduced by a deferred tax asset of R11.6 million which is the estimated future tax benefit available to Semliki in relation to carried costs of US$3.8 million (R28.9 million) actually spent by Total on behalf of Semliki during 2011.

In the DRC, in matters of capital gain tax, the global cost of oil rights transferred during the exploration period up to first investment date are deducted from the overall proceeds of the sale of oil rights, and the difference obtained will constitute the capital gain on which a tax of 40% on the transfer of interest would be levied.

The current provision therefore excludes future costs to be carried by Total on behalf of Semliki up to first investment date, which costs could further reduce the value of the deferred tax liability once these costs have been incurred, and the resultant benefit is available to Semliki. The approved joint venture budget for 2012 is US$22 million.

At 29 February 2012 the Company had unused tax losses not recognised as deferred tax assets of R94.2 million (2011: R43.8 million).

14.2 Current tax

Current tax includes R40.9 million (US$6 million) paid to the DRC government in relation to the cash consideration received from Total and dividend withholding tax of R20.5 million (US$3 million) in relation to dividends declared by Semliki

	Notes		
		98 533 472	38 038 529
Total assets		**618 108 520**	484 411 734
Equity and liabilities			
Equity attributable to equity holders of parent			
Share capital	13	**486 184 423**	374 029 488
Reserves		**29 743 531**	29 988 331
Accumulated loss		**(182 814 593)**	(96 199 385)
		333 113 361	307 818 434
Non-controlling interest		**115 731 731**	161 760 089
		448 845 092	469 578 523
Liabilities			
Non-current liabilities			
Long term borrowings	6	**28 939 490**	–
Deferred tax liability	14.1	**93 728 263**	–
Provisions		**1 065 974**	945 972
		123 733 727	945 972
Current liabilities			
Foreign taxation payable	14.2	**20 495 100**	–
Other financial liabilities	12	**12 496 195**	–
Finance lease obligation		**–**	90 508
Trade and other payables		**12 538 406**	13 796 733
		45 529 701	13 887 241
Total liabilities		**169 263 429**	14 833 213
Total equity and liabilities		**618 108 520**	484 411 735
Number of shares in issue		**832 225 699**	674 090 410
Net asset value per share (cents)		**53,93**	69,57
Net tangible asset value per share (cents)		**32,06**	11,03

Summarised Consolidated Statement of Cash Flows

	Reviewed Group 12 months to 29 February 2012	Reviewed Group 12 months to 28 February 2011
Net cash from operating activities	**(179 768 660)**	(19 139 391)
Net cash from investing activities	**120 955 599**	(57 130 923)
Net cash from financing activities	**51 688 525**	87 171 285
Total cash movement for the year	**(7 124 536)**	10 900 970
Cash at the beginning of the year	**17 898 834**	6 997 863
Total cash at end of the year	**10 774 298**	17 898 833

Consolidated Statement of Changes in Equity

	Notes	Share capital	Revaluation reserve	Reserves for own shares/ Share repurchase reserve	Total reserves	Accumulated loss	Total attributable to equity holders of the Group/ Company	Non-controlling interest	Total equity
Balance at 1 March 2010		**83 725 538**	**2 300 547**	**23 753 656**	**26 054 203**	**(66 449 390)**	**43 330 351**	**–**	**43 330 351**
Changes in equity									
Loss for the year		–	–	–	–	(29 749 995)	(29 749 995)	–	(29 749 995)
Other comprehensive income for the year			(244 800)		(244 800)	–	(244 800)		(244 800)
Total comprehensive income for the year		–	(244 800)	–	(244 800)	(29 749 995)	(29 994 795)	–	(29 994 795)
Issue of shares		290 303 950	–	–	–	–	290 303 950	–	290 303 950
Share options issued		–	–	4 178 928	4 178 928	–	4 178 928	–	4 178 928
Non-controlling interests		–	–	–	–	–	–	161 760 089	161 760 089
Total changes		**290 303 950**	**(244 800)**	**4 178 928**	**3 934 128**	**(29 749 995)**	**264 488 083**	**161 760 089**	**426 248 172**
Balance at 1 March 2011		**374 029 488**	**2 055 747**	**27 932 584**	**29 988 331**	**(96 199 385)**	**307 818 434**	**161 760 089**	**469 578 523**
Changes in equity									
Profit/(loss) for the year		–	–	–	–	(95 506 424)	(95 506 424)	5 772 791	(89 733 633)
Other comprehensive income for the year		–	(244 800)	–	(244 800)	–	(244 800)	–	(244 800)
Total comprehensive income for the year		–	(244 800)	–	(244 800)	(95 506 424)	(95 751 224)	5 772 791	(89 978 433)
Issue of shares		112 154 935	–	–	–	–	112 154 935	–	112 154 935
Share options issued	5	–	–	8 891 216	8 891 216	–	8 891 216	–	8 891 216
Share options lapsed	5	–	–	(8 891 216)	(8 891 216)	8 891 216	–	–	–
Dividends		–	–	–	–	–	–	(51 801 149)	(51 801 149)
Total changes		**112 154 935**	**(244 800)**	**–**	**(244 800)**	**(86 615 208)**	**25 294 927**	**(46 028 358)**	**(20 733 431)**
Balance at 29 February 2012		**486 184 423**	**1 810 947**	**27 932 584**	**29 743 531**	**(182 814 593)**	**333 113 361**	**115 731 731**	**448 845 092**

for at amortised cost taking into account interest revenue and currency movements. At each reporting period SacOil revises its estimate of receipts from the financial asset in line with the requirements of IAS 39. Included in profit and loss is a re-measurement gain of R219 million. At 29 February 2012 the fair value of the financial asset is R263 million and the amount is included in other financial assets. A provision for deferred tax on the Bonus is explained in note 14.

Included in intangible assets is an amount of R130 million, being the value of Semliki's share in Block III after derecognising the Disposed Asset, and including the carry cost portion detailed below.

The farm in agreement also provides for a carry of costs, payable by Total, on behalf of Semliki and constitutes a finance-type carried interest. Per the contract between Total and Semliki, Total shall be entitled to recover the accrued aggregate of the carried costs from Semliki's share of future cost and profit oil. This arrangement is considered a secured borrowing in which the underlying asset is used as collateral.

Semliki has therefore increased its investment in Block III with the carried costs as incurred up to the reporting date, together with a corresponding financial liability representing the amount owed to Total, in an amount of R28.9 million. A corresponding deferred tax asset in an amount of R11.6 million was recognised in profit and loss. Refer note 14 for details. At 29 February 2012 the fair value of Semliki's interest in Block III was R130.3 million which is included in Intangible assets.

7. Investment income

Interest income of R15.6 million was recognised in profit and loss in relation to a loan owed to SacOil by Energy Equity Resources Limited ("EER") in relation to capital costs paid by SacOil on behalf of EER with respect to oil concession blocks OPL 281 and OPL 233 in Nigeria. In terms of an agreement entered into between EER and SacOil ("Loan Agreement"), all acquisition costs paid by SacOil on behalf of EER bear interest at 25% calculated from the date of incurring such costs to the date of recovery.

The loan is repayable in three equal annual instalments, the first such instalment becoming due 60 business days after first oil production by taking that proportion of EER's entitlement to petroleum that equals one third of the outstanding capital plus interest accrued. The second and third instalments will become payable on the same principle from EER's subsequent entitlement to petroleum. The loan is secured by a cession and pledge over EER's equity interests in both OPL 281 and OPL 233 in favour of SacOil. The loan in an amount of R66.2 million is included in other financial assets.

Also included in investment income is amortised interest in an amount of R13.4 million recognised during the period under review in relation to the financial asset recognised on disposal of the Disposed Asset.

8. Finance costs

Included in finance costs is cash settlement costs of an equity conversion in an amount of R41.9 million in relation to a facility of US$30.9 million ("Facility") provided to SacOil by Rencap. The management of SacOil elected a cash settlement of the equity conversion to avoid dilution of existing shareholders' interests in SacOil.

9. Trade and other receivables

Included in trade and other receivables is an advance payment of R75.4 million made by SacOil in relation to an agreement whereby SacOil would be granted an exclusive right to negotiate a potential acquisition of certain material oil and gas concessions. Currently, constructive negotiations are in progress with all material stakeholders in relation to the potential acquisition, and clarification of the Company's potential rights in relation to the agreement are on-going.

In the event of a successful transaction which results in the Company acquiring an interest in potentially material oil and gas concessions, the payment may be converted to an intangible asset. In the event that a transaction is unsuccessful, there is a risk that SacOil may not be able to recover the payment but recourse to third parties will be open to the Company. At year end, there were no indicators that this receivable is impaired.

14.2 Current tax

Current tax includes R40.9 million (US$6 million) paid to the DRC government in relation to the cash consideration received from Total and dividend withholding tax of R20.5 million (US$3 million) in relation to dividends declared by Semliki.

15. Dividends

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

16. Subsequent events

On 12 March 2012, Total acquired a further 6.66% effective interest in Block III from DIG, a shareholder in Semliki. Pursuant to the acquisition, Total's holding in Block III increased to 66.66%, whereas SacOil's effective interest remains unchanged at 12.5%, DIG's holding reduces to 5.84% and the DRC Government retains 15.0%. As a result of this transaction, Semliki, a company incorporated in the DRC and through which SacOil and DIG own their interests in Block III, is now owned 68% by SacOil and 32% by DIG. SacOil's effective interest of 12.5% and its entitlement to contingent cash bonuses of US$54 million and a carry on all exploration expenses up to final investment decision (when a development plan is approved) remain unchanged.

17. Segmental information

The Group's business model has not advanced to a stage where accurate and meaningful segmental information can be presented. Currently, the only operation generating revenue is the Greenhills plant, which is a non-core asset. Sales for the year ended 29 February 2012 are as follows:

	Group 12 months ended 29 February 2012	**%**	**Group 12 months ended 28 February 2011**	**%**
Export sales	20 709 650	58	20 233 436	58
Local sales	16 462 936	42	14 919 683	42
Total	**37 172 586**	**100**	**35 143 119**	**100**

By order of the board

Melinda Gous
Fusion Corporate Secretarial Services Proprietary Limited
Company secretary
Johannesburg

JSE sponsor
Nedbank Limited

AIM nominated adviser and joint broker
finnCap Ltd

CORPORATE INFORMATION

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Advisers

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Transfer secretaries United Kingdom: Computershare Investor Services (Jersey) Limited
Corporate legal advisers: Norton Rose South African and United Kingdom
Auditors: Ernst & Young Inc.

Notes to oil and gas disclosure

In accordance with AIM Guidelines, Bradley Cerff, is the qualified person that has reviewed the technical information contained in this news release. Bradley has over 16 years' experience in the oil and gas Industry with Masters Degrees in Science and Business Administration focused on foreign direct investment in the African oil and gas industries. He is also a member of the Society of Petroleum Engineers.

About SacOil

SacOil is an African independent upstream oil and gas company, focused on African assets, with a dual listing on the JSE and AIM. SacOil's vision is to build a balanced hydrocarbon exploration and production portfolio using the Company's African heritage to bring about a competitive advantage at the point of entry. SacOil's primary strategic objective is the development, exploration and production of discovered assets, with existing or near-term production, cash and revenue potential.

SacOil is focussed on oil and, where there is a defined access to market, gas in proven hydrocarbon bearing basins. The Company seeks to build a portfolio of assets across the Exploration & Production ("E&P") spectrum from potentially high-impact exploration through to undeveloped discoveries with near-term cash flow potential and to production with defined upside.

The Company is willing and able to operate through the exploration phase but will continue to focus on the establishment of strategic industry partnerships in order to maximise its opportunity set, manage portfolio risk, and ensure that the optimum technical and operating skills are applied to each opportunity.

Consistent with this strategy, SacOil has built up an E&P portfolio including oil discoveries in Nigeria and potentially high-impact exploration in the DRC detailed as follows:

- in Block III DRC, through its partnership with Total, it is envisaged that the work program committed to will demonstrate prospectivity and eventually lead to oil production;
- in relation to OPL 281 Nigeria, SacOil is in the process of evaluating and appraising oil discoveries through the reprocessing of seismic data with a view to drilling an appraisal well; remaining conditions precedent to the farm-in agreement include perfection of title and all the necessary Nigerian government and Nigerian National Petroleum Company ('NNPC') consents in relation to the licence; and
- in OPL 233 Nigeria, the Joint Venture Committee consisting of SacOil, NIGDEL and EER is committed to acquiring 3D OBC seismic data, which should assist in evaluating the size of the existing oil discovery.