This document is important and requires your immediate attention

The definitions commencing on page 9 of this Circular apply mutatis mutandis to this cover page.

If you are in any doubt as to what action to take, please consult your CSDP, broker, banker, accountant, attorney or other professional adviser.

Action required

- 1. If you have disposed of all your Ordinary Shares in SacOil, please forward this Circular to the broker, banker, accountant or agent through whom you disposed of your Ordinary Shares.
- 2. The General Meeting convened in terms of this Circular will be held in the boardroom, 119 Rosen Office Park, 37 Invicta Road, Midrand, Gauteng, 1685 on 20 September 2010 at 10:00.

Certificated Shareholders and Dematerialised Shareholders with Own Name Registration

A form of proxy (yellow) is attached for use by Certificated Shareholders, and Dematerialised Shareholders with Own Name Registration, who cannot attend the General Meeting. It should be properly completed and in order to be effective must be lodged with the Transfer Secretaries, Link Market Services, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to reach them by no later than 48 hours before the time set down for the General Meeting. If required, additional proxy forms (yellow) may be obtained from the Transfer Secretaries.

Dematerialised Shareholders other than those with Own Name Registration

Dematerialised Shareholders, other than those with Own Name Registration, must inform their CSDP or broker of their intention to attend the General Meeting and obtain the necessary letter of representation from their CSDP or broker to attend the General Meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the General Meeting in Person, but wish to be represented thereat. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or broker concerned.



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

CIRCULAR TO SHAREHOLDERS

regarding

- the restructuring of SacOil's proposed investment in the Block 3 Rights and the Block 1 Rights including the proposed acquisition by SacOil of 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited which is a related party transaction;
- the proposed acquisition by SacOil of a 55 per cent Participating Interest in the Chaal Gas Exploration Permit Area in Tunisia;
- the proposed Specific Issue to Metropolitan Asset Managers, a related party, of 46 000 000 Ordinary Shares for cash at 50 cents per Ordinary Share;
- the ratification of the Specific Issue to GVM, a related party, of 8 343 216 Ordinary Shares for cash at 30 cents per Ordinary Share;
- approval of the Lonsa Corporate Finance Advisory Mandates which are related party transactions;
- amendments to the current Share Option Scheme;

and incorporating

- · Revised Listing Particulars;
- · a notice of General Meeting of Shareholders; and
- a form of proxy (to be completed by Certificated Shareholders and Dematerialised Shareholders with Own Name Registration only) (yellow).

The Directors whose names appear on page 18 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and certify that, to the best of their knowledge and belief, there are no facts which have been omitted which would make any statement in this Circular false or misleading and that they have made all reasonable inquiries to ascertain such facts and that the Circular contains all information required by law and the Listings Requirements.

Sponsor

IBDO

Corporate finance adviser

Lonsa

Independent technical expert for Block 3 Rights

Independent technical expert for Chaal Gas Exploration Permit Area

Ryder Scott Company

Corporate legal adviser



Transfer Secretaries Expert



Independent expert for fairness opinion



Independent reporting accountants and Auditors



Date of issue: 4 September 2010

Copies of this Circular, in English only, may be obtained from the registered office of the Company at the address as set out in the "Corporate Information" page from Monday, 6 September 2010 to Friday, 17 September 2010.

CORPORATE INFORMATION

Company Secretary

Fusion Corporate Secretarial Services (Proprietary) Limited (Registration number 2007/008376/07) 56 Regency Road Route 21 Corporate Park, Nellmapius Drive Irene, Pretoria, 0157 (PO Box 68528, Highveld, 0169)

Registered Office of SacOil (Proprietary) Limited

(Registration number 2007/024617/07) 119 Rosen Office Park 37 Invicta Road, Midrand, 1685 (PO Box 7661, Halfway House, 1685)

Date of incorporation: 30 August 2007

Sponsor

BDO Corporate Finance (a division of BDO South Africa Advisory Services (Proprietary) Limited) (Registration number 2006/006127/07) 13 Wellington Road Parktown, 2193 (Private Bag X60500, Houghton, 2041)

Independent technical expert in respect of the Block 3 Rights

Bayphase Limited St Georges House Knoll Road Camberley Surrey GU15 3SY United Kingdom

Transfer secretaries

Link Market Services South Africa (Proprietary) Limited (Registration number 2000/007239/07)
16th Floor
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

Bankers

The Standard Bank of South Africa Limited (Registration number 1969/017128/06) 2nd Floor, Standard Bank Building Corner Hendrik Verwoerd and South Street Pretoria, 0002 (PO Box 62325, Marshalltown, Gauteng, 2107)

Date of incorporation: 1 February 1993

Registered Office of SacOil

(Registration number 1993/000460/06) 119 Rosen Office Park 37 Invicta Road Midrand, 1685 (PO Box 8439, Halfway House, 1685)

Corporate finance adviser

Lonsa (Proprietary) Limited (Registration number 2004/000228/07) 37 Fricker Road Illovo, 2196 (PO Box 783302, Sandton, 2146)

Corporate legal adviser

Deneys Reitz Inc. (Registration number 1984/003385/21) 82 Maude Street Sandton, 2196 (PO Box 784903, Sandton, 2146)

Independent technical expert in respect of the Farmout Interest

Ryder Scott Company-Canada (Permit number P6092) Suite 1200 530 – 8th Avenue S.W. Calgary, Alberta, Canada T2P 3S8

Independent reporting accountants and auditors

Moore Stephens MWM Inc (Practice number 904244E) 7 West Street Houghton, 2198 (PO Box 1574, Houghton, 2014)

Independent expert in respect of the fairness opinion

Mazars Corporate Finance (Proprietary) Limited (Registration number 2003/029561/07) 2nd Floor, Mazars House 5 St Davids Place Parktown, 2193 (PO Box 6697, Johannesburg, 2000)

Place of incorporation: Pretoria, South Africa

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SALIENT FEATURES

The definitions commencing on page 9 of this Circular apply *mutatis mutandis* to the salient features.

The salient features summarise the most important information set out in this Circular. Shareholders should, however, read this Circular in its entirety.

INTRODUCTION

SacOil Shareholders were advised in announcements, the last of which was dated 3 September 2010, of the following:

- the restructuring of SacOil's proposed investment in the Block 3 Rights and the Block 1 Rights including the proposed acquisition by SacOil from the SacOil (Proprietary) Limited Vendors of 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited, subject to the conditions precedent set out in paragraph 2.9 of the Circular. The Restructure is a related party transaction;
- the acquisition of a 55 per cent Participating Interest in the Chaal Gas Exploration Permit Area, subject to the conditions precedent set out in paragraph 3.8 of the Circular;
- the proposed issue by SacOil of 46 000 000 Ordinary Shares to Metropolitan Asset Managers, a related party, for cash at an issue price of 50 cents per Ordinary Share;
- the ratification of the issue by SacOil of 8 343 216 Ordinary Shares to GVM, a related party, for cash at an issue price of 30 cents per Ordinary Share;
- the entering into by SacOil of the Lonsa Corporate Finance Advisory Mandates which are related party transactions.

In addition, SacOil is proposing certain amendments to the SacOil Share Option Scheme.

This Circular sets out details of the above Transactions and includes a notice of General Meeting which contains the ordinary resolutions to give effect to the Transactions. The salient features relating to the Transactions are set out below.

The Specific Issue to Metropolitan Asset Managers is an issue of shares for cash as part of a fund raising exercise and is based on the 30-day VWAP of the Ordinary Shares of 47.56 cents per Ordinary Share prior to 16 July 2010 (being the signature date of the Irrevocable Undertaking by Metropolitan Asset Managers to subscribe for Ordinary Shares). The issue of the SacOil Transaction Consideration Shares in terms of the Restructure is for an asset worth significantly more and the price was determined by the Board after consideration of relevant information in relation to the value of Block 3. The SacOil (Proprietary) Limited Vendors have agreed to a price of 210 cents per Ordinary Share as contained in the Sale of Shares Agreement.

THE INITIAL SACOIL TRANSACTION

On 24 October 2008, SacOil posted a circular to Shareholders regarding the Initial SacOil Transaction in terms of which the Company proposed to acquire the entire issued share capital and shareholder loans of SacOil (Proprietary) Limited from the Initial SacOil (Proprietary) Limited Vendors for an aggregate consideration payable to the Initial SacOil (Proprietary) Limited Vendors of R516 900 000 to be settled by the issue of 474 445 714 Ordinary Shares at an issue price of 105 cents per Ordinary Share (with a Rand equivalent of R498 200 000) and by the set off of a loan advanced and payments made to DIG of US\$2 318 182 (with a Rand equivalent of R18 700 000, assuming an exchange rate of R8.08 to US\$1). The Initial SacOil Transaction was encapsulated in the Initial SacOil Agreement.

SacOil (Proprietary) Limited is a party to the Block 3 Production Sharing Agreement and DIG is a party to the Block 1 Production Sharing Agreement. As a component of the Initial SacOil Transaction, it was contemplated that DIG would assign to SacOil (Proprietary) Limited its rights and obligations under the Block 1 Production Sharing Agreement in terms of the Initial Agreement of Assignment.

The Initial SacOil Transaction was approved by Shareholders in general meeting on 21 November 2008. The Initial SacOil Transaction, however, remained conditional upon, *inter alia*, the issuance of Presidential Ordinances approving the Block 1 Production Sharing Agreement and/or the Block 3 Production Sharing Agreement by 31 May 2010, following several extensions of earlier fulfilment dates.

The Initial SacOil Agreement and the Initial Agreement of Assignment lapsed on 31 May 2010 due to the fact that the conditions precedent thereto were not timeously fulfilled.

THE RESTRUCTURE

During the period of time between the signature of the Initial SacOil Agreement and the Initial Agreement of Assignment on 17 March 2008 and the lapsing of the same agreements on 31 May 2010, significant oil exploration work was carried out by titleholders to adjacent oil concession blocks in the Lake Albertine area, albeit on the Uganda side of the lake. The work done and discoveries made, together with the publicly disclosed offer by Italian Oil and Gas major, ENI International B.V., a Netherlands-based subsidiary of ENI S.p.A., the Italian-based Oil and Gas for Heritage plc's 50 per cent interest in Blocks 1 and 3A, Albertine Graben, Uganda for US\$1.5 billion (subsequently being pre-empted and completed by Tullow oil plc in July 2010) made it difficult for the Company to retain the Initial SacOil Transaction following the lapse of the Initial SacOil Agreement and the Initial Agreement of Assignment. The discoveries, to some extent, also provided further confidence in the existence of a petroleum system in the Lake Albertine region, and in the case of the Block 3 Rights, increased the Block 3 Rights Independent Technical Expert's Report valuation (on a cost approach basis) from US\$122 490 000 (with a Rand equivalent of R989 719 200, assuming an exchange rate of R8.08 to US\$1) at the time of the circular issued on 24 October 2008 to a Block 3 Rights Independent Technical Expert's Report valuation (on a cost approach basis) of US\$155 190 000 (with a Rand equivalent of R1.18 billion assuming an exchange rate of R7.62 to US\$1) at 22 July 2010 being the date that the SacOil Transaction Agreements were signed.

On 22 July 2010 SacOil entered into the Sale of Shares Agreement in terms of which SacOil will acquire from the SacOil (Proprietary) Limited Vendors 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited on the Effective Date for an aggregate consideration payable to the SacOil (Proprietary) Limited Vendors of R439 857 600 settled by the issue of 209 456 000 Ordinary Shares at an issue price of 210 cents per Ordinary Share, subject to the fulfilment or waiver of the conditions precedent set out in paragraph 2.9 of the Circular.

On 22 July 2010 SacOil and DIG respectively concluded loan agreements with SacOil (Proprietary) Limited in terms of which the shareholders will advance monies to SacOil (Proprietary) Limited to fund the payment of the Block 3 Payment in order to allow SacOil (Proprietary) Limited to comply with the provisions of the Amendment and secure the Block 3 Rights. Details of these loans are provided in paragraph 2.8 of the Circular.

On 22 July 2010 SacOil and DIG concluded the Block 1 Agreement of Assignment pursuant to which DIG shall assign to SacOil the Block 1 Interest in exchange for an effective consideration totalling US\$811 364 (with a Rand equivalent of R6 182 594, assuming an exchange rate of R7.62 to US\$1) being an assignment fee of US\$1 (with a Rand equivalent of R7.62, assuming an exchange rate of R7.62 to US\$1) and an additional amount of US\$811 363 (with a Rand equivalent of R6 182 586, assuming an exchange rate of R7.62 to US\$1). The additional amount is calculated as the net amount of the cession by SacOil to DIG of SacOil's right to receive payment from SacOil (Proprietary) Limited of the Rand equivalent of US\$1 000 000 (with a Rand equivalent of R7 620 000, assuming an exchange rate of R7.62 to US\$1) under the Cession Agreement and an agreed interest payment of US\$188 637 (with a Rand equivalent of R1 437 414, assuming an exchange rate of R7.62 to US\$1) due and payable by DIG to SacOil on monies previously loaned and advanced by SacOil to DIG as reflected in the Amended and Restated DIG Loan Agreement. Following the assignment by DIG to SacOil of the Block 1 Interest, SacOil will have legal title to the Block 1 Interest for an indefinite period.

DIG has agreed to repay a total of the Rand equivalent of US\$1 637 500 (inclusive of interest amounting to US\$188 637) (with a Rand equivalent of approximately R13 143 227 as calculated in paragraph 2.7) previously loaned and advanced by SacOil to DIG to fund signature bonus obligations under the Block 1 Production Sharing Agreement. This repayment obligation is secured by a cession and pledge of 10 per cent of DIG's shares in, and shareholder claims against, SacOil (Proprietary) Limited.

On 22 July 2010 the parties to the Initial SacOil Transaction entered into various agreements restructuring the original loan and security arrangements pertaining to the Initial SacOil Transaction to take account of the Restructure. These agreements included the Cancellation Agreement in terms of which, *inter* alia, the security arrangements pertaining to the Initial SacOil Transaction have been cancelled.

The Initial SacOil Agreement would have resulted in the Company acquiring the entire issued share capital of SacOil (Proprietary) Limited with the Block 1 Rights and the Block 3 Rights, but with a new enlarged number of Ordinary Shares in issue of 787 737 326, for an aggregate consideration of R516 900 000 for a Block 3 Rights Independent Technical Expert's Report valuation of R989 719 200 (100 per cent of the Block 3 Rights Independent Technical Expert's Report valuation giving an acquisition multiple of 1.3 times based on the value per the Block 3 Rights Independent Technical Expert's Report valuation divided by the number of Ordinary Shares that would have been in issue following the Initial SacOil Transaction).

The Restructure results in the Company having a new enlarged number of Ordinary Shares in issue of 531 090 828 for an aggregate consideration of R439 857 600 for a Block 3 Rights Independent Technical Expert's Report valuation of R591 273 900 (50 per cent of the Block 3 Rights Independent Technical Expert's Report valuation giving an acquisition multiple of 1.1 times based on the value per the Block 3 Rights Independent Technical Expert's Report valuation divided by the number of Ordinary Shares that will be in issue following the Restructure) and before taking into account the repayment of cash due by DIG of US\$1 637 500 (with a Rand equivalent of R13 143 227 assuming an exchange rate of R7.62 to US\$1). The Restructure results in less dilution for the existing SacOil Shareholders and increased implied value per Ordinary Share from the Block 3 Rights given the lower acquisition multiple of 1.1 times.

The Restructure is a related party transaction and, as such, the Board sought a fairness opinion included in Annexure 8 of the Circular, which opined that the Restructure is fair to the shareholders.

THE ISSUANCE OF PRESIDENTIAL ORDINANCE

On 18 June 2010 the President and Prime Minister of the DRC signed Presidential Ordinance 10/042 approving the Block 3 Production Sharing Agreement. The Presidential Ordinance was gazetted in the *Journal Official de la Rèpublique Dèmocratique du Congo* on 22 June 2010.

On 18 June 2010 the President and the Prime Minister of the DRC further signed Presidential Ordinance 10/043 ordering the Amendment. Presidential Ordinance 10/043 was gazetted in the *Journal Officiel de la Rèpublique Dèmocratique du Congo* on 22 June 2010.

On 18 June 2010, the President and the Prime Minister of the DRC signed Presidential Ordinance 10/041 approving an alternative production sharing agreement in respect of Block 1 concluded with third parties, notwithstanding the fact that the Block 1 Production Sharing Agreement has not been cancelled.

The signature and publication of Presidential Ordinance 10/042 perfected the rights of SacOil (Proprietary) Limited under the Block 3 Production Sharing Agreement subject to compliance with the provisions of the Amendment.

SacOil (Proprietary) Limited signed the Amendment on 13 July 2010. The Amendment varies certain commercial terms of the Block 3 Production Sharing Agreement and, *inter alia*, requires SacOil (Proprietary) Limited to effect payment to the DRC Government of the Block 3 Payment soon after execution of the Amendment.

THE FARMOUT INTEREST ACQUISITION

SacOil Shareholders were advised in cautionary announcements dated 11 May 2010, 21 May 2010 and 25 June 2010 that SacOil had concluded the Farmout Agreement, in terms of which SacOil will acquire a 55 per cent Participating Interest in the total rights and obligations, privileges and liabilities of the "Contractor" or "Entrepreneur" in and under the Exploration Permit and Principal Agreements, subject to the conditions precedent as set out in paragraph 3.8 of the Circular.

THE SPECIFIC ISSUES

On 16 July 2010, Metropolitan Asset Managers signed an Irrevocable Undertaking to subscribe for 46 000 000 Ordinary Shares at an issue price of 50 cents per Ordinary Share, a premium of 5 per cent to the 30-day VWAP of the Ordinary Shares of 47.56 cents per Ordinary Share prior to 16 July 2010 (being the signature date of the Irrevocable Undertaking by Metropolitan Asset Managers to subscribe for Ordinary Shares). The proceeds from the Specific Issue will be utilised to fund the costs of the Transactions and the obligations of SacOil as a result of the Restructure and Farmout Interest Acquisition. The Specific Issue to Metropolitan Asset Managers is to a related party.

On 5 July 2010, SacOil entered into an agreement with GVM for the full and final settlement of an outstanding loan owing by SacOil to GVM amounting to R2 502 964 since December 2007. SacOil agreed to issue 8 343 216 Ordinary Shares at an issue price of 30 cents per Ordinary Share, a premium of 11 per cent to the 30-day VWAP of the Ordinary Shares of 27 cents per Ordinary Share prior to 5 July 2010 (being the signature date of the GVM settlement agreement). On 29 July 2010, 8 343 216 Ordinary Shares were issued to GVM at a price of 30 cents per Ordinary Share and were listed by the JSE. The Specific Issue to GVM is to a related party and, therefore, SacOil is seeking Shareholder ratification of the Specific Issue to GVM.

THE LONSA CORPORATE FINANCE ADVISORY MANDATES

SacOil entered into corporate finance advisory mandates dated 22 February 2008 and 17 May 2010 in terms of which Lonsa acts as corporate finance adviser to SacOil in respect of the Initial SacOil Transaction, the Restructure and the Farmout Interest Acquisition. Lonsa introduced, structured, negotiated and project managed the Initial SacOil Transaction, the Restructure and the Farmout Interest Acquisition on behalf of SacOil and has charged a cash fee for its services as set out in paragraph 14 of this Circular. The Lonsa Corporate Finance Advisory Mandates are available for inspection as set out in paragraph 17 of this Circular. Lonsa is entitled to a contingent success fee equivalent to 2 per cent of the proposed transaction value of assets acquired and 2.5 per cent of the gross value of the equity raised which is standard in all Lonsa mandates for proposed transactions and equity raised.

R Vela, the Chief Executive Officer of SacOil, is also a director and the controlling shareholder of Lonsa and, therefore, the Lonsa Corporate Finance Advisory Mandates are related party transactions in terms of Section 10 of the Listings Requirements. The Board sought a fairness opinion which is included in Annexure 8 of the Circular, which opined that the Lonsa Corporate Finance Advisory Mandates are fair to the Shareholders.

FINANCIAL EFFECTS OF THE TRANSACTIONS

The pro forma financial effects of the Transactions are set out in paragraph 7.2 of this Circular.

GENERAL MEETING OF SHAREHOLDERS

A General Meeting of Shareholders will be held in the boardroom, 119 Rosen Office Park, 37 Invicta Road, Midrand, Gauteng on Monday, 20 September 2010 at 10:00 to approve the requisite resolutions to give effect to the Transactions.

COMPETENT PERSON'S REPORTS

Bayphase Limited, a United Kingdom based company, was appointed to provide Shareholders with an Independent Technical Expert's Report on the Block 3 Rights.

Ryder Scott Company-Canada, a Canadian based company, was appointed to provide Shareholders with an Independent Technical Expert's Report on the Chaal Gas Exploration Permit Area.

The Block 3 Rights Independent Technical Expert's Report and the Chaal Gas Exploration Permit Area Independent Technical Expert's Report are included in Annexures 11 and 12 of this Circular.

IMPORTANT DATES AND TIMES

The definitions commencing on page 9 of this Circular apply mutatis mutandis to this page.

	2010
Last day for receipt of forms of proxy for the General Meeting of Shareholders by no later than 10:00 on	Thursday, 16 September
General Meeting of Shareholders to be held at 10:00 on	Monday, 20 September
Results of the General Meeting of Shareholders released on SENS on	Monday, 20 September
Results of the General Meeting of Shareholders published in the press on	Tuesday, 21 September
SacOil Transaction Consideration Shares issued and listed, subject to Shareholder approval on	Wednesday, 22 September
Specific Issue Ordinary Shares to Metropolitan Asset Managers issued and listed, subject to Shareholder approval on	Wednesday, 22 September

Notes

- 1. The above dates and times are subject to amendment and any amendment made will be published in the press and released on SENS as well as on the Company's website at www.sacoilholdings.com.
- 2. All times given are South African local times.

DEFINITIONS AND INTERPRETATION

Throughout this Circular, unless otherwise stated or the context otherwise requires, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words signifying one gender include the others and words denoting natural Persons include juristic Persons and associations of Persons and *vice versa*:

"Accord de Transfert Relatatif au Permis de Recherche Chaal" the agreement dated 16 February 2006 entered into between ETAP, Candax, SMIP and Falcan, in terms of which Candax transferred to Falcan its entire Participating Interest;

"Accord de Transfert Relatatif au Permis de Recherche Chaal the agreement dated 17 April 2006 entered into between ETAP, Falcan, SMIP and Mitsubishi, in terms of which Falcan transferred an undivided 20 per cent interest of its Participating Interest to Mitsubishi;

numéro deux"

the Companies Act, 61 of 1973 (as amended) or, following its repeal,

the Companies Act, 71 of 2008 (as amended);

"Amendment"

"Act"

the amendment of the Block 3 Production Sharing Agreement which was ordered by the President and the Prime Minister of the DRC on 18 June 2010 through the signature of Presidential Ordinance 10/043;

"Amended and Restated DIG Loan Agreement"

the agreement between DIG and SacOil entered into on 22 July 2010 in terms of which the provisions of the Initial DIG Loan Agreement have been amended and restated:

"Amended Share Option Scheme"

the SacOil Share Option Scheme incorporating all of the proposed amendments as set out in Annexure 10 of the Circular;

an order of the Minister of Industry, Energy and Small and Medium

Sized Enterprises of Tunisia;

"the Articles"

"Arrêté"

the Articles of Association of SacOil:

"Bayphase"

Bayphase Limited (Registration number 2023879), a company registered and incorporated in accordance with the laws of

United Kingdom;

"Block 1"

Block 1, Albertine Graben in the DRC;

"Block 1 Agreement of Assignment"

the agreement entered into between SacOil and DIG on 22 July 2010 in terms of which DIG assigns the Block 1 Interest to SacOil;

"Block 1 Interest"

collectively 35 per cent of DIG's economic interest under the Block 1 Production Sharing Agreement and 35 per cent of all current and future claims of any nature whatsoever that DIG has, or may have in the future, against the DRC Government in relation to the Block 1 Production Sharing Agreement in the event that Presidential Ordinance in respect of the Block 1 Production Sharing Agreement is not issued;

"Block 1 Production Sharing Agreement" the agreement in respect of Block 1 entitled "Contrat de Partage du Production" concluded between the DRC Government, DIG, Cohydro, H Oil Congo Limited, Congo Petroleum and Gas SPRL and Compagnie

Petroliere Sud Oil SPRL on 21 January 2008;

"Block 1 Rights"

oil concession rights pertaining to Block 1;

"Block 3"

Block 3, Albertine Graben in the DRC;

"Block 3 Payment"

an amount of US\$2 000 000 payable by SacOil (Proprietary) Limited to the DRC Government on execution of the Amendment as a

supplementary signature bonus;

"Block 3 Production Sharing Agreement"

the agreement in respect of Block 3 entitled "Contrat de Partage de Production" concluded between the DRC Government, SacOil (Proprietary) Limited and Cohydro on 4 December 2007;

"Block 3 Rights"

oil concession rights pertaining to Block 3;

"Block 3 Rights Independent Technical Expert's Report" the Independent Technical Expert's Report in respect of the Block 3 Rights set out in Annexure 11 of this Circular;

"the Board" or "the Directors"

the current board of directors of SacOil whose names are reflected on page 18 of this Circular;

"Business Day"

any day other than a Saturday, Sunday or official public holiday in the RSA:

"Cancellation Agreement"

the agreement between DIG, Encha, Columbia, Moosa, SacOil, SacOil (Proprietary) Limited and Andrea Brown entered into on 22 July 2010 in terms of which, *inter alia*, all sureties and pledges executed as a component of the Initial SacOil Transaction, have been terminated;

"Candax"

Candax Energy Incorporated (Registration number 2048084), a public corporation incorporated in accordance with the laws in Canada and listed on the Toronto Stock Exchange as an Oil and Gas Junior Company. Candax's two major shareholders are Geofinance N.V. and Actis LLP:

"Certificated Shareholders"

Shareholders who hold Ordinary Shares, represented by a share certificate or by other physical documents of title, which have not been surrendered for Dematerialisation in terms of the requirements of Strate;

"Cession Agreement"

the agreement between SacOil and DIG entered into on 22 July 2010 in terms of which SacOil cedes its right to receive payment from SacOil (Proprietary) Limited of the amount of US\$1 000 000 (with a Rand equivalent of R8 080 000 assuming an exchange rate of R8.08 to US\$1) previously loaned and advanced to SacOil (Proprietary) Limited in terms of the Initial SacOil Loan Agreement;

"Chaal 1 Well"

the well in the Chaal Gas Exploration Permit Area drilled in 2006;

"Chaal Gas Exploration Permit Area"

the gas condensate discovery located onshore central Tunisia some 25 kilometres to the west of Tunisia's second largest city, Sfax, the Chaal field covering approximately 1 200 square kilometres;

"Chaal Gas Exploration Permit Area Independent Technical Expert's Report" the Independent Technical Expert's Report in respect of the Chaal Gas Exploration Permit Area, which is set out in Annexure 12 of this Circular;

"Chaal Gas Exploration Permit Area Production Sharing Agreement" the production sharing agreement entered into between ETAP as the holder and Candax and SMIP jointly as the contracter to govern the production obtained from the Chaal Gas Exploration Permit Area under the terms of the Exploration Permit;

"the Chaal Prospecting Permit Parties" collectively, the Granting Authority, ETAP, Candax and SMIP;

"the Chaal Prospecting Permit" or "the Chaal Permit"

the Protocole d'Accord Agreement entered into by the Chaal Prospecting Permit Parties granting a prospecting permit covering the Chaal Gas Exploration Permit Area;

"the Circular"

this circular to SacOil Shareholders, dated 4 September 2010 relating to the Transactions, including all annexures and incorporating a notice of General Meeting, a form of proxy (yellow) and the Revised Listing Particulars;

"Closing Date" 5 (five) Business Days after the Fulfilment Date, or such later dates

as the Farmout Interest Parties may agree;

"Coal of Africa" Coal of Africa Limited (formerly GVM Metals Limited) (Registration

number ACN 008 905 388), a public company incorporated in accordance with the laws of Australia, listed in Australia, the United

Kingdom and South Africa and the holding company of GVM;

"Cohydro" Les Congolaise des Hydrocarbures, an entity existing under the laws

of the DRC;

"Columbia" Columbia Falls Properties 114 (Proprietary) Limited (Registration

number 2008/004800/07), a private company incorporated in accordance with the laws of South Africa and controlled by Mr Phatudi Maponya (Identification Number 650326 5249 083);

"Common Monetary Area" South Africa, the Republic of Namibia and the Kingdoms of Lesotho

and Swaziland;

"the Convention Agreement" the convention agreement entered into between the Granting Authority,

ETAP, Candax and SMIP on 12 January 2006 that governs all the operations to be carried out in the Chaal Gas Exploration Permit Area in the event that the Chaal Prospecting Permit is converted to an Exploration Permit; a Central Securities Depository Participant, appointed by

individual SacOil Shareholders for the purpose of and in regard to Dematerialisation in terms of the Security Services Act, No 36

of 2004, as amended;

"Deed of Assignment" an agreement in terms of which Falcon and SMIP will assign SacOil

a 55 per cent Participating Interest in the Chaal Gas Exploration Permit Area and which will be executed by the Farmout Interest Acquisition

Parties on the Business Day following the Fulfilment Date;

"Dematerialise" or "Dematerialisation" the process whereby physical share certificates are replaced with

electronic records evidencing ownership of Ordinary Shares for the purposes of Strate, as contemplated in the Securities Services Act,

No 36 of 2004, as amended;

"Dematerialised Shareholders" Shareholders who have Dematerialised their Ordinary Shares in terms

of the Strate system;

"Development Programme" outline future development programme for a potential early production

system, as well as the appraisel and development programme of the Chaal Gas Exploration Permit Area provided to SacOil by Falcan. The Development Programme is subject to change following the

results of the Work Programme;

"DIG" Divine Inspiration Group (Proprietary) Limited (Registration number

2007/003931/07), a private company incorporated in accordance with the laws of South Africa and which is controlled by Ms Andrea

Brown (Identification Number 720117 0039 082);

"DIG-SacOil (Proprietary) Limited

Loan Agreement"

"CSDP"

the agreement concluded between DIG and SacOil (Proprietary) Limited on 22 July 2010 whereby DIG advances a loan to SacOil

(Proprietary) Limited in the amount of US\$1 000 000 (with a Rand equivalent of R8 080 000 assuming an exchange rate of R8.08 to US\$1), for the purpose of partially funding the payment by SacOil

(Proprietary) Limited to the DRC Government of the Block 3 Payment;

"DRC" the Democratic Republic of the Congo;

"DRC Government" the Government of the DRC;

"Effective Date" the Business Day following the date of the fulfilment or waiver

(if capable of waiver) of all the suspensive conditions relating

to the Restructure;

"Encha" Encha Group Limited (Registration number 2005/003490/06),

a public company incorporated in accordance with the laws of South Africa and controlled by the Moseneke Family. Its major shareholders are Timtex Investments (Proprietary) Limited, controlled by Tiego Moseneke (Identification Number 621108 5074 083) and Swanvest 344 (Proprietary) Limited, controlled by Sedise G Moseneke

(Identification Number 760622 5360 087);

"Encha Capital" Encha Capital (Proprietary) Limited (Registration number

2007/004923/07), a special purpose vehicle formed by Encha and Investec in order to facilitate a combined shareholding which will hold

a controlling shareholding in SacOil;

"ETAP" Entreprise Tunisienne d'Activites Petrolieres (Registration number

C1441998), a company registered and incorporated in accordance with the laws of Tunisia. ETAP is the Tunisian national oil company and

is wholly-controlled by the Tunisian Government;

"EUR" Euro, the official currency of the European Union;

"Exchange Control Regulations" Exchange Control Regulations, 1961, as amended, promulgated

in terms of section 9 of the Currency and Exchanges Act, 1933

(Act 9 of 1933) of South Africa, as amended;

"Exploration Permit" the Chaal Prospecting Permit that was converted to an exploration

permit by an Arrêté dated 15 May 2006, published in the Official

Gazette of the Republic of Tunisia No 42 of 26 May 2006;

"Falcan" Falcan Chaal Petroleum Limited (Registration number 25077),

a corporation incorporated in accordance with the laws of Barbados

and a wholly owned subsidiary of Candax;

"Farmout Agreement" the agreement entered into by the Farmout Interest Acquisition Parties

on 10 May 2010 in terms of which SacOil will acquire the Farmout Interest from the Farmout Interest Vendors (as amended by the

Farmout Agreement Amendment);

"Farmout Agreement Amendment" the agreement entered into by the Farmout Interest Acquisition Parties

on 6 July 2010 extending the date for fulfilment of the conditions

precedent of the Farmout Agreement until 31 January 2011;

"Farmout Costs" the costs, liabilities and expenses to be met by SacOil under the

Farmout Agreement as summarised in paragraph 3.4 of the Circular;

"Farmout Interest" the 41.25 per cent Participating Interest assigned to SacOil by Falcan

and the 13.75 per cent Participating Interest assigned to SacOil by SMIP, being in aggregate a 55 per cent Participating Interest;

"Farmout Interest Acquisition" the acquisition by SacOil of the Farmout Interest;

"Farmout Interest Acquisition Parties" collectively, Falcan, SMIP and SacOil;

"Farmout Interest Vendors" collectively, Falcan and SMIP;

"Fulfilment Date" the date on which the conditions precedent relating to the Farmout

Interest Acquisition are fulfilled or waived, where waiver is allowed by the Farmout Agreement. The final date for fulfilment of the conditions precedent is 31 January 2011 or such later date as may

be agreed in writing by the Farmout Interest Parties;

"General Meeting"

the general meeting of Shareholders to be held in the boardroom, 119 Rosen Office Park, 37 Invicta Road, Midrand, Gauteng at 10:00

on Monday, 20 September 2010;

"Granting Authority"

the Tunisian State:

"the Group"

SacOil and its subsidiaries from time to time:

"GVM"

GVM Metals Administration (South Africa) (Proprietary) Limited (Registration number 2006/013617/07), a private company incorporated in accordance with the laws of South Africa and wholly-

owned subsidiary of Coal of Africa;

"IFRS"

International Financial Reporting Standards;

"Income Tax Act"

the Income Tax Act, 1962 (Act 58 of 1962) of South Africa, as amended;

"Independent Technical Expert's Report"

a public report prepared on oil and gas assets and projects, and signed by the independent technical expert;

"Initial DIG Loan Agreement"

the agreement entered into between DIG and SacOil on 17 March 2008 in terms of which SacOil advanced an amount of US\$1 448 864 (with a Rand value of R11 706 821 assuming an exchange rate of R8.08 to US\$1) to DIG, paid directly by SacOil to the DRC Government in respect of the signature bonus obligations under the Block 1 Production Sharing Agreement;

"Initial SacOil (Proprietary) Limited Vendors"

DIG, Encha, Columbia and Moosa who, collectively, own 100 per cent of the entire issued share capital of SacOil (Proprietary) Limited;

"Initial Agreement of Assignment"

the agreement between SacOil (Proprietary) Limited and DIG dated 17 March 2008 in terms of which DIG agreed to assign to SacOil (Proprietary) Limited its rights under the Block 1 Production Sharing Agreement subject to specified conditions precedent;

"Initial SacOil Agreement"

the agreement between SacOil and the Initial SacOil (Proprietary) Limited Vendors, dated 17 March 2008, in terms of which SacOil agreed to acquire the entire issued share capital and shareholder loan accounts of SacOil (Proprietary) Limited from the Initial SacOil (Proprietary) Limited Vendors subject to specified conditions precedent;

"Initial SacOil Loan Agreement"

the agreement concluded between SacOil (Proprietary) Limited and SacOil on 17 March 2008 whereby SacOil advanced an amount of US\$2 000 000 (with a Rand value of R16 160 000 assuming an exchange rate of R8.08 = US\$1) to SacOil (Proprietary) Limited payable directly to the DRC Government in respect of signature bonus obligations under the Block 3 Production Sharing Agreement;

"Initial SacOil Transaction"

the original transaction as detailed in the circular to SacOil Shareholders dated 24 October 2008, regarding the proposed acquisition by the Company of the entire issued share capital and shareholder loan accounts of SacOil (Proprietary) Limited from the Initial SacOil (Proprietary) Limited Vendors;

"Investec"

Investec Bank Limited (Registration number 1969/004763/06), a public company incorporated in accordance with the laws of South Africa and listed on the JSE, represented by its division Investec

Private Bank:

"Irrevocable Undertaking"

the written undertaking from Metropolitan Asset Managers to subscribe for 46 000 000 Ordinary Shares in terms of the Specific Offer;

"Joint Operating Agreement"

the joint operating agreement entered into by Candax and SMIP dated 24 October 2005 in relation to the Chaal Prospecting Permit;

"JSE"

JSE Limited (Registration number 2005/022939/06), a company duly registered and incorporated with limited liability under the company laws of South Africa and licensed as an exchange under the Securities Services Act, 2004, as amended;

"Last Practicable Date"

25 August 2010, being the last practicable date prior to the finalisation of this Circular:

"Listings Requirements"

the Listings Requirements of the JSE, as amended;

"Lonsa"

Lonsa (Proprietary) Limited (Registration number 2004/000228/07), a private company incorporated in accordance with the laws of South Africa, controlled by Netgame Investments (Proprietary) Limited, a company that is controlled by Robin Vela, and whose business is the provision of investment and corporate finance advisory services. Robin Vela, the Chief Executive Officer of SacOil, is also a director of Lonsa;

"Lonsa Corporate Finance Advisory Mandates" the corporate finance advisory mandates dated 22 February 2008 and 17 May 2010 in terms of which Lonsa acts as corporate finance advisor to SacOil in respect of the Initial SacOil Transaction and its subsequent Restructure, the Farmout Interest Acquisition and equity capital raising for SacOil;

"Metropolitan Asset Managers"

Metropolitan Asset Managers Limited (Registration number 1943/016651/06), a wholly-owned subsidiary of Metropolitan Holdings Limited (Registration number 2000/031756/06), an empowerment holding company listed on the JSE and a major shareholder of SacOil, as set out in paragraph 9.3 of this Circular;

"Mitsubishi"

MCX North Africa Company Limited (Registration number 0199 01 096894), a wholly-owned subsidiary of the Mitsubishi Corporation (Registration number 0100-01-00877), a corporation incorporated in accordance with the laws of Japan;

"the Mitsubishi Farmout Agreement"

the agreement dated 30 November 2005 in which Candax transferred an undivided 25 per cent of its Participating Interest to Mitsubishi;

"Moosa"

Kulsum Moosa Family Trust, a trust duly constituted in accordance with the laws of South Africa with Master's reference number IT3317/98, the trustees of which are Akhter Hoosen Moosa, Kulsum Moosa, Zunaid Tayob and Abdur Rahman Moosa, the capital beneficiaries of which shall be selected by the trustees in their discretion from the ranks of Akhter Hoosen Moosa, Kulsum Moosa, and their children, and all legal descendants of the latter beneficiaries and the income beneficiaries of which will include all the capital beneficiaries, and at the trustees' discretion any institution that is exempted from tax in terms of any provision of the Income Tax Act;

"Ordinary Shares"

Ordinary Shares with no par value in the stated capital of SacOil;

"Own Name Registration"

the holding by Shareholders of Dematerialised Ordinary Shares with a CSDP in the name of the Shareholder;

"Participants"

collectively, Falcan, SMIP and Mitsubishi that have Participating Interests;

"Participating Interest"

the undivided interest, expressed as a percentage, owned at any particular time in and to the total rights and obligations, privileges, and liabilities of the "Contractor" or "Entrepreneur" in and under the Exploration Permit and Principal Agreements;

"Person" includes an individual, a body corporate, a company or any other

legal entity, a general or limited partnership, a governmental authority or an association or any other unincorporated entity, as the

context requires;

"Pioneer Coal" Pioneer Coal (Proprietary) Limited (Registration numbe

2008/002294/07), a private company incorporated in accordance with the laws of South Africa and a subsidiary of SacOil, the shareholders of which are SacOil (98.4 per cent) and C de Beer, the Financial

Director of SacOil (1.6 per cent);

"Principal Agreements" collectively, the Protocole d'Accord, the Convention Agreement, the

Chaal Gas Exploration Permit Area Product Sharing Agreement,

the Joint Operating Agreement and the Exploration Permit;

"Presidential Ordinances" Ordinances issued by the President of the DRC;

"President of the DRC" the Honourable President Joseph Kabila, President of the DRC;

"Prime Minister of the DRC" the Honourable Adolphe Muzito, the Prime Minister of the DRC;

"Protocole d'Accord" the agreement entered into by the Granting Authority, ETAP,

Candax and SMIP, wherein ETAP as holder, and Candax and SMIP as contractor, were granted a prospecting permit covering the Chaal

Gas Exploration Permit Area;

"Rand" or "ZAR" or "cents" the official currency of South Africa;

"Restructure" the restructure of SacOil's proposed investment in the Block 3 Rights

and the Block 1 Rights, the details of which are set out in paragraph 2 of this Circular and which is a related party transaction as defined

in the Listings Requirements;

"Revised Listing Particulars" the revised listing particulars and all appendices to it included

in this Circular;

"Ryder Scott" Ryder Scott Company-Canada (Permit number P6092), a private

company incorporated in accordance with the laws of Canada;

"RSA" or "South Africa" the Republic of South Africa:

"SacOil" or "the Company" SacOil Holdings Limited (Registration number 1993/000460/06),

a public company incorporated in accordance with the laws of

South Africa and listed on the JSE;

"SacOil (Proprietary) Limited" South Africa Congo Oil Company (Proprietary) Limited

(Registration number 2007/024617/07), a private company incorporated in accordance with the laws of South Africa and owned by the Initial Social (Preprietery) Limited Venders

by the Initial SacOil (Proprietary) Limited Vendors;

"SacOil (Proprietary) Limited Vendors" Encha, Columbia and Moosa who, collectively, own 50 per cent

of the entire issued share capital of SacOil (Proprietary) Limited. The remaining 50 per cent of the issued share capital of SacOil

(Proprietary) Limited is owned by DIG;

"SacOil Transaction" the proposed acquisition whereby SacOil will acquire from the

SacOil (Proprietary) Limited Vendors 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited, subject to certain

conditions precedent;

"SacOil Transaction Agreements"

collectively the Sale of Shares Agreement, the Shareholder Undertaking, the Amended and Restated DIG Loan Agreement, the Second DIG Cession and Pledge in Security, the Second SacOil - SacOil (Proprietary) Limited Loan Agreement, the Block 1 Agreement of Assignment, the Cession Agreement and the Cancellation Agreement;

"SacOil Transaction Consideration Shares"

209 456 000 Ordinary Shares to be issued to the SacOil (Proprietary) Limited Vendors at an issue price of 210 cents per share, in terms of the Sale of Shares Agreement;

"SacOil Transaction Parties"

collectively, SacOil and the SacOil (Proprietary) Limited Vendors;

"SADC"

the Southern African Development Community, being an international organisation with legal personality, consisting of a 15-state regional bloc, with South Africa, Botswana, Angola, Lesotho, Swaziland, Madagascar, Mauritius, Mozambique, Namibia, Zambia, the DRC, Malawi, Tanzania, Seychelles and Zimbabwe as member states;

"Sale of Shares Agreement"

the agreement concluded between SacOil, SacOil (Proprietary) Limited, Encha, Columbia and Moosa on 22 July 2010, in terms of which SacOil will acquire from the SacOil (Proprietary) Limited Vendors 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited, subject to certain conditions precedent;

"Samroc Share Option Scheme"

the SA Mineral Resources Corporation Share Option Scheme dated 24 October 2008;

"Second DIG Cession and Pledge in Security"

the agreement between SacOil and DIG entered into on 22 July 2010 whereby DIG agreed to cede and pledge to SacOil 10 per cent of its shares in, and its shareholder loans against, SacOil (Proprietary) Limited as security for the repayment obligations of DIG under the Amended and Restated DIG Loan Agreement;

"Second SacOil - SacOil (Proprietary) Limited Loan Agreement"

the agreement entered into between SacOil and SacOil (Proprietary) Limited on 22 July 2010 whereby SacOil advances to SacOil (Proprietary) Limited an amount of US\$1 000 000 (with a Rand equivalent of R8 080 000 assuming an exchange rate of R8.08 to US\$1) for the purpose of partially funding the payment by SacOil (Proprietary) Limited to the DRC Government of the Block 3 Payment;

"SENS"

the Securities Exchange News Service of the JSE;

"Shareholders" or "SacOil Shareholders" the holders of Ordinary Shares;

"Shareholder Undertaking"

the agreement concluded between SacOil and DIG on 22 July 2010 in terms of which SacOil and DIG furnish to each other certain undertakings in their capacity as shareholders of SacOil (Proprietary) Limited;

"Signature Date"

means the date of signature of the Farmout Agreement, being 10 May 2010;

"SMIP"

Societe de Maintenance D'Installations Petrolieres (Registration number B 4731995), a private company incorporated in accordance with the laws of Tunisia;

"Specific Issues"

collectively, the Specific Issue to GVM and the Specific Issue to Metropolitan Asset Managers;

"Specific Issue to GVM"

the ratification of the specific issue of 8 343 216 Ordinary Shares for cash to GVM at an issue price of 30 cents per Ordinary Share, and an aggregate issue price of R2 502 964;

"Specific Issue to Metropolitan

Asset Managers"

the proposed specific issue of 46 000 000 Ordinary Shares for cash to Metropolitan Asset Managers at an issue price of 50 cents per Ordinary Share, and an aggregate issue price of R23 000 000;

"Sponsor" or "BDO"

BDO Corporate Finance (a division of BDO South Africa Advisory Services (Proprietary) Limited) (Registration number 2006/006127/07), a private company incorporated accordance with the laws of South Africa;

"Strate"

Strate Limited (Registration number 1998/022242/06), a public company incorporated in South Africa which is responsible for the electronic clearing and settlement system used by the JSE to settle trades;

"Transactions"

collectively, the Restructure, the Farmout Interest Acquisition, the Specific Issues, the approval of the Lonsa Corporate Finance Advisory Mandates and the approval of the Amended Share Option Scheme;

"Transfer Secretaries" or "Link Market Services"

Link Market Services South Africa (Proprietary) Limited (Registration number 2000/007239/07), a private company incorporated in accordance with the laws of South Africa;

the Republic of Tunisia;

"Tunisian State"

the State of Tunisia;

"US\$"

"Tunisia"

United States Dollar, the official currency of the United States;

"VAT"

Valued-add Tax

"VWAP"

volume weighted average price of Ordinary Shares; and

"Work Programme"

the re-entry or the drilling of a sidetrack to the Chaal 1 Well to a target depth of 4 500 metres true vertical depth and, depending on the results of the re-entry/drilling, a stimulation and testing programme, and where applicable, the suspension or abandonment of the same.



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

Directors:

Richard Linnell* (Chairman), Colin Bird* (British), Carina de Beer (Financial Director), Gontse Moseneke* and Robin Vela (British) (Chief Executive Officer)

* Non-executive

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

SacOil Shareholders were advised in announcements, the last of which was dated 3 September 2010, of the following:

- the restructuring of SacOil's proposed investment in the Block 3 Rights and the Block 1 Rights including the proposed acquisition by SacOil from the SacOil (Proprietary) Limited Vendors of 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited, subject to the conditions precedent set out in paragraph 2.9 below;
- the acquisition of a 55 per cent Participating Interest in the Chaal Gas Exploration Permit Area, subject to the conditions precedent set out in paragraph 3.8 below; and
- the proposed issue by SacOil of 46 000 000 Ordinary Shares to Metropolitan Asset Managers for cash at an issue price of 50 cents per Ordinary Share;
- the ratification of the issue by SacOil of 8 343 216 Ordinary Shares to GVM for cash at an issue price of 30 cents per Ordinary Share; and
- the entering into by SacOil of the Lonsa Corporate Finance Advisory Mandates

The purpose of this Circular is to provide SacOil Shareholders, in compliance with the Listings Requirements, with relevant information regarding:

- the Restructure which includes the SacOil Transaction and which constitutes a related party transaction as defined in the Listings Requirements;
- the Farmout Interest Acquisition. The Restructure and the Farmout Interest Acquisition will collectively
 be categorised as a reverse takeover in terms of the Listings Requirements and accordingly requires
 a Category 1 circular and Revised Listing Particulars as if SacOil were a new applicant for listing.
 The SacOil Revised Listing Particulars are enclosed with this Circular;
- the Specific Issues, both of which are to related parties;
- the Lonsa Corporate Finance Mandates which are related party transactions;
- amendments to the SacOil Share Option Scheme; and
- the convening of a General Meeting of Shareholders in order for them to consider and, if deemed fit, approve the requisite resolutions to effect the Transactions set out in the notice of General Meeting attached to, and forming part, of this Circular.

2. THE RESTRUCTURE

For the purposes of this section:

- R8.08 to US\$1 is the exchange rate on 24 October 2008 being the date that the circular regarding the Initial SacOil Transaction was posted to Shareholders; and
- R7.62 to US\$1 is the exchange rate on 22 July 2010 being the date of signature of the SacOil Transaction Agreements.

2.1 Background to the Restructure

On 24 October 2008, SacOil posted a circular to Shareholders regarding the Initial SacOil Transaction in terms of which the Company proposed to acquire the entire issued share capital and shareholder loans of SacOil (Proprietary) Limited from the Initial SacOil (Proprietary) Limited Vendors. The Initial SacOil Transaction was encapsulated in the Initial SacOil Agreement.

SacOil (Proprietary) Limited is a party to the Block 3 Production Sharing Agreement and DIG is a party to the Block 1 Production Sharing Agreement. As a component of the Initial SacOil Transaction, it was contemplated that DIG would assign to SacOil (Proprietary) Limited its rights and obligations under the Block 1 Production Sharing Agreement in terms of the Initial Agreement of Assignment.

The Initial SacOil Transaction was conditional upon, *inter alia*, the issuance of Presidential Ordinances approving the Block 1 Production Sharing Agreement and/or the Block 3 Production Sharing Agreement by 31 May 2010.

The Initial SacOil Transaction was approved by Shareholders in general meeting on 21 November 2008.

The Initial SacOil Agreement and the Initial Agreement of Assignment lapsed on 31 May 2010 due to the fact that the conditions precedent thereto were not timeously fulfilled.

On 18 June 2010 the President and Prime Minister of the DRC signed Presidential Ordinance 10/042 approving the Block 3 Production Sharing Agreement. The Presidential Ordinance was gazetted in the *Journal Officiel de la Rèpublique Dèmocratique du Congo* on 22 June 2010.

On 18 June 2010 the President and the Prime Minister of the DRC further signed Presidential Ordinance 10/043 ordering the Amendment. Presidential Ordinance 10/043 was gazetted in the *Journal Officiel de la Rèpublique Dèmocratique du Congo* on 22 June 2010.

The signature and publication of Presidential Ordinance 10/042 perfected the rights of SacOil (Proprietary) Limited under the Block 3 Production Sharing Agreement subject to compliance with the provisions of the Amendment.

SacOil (Proprietary) Limited signed the Amendment on 13 July 2010. The Amendment varies certain commercial terms of the Block 3 Production Sharing Agreement and, *inter alia*, requires SacOil (Proprietary) Limited to effect the Block 3 Payment to the DRC Government on execution of the Amendment.

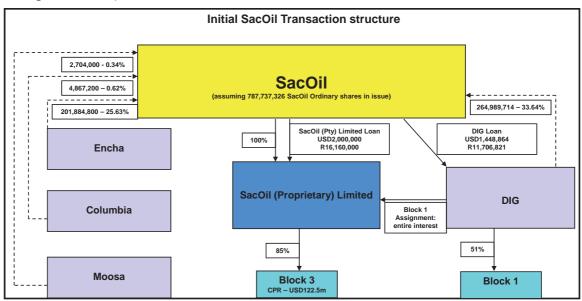
On 22 July 2010 the parties to the Initial SacOil Transaction entered into various agreements restructuring the original loan and security arrangements pertaining to the initial SacOil Transaction to take account of the Restructure as detailed in paragraphs 2.7 and 2.8 of the Circular. These agreements included the Cancellation Agreement in terms of which, *inter alia*, the security arrangements pertaining to the Initial SacOil Transaction have been cancelled.

2.2 Rationale and prospects of the Restructure

During the period of time between the signature of the Initial SacOil Agreement and the Initial Agreement of Assignment on 17 March 2008 and the lapsing of the same agreements on 31 May 2010, significant oil exploration work was carried out by titleholders to adjacent oil concession blocks in the Lake Albertine area, albeit on the Uganda side of the lake. The work done and discoveries made, together with the publicly disclosed offer by Italian Oil and Gas major, ENI International B.V., a Netherlands-based subsidiary of ENI S.p.A., the Italian-based Oil and Gas for Heritage plc's 50 per cent interest in Blocks 1 and 3A, Albertine Graben, Uganda for US\$1.5 billion (subsequently being pre-empted and completed by Tullow Oil plc during July 2010) made it difficult for the Company to retain the Initial SacOil Transaction.

The discoveries, to some extent, also provided further confidence in the existence of a petroleum system in the Lake Albertine region, and in the case of the Block 3 Rights, increased the Block 3 Rights Independent Technical Expert's Report valuation (on a cost approach basis) from US\$122 490 000 (with a Rand equivalent of R989 719 000, assuming an exchange rate of R8.08 to US\$1) at the time of the circular issued on 24 October 2008 to a Block 3 Rights Independent Technical Expert's Report valuation (on a cost approach basis) of US\$155 190 000 (with a Rand equivalent of R1.18 billion assuming an exchange rate of R7.62 to US\$1).

A diagrammatic representation of the Initial SacOil Transaction is set out below:



The lapsing of time made it difficult for the Company to retain the structure of the Initial SacOil Transaction with the Initial SacOil (Proprietary) Limited Vendors whose valuation parameters had changed significantly. The Company therefore decided to seek to acquire the interests of the SacOil (Proprietary) Limited Vendors and restructure the transaction in a manner which remained value accretive to the SacOil Shareholders.

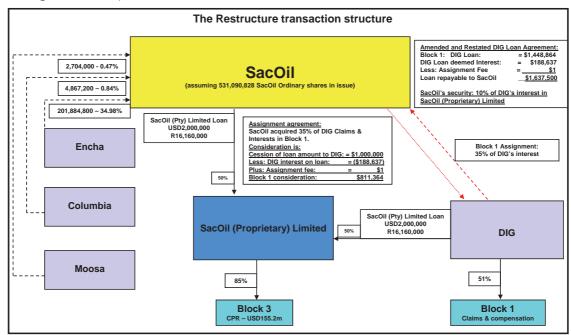
The Restructure is intended to continue to pursue SacOil's strategy of being a pan-African controlled and managed, oil and gas focused company with world class exploration and, in time, oil and gas producing assets in Africa.

There is intense international interest in African oil and gas resources, particularly given the increase in the oil price in the recent past, and the perception that many of the world's major oil fields outside Africa have "topped out" and will now face an extended decline in production. The Albertine Graben area, where the Block 3 Rights is located, straddles Lake Albert, which is situated on the border between the DRC and Uganda. This area has received significant press coverage in the past 12 months with a number of wells having been drilled in the Ugandan blocks by their operators yielding payable resources of oil in many instances.

The Albertine Graben area also received significant international press coverage recently, with the agreed sale of Heritage Oil plc's 50 per cent interest in Blocks 1 and 3A, Albertine Graben, Uganda for US\$1.5 billion (with a Rand equivalent of R11.4 billion, assuming an exchange rate of R7.62 to US\$1) to ENI International B.V., a Netherlands-based subsidiary of ENI S.p.A., the Italian based Oil and Gas major, being pre-empted by Tullow Oil plc. Tullow Oil plc subsequently completed the acquisition on 27 July 2010. It is publicly reported that Blocks 1 and 3A, which are located in the Lake Albert basin, have resources of more than 1,000 million barrels of oil equivalent, of which approximately 700 million have already been discovered from about 28 wells drilled in the area.

The Block 3 Rights Independent Technical Expert's Report is contained in Annexure 11 of the Circular and reflects a value, based on the cost approach basis, of the prospective resourcefor Block 3 (net to SacOil (Proprietary) Limited of US\$155 190 000 (with a Rand equivalent of R1.18 billion assuming an exchange rate of R7.62 to US\$1). This amount equates to a notional value per SacOil Ordinary Share post the implementation of the Restructure of between 100 and 105 cents per Ordinary Share assuming a 50 per cent interest in SacOil (Proprietary) Limited.

A diagrammatic representation of the Restructure is set out below:



2.3 Description of the Block 3 Rights

The Block 3 Rights are located in the Albertine Graben area of the DRC, which is part of the Rift Valley and is situated in the area of Lake Albert, which is on the boundary between the DRC and Uganda. The Albertine Graben area is a proven petroleum region. Bituminous shales are known to be present in the Albertine Graben area and are known to be mature, as evidenced by numerous oil seeps and recent positive drill results in adjacent oil concessions.

Notwithstanding the existence of positive evidence in the region, Shareholders are advised that oil exploration prospects of this nature are highly risky and will remain so until the resources are satisfactorily proven. Should they be successfully proven, however, the accretion of value becomes exponential.

As detailed in paragraph 2.1 above, the signature and publication of Presidential Ordinance 10/042 perfected the rights of SacOil (Proprietary) Limited under the Block 3 Production Sharing Agreement subject to compliance with the provisions of the Amendment.

The Block 3 Rights are an exploration licence. In terms of the Block 3 Production Sharing Agreement, the operators, being SacOil (Proprietary) Limited and Cohydro, are to carry out a minimum work programme which includes geological and geochemical field studies, acquisition of 400 kilometres of 2D or 400 square kilometres of 3D seismic data and drilling of two exploration wells during the exploration period of five years. In terms of the Block 3 Production Sharing Agreement, the Block 3 Rights have been awarded to the operators for an indefinite period.

A full description of the Block 3 Rights incorporating a valuation thereof is set out in Annexure 11 of this Circular.

2.4 Assignment of the Block 1 Interest to SacOil

In terms of the Initial SacOil Transaction, it was contemplated that DIG would assign to SacOil (Proprietary) Limited its rights and obligations under the Block 1 Production Sharing Agreement in terms of the Initial Agreement of Assignment.

The Initial SacOil Transaction was conditional upon, *inter alia*, the issuance of Presidential Ordinances approving the Block 1 Production Sharing Agreement and/or the Block 3 Production Sharing Agreement by 31 May 2010.

The Initial SacOil Agreement and the Initial Agreement of Assignment lapsed on 31 May 2010 due to the fact that the conditions precedent thereto were not timeously fulfilled.

On 18 June 2010 the President and the Prime Minister of the DRC signed Presidential Ordinance 10/041 approving an alternative production sharing agreement in respect of Block 1 concluded with third parties. Despite the signing of this Presidential Ordinance, DIG's Block 1 Production Sharing Agreement has not been cancelled.

On 22 July 2010 SacOil and DIG concluded the Block 1 Agreement of Assignment pursuant to which DIG shall assign to SacOil 35 per cent of its interest under the Block 1 Production Sharing Agreement and 35 per cent of all current and future claims of any nature whatsoever that DIG has, or may have in the future, against the DRC Government in relation to the Block 1 Production Sharing Agreement (including a refund of signature bonuses paid in relation to the Block 1 Production Sharing Agreement) as a consequence of an alternative production sharing agreement in respect of Block 1 being concluded between the DRC Government and third parties.

The effective consideration for the assignment of the Block 1 Interest is set out in paragraph 2.6 below.

2.5 The SacOil Transaction

On 22 July 2010 SacOil entered into the Sale of Shares Agreement in terms of which SacOil will acquire from the SacOil (Proprietary) Limited Vendors 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited on the Effective Date, subject to the fulfilment or waiver of the conditions precedent set out in paragraph 2.9 below, for a consideration of R439 857 600 to be settled through the issue of 209 456 000 Ordinary Shares at an issue price of 210 cents per Ordinary Share.

Pursuant to the implementation of the SacOil Transaction, the remaining 50 per cent interest in SacOil (Proprietary) Limited will be held by DIG, one of the Initial SacOil (Proprietary) Limited Vendors. SacOil and DIG intend to conclude a Shareholders' Agreement regulating their relationship as shareholders of SacOil (Proprietary) Limited. In terms of the Shareholders' Agreement, SacOil will control the management and decisions of SacOil (Proprietary) Limited. Pending execution of the Shareholders' Agreement, SacOil and DIG concluded the Shareholder Undertaking on 22 July 2010 addressing certain elements of the shareholder relationship, including the repayment of shareholder loans.

On 22 July 2010 SacOil and DIG respectively concluded loan agreements with SacOil (Proprietary) Limited in terms of which SacOil and DIG will advance monies to SacOil (Proprietary) Limited to fund the payment of the Block 3 Payment in order to allow SacOil (Proprietary) Limited to comply with the provisions of the Amendment and secure the Block 3 Rights. Details of these loans are provided in paragraph 2.8 below.

2.5.1 Historical financial information of SacOil (Proprietary) Limited

The historical financial information relating to SacOil (Proprietary) Limited for the three years ended 28 February 2010, is set out in Annexure 4 of the Circular.

The report of the independent reporting accountants on the historical financial information of SacOil (Proprietary) Limited for the three years ended 28 February 2010, is set out in Annexure 5 of the Circular.

2.5.2 Split of the SacOil Transaction Consideration Shares to the SacOil (Proprietary) Limited Vendors

Details of the SacOil (Proprietary) Limited Vendors are as follows:

Name	Address	Share of SacOil (Proprietary) Limited Consideration Shares	Rand value
Encha	119 Rosen Office Park 37 Invicta Road, Midrand, 1685	201 884 800	423 958 080
Columbia	1334 Lords Street Highgate Extension, Dainfern Fourways, 2191	4 867 200	10 221 120
Moosa	89 Maxwell Road, Claudius, 0037	2 704 000	5 678 400
Total		209 456 000	439 857 600

2.5.3 Warranties

The SacOil (Proprietary) Limited Vendors have given warranties normal for a transaction of this nature, including warranties that SacOil (Proprietary) Limited has exclusive, binding, valid and enforceable legal title to the Block 3 Rights and that, other than as expressly stipulated in the relevant Block 3 Production Sharing Agreement and the Amendment, no other authorisations or approvals are required to enable SacOil (Proprietary) Limited to conduct exploration and in due course exploitation activities in respect of the Block 3 Rights.

The SacOil (Proprietary) Limited Vendors have warranted that the book debts of SacOil (Proprietary) Limited as at the Effective Date will have arisen in the ordinary course of business and will be fully recoverable within a period of 90 days after the Effective Date.

2.5.4 General representations

The Sale of Shares Agreement does not preclude the SacOil (Proprietary) Limited Vendors from carrying on business in competition with the Group.

No restraint of trade agreements have been concluded between SacOil and the SacOil (Proprietary) Limited Vendors.

Any taxation payable by SacOil (Proprietary) Limited up to the Effective Date will be settled and paid prior to the Effective Date.

The value of the SacOil Transaction Consideration Shares were determined with reference to the updated Block 3 Rights Independent Technical Expert's Report value on a cost basis, of US\$155 190 000 (with a Rand value of R1,18 billion assuming an exchange rate of R7.62 to US\$1) and applying a discount on this value to take into consideration the risks attached to an asset of this nature. Notwithstanding the existence of positive evidence in the region, oil exploration prospects of this nature are highly risky and will remain so until the resources are satisfactorily proven. Should they be successfully proven, however, the accretion of value become exponential.

The assets acquired by SacOil in terms of the SacOil (Proprietary) Limited Transaction have not been ceded or pledged.

2.6 The aggregate Restructure consideration

The total consideration resulting from the Restructure is R446 413 419 payable as follows:

- to the SacOil (Proprietary) Limited Vendors an amount of R439 857 600 million to be settled through the issue of 209 456 000 Ordinary Shares at an issue price of 210 cents per Ordinary Share in terms of the Sale of Shares Agreement; and
- to DIG in respect of the assignment to SacOil of the Block 1 Interest an effective consideration totalling US\$811 364 (with a Rand equivalent of R6 182 594, assuming an exchange rate of R7.62 to US\$1) being an assignment fee of US\$1 (with a Rand equivalent of R7.62, assuming an exchange rate of R7.62 to US\$1) and an additional amount of US\$811 363 (with a Rand equivalent of R6 182 586, assuming an exchange rate of R7.62 to US\$1). The additional amount is calculated as the net amount of the cession by SacOil to DIG of SacOil's right to receive payment from SacOil (Proprietary) Limited of the Rand equivalent of US\$1 000 000 (with a Rand equivalent of R7 620 000, assuming an exchange rate of R7.62 to US\$1) under the Cession Agreement and an agreed interest payment of US\$188 637 (with a Rand equivalent of R1 437 414, assuming an exchange rate of R7.62 to US\$1) due and payable by DIG to SacOil on monies previously loaned and advanced by SacOil to DIG as reflected in the Amended and Restated DIG Loan Agreement.

2.7 Loans granted to DIG

In terms of the Initial DIG Loan Agreement SacOil advanced to DIG an amount of US\$1 448 864 (with a Rand value of R11 706 821 assuming an exchange rate of R8.08 to US\$1), payable directly to the DRC Government in respect of signature bonus obligations under the Block 1 Production Sharing Agreement.

As a result of the Restructure where DIG will retain its interest in SacOil (Proprietary) Limited, DIG is indebted to SacOil for an amount of US\$1 000 000 (with a Rand value of R7 619 000 assuming an exchange rate of R7.62 to US\$1) in respect of the initial signature bonus obligations under the Block 3 Production Sharing Agreement.

In terms of the Block 1 Agreement of Assignment, DIG shall assign to SacOil the Block 1 Interest in exchange for an effective consideration totalling US\$811 364 (with a Rand equivalent of R6 182 594, assuming an exchange rate of R7.62 to US\$1) being an assignment fee of US\$1 (with a Rand equivalent of R7.62, assuming an exchange rate of R7.62 to US\$1) and an additional amount of US\$811 363 (with a Rand equivalent of R6 182 586, assuming an exchange rate of R7.62 to US\$1). The additional amount is calculated as the net amount of the cession by SacOil to DIG of SacOil's right to receive payment from SacOil (Proprietary) Limited of the Rand equivalent of US\$1 000 000 (with a Rand equivalent of R7 620 000, assuming an exchange rate of R7.62 to US\$1) under the Cession Agreement and an agreed interest payment of US\$188 637 (with a Rand equivalent of R1 437 414, assuming an exchange rate of R7.62 to US\$1) due and payable by DIG to SacOil on monies previously loaned and advanced by SacOil to DIG as reflected in the Amended and Restated DIG Loan Agreement.

DIG will under the Amended and Restated DIG Loan Agreement, repay in cash a total of US\$1 637 500 (with a Rand value of R13 143 227) to SacOil being the loan advanced in terms of the Initial DIG Loan Agreement of US\$1 448 864 (with a Rand value of R11 706 821 assuming an exchange rate of R8.08 to US\$1) to SacOil and deemed interest thereon in an agreed amount of US\$188 637 (with a Rand equivalent of R1 437 414 assuming an exchange rate of R7.62 = US\$1).

A reconciliation of the aggregate loan receivable by SacOil from DIG is set out below:

	Exchange rate	US\$ amount	Rand value
Initial loan amount in terms of the Initial DIG Loan Agreement	8.08	1 448 864	11 706 821
Amount owed by DIG in respect of the Cession Agreement	7.62	1 000 000	7 619 000
Effective consideration payable by SacOil in respect of the Block 1 Interest	7.62	(811 364)	(6 182 594)
Total		1 637 500	13 143 227

The repayment obligations of DIG under the Amended and Restated DIG Loan Agreement are secured by a cession and pledge by DIG to SacOil of 10 per cent of its shares in, and its shareholder claims against, SacOil (Proprietary) Limited in terms of the Second DIG Cession and Pledge in Security.

2.8 Loans granted to SacOil (Proprietary) Limited

In terms of the Initial SacOil Loan Agreement SacOil advanced an amount of US\$2 000 000 (with a Rand value of R16 160 000 assuming an exchange rate of R8.08 to US\$1) to SacOil (Proprietary) Limitied, payable directly to the DRC Government in respect of signature bonus obligations in terms of the Block 3 Production Sharing Agreement.

As a result of the Restructure, SacOil ceded to DIG its right to receive payment from from SacOil (Proprietary) Limited of US\$1 000 000 (with a Rand value of R7 619 000 assuming an exchange rate of R7.62 to US\$1) previously loaned and advanced to SacOil (Proprietary) Limited. This cession is effective only after the receipt of the agreed repayment obligation of DIG to SacOil as detailed in paragraph 2.7 above in the amount of US\$1 637 500 (with a Rand value of R13 143 227 as calculated and reflected in paragraph 2.7 of the Circular).

In terms of the Second SacOil – SacOil (Proprietary) Limited Loan Agreement SacOil will advance a further loan of US\$1 000 000 (with a Rand value of R7 619 000 assuming an exchange rate of R7.62 to US\$1) to SacOil (Proprietary) Limited, payable directly to the DRC Government to partially fund the payment of the Block 3 Payment.

In terms of the DIG – SacOil (Proprietary) Limited Loan Agreement, DIG will advance a loan of US\$1 000 000 (with a Rand value of R7 619 000 assuming an exchange rate of R7.62 to US\$1) to SacOil (Proprietary) Limited, payable directly to the DRC Government to partially fund the payment of the Block 3 Payment.

A reconciliation of the loan receivable by SacOil from SacOil (Proprietary) Limited is set out below:

	Exchange rate	US\$ amount	Rand value
Initial loan amount in terms of the Initial SacOil Loan Agreement	8.08	2 000 000	16 160 160
Amount ceded to DIG	7.62	(1 000 000)	(7619000)
Further loan to partially fund payment of the Block 3 payment in terms of the DIG – SacOil (Proprietary) Limited Loan Agreement	7.62	1 000 000	7 619 000
Total		2 000 000	16 160 000

The net effect would be that both SacOil and DIG would have shareholder loans in SacOil (Proprietary) Limited owed to respectively SacOil and DIG in the amount of US\$2 000 000 each. Pursuant to the implementation of the Cancellation Agreement the loans to SacOil (Proprietary) Limited will be unsecured.

2.9 Conditions precedent to the Restructure

The Restructure is subject to the fulfilment or waiver of the following conditions precedent, by no later than 30 September 2010:

- the SacOil Transaction Agreements shall have been duly executed by the Parties thereto, and shall have been unconditional in accordance with their terms; and
- approval of the Restructure by SacOil Shareholders in General Meeting.

2.10 Related party transaction

As at the Last Practicable Date Encha Capital controls, directly and indirectly, 55.23 per cent of the issued Ordinary Shares in SacOil. Accordingly, the Restructure will qualify as a related party transaction in terms of section 10 of the Listings Requirements.

The Restructure will require approval by a 75 per cent majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at the General Meeting, excluding Encha and its associates.

In addition, a fairness opinion is required in respect of the Restructure. The text of the fairness opinion is set out in Annexure 8 of the Circular.

The Board sought a fairness opinion which is included in Annexure 8 of the Circular, which opined that the Restructure is fair to Shareholders.

3. THE FARMOUT INTEREST ACQUISITION

For the purposes of this section:

• R7.50 to US\$1 is the exchange rate on 10 May 2010 being the date of signature of the Farmout Acquisition Agreement.

3.1 Background to the Farmout Interest Acquisition

In April 2005, the Protocole d'Accord Agreement was concluded which granted the Chaal Prospecting Permit Parties the Chaal Prospecting Permit covering the Chaal Gas Exploration Permit Area.

The Chaal Prospecting Permit was approved by an Arrêté on 7 June 2005 and published in the Official Gazette of Tunisia No 27 of 14 June 2005.

During October 2005 Candax and SMIP entered into the Joint Operating Agreement in relation to the Chaal Prospecting Permit and in January 2006, the Chaal Prospecting Permit Parties concluded the Convention Agreement.

In November 2005 Candax transferred an undivided 25 per cent interest of its 80 per cent Participating Interest to Mitsubishi as part of the Mitsubishi Farmout Agreement. Candax also entered into the Accord de Transfert Relatif au Permis de Recherche Chaal on 16 February 2006 which transferred an undivided 100 per cent interest of its remaining Participating Interest to Falcan.

The Chaal Prospecting Permit was converted to an Exploration Permit by an Arrêté issued on 15 May 2006 and published in the Official Gazette of Tunisia No 42 of 26 May 2006 in accordance with the terms of the Convention Agreement.

On 26 January 2006 ETAP, Candax and SMIP executed the Chaal Gas Exploration Permit Area Production Sharing Agreement which governs any production obtained from the Chaal Gas Exploration Permit Area under the terms of the Exploration Permit.

Subsequent to the Accord de Transfert Relatif au Permis de Recherche Chaal numéro deux and prior to the implementation of the Farmout Interest Acquisition contemplated in the Farmout Agreement, the Participants and their respective Participating Interests were:

Falcan 60 per cent; SMIP 20 per cent; and Mitsubishi 20 per cent.

Subject to fulfilment of the conditions precedent set out in paragraph 3.9 below, Falcan and SMIP will under the Farmout Agreement, respectively, execute the Deed of Assignment in terms of which they will assign to SacOil an undivided 41.25 per cent and 13.75 per cent Participating Interest in the Exploration Permit and other Principal Agreements relating to the Chaal Gas Exploration Permit Area.

The Participants and their Participating Interests post the implementation of the Farmout Interest Acquisition will be:

SacOil 55.00 per cent;
Falcan 18.75 per cent;
SMIP 6.25 per cent; and
Mitsubishi 20.00 per cent.

The Fulfilment Date will be the date on which the conditions precedent are fulfilled or waived, where waiver is allowed by the Farmout Agreement. The final date for fulfilment of the conditions precedent is 31 January 2011 or such later date as may be agreed in writing by the Farmout Interest Acquisition Parties.

3.2 Rationale for the Farmout Interest Acquisition

The Board believes that the Chaal Gas Exploration Permit Area has the potential to be a world-class resource of gas/condensate. Tunisia has historically been a stable country. Tunisia also imports gas from Algeria in order to adequately provide for its growing gas requirements. The infrastructure within Tunisia is outstanding and there is a major gas trunk line (with excess capacity) that passes some 15 kilometres to the east of the present exploration well.

SacOil was able to enter as a Participant on favourable terms in light of the Farmout Interest Vendors' need for funding. The Farmout Agreement is a farm-in position, in terms of which SacOil agrees to refund Falcan and SMIP, a portion of their past costs and to provide an advance to cover the estimated costs of the planned future Work Programme.

In exchange for this, Falcan and SMIP will assign part of their Participating Interests to provide SacOil with a majority stake in the Chaal Gas Exploration Permit Area. Once the Chaal Gas Exploration Permit Area is cash positive, SacOil will receive a preferential right to recover its part of the expenses carried on behalf of Falcan and SMIP in terms of the Farmout Agreement.

3.3 The Chaal Gas Exploration Permit Area

The Chaal Gas Exploration Permit Area is potentially one of Tunisia's most significant future gas resources and is potentially a world class gas condensate discovery, located onshore central Tunisia some 25 kilometres to the west of Tunisia's second largest city, Sfax. Candax together with its partners and the Tunisian Government are actively pursuing the deep gas resources at the Chaal Gas Exploration Permit Area and in the Triassic reservoirs lying beneath the producing fields in the south of the country.

The Chaal Gas Exploration Permit Area covers approximately 1 200 square kilometres. Gas condensate was discovered there in the early 1960s. In 2006 a further well, the Chaal 1 Well was drilled and encountered significant gas shows. The Chaal Gas Exploration Permit Area is within close proximity of established excess capacity gas pipeline infrastructure and gas markets (both local and international) where excess demand exists.

The Exploration Permit is held by the Tunisian government through its state owned, ETAP, as the "holder" of the Exploration Permit. Falcan, SMIP and Mitsubishi are the "Contractors" with interests only in the Chaal Gas Exploration Production Sharing Agreement. The contractors have the right to conduct exploration and production activities and share in the production derived from the Exploration Permit but do not own an interest in the Exploration Permit itself.

As a result of the Farmout Interest Agreement, SacOil has the right to earn a 55 per cent Participating Interest in the Chaal Gas Exploration Production Sharing Agreement covering the Chaal Gas Exploration Permit Area from Falcan and SMIP.

Included in the conditions precedent to the Farmout Interest Agreement, which are set out in paragraph 3.9 of the Circular, is a condition that Falcan shall furnish to SacOil the formal written approval of the relevant Tunisian authorities for an extension of the term of the Exploration Permit for a minimum period of one year to enable the Work Programme to be completed. The Directors are confident that such extension will not be unreasonably withheld by such authorities.

Upon receipt of the extension of the term of the Exploration Permit, the Work Programme will take approximately one year to complete. Once completed, approval for the Development Programme will be applied for from the Granting Authorities and ETAP. At this point, SacOil would be able to record the gas resource as a reserve.

3.4 The Farmout Interest Acquisition consideration

3.4.1 Farmout Interest consideration

SacOil shall pay Falcan and SMIP within 7 (seven) days of the Fulfilment Date an amount of US\$250 000 (with a Rand value of R1 875 000) in proportion to the Farmout Interest which they have respectively assigned to SacOil under the Farmout Agreement. The amount so paid represents a non refundable advance on the total US\$5 000 000 (with a Rand value of R37 500 000) payable to Falcan and SMIP as consideration (by way of a refund of past incurred recoverable back costs of Falcan and SMIP) for SacOil's Farmout Interest.

The balance of US\$4 750 000 (with a Rand value of R35 625 000) is payable to Falcan and SMIP (in proportion to the Farmout Interest which they have respectively assigned to SacOil under the Farmout Agreement) no later than 30 (thirty) days after the approval of a Development Plan for the Chaal Gas Permit Area by the Granting Authority and ETAP. Should the Development Plan not be approved by the Granting Authority and ETAP, SacOil would not be required to pay the aforementioned balance.

3.4.2 Work Programme carry

Falcan, the operator of the Chaal Gas Exploration Permit Area, has costed the Work Programme at US\$8 000 000 (with a Rand value of R60 000 000). It is envisaged that this costing of the Work Programme would be sufficient to cover all cost up to the approval of the development plan for the Chaal Gas Exploration Permit Area.

Having acquired a 55 per cent Participating Interest, SacOil would have an obligation to contribute its proportionate share towards the Work Programme, amounting to US\$4 400 000 (with a Rand value of R33 000 000).

In addition, to its own Work Programme cost obligations detailed above, the Farmout Agreement provided that SacOil would also be liable for Falcan and SMIP's proportionate share of the Work Programme cost (which Falcan and SMIP would ordinarily be liable for in respect of the Participating Interests in the Chaal Gas Exploration Permit Area), being an aggregate 25 per cent of the Work Programme cost, up to a maximum financial amount of US\$2 000 000 (with a Rand value of R15 000 000). Thereafter all parties shall contribute to such costs and expenses *pro rata* to their Participating Interest.

In respect of the Work Programme cost of US\$8 000 000 (with a Rand value of R60 000 000), SacOil would be obliged to fund a total of US\$6 400 000 (with a Rand value of R48 000 000) whereas Mitsubishi, the 20 per cent Participating Interest holder in the Chaal Gas Exploration Permit Area, would fund the remaining US\$1 600 000 (with a Rand value of R12 000 000).

3.4.3 Cost recovery

SacOil has agreed preferential back cost recovery terms at production. The ranking of the recovery of back costs is as follows:

- SacOil would recover the US\$5 000 000 (with a Rand value of R37 500 000) paid to Falcan and SMIP in advance of other Participating Interests in the Chaal Gas Exploration Permit Area;
- 2. the other Participating Interests would then recover their audited recoverable back costs capped at some US\$23 000 000 (with a Rand value of R172 500 000);
- 3. SacOil would then recover the further US\$6 400 000 (with a Rand value of R48 000 000) spent on the Work Programme; and
- 4. any further recoverable costs are recovered by the Participating Interests pro rata.

3.4.4 Aggregate consideration

The aggregate consideration payable by SacOil in terms of the Farmout Interest Acquisition is US\$11 400 000 (with a Rand value of R85 500 000).

A reconciliation of the aggregate consideration payable by SacOil in terms of the Farmout Interest Acquisition is set out below:

	Consideration		Fal	can	SMIP		
	R	US\$	R	US\$	R	US\$	
Non-refundable advanc on consideration in respect of the Farmout Interest Acquisition	e 1 875 000	250 000	1 406 250	187 500	468 750	62 500	
Balance of Farm Out consideration	35 625 000	4 750 000	26 718 750	3 562 500	8 906 250	1 187 500	
Sub-total	37 500 000	5 000 000	28 125 000	3 750 000	9 375 000	1 250 000	
Cost and liabilities up to a maximum of US\$2 million	15 000 000	2 000 000	11 250 000	1 500 000	3 750 000	500 000	
Sub-total	52 500 000	7 000 000	39 375 000	5 250 000	13 125 000	1 750 000	
SacOil's 55 per cent share of the total project of US\$8 million	33 000 000	4 400 000					
Total consideration	85 500 000	11 400 000					

3.5 Prospects

3.5.1 Prospects for SacOil

SacOil's main focus is Oil and Gas. The investment in the Exploration Permit pertaining to the Chaal Gas Exploration Permit Area, Tunisia, will enable the Company to add to its current financial and technical resources and will enhance Shareholder value.

3.5.2 Prospects for the Chaal Gas Exploration Permit Area

The Chaal Gas Exploration Permit Area is potentially one of Tunisia's most significant future gas resources and is potentially a world class gas condensate discovery, located onshore central Tunisia some 25 kilometres to the west of Tunisia's second largest city, Sfax. Candax together with its partners and the Tunisian Government are actively pursuing the deep gas resources at the Chaal Gas Exploration Permit Area and in the Triassic reservoirs lying beneath the producing fields in the south of the country.

3.6 Details of the Farmout Interest Vendors

The details of the Farmout Interest Vendors are as follows:

Name	Address	Share of Farmout interest acquisition consideration Approximate Rand value	Cost of Farmout interest acquisition to the Farmout Interest Vendors Approximate Rand value
Falcan	Whitepark House, Whitepark Road Bridgetown, Barbados	39 375 000	32 211 347
SMIP	Immeuble Maghrebia, 4th Floor Rue du Lac Windermere Les Berges du Lac, 1053 Tunis – Tunisia	13 125 000	10 737 116
Total		52 500 000	42 948 463

Falcan and SMIP are not related parties to SacOil.

In terms of the Principal Agreements and the Farmout Agreement, the Farmout Interest Vendors are not precluded from carrying on business in competition to SacOil or any of its subsidiaries. No restraint of trade payments have been paid to the Farmout Interest Vendors.

3.7 General Representations and Warranties

Each of the Farmout Interest Acquisition Parties represents, warrants and covenants to and with the other Farmout Interest Acquisition Parties that as of the Signature Date:

- it is a corporation duly organised, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly registered and authorised to carry on its business as currently conducted in all jurisdictions where the Chaal Gas Exploration Permit Area is located or such business is carried out;
- it has, and will have, all requisite corporate power and authority to execute the Farmout Agreement, the Deed of Assignment, and all other agreements as set out in the exhibits of the Farmout Agreement and to perform its obligations thereunder and such execution and performance has been duly authorised by all legally required corporate actions;
- the Farmout Agreement has been duly executed and, if duly executed by the other Farmout Interest Acquisition Parties, shall constitute a valid and binding obligation of it, enforceable in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, liquidation, reorganisation or other laws of general application relating to or affecting rights of creditors generally and that equitable remedies and defenses, including specific performances, are within the discretion of courts;
- it has not incurred any obligation or liability, contingent or otherwise for brokers' or finders' fees in respect of the transactions contemplated in the Farmout Agreement for which the other Farmout Interest Acquisition Parties shall have any obligation or liability; and
- it has the ability to meet all its financial obligations under the Farmout Agreement and the Deed of Assignment and that is has not gone into liquidation, made an assignment for the benefit of creditors or been declared bankrupt or insolvent by a competent court, or had a receiver appointed in respect of the whole or any part of its assets and has no plans to do so.

Each of the Farmout Interest Acquisition Parties represents and warrants to SacOil the following:

- it has good and uncontested legal title to its Participating Interest and such of the Farmout Interest that is has agreed to assign to SacOil under the Farmout Agreement, which are free and clear from liens, mortgages, pledges, security, interests, claims, or encumbrances of any kind and no Person is entitled to pre-emptive or other rights to acquire such Participating Interest from it:
- it has not received any notice of default in respect of the Principal Agreements or any other notice of any pending or threatened litigation, arbitration or administrative proceedings which may adversely affect the Principal Agreements or its interest therein or the Farmout Interest Acquisition as contemplated in the Farmout Agreement;

- it has not granted an interest in the Principal Agreements except as specifically provided in the Farmout Agreement;
- it is not in breach of any obligations undertaken by it in any of the Principal Agreement and it is entitled to all benefits and rights under the Principal Agreements, all of which are legally binding and enforceable, and it is not aware, after due enquiry, of any fact, circumstances or reason which might preclude it from exercising any rights or fulfilling any obligations still to be exercised or fulfilled by it in terms of the Principal Agreements;
- in the performance of its material obligations under the Principal Agreements it has complied in all material respects with all applicable legislation, regulations, ordinances, by-laws, lawful directives of the state officials and the like and no allegations have been made of any contravention thereof:
- SacOil is acquiring a Participating Interest and, therefore, there is no need for the Farmout Interest Vendors to guarantee the book debts as none are being acquired in terms of the Farmout Interest Acquisition;
- SacOil will not be acquiring any liability for accrued taxation in terms of the Farmout Interest Acquisition as SacOil is acquiring a Participating Interest; and
- · the Participating Interest has not been ceded or pledged by SacOil.

3.8 Conditions precedent to the Farmout Interest Acquisition

The Farmout Interest Acquisition remains subject to the fulfilment or waiver of the following principal conditions precedent, by no later than 31 January 2011;

- Falcon obtaining the consent of the relevant Tunisian authorities for the extension of the exploration license for the Chaal Gas Exploration Permit Area and to the assignment of the Farmout Interest to SacOil; and
- SacOil furnishing Falcan with a Letter of Credit or acceptable undertaking/guarantee for US\$6 400 000 (with a Rand value of R48 000 000 at an exchange rate of R7.50 to US\$1) to fund SacOil's cost obligations for the Work Programme;
- the approval of the Farmout Interest Acquisition by Shareholders in General Meeting.

4. THE SPECIFIC ISSUES

4.1 The Specific Issue to Metropolitan Asset Managers

It is proposed that SacOil issue 46 000 000 Ordinary Shares to Metropolitan Asset Managers, a related party, at an issue price of 50 cents per Ordinary Share and an aggregate issue price of R23 000 000.

Metropolitan Asset Managers holds 11.99 per cent of SacOil. Accordingly, the Specific Issue to Metropolitan Asset Managers is to a related party and qualifies as a specific issue of shares for cash in terms of Section 5 of the Listings Requirements.

The Specific Issue of Metropolitan Asset Managers requires approval by a 75 per cent majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at the General Meeting, excluding Metropolitan Asset Managers and their associates.

As the price at which the Ordinary Shares are being issued to Metropolitan Asset Managers of 50 cents per Ordinary Share is at a 5 per cent premium to the 30-day VWAP of the Ordinary Shares of 47.56 cents per Ordinary Share prior to 16 July 2010 (being the signature date of the irrevocable undertaking by Metropolitan Asset Managers to subscribe for Ordinary Shares) no fairness opinion is required in respect of the Specific Issue to Metropolitan Asset Managers in terms of paragraph 5.51(f) of the Listings Requirements.

The proceeds of R23 000 000 from of the Specific Issue will be utilised to fund the costs of the Transactions and the obligations of SacOil as a result of the Restructure and the Farmout Interest Acquisition.

The Ordinary Shares which are the subject of the Specific Issue to Metropolitan Asset Managers are of a class already in issue.

Application has been made to the JSE for the listing of the Ordinary Shares in terms of the Specific Issue to Metropolitan Asset Managers.

The unaudited *pro forma* financial effects of the Specific Issue to Metropolitan Asset Managers are set out in paragraph 7.2 of the Circular.

4.2 The Specific Issue to GVM

On 5 July 2010 SacOil signed a settlement agreement with GVM to issue 8 343 216 Ordinary Shares to GVM at an issue price of 30 cents per Ordinary Share and an aggregate issue price of R2 502 964.

At the Last Practicable Date GVM held 8 343 216 Ordinary Shares in SacOil.

R Linnell, the Non-executive Chairman of SacOil, is also a director of GVM and Coal of Africa and is a minority shareholder of Coal of Africa. Accordingly the Specific Issue to GVM is to a related party and qualifies as specific issue of shares for cash in terms of Section 5 of the Listings Requirements.

The Specific Issue to GVM requires ratification by a 75 per cent majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at the General Meeting, excluding GVM and its associates.

As the price at which the Ordinary Shares are being issued to GVM of 30 cents per Ordinary Share is at a 11 per cent premium to the 30-day VWAP of 27 cents per Ordinary Share on 2 July 2010 (being the day prior to the signature date of the settlement agreement between GVM and SacOil) no fairness opinion is required in respect of the Specific Issue to GVM in terms of paragraph 5.51(f) of the Listings Requirements.

The 8 343 216 Ordinary Shares are being issued to GVM in full and final settlement of a loan owing by SacOil to GVM in relation to restructuring expenses paid for on behalf of SacOil during 2008.

The Ordinary Shares which are the subject of the Specific Issue to GVM are of a class already in issue.

The Ordinary Shares were issued to GVM and listed on the JSE on 29 July 2010 in terms of a general authority granted to the Directors by SacOil Shareholders at the last annual general meeting held on 27 November 2009.

The unaudited *pro forma* financial effects of the Specific Issue to GVM are set out in paragraph 7.2 of the Circular.

5. THE LONSA CORPORATE FINANCE ADVISORY MANDATES

SacOil has entered into corporate finance advisory mandates dated 22 February 2008 and 17 May 2010 in terms of which Lonsa acts as corporate finance adviser to SacOil in respect of the Initial SacOil Transaction, the Restructure and the Farmout Interest Acquisition. Lonsa introduced, structured, negotiated and project managed the Initial SacOil Transaction, the Restructure and the Farmout Interest Acquisition on behalf of SacOil and has charged a fee for its services as set out in paragraph 14 of this Circular. Shareholders were advised in the circular issued to them on 24 October 2008 of Lonsa's role and the fees payable, when the Initial SacOil Transaction was approved by Shareholders in general meeting on 21 November 2008.

Lonsa does not hold any Ordinary Shares in SacOil.

As R Vela, the Chief Executive Officer of SacOil, is also a director and the controlling shareholder of Lonsa, Accordingly, the Lonsa Corporate Finance Advisory Mandates are related party transactions in terms of Section 10 of the Listings Requirements. The Board sought a fairness opinion which is included in Annexure 8 of the Circular, which opined that the Lonsa Corporate Finance Advisory Mandates are fair to the Shareholders.

The Lonsa Corporate Finance Advisory Mandates require approval by a 75 per cent majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at the General Meeting, excluding Lonsa and their associates, is required.

The unaudited *pro forma* financial effects of the Lonsa Corporate Finance Advisory Mandates are set out in paragraph 7.2 of the Circular.

6. PROPOSED AMENDED SHARE OPTION SCHEME

6.1 Proposed Amended Share Option Scheme

The Samroc Share Option Scheme was adopted by the Company on 21 November 2008.

On 26 April 2010, the Board resolved to effect certain amendments to the Samroc Share Option Scheme. Due to the large number of amendments which have been effected, SacOil Shareholders will be asked to approve the amendments to the Samroc Share Option Scheme by replacing it in its entirety with the Amended SacOil Share Option Scheme contained in Annexure 10 of the Circular.

A draft version of the Amended SacOil Share Option Scheme, black lined for all changes made, is available for inspection at the registered office of SacOil during normal business hours from 6 September 2010 to 17 September 2010.

6.2 Rationale for the Amended Share Option Scheme

The Samroc Share Option Scheme as approved by Shareholders on 21 November 2008 had specific reference to the Initial SacOil Transaction. Due to the Restructure, the parameters as contained in the Samroc Share Option Scheme are no longer applicable. The proposed amendments to the Samroc Share Option Scheme include the removal of the specific references to the Initial SacOil Transaction and provide for a maximum aggregate number of 115 418 366 Ordinary Shares in the issued share capital of the Company which may be issued in terms of the Amended Share Option Scheme.

In addition to the above amendments and in compliance with Schedule 14 of the Listings Requirements, the proposed amendments to the Share Option Scheme include the following:

- a participant must be an employee of the Company in order to qualify for options to be granted to him/her in terms of the Amended Share Option Scheme;
- · options are granted at the discretion of the Board;
- if any participant leaves the employment of the Company or resigns as Executive Director (as the case may be), then all of the options that may become exercisable on or after the date of termination will lapse immediately on the date of termination and all of the options must be exercised by the participant within 30 calendar days after the date of termination;
- in the event of a sub division or consolidation of the number of Ordinary Shares in issue by the Company, the number of Ordinary Shares in respect of which an option is held by each participant at the date of such sub division or consolidation will automatically be adjusted with effect from the date of grant of the option so held, by a number of Ordinary Shares equal to the number of Ordinary Shares which would have accrued to each participant in terms of such sub division or consolidation issues in respect of the Ordinary Shares;
- the issue of Ordinary Shares for an acquisition, the issue of Ordinary Shares for cash and the issue of Ordinary Shares for a vendor consideration will not be regarded as circumstances requiring adjustment to the participants entitlement to share options in terms of the Amended Share Option Scheme; and
- In compliance with the King Report on Governance for South Africa 2009, non-executive directors do not qualify as participants in terms of the Amended Share Option Scheme.

7. FINANCIAL INFORMATION RELATING TO SACOIL

7.1 Historical financial information relating to SacOil

The historical financial information relating to SacOil for the year ended 28 February 2010, the eight months ended 28 February 2009 (due to a change in year end from June to February) and the year ended 30 June 2008 set out in Annexure 3 of this Circular.

7.2 Unaudited *pro forma* financial effects of the Transactions

The table below sets out the unaudited *pro forma* financial effects of the Transactions on SacOil's basic earnings per Ordinary Share, headline earnings per Ordinary Share, net asset value per Ordinary Share and tangible net asset value per Ordinary Share.

The unaudited *pro forma* financial effects have been prepared to illustrate the impact of the Transactions on the reported financial information of SacOil for the year ended 28 February 2010, had the Transactions occurred on 1 March 2009 for income statement purposes and on 28 February 2010 for balance sheet purposes.

The *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited annual financial statements of SacOil for the year ended 28 February 2010.

The *pro forma* financial effect of the following have been show separately in the table below as these transactions are separate resolutions and are being voted on by shareholders separately:

- the Restructure;
- the Farmout Interest Acquisition;
- the Specific Issue to Metropolitan Asset Managers; and
- the Specific Issue to GVM (collectively referred to as "the Proposals for the purposes of paragraph 87.2).

The *pro forma* financial effects of the Lonsa Corporate Finance Advisory Mandates are incorporated into the *pro forma* financial effects of each of the Restructure, the Farmout Interest Acquisition and the Specific Issue to Metropolitan Asset Managers as the Lonsa Corporate Finance Advisory Mandates form part of the transaction costs relating to the Restructure, the Farmout Interest Acquisition and the Specific Issue to Metropolitan Asset Managers and therefore cannot be show separately.

The unaudited *pro forma* financial effects set out below are the responsibility of the Directors and have been prepared for illustrative purposes only and because of their nature may not fairly present the financial position, changes in equity, results of operations or cash flows of SacOil after the Transactions.

The reporting accountants' limited assurance report on the unaudited *pro forma* financial effects is set out in Annexure 2 to this Circular.

	Before the Proposals ¹	After Restructure ²	After the Farmout Interest Acquisition ³	After the Specific Issue to Metropolitan Asset Managers ⁴	After the Specific Issue to GVM ⁵	After the Proposals	Percentage change
Earnings/(loss) and diluted earnings/(loss) per Ordinary Share (cents)	0.72	(1.54)	(0.17)	0.42	0.70	(2.02)	(379)
Headline and diluted headline earnings/(loss) per Ordinary Share (cents)	0.95	(1.41)	0.06	0.62	0.93	(1.89)	(299)
Net asset value per Ordinary Share (cents)	13.83	66.80	12.94	18.25	14.25	64.31	365
Tangible net asset value per Ordinary Share (cents)	13.83	1.72	(14.37)	18.25	14.25	(9.46)	(168)
Weighted average number of Ordinary Shares in issue ('000)	313 292	522 748	313 292	359 292	321 635	577 091	84
Number of Ordinary Shares in issue ('000)	313 292	522 748	313 292	359 292	321 635	577 091	84

Notes:

^{1.} The "Before the Proposals" basic earnings, diluted earnings, headline earnings and diluted headline earnings per Ordinary Share have been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2010. The "Before the Proposals" net asset value and net tangible asset value per Ordinary Share have been calculated from the financial information presented in the audited, published results of SacOil for the year ended 28 February 2010.

- 2. The "After the Restructure" assumes:
 - (a) The consolidation of SacOil (Proprietary) Limited into SacOil in terms of IFRS 3: Business Combinations and the raising of the non-controlling interest of 50 per cent of SacOil (Proprietary) Limited (held by DIG);
 - (b) The revaluation of the Block 3 Rights to fair value in terms of IFRS 3: Business Combinations;
 - (c) The issue of the 209 456 000 Ordinary Shares to the SacOil (Proprietary) Limited Vendors at an assumed issue price of R0.74 per Ordinary Share, being the price of the Ordinary Shares on the JSE on 25 July 2010 (being the Ordinary Share price on the day before the detailed terms announcement in respect of the Restructure on 26 July 2010);
 - (d) Settlement of an effective consideration totalling US\$811 364 (with a Rand equivalent of R6 182 594, assuming an exchange rate of R7.62 to US\$1) in exchange for the Block 1 Interest, being an assignment fee of US\$1 (with a Rand equivalent of R7.62, assuming an exchange rate of R7.62 to US\$1) and an additional amount of US\$811 363 (with a Rand equivalent of R6 182 586, assuming an exchange rate of R7.62 to US\$1). The additional amount is calculated as the net amount of the cession by SacOil to DIG of SacOil's right to receive payment from SacOil (Proprietary) Limited of the Rand equivalent of US\$1 000 000 (with a Rand equivalent of R7 620 000, assuming an exchange rate of R7.62 to US\$1) under the Cession Agreement and an agreed interest payment of US\$188 637 (with a Rand equivalent of R1 437 414, assuming an exchange rate of R7.62 to US\$1) due and payable by DIG to SacOil on monies previously loaned and advanced by SacOil to DIG as reflected in the Amended and Restated DIG Loan Agreement;
 - (e) The payment of the Block 3 Payment, per the SacOil Transaction Agreements; and
 - (f) Transaction costs of R10 330 000 (including a portion of the amount payable to Lonsa in terms of the Lonsa Corporate Finance Advisory Mandates that relates to the Restructure).
- 3. The "After the Farmout Interest Acquisition" assumes:
 - (a) Payment of US\$5 000 000 to Falcan and SMIP, the vendors, in respect of the Farmout Interest Acquisition (as detailed in paragraph 3.4.1 of the Circular), converted at R7.50 to US\$1, being the closing rate at 10 May 2010, the date of signature of the Farmout Interest Agreement, which has been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources as this is a refund of past incurred recoverable back costs of Falcan and SMIP;
 - (b) The assumption of a contractual obligation of up to US\$6 400 000, converted at R7.50 to US\$1, as above, in respect of SacOil's 55 per cent share of the costs of the Work Programme as detailed in paragraph 3.4.2 of the Circular and which have been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources; and
 - (c) Transaction costs of R2 805 000 (including a portion of the amount payable to Lonsa in terms of the Lonsa Corporate Finance Advisory Mandates that relates to the Farmout Interest Acquisition).
- 4. The "After the Specific Issue to Metropolitan Asset Managers" assumes:
 - (a) Issue of 46 000 000 new Ordinary Shares at 50 cents per Ordinary Share in terms of the Specific Issue to Metropolitan Asset Managers;
 - (b) Transaction costs of R760 000 (including a portion of the amount payable to Lonsa in terms of the Lonsa Corporate Finance Advisory Mandates that relates to the Specific Issue to Metropolitan Asset Managers).
- 5. The "After the Specific Issue to GVM" assumes:
 - (a) Issue of 8 343 216 new Ordinary Shares at 30 cents per Ordinary Share in terms of the Specific Issue to GVM in settlement of a liability owning by SacOil to GVM;
- 6. The "After the Proposals" assumes all of the adjustments detailed in notes 2 to 5 above. The above adjustments are once-off in nature

7.3 Unaudited pro forma balance sheet and income statement

The unaudited *pro forma* balance sheet and income statement of SacOil are set out in Annexure 1 to this Circular.

7.4 Independent reporting accountants' report

The independent reporting accountants' report on the unaudited *pro forma* financial information of SacOil relating to the Transactions is set out in Annexure 2 to this Circular.

8. INFORMATION RELATING TO THE DIRECTORS

8.1 Directors

Details relating to the Directors of the Company follow:

NAME	ADDRESS	DESIGNATION	BRIEF CV
Richard John Linnell (South African) (65)	Ground Floor 4 Fricker Road Illovo, 2196	Independent non-executive Chairman of SacOil	Appointed 19 September 2002. Richard Linnell is an experienced geologist, who has worked with various companies which now form part of the BHP Billiton Group, culminating in running the Samancor manganese operations and Billiton's exploration and development activities in South Africa. He is a former non-executive director of BHP Billiton (SA) Limited and is Chairman of Coal of Africa Limited. Richard was instrumental in the establishment of the Bakubung Initiative, a multistakeholder project designed to rejuvenate the South African mining industry. He is a director of several listed junior mining companies.

NAME	ADDRESS	DESIGNATION	BRIEF CV
Colin Bird (British) (66)	Plot 1, MGV Montgomerie Maisonettes Dubai UAE	Independent non-executive Director of SacOil and a director of Pioneer Coal	Appointed 20 April 2008 Colin Bird has a Diploma in Mining Engineering, is a Fellow of the Institute of Materials, Minerals and Mining and is a certified Mine Manager both in the United Kingdom and South Africa. The formative part of his career was spent with the National Coal Board in the United Kingdom and thereafter he moved to the Zambia Consolidated Copper mines and then to South Africa to work in a management position with Anglo American Coal. On his return to the United Kingdom he was Technical and Operations Director of Costain Mining Limited, which involved responsibility for gold operations in Argentina, Venezuela and Spain. In addition to his coal mining activities he has been involved in the management of nickel, copper, gold and other diverse mineral operations. He has founded and floated several public companies in the resource sector and served on resource company boards in the United Kingdom, Canada and South Africa.
Carina de Beer (South African) (39)	Microtek Business Park 86 John Vorster Avenue Randpark Ridge	Financial Director of SacOil and a director of Pioneer Coal	Appointed 10 August 2010 Carina de Beer is a Chartered Accountant (SA). She completed her articles with PricewaterhouseCoopers. She has extensive experience in corporate financial management and reporting, company secretarial practice and corporate governance. She is a member of the South African Institute of Chartered Accountants, the Chartered Accountants, the Chartered Secretaries of South Africa and the Institute of Directors. Carina is the Financial Director of the Company and the audit committee is satisfied that she has sufficient expertise and experience to fulfil this role.

NAME	ADDRESS	DESIGNATION	BRIEF CV
Gontse Moseneke (South African) (29)	119 Rosen Office Park 37 Invicta Road Midrand	Non-executive Director of SacOil	Appointed 31 August 2009. Gontse Moseneke has an extensive background in financial management and investment banking. He is part of the executive team at Encha Group Limited, a diversified investment holding company. As the Chief Executive of Encha Tech (Proprietary) Limited he oversees and actively manages Encha's investments in Siemens Southern Africa, and in Nokia Siemens Networks South Africa. Through his integral involvement in the conceptualisation, setup and initial operations of New Oil Trading Limited (British Virgin Islands), an oil and gas trading company with a global focus, Gontse has gained wide experience, and built a competent rapport with some key players in the oil and gas sector globally. He has also been involved in a project by the South African Oil and Gas Alliance to develop and market South Africa's engineering and related services capability, with the aim of capitalising and exploiting the burgeoning oil and gas activities off the east and west coasts of sub-Saharan Africa. Gontse holds a Bachelor of Science degree in Statistics and Actuarial Sciences from the University of Cape Town, and a Diploma in Actuarial Techniques from the Institute of Actuaries (London, United Kingdom).

NAME	ADDRESS	DESIGNATION	BRIEF CV
Robin Vela (British) (39)	119 Rosen Office Park 37 Invicta Road Midrand	Chief Executive Officer of SacOil and a director of the following subsidiaries of SacOil: • Baltimore Manganese Mine (Proprietary) Limited; • Bushveld Pioneer (Proprietary) Limited; • RDK Mining (Proprietary) Limited; and • Pioneer Coal	Appointed 25 February 2008 Robin Vela is a United Kingdom Chartered Accountant and seasoned investment banker, having co-founded a private equity firm and worked for over 13 years as a senior investment banker for leading blue chip investment banking houses in the City of London. In this role, he advised public and private companies in a wide range of industry sectors in the areas of fund raising, stock exchange requirements, mergers and acquisitions, flotations and related transactions. Robin has a Bachelor of Science degree (Honours) in Economics and Accounting from the University of Bristol, United Kingdom, and is a member of the United Kingdom Chartered Securities Institute (having been the prize winner by distinction in his qualification examination sitting). Robin is the Chief Executive Officer of the Company and the nomination and audit committees of the Company are satisfied that he has the appropriate expertise and experience to fulfil this function.

8.2 Directors' interests

At the Last Practicable Date, the Directors had the following direct and indirect, beneficial and non-beneficial interests in the share capital of the Company:

Before the Transactions

	Direct beneficial	Indirect beneficial	Total	Shareholding percentage
C Bird	5 300 000	_	5 300 000	1.69

After the Transactions

	Direct beneficial	Indirect beneficial	Total	Shareholding percentage
C Bird R Linnell	5 300 000	- 8 343 216	5 300 000 8 343 216	0.92 1.45
Total	5 300 000	8 343 216	13 643 216	2.37

As at 28 February 2010, the Directors held the following share options which were issued in terms of the rules of the Samroc Share Option Scheme:

Name	Grant date	Latest exercise date	Option price R	Number of options held
R Vela	21 November 08	21 November 18	0.8215	8 397 227
B Christie (resigned	04.N	04.N	0.0015	0.007.007
31 August 2009)	21 November 08	21 November 18	0.8215	8 397 227
C Bird	21 November 08	21 November 18	0.8215	12 595 841
R Linnell	21 November 08	21 November 18	0.8215	12 595 841
Total				41 986 136

On 8 July 2010 the following share options were allocated to Directors:

Name	Grant date	Latest exercise date	Option price R	Number of options allocated
R Vela	8 July 10	8 July 20	0.29	4 198 614
G Moseneke (Appointed 31 August 2009)	8 July 10	8 July 20	0.29	3 132 916
C de Beer (Appointed 10 August 2010)	8 July 10	8 July 20	0.29	3 132 916
Total				10 464 446

8.3 Directors' interests in transactions

Other than set out below, none of the Directors had any interest in any transaction which is or was unusual in its nature or conditions or material to the business of SacOil and which was effected during the current or immediately preceding financial year or during an earlier financial year which remain in any respect outstanding or unperformed.

R Vela is a director of Lonsa, which, in terms of the Lonsa Corporate Finance Advisory Mandates detailed in paragraph 5 of the Circular acts as corporate finance adviser to SacOil in respect of the Initial SacOil Transaction, the Restructure and the Farmout Interest Acquisition. Lonsa introduced, structured, negotiated and project managed the Initial SacOil Transaction, the Restructure and the Farmout Interest Acquisition on behalf of SacOil and has charged a fee for its services as set out in paragraph 14 of this Circular. The Lonsa Corporate Finance Advisory Mandates are available for inspection as set out in paragraph 17 of this Circular. Lonsa is entitled to a contingent success fee equivalent to 2 per cent of the proposed transaction value of assets acquired and 2.5 per cent of the gross value of the equity raised.

R Linnell is a director of GVM. Refer to paragraph 4.2 above and paragraph 9.7.1 below for details of the Specific Issue to GVM.

Other than as detailed above and in paragraph 2 of the Circular, none of the Directors, Ryder Scott, Bayphase, Encha, Metropolitan Asset Managers, GVM or Lonsa has any direct or indirect beneficial interest in any asset of SacOil which has been acquired or disposed of, or leased to or by, SacOil or any interest in any consideration passing to or from SacOil.

8.4 Directors' remuneration

The remuneration paid to the Directors for the year ended 28 February 2010 is set out below:

	Fees R
Executive director	
R Vela	120 000
Non-executive directors	
R J Linnell C Bird B H Christie (resigned 31 August 2009) G Moseneke (appointed 31 August 2009)	180 000 180 000 60 000 60 000
Total	600 000

The Directors do not receive any benefits from the Company as part of their remuneration packages.

There will be no variation in the remuneration receivable by any of the Directors as a consequence of the Transactions, apart from the fees paid to Lonsa (of which R Vela is a director) the details of which are set out in paragraph 8.3 above.

- Other than as set out above SacOil has not paid any amounts (whether in cash or in securities), nor given any benefits to any Directors or to any company in which the Directors are directly or indirectly, beneficially interested, or to any partnership, syndicate or other association of which the Directors are members, or to any other Director as an inducement to become a Director or otherwise, or associate entity in connection with the promotion or formation of SacOil during the preceding three years.
- Details of share options granted to Directors are detailed in paragraph 8.2 above.
- No fees have been paid or accrued to a third party in lieu of Directors' fees during any of the periods.
- No payments have been made or are planned to Directors in respect of restraints of trade. There are no material conditions of employment of an abnormal nature in respect of the Directors nor have any been entered into or amended within six months of the date of this Circular.
- In terms of the Articles, any Director who is required to perform extra services or to reside abroad or shall otherwise be specially occupied about the Company's business or perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a director, shall be entitled to receive remuneration to be fixed by the Directors either as an addition to, or in substitution for any Director's remuneration paid to him.
- No payments have been made to any Director, either directly or indirectly, by the Company or any
 other Person in the three years preceding the date of the Circular to induce him to become,
 or to qualify him as a Director or in connection with the promotion or formation of the Company.
- At the Last Practicable Date of the Circular, no loans by the Company to any of its Directors
 are outstanding nor has any security been furnished by the Company on behalf of any of its
 Directors or managers.
- The business of the Group is not being managed nor is it proposed to be managed by a third party.
- No other benefits or bonuses have been paid to any Director during the financial year, apart from the fees accrued to Lonsa (of which R Vela is a director) as set out in paragraph 8.3 above and paragraph 14 below in the Circular.

8.5 Directors' service contracts

Each of the Directors has been appointed as such on the terms set out in the Articles. At every annual general meeting, one third of the Directors must retire from office, which one third of Directors shall be those who have been longest in office since their last election. Retiring Directors shall be eligible for re-election. The executive Directors have letters of appointment but to not have formal service agreements with the Company.

In terms of the Articles, an executive Director may be appointed for a maximum period of three years.

As at the Last Practicable Date, there was no agreement in place in terms of which an entity or Person holds a contractual right relating to the appointment of any particular Director or number of Directors.

8.6 Qualifications, appointment, term, voting, borrowing powers and remuneration of Directors

The relevant provisions of the Articles relating to qualification, appointment, term, remuneration, voting and borrowing powers of Directors are set out in Appendix 3 to the Revised Listing Particular. The borrowing powers may only be varied by special resolution and have not been exceeded since the incorporation of SacOil.

8.7 Directors' declarations

According to the Schedule 21 statements of the Listings Requirements completed by the Directors and furnished to the JSE, the following statements apply in respect of the Directors:

None of the Directors have:

- been declared bankrupt, insolvent or have entered into any individual voluntary compromise arrangements;
- entered into any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company where such Directors are or were directors with an executive function during the preceding 12 months;
- entered into any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such Directors are or were partners during the preceding 12 months;
- entered into any receiverships of any asset(s) or of a partnership where such Directors are or were partners during the preceding 12 months;
- been publicly criticised by a statutory or regulatory authority, including recognised professional bodies or disqualified by a Court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and/or
- been involved in any offence of dishonesty, fraud or embezzlement.

9. INFORMATION RELATING TO THE COMPANY, SACOIL (PROPRIETARY) LIMITED AND THE CHAAL GAS EXPLORATION PERMIT AREA

9.1 Description of business

The current business of the Company is that of manufacturing manganese sulphate powder, manganese sulphate solution and manganese oxide at its plant in Mpumalanga, better known as the Greenhills plant. Its main source of income is from the sales of manganese sulphate monohydrate and manganese oxide.

9.2 Share capital

The authorised and issued stated capital of the Company, before and after the Transactions, is set out below:

B. 6 T	Number of	5 .
Before the Transactions:	Ordinary Shares	Rand
Authorised		
Ordinary Shares of no par value	10 000 000 000	10 000 000 000
Issued		
Ordinary Shares of no par value	321 634 828	86 228 503
	Number of	
After the Transactions:	Ordinary Shares	Rand
Authorised		
Ordinary Shares of no par value	10 000 000 000	10 000 000 000
Ordinary Shares of no par value Issued	10 000 000 000	10 000 000 000

The new Ordinary Shares to be issued as part of the proposed SacOil Transaction and the Specific Issue will rank *pari passu* in all respects with the Ordinary Shares currently in issue.

In terms of a resolution passed at the annual general meeting of Shareholders on 27 November 2009, the authorised but unissued Ordinary Shares in the Company were placed under the control of the Directors until the next annual general meeting, subject to the provisions of sections 221 and 222 of the Act and the Listings Requirements.

9.3 Major Shareholders

Shareholders (excluding Directors) beneficially and directly or indirectly holding 5 per cent or more of the issued share capital of the Company as at the Last Practicable Date before and after the Transactions, are as follows:

Before the Transactions:

Shareholder	Number of Ordinary Shares	Shareholding percentage
Encha Capital	177 653 746	55.23
Metropolitan Asset Managers	38 565 015	11.99
B H Christie	23 972 698	7.45
Total	240 191 459	74.67

After the Transactions:

Shareholder	Number of Ordinary Shares	Shareholding percentage
Encha	201 884 800	34.98
Encha Capital	177 653 736	30.78
Metropolitan Asset Managers	84 565 015	14.65
Total	464 103 561	80.42

Encha, through its special purpose vehicle Encha Capital, is the controlling shareholder of SacOil before the Transactions and will remain the controlling shareholder following the implementation of the Transactions. On 31 December 2007 Encha Capital became the controlling shareholder of SacOil. Prior to this date Coal of Africa was the controlling shareholder.

The Company currently complies with the minimum requirements in terms of shareholder spread and will continue to comply with such spread requirement following the Transactions, as required by the JSE.

Other than as detailed above and in paragraph 8.2 of the Circular, none of the Directors, Ryder Scott, Bayphase, Encha, Metropolitan Asset Managers, GVM or Lonsa has any direct or indirect beneficial interest in the share capital of SacOil.

9.4 Litigation statement

9.4.1 SacOil

The Company has a claim against a former employee for fraud in an amount of approximately R1.8 million. This case is currently with the commercial crimes unit.

Other than as stated above, there are no legal or arbitration proceedings, including any proceedings that are pending or threatened of which the Directors are aware, which may have or have had in the recent past, being at least the previous 12 months preceding the date of this Circular, a material effect on the Group's financial position.

9.4.2 SacOil (Proprietary) Limited

As far as is known to the SacOil (Proprietary) Limited Vendors, there are no legal or arbitration proceedings, including any proceedings that are pending or threatened of which the SacOil (Proprietary) Limited Vendors are aware, that may have or have had in the recent past, being at least the previous 12 months preceding the date of this Circular, a material effect on the financial position of SacOil (Proprietary) Limited.

9.4.3 Chaal Gas Exploration Permit Area

As far as is known to the Participants, there are no legal or arbitration proceedings, including any proceedings that are pending or threatened of which the Participants are aware, that may have or have had in the recent past, being at least the previous 12 months preceding the date of this Circular, a material effect on the financial position of the Chaal Gas Exploration Permit Area.

9.5 Material changes

Other than the Transactions detailed in the Circular, there has been no material change in the assets, liabilities or the financial trading position of SacOil and its subsidiaries during the past five years.

Other than the Transactions detailed in the Circular, no material fact or circumstance has occurred between the end of the latest reporting period, of SacOil and its subsidiaries, being 28 February 2010, and the Last Practicable Date.

Other than the Restructure and the Farmout Interest Acquisition, details of which are given in paragraphs 2 and 3 of the Circular, there have been no material acquisitions of property by SacOil or any of its subsidiaries during the three years preceding the date of this Circular.

Other than the lapsing of the Initial SacOil Agreement and the Agreement of Assignment between DIG and SacOil (Proprietary) Limited, the signature of Presidential Ordinances 10/042 and 10/043 approving the Block 3 Production Sharing Agreement and ordering the Amendment, respectively, and the signature of the various loan and other agreements in respect of the Restructure, all of which are detailed in paragraph 2 of the Circular, the SacOil (Proprietary) Limited Vendors are not aware of any material fact or circumstance that has occurred between the end of the latest financial year of SacOil (Proprietary) Limited and the date of this Circular.

The Participants are not aware of any material fact or circumstance that has occurred between the end of the latest financial year of the Chaal Gas Exploration Permit Area and the date of this Circular.

9.6 Material contracts

9.6.1 SacOil

Other than the agreements relating to the Initial SacOil Transaction, the SacOil Transaction Agreements, the Farmout Agreement and the Farmout Agreement Amendment as detailed in paragraphs 2 and 3, of the Circular, there were no other material contracts entered into by SacOil or the Group, other than in the ordinary course of business, within the last two years prior to the date of this Circular or entered into at any time containing an obligation or settlement that is material to SacOil or its subsidiaries.

Copies of the agreements are available for inspection as detailed in paragraph 17 below.

The Company is not subject to any management agreements.

9.6.2 SacOil (Proprietary) Limited

Other than the agreements relating to the Initial SacOil Transaction and the SacOil Transaction Agreements detailed in paragraph 2 of this Circular, there were no other material contracts entered into by SacOil (Proprietary) Limited, other than in the ordinary course of business, within the last two years prior to the date of this Circular or entered into at any time containing an obligation or settlement that is material to the SacOil (Proprietary) Limited or the SacOil Transaction Parties.

9.6.3 Chaal Gas Exploration Permit Area

Other than the Principal Agreements detailed in paragraph 3 of this Circular, there were no other material contracts entered into by the Chaal Gas Exploration Permit Area and the Farmout Acquisition Interest Parties, other than in the ordinary course of business, within the last two years prior to the date of this Circular or entered into at any time containing an obligation or settlement that is material to the Chaal Gas Exploration Permit Area or the Farmout Acquisition Interest Parties.

9.7 Statement of indebtedness

9.7.1 SacOil

Details of the material borrowings of SacOil as at the Last Practicable Date are set out below:

SacOil was indebted to GVM for an amount of R2 502 964 in relation to restructuring expenses paid for on behalf of SacOil during 2007/2008. On 5 July 2010, SacOil signed a settlement agreement with GVM to issue 8 343 216 Ordinary Shares at a price of 30 cents per Ordinary Share representing a premium of 11 per cent to the 30-day VWAP of 27 cents per Ordinary Share on 2 July 2010, being the date prior to the settlement agreement, in full and final settlement of the outstanding loan. The 8 343 216 Ordinary Shares were issued to GVM in terms of a general authority granted to Directors by SacOil Shareholders at the last annual general meeting held on 27 November 2009 and were granted a listing by the JSE on 29 July 2010. However, the Specific Issue to GVM is to a related party and constitutes a specific issue of shares in terms of Section 5 of the Listings Requirements and therefore Shareholders will be asked to ratify the Specific Issue to GVM are set out in paragraph 4.2 of the Circular.

9.7.2 SacOil (Proprietary) Limited

Details of the material borrowings of SacOil (Proprietary) Limited as at the Last Practicable Date are set out below:

	R
Current	
SacOil	16 160 000
DIG	16 160 000
Encha Group Limited	580 875
	32 900 875

The loans due to SacOil and DIG are repayable within 5 days of receiving written demand from the Company requiring repayment of the loan. SacOil (Proprietary) Limited is entitled at any time during the term of the aforementioned loan to repay the loan in part or in full without penalty.

Pursuant to the implementation of the Cancellation Agreement, the loans to SacOil (Proprietary) Limited will be unsecured.

The loans are interest free.

9.8 Ordinary Share price history

The price history of the Ordinary Shares on the JSE is set out in Annexure 9 of this Circular.

9.9 Other acquisitions and/or disposals

Save for the Initial SacOil Transaction announced in 2008 which has been restructured as detailed in paragraph 2 of the Circular and the proposed Farmout Interest Acquisition as detailed in paragraph 3 of the Circular, the Company has not acquired or disposed of any material business enterprise or properties during the 12 months preceding the Last Practicable Date.

10. EXCHANGE CONTROL REGULATIONS

In terms of the Exchange Control Regulations of South Africa.

10.1 In the case of Certificated Shareholders:

- Any share certificates that might be issued to non-resident Shareholders will be endorsed "non-resident;
- Any new share certificates issued, based on emigrants' Ordinary Shares controlled in terms
 of the Exchange Control Regulations, will be forwarded to the authorised dealer in foreign
 exchange controlling their blocked assets. The election by emigrants for the above purpose
 must be made through the authorised dealer in foreign exchange controlling their blocked
 assets. Such share certificates will be endorsed "non-resident";
- Dividend and residual cash payments are freely transferable from the RSA. Residual cash payments, based on emigrants Ordinary Shares controlled in terms of the Exchange Control Regulations will be forwarded to the authorised dealer in foreign exchange controlling their blocked assets.

10.2 in the case of Dematerialised Shareholders:

- Any Ordinary Shares issued to emigrants will be credited to their CSDP or broker's account and a "non-resident" annotation will appear in the CSDP or broker's register;
- Dividends paid will be credited directly to the Shareholder's blocked Rand account held by that Shareholder's authorised dealer;
- Non-resident and emigrant Shareholders will have all aspects relating to Exchange Control managed by their CSDP or broker.

11. WORKING CAPITAL STATEMENT

The Directors, having considered the terms and conditions of the Transactions are of the opinion that:

- the Company and the Group subsequent to the Transactions will be able, in the ordinary course of business, to pay its debts for a period of 12 months from the date of issue of this Circular;
- the assets of the Company and the Group subsequent to the Transactions will be in excess of the liabilities of the Company and the Group for a period of 12 months from the date of this Circular, measured in accordance with the accounting policies used in the audited annual financial statements for the year ended 28 February 2010;
- the ordinary share capital and consolidated reserves of the Company and the Group subsequent to the Transactions will be adequate for a period of 12 months from the date of this Circular; and

• the working capital of the Company and the Group subsequent to the Transactions will be adequate for a period of 12 months from the date of issue of this Circular.

In terms of the Lonsa Corporate Finance Advisory Mandates, Lonsa will not call on the Company to pay its fee as stipulated in paragraph 8.3 until such time as the Company has raised sufficient resources to effect payment of such fee. This is in terms of the Lonsa Corporate Finance Advisory Mandates.

12. DIRECTORS' OPINION AND RECOMMENDATION

The Board has considered the terms and conditions of the Restructure and are of the opinion, based on, *inter alia*, the valuation contained in the Block 3 Rights Independent Technical Expert's Report which is included as Annexure 11 to the Circular, that the Restructure is beneficial to the Company and fair to the Shareholders.

The Board has considered the terms and conditions of the Farmout Interest Acquisition and are of the opinion, based on, *inter alia*, the valuation contained in the Chaal Gase Exploration Permit Area Independent Technical Expert's Report, which is included as Annexure 12 to the Circular, that the proposed acquisition of a 55 per cent Participating Interest in the Chaal Gas Exploration Permit Area in Tunisa is beneficial to the Company and fair to the Shareholders.

The Board has considered the terms and conditions of the Lonsa Corporate Finance Advisory Mandates and, taking into account the opinion of the independent expert in respect of the Lonsa Corporate Finance Advisory Mandates, is of the opinion that the terms and conditions thereof are fair to SacOil Shareholders and recommends that SacOil Shareholders vote in favour of the approval of the Lonsa Corporate Finance Advisory Mandates at the General Meeting.

The Board has considered the terms and conditions of the Specific Issues and is of the opinion that the Specific Issues are favourable to Shareholders.

There are no legal proceedings that may have an influence on the rights of SacOil in respect of the Block 3 Rights and the Chaal Gas Exploration Permit Area.

Based on the above, the Board recommends that Shareholders vote in favour of the Transactions at the General Meeting.

The Directors who own Ordinary Shares in their personal capacity intend to vote in favour of the Transactions to the extent that they are permitted.

13. CONSENTS

The Company's professional advisers, as set out in the "Corporate Information" section to this Circular, have given and have not, prior to the Last Practicable Date, withdrawn their written consents to the inclusion of their names and, where applicable, reports in the form and context in which they appear in this Circular.

14. EXPENSES

The expenses of the Transactions which will be for the account of SacOil, are anticipated to be approximately R13 895 000 (excluding VAT):

Expense	Payable to	Rand
Corporate finance adviser – Restructure	Lonsa (Proprietary) Limited	9 500 000
Corporate finance advisor – Farmout Interest Acquisition	Lonsa (Proprietary) Limited	1 800 000
Corporate finance advisor – Specific Issue	Lonsa (Proprietary) Limited	575 000
Corporate legal advisor	Deneys Reitz Inc.	700 000
Printing, publication and advertising	Ince (Proprietary) Limited	200 000
Independent expert review	RPS Energy	185 000
JSE documentation and listing fee	JSE	180 000
Project manager	CJ Secretarial Services CC	150 000
Sponsor	BDO Advisory Services (Proprietary) Limited	140 000
Independent technical expert – Chaal Gas Exploration Permit Area	Ryder Scott Company-Canada	120 000
Independent expert – fairness opinion	Mazars Corporate Finance	120 000
Independent technical expert – Block 3 Rights	Bayphase Limited	50 000
Reporting accountants – SacOil (Proprietary) Limited	Moore Stephens MWM Inc.	80 000
Reporting accountants – Chaal Gas Exploration		
Permit Area	Moore Stephens MWM Inc.	80 000
Transfer Secretaries	Link Market Services	10 000
Total		13 895 000

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names appear in paragraph 8.1 above, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and this Circular contains all information required by law and the Listings Requirements.

16. GENERAL MEETING OF SHAREHOLDERS

A notice convening a General Meeting of SacOil Shareholders to be held in the boardroom, 119 Rosen Office Park, 37 Invicta Road, Midrand, Gauteng on Monday, 20 September 2010 at 10:00 and a form of proxy (yellow) for use by Certificated Shareholders and Dematerialised Shareholders with Own Name Registration who are unable to attend the General Meeting, form part of this Circular.

Duly completed forms of proxy must be received by the Transfer Secretaries by no later than 10:00 on Thursday, 16 September 2010. Dematerialised Shareholders, other than with Own Name Registration, must inform their CSDP or broker of their intention to attend the General Meeting and obtain the necessary Letter of Representation from their CSDP or broker to attend the General Meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the General Meeting in Person, but wish to be represented thereat. This must be done in terms of the agreement entered into between the Shareholders and the CSDP or broker concerned.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's registered office during normal office hours up to the close of business on 17 September 2010:

- the memoranda and Articles of the Company and its subsidiaries;
- the audited financial statements of SacOil for the year ended 28 February 2010, the eight months ended 28 February 2009 and the year ended 30 June 2008;
- the audited financial statements of SacOil (Proprietary) Limited for the three years ended 28 February 2010;
- the audited financial statements of the Chaal Gas Exploration Permit Area for the three months ended
 31 March 2010 and the three years ended
 31 December 2009;
- the SacOil Transaction Agreements;
- the Block 1 Production Sharing Agreement together with the English translation thereof;
- the Block 3 Production Sharing Agreement together with the English transaction thereof;
- the Amendment together with the translation thereof;
- the Principal Agreements;
- the Farmout Agreement;
- the Farmout Agreement Amendment;
- the Chaal Gas Exploration Permit Area Production Sharing Agreement;
- the signed report of the independent reporting accountants on the pro forma financial information of SacOil relating to the Transactions, the text of which is included in this Circular as Annexure 2;
- the signed report of the independent reporting accountants on the historical financial information of SacOil (Proprietary) Limited for the three years ended 28 February 2010, the text of which is included in this Circular as Annexure 5;
- the signed report of the independent reporting accountants on the historical financial information of the Chaal Gas Exploration Permit Area for the three months ended 31 March 2010 and the three years ended 31 December 2009, the text of which is included in this Circular as Annexure 7;
- the signed report of the independent expert on the Restructure and the Lonsa Corporate Finance Advisory Mandates;
- the Block 3 Rights Independent Technical Expert report, which is included in this Circular as Annexure 11;
- the Chaal Gas Exploration Permit Area Independent Technical Expert Report, which is included in this Circular as Annexure 12;
- a copy of the SacOil Share Option Scheme, a which is included in this Circular as Annexure 10;
- a copy of the Lonsa Corporate Finance Advisory Mandates;
- a draft copy of the amended Share Incentive Scheme, black lined for all changes made;
- the professional advisers' consent letters; and
- a signed copy of this Circular, incorporating the Revised Listing Particulars.

Signed in Johannesburg on 4 September 2010 on behalf of the Board in terms of a directors' resolution by:

R Vela

Chief Executive Officer

UNAUDITED PRO FORMA INCOME STATEMENT AND BALANCE SHEET OF SACOIL

This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its nature may not fairly present SacOil's financial position, changes in equity, results of operations or cash flows. The pro forma financial effect of the following have been show separately in the table below as these transactions are separate resolutions and are being voted on by shareholders separately:

- the Restructure;
- the Farmout Interest Acquisition;
- the Specific Issue to Metropolitan Asset Managers; and
- the Specific Issue to GVM (collectively referred to as "the Proposals for the purposes of Annexure 1).

A separate pro forma income statement and balance sheet has been prepared for each of the following:

- the Restructure (Tables 1 and 4);
- the Farmout Interest Acquisition, the Specific Issue to Metropolitan Asset Managers and the Specific Issue to GVM (Tables 2 and 5) and;
- The Proposals (Tables 3 and 6).

The pro forma income statements and balance sheets have been shown separately for clarities sake.

he Farmout Interest Acquisition and the Specific Issue to Metropolitan Asset Managers as the Lonsa Corporate Finance Advisory Mandates forms part of the The pro forma financial effects of the Lonsa Corporate Finance Advisory Mandates are incorporated into the proforma financial effects of each of the Restructure, ransaction costs relating to the Restructure, the Farmout Interest Acquisition and the Specific Issue to Metropolitan Asset Managers and therefore cannot be show separately. It has been assumed that the transactions were effective at 1 March 2009, being the beginning of SacOil's financial period for the purposes of the pro forma ncome statement and on 28 February 2010 for the purposes of the pro forma balance sheet. The unaudited pro forma income statement and balance sheet nave been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited, published results of SacOil for the year ended 28 February 2010.

The Directors are responsible for the compilation, contents and preparation of the unaudited pro forma financial information contained in this Circular and for he financial information from which it has been prepared. Their responsibility includes determining that: the unaudited pro forma financial information has been oroperly compiled on the basis stated; the basis is consistent with the accounting policies of SacOil; and the pro forma adjustments are appropriate for the ourposes of the unaudited pro forma financial information disclosed in terms of the Listings Requirements.

The independent reporting accountants' report on the pro forma financial information is set out in Annexure 2.

1. UNAUDITED PRO FORMA INCOME STATEMENTS

Table 1

The unaudited pro forma income statements set out below present the pro forma financial effects of the Restructure on the results of SacOil for the year ended February 2010 based on the assumption that the Restructure was effective 1 March 2009. Each aspect of the Restructure has been shown in a separate column (Column's 1 to 5) below, as follows:

- Column 1: The financial information of SacOil (Proprietary) Limited for the year ended 28 Febuary 2010, as extracted from the historical financial information of SacOil (Proprietary) Limited for the three years ended 28 February 2010 included in Annexure 4 to the Circular,
- Column 2: The revaluation of the Block 3 Rights to fair value in terms of IFRS 3: Business Combinations;
- Column 3: Raising of the investment in SacOil (Proprietary) Limited in the individual financial statements of SacOil;
- Column 4: Adjustments in respect of the consolidation of SacOil (Proprietary) Limited into the consolidated financial statements of SacOil; and
- Column 5: Adjustments to include the transaction costs relating to the Restructure.

Columns 1 to 5 below are not cumulative.

<u> </u>	Before the Proposals¹ Published R′000	SacOil (Proprietary) Limited ² Pro forma R'000	Column 2 Revaluation of evaluation and exploration assets in SacOil (Proprietary) Limited to fair value Pro forma R'000	Column 3 Investment in SacOil (Proprietary) Limited Pro forma R'000	Column 4 Consolidation adjustment Pro forma R'000	Restructuring costs Pro forma R'000	After the Restructure Pro forma R'000
Revenue Cost of sales	31 724 (20 210)	1 1	1 1	1 1	1	1 1	31 724 (20 210)
Gross profit Operating costs	11 514 (10 144)	(1)	1 1	1 1	1 1	(10 330) ³	11 514 (20 475)
Operating profit/(loss) Fair value gain on revaluation of property, plant and equipment	1 370 3 195	(1)		1 1	1 1	(10 330)	(8 961) 3 195
Impairment loss on financial assets held for sale Investment income Interest paid	(3 016) 731 (13)	1 1 1	1 1 1	1 1 1	1 1 1	1 1 1	(3 016) 731 (13)
Profit/(loss) before tax Taxation Net earnings for the period	2 267	(1)	1 1	1 1	1 1	(10 330)	(8 064)
Net earnings for the period Impairment loss on financial assets held for sale	2 267	(1)	1 1	1 1	1 1	(10 330)	(8 064)
Fair value gain on revaluation of property, plant and equipment Headline earnings	(2 301) 2 982	_ (1)	1	1 1	1 1	(10 330)	(2 301) (7 349)
Earnings/(loss) per Ordinary Share (cents) Headline earnings per Ordinary Share (cents) Weighted average number of Ordinary Shares in issue ('000)	0.72 s) 0.95 313 292	1	ı	209 4564	1	1	(1.54) (1.41) 522 748

The "Before the Proposals" financial information has been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2010.

The expenses relating to SacOil (Proprietary) Limited as extracted from the audited annual financial statements of SacOil (Proprietary) Limited for the year ended 28 February 2010 (SacOil (Proprietary) Limited has been consolidated into SacOil). These expenses will have a continuing effect on SacOil's financial results.

The transaction costs relating to the Restructure. This expense will not have a continuing effect on SacOil's financial results.

SacOil Transaction Consideration Shares that are issued.

Table 2

Metropolitan Asset Managers and Specific Issue to GVM on the results of SacOil for the year ended February 2010 based on the assumption that the Farmout Interest Acquisition, Specific Issue to Metropolitan Asset Managers and Specific Issue to GVM and Lonsa Corporate Finance Advisory Mandates The unaudited pro forma income statements set out below present the pro forma financial effects of the Farmout Interest Acquisition, Specific Issue to were effective 1 March 2009.

	Before the Proposals ⁵ Published R'000	Farmout Interest Acquisition – Adjustments Pro forma R'000	After the Farmout Interest Acquisition Pro forma R'000	Specific Issue to Metropolitan Asset Managers – Adjustments Pro forma R'000	After the Specific Issue to Metropolitan Asset Managers Pro forma	Specific Issue to GVM – Adjustments Pro forma R'000	After the Specific Issue to GVM Pro forma R'000
Revenue Cost of sales	31 724 (20 210)	1 1	31 724 (20 210)	1 1	31 724 (20 210)	1 1	31 724 (20 210)
Gross profit Operating costs	11 514 (10 144)	(2 805)	11 514 (12 949)	_ (760)	11 514 (10 904)	1	11 514 (10 144)
Operating profit/(loss)	1 370	(2 805)	(1 435)	(140)	610	ı	1 370
Fair value gain on revaluation of property, plant and equipment	3 195	I	3 195	ı	3 195	I	3 195
assets held for sale	(3 016)	1 1	(3 016) 731	1 1	(3 016) 731	1 1	(3 016)
Interest paid	(13)	I	(13)	I	(13)	I	(13)
Profit/(loss) before tax Taxation	2 267	(2 805)	(538)	(09 <i>L</i>)	1 507	1 1	2 267
Net earnings for the period	2 267	(2 805)	(238)	(140)	1 507	I	2 267
Net earnings for the period	2 267	(2 805)	(238)	(092)	1 507	I	2 267
assets held for sale	3 016	I	3 016	I	3 016	I	3 016
property, plant and equipment	(2 301)	I	(2 301)	ı	(2 301)	ı	(2 301)
Headline earnings	2 982	(2 805)	177	(140)	2 222	I	2 982

	Before the Proposals ⁶ Published R'000	Farmout Interest Acquisition – Adjustments Pro forma R'000	After the Farmout Interest Acquisition Pro forma R'000	Specific Issue to Metropolitan Asset Managers – Adjustments Pro forma R'000	After the Specific Issue to Metropolitan Asset Managers Pro forma	Specific Issue to GVM – Adjustments Pro forma R'000	After the Specific Issue to GVM Pro forma
Earnings/(loss) per Ordinary Share (cents) Headline earnings per Ordinary Share	s) 0.72 0.95		(0.17)		0.42		0.70
Weighted average number of Ordinary Shares in issue ('000)	313 292		313 292	46 000 ⁸	359 292	8 343%	321 635
Notes:							

- 5. The "Before the Proposals" financial information has been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2010.
- The transaction costs relating to the Farmout Interest Acquisition. This expense will not have a continuing effect on SacOil's financial results.
- The transaction costs relating to the Specific Issue to Metropolitan Asset Managers. This expense will not have a continuing effect on SacOil's financial results.
- Ordinary Shares that are issued to Metropolitan Asset Managers in respect of the specific issue of shares for cash.
- Ordinary Shares that are issued to GVM in full and final settlement of an outstanding loan owing by SacOil to GVM.

The unaudited pro forma income statements set out below present the pro forma financial effects of the Proposals on the results of SacOil for the year ended February 2010 based on the assumption that the Proposals were effective 1 March 2009.

Table 3

	Before the Proposals ¹⁰ Published R′000	Proposals – Adjustments ¹¹ Pro forma R'000	After Proposals Pro forma R'000
Revenue Cost of sales	31 724 (20 210)	1 1	31 724 (20 210)
Gross profit Operating costs	11 514 (10 144)	(13 896)	11 514 (24 040)
Operating profit/(loss) Fair value gain on revaluation of property, plant and equipment Impairment loss on financial assets held for sale Investment income Interest paid	1 370 3 195 (3 016) 731 (13)	(13 896)	(12 526) 3 195 (3 016) 731 (13)
Profit/(loss) before tax Taxation Net earnings for the period	2 267	(13 896)	(11 629)
Net earnings for the period Impairment loss on financial assets held for sale Fair value gain on revaluation of property, plant and equipment	2 267 3 016 (2 301)	(13 896)	(11 629) 3 016 (2 301)
Headline earnings	2 982	(13 896)	(10 914)
Earnings/(loss) per Ordinary Share (cents) Headline earnings per Ordinary Share (cents) Weighted average number of Ordinary Shares in issue ('000)	0.72 0.95 313 292	263 799	(2.02) (1.89) 577 091

Notes:

- 10. The "Before the Proposals" financial information has been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2010.
 - 11. All of the adjustments detailed for the Restructure, Farmout Interest Acquisition, Specific Issue to Metropolitan Asset Managers and Specific Issue to GVM above.

2. UNAUDITED PRO FORMA BALANCE SHEETS

Table 4

The unaudited pro forma balance sheet set out below presents the effects of the Restructure on the financial position of SacOil as at 28 February 2010 based on the assumption that the Restructure was effective 28 February 2010. Each aspect of the Restructure has been shown in a separate column Columns 1 to 5) below, as follows:

- Column 1: The financial information of SacOil (Proprietary) Limited for the year ended 28 Febuary 2010, as extracted from the historical financial information of SacOil (Proprietary) Limited for the three years ended 28 February 2010 included in Annexure 4 to the Circular;
- Column 2: The revaluation of the Block 3 Rights to fair value in terms of IFRS 3: Business Combinations;
- Column 3: Raising of the investment in SacOil (Proprietary) Limited in the individual financial statements of SacOil;
- Column 4: Adjustments in respect of the consolidation of SacOil (Proprietary) Limited into the consolidated financial statements of SacOil; and
- Column 5: Adjustments to include the transaction costs relating to the Restructure.

Columns 1 to 5 below are not cumulative.

	Before the Proposals¹ Published R′000	SacOil (Proprietary) Limited ² Pro forma R'000	Column 2 Revaluation of evaluation and exploration assets in SacOil (Proprietary) Limited to fair value Pro forma R'000	Column 3 Investment in SacOil (Proprietary) Limited Pro forma	Column 4 Consolidation adjustment Pro forma R'000	Column 5 Restructuring costs Pro forma R'000	After the Restructure Pro forma R'000
ASSETS Non-current assets Property, plant and equipment Intangible asset Investments Deferred tax asset	7 640 - 895	57 445	282 7223	_ _ 161 179 ⁵	_ _ (161 179)°		7 640 340 167 - 895
	8 535	57 445	282 722	161 179	(161 179)	ı	348 702
Current assets Loans receivable Inventories Trade receivables Sundry receivable Cash and cash equivalents	27 867 2 305 3 558 214 6 998	1 1 1 1 1	1 1 1 1 1	1 437 ⁶	(16 741) ¹⁰	0	12 563 2 305 3 558 214 (1 451)
	40 942	57 445	282 722	(6 182)	(16 741)	(830)	17 189
EQUITY AND LIABILITIES Equity Stated capital Share based payment reserve Revaluation reserve Accumulated loss	83 726 23 754 2 301 (66 449)	41 285	- - 282 722 ⁴	154 9978	(41 285) ¹¹ - (281 073) ¹²	1 - - - - - - - - - - - - - - - - - - -	238 723 23 754 2 301 (76 779)
Total equity attributable to equity shareholders Non controlling interest Total equity	43 332	39 636	282 722	154 997	(322 358) 161 179 ¹³ (161 179)	(10 330)	187 999 161 179 349 179

	Before the Proposals¹ Published R′000	SacOil (Proprietary) Limited ² Pro forma R'000	Column 2 Revaluation of evaluation and exploration assets in SacOil (Proprietary) Limited to fair value Pro forma R'000	Column 3 Investment in SacOil (Proprietary) Limited Pro forma R'000	Column 4 Consolidation adjustment Pro forma R'000	Column 5 Restructuring costs Pro forma R'000	After the Restructure Pro forma R'000
LIABILITIES Non-current liabilities Liability under instalment sale agreement	108	1	ı	1	1	l	108
Long-term debt obligations Provision for environmental rehabilitation	826	1 1	1 1	1 1	I I	1 1	826
	934	ı	I	I	I	I	934
Current liabilities Trade payables	1 330	1 068	ı	ı	ı	ı	2 398
Liability under instalment sale agreement	138	I	l	I	I	I	138
Deferred tax liability Accruals	895	1 1	1 1	1 1	1 1	9 50016	895 9 500
Loans payable Sundry payables	2 503 345	16 741	1 1	1 1	(16 741) ¹⁰		2 503 345
	5 211	17 809	1	ı	(16 741)	6 500	15 779
Total liabilities	6 145	17 809	ı	ı	(16 741)	9 500	16 713
Total equity and liabilities	49 477	57 445	282 722	154 997	(177 920)	(830)	365 892
Net asset value per Ordinary Share (cents)	() 13.83						08.99
per Ordinary Share (cents) Number of Ordinary Shares issued ('000)	13.83 313 292	1	1	209 45617	1	1	1.72 522 748

- 1. The "Before the Proposals" financial information has been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2010.
- Assets and liabilities relating to SacOil (Proprietary) Limited as extracted from the audited annual financial statements of SacOil (Proprietary) Limited for the year ended 28 February 2010 (SacOil (Proprietary) Limited has been consolidated into SacOil).
- Revaluation of the Block 3 Rights to fair value in terms of IFRS 3: Business Combinations.
- Revaluation of the Block 3 Rights to fair value in terms of IFRS 3: Business Combinations (this adjustment eliminates on consolidation). 4
- Raising of 50 per cent of SacOil's investment in SacOil (Proprietary) Limited at fair value in terms of IFRS 3: Business Combinations,
- The net of the amount of R7 619 000 owed by DIG in respect of initial signature bonus less the effective consideration owing to DIG in respect of the assignment to SacOil of the Block 1 Interest, totalling US\$811 364 (with a Rand equivalent of R6 182 594, assuming an exchange rate of R7.62, assuming an exchange rate of R7.62 to US\$1) and an additional amount of US\$811 363 (with a Rand equivalent of R6 182 586, assuming an exchange rate of R7.62 to US\$1). 9
- Payment of the initial signature bonus referred to in note 6 above.
- The SacOil Transaction Consideration Shares issued at R0.74 per Ordinary Share, being the Ordinary Share price of SacOil's Ordinary Shares on the JSE on 25 July 2010 (being the Ordinary Share price on the day before the detailed terms announcement in respect of the Restructure on 26 July 2010). ω.
- Elimination of SacOil's investment in SacOil (Proprietary) Limited on consolidation.
- Elimination of the loan between SacOil and SacOil (Proprietary) Limited on consolidation.
- Elimination of the share capital in SacOil (Proprietary) Limited on consolidation.
- Elimination of the accumulated profit in SacOil (Proprietary) Limited after the revaluation of the Block 3 Rights to fair value as per note 3 above on consolidation.
- Accounting for the non-controlling interest of 50 per cent in SacOil (Proprietary) Limited (held by DIG).
- Payment of the transaction costs relating to the Restructure that are payable in cash immediately (all transaction costs other than those payable to Lonsa in the future in terms of the Lonsa Corporate Finance Advisory Mandates and which have been accrued)
- Income statement effect of the raising of the transaction costs relating to the Restructure (the transaction costs payable in cash immediately (R830 000) and the transaction costs payable in cash to Lonsa in the future in terms of the Lonsa Corporate Finance Advisory Mandate and which have been accrued (R9 500 000)'
 - Accrual for the transaction costs in respect of the Restructure payable to Lonsa in cash in the future in terms of the Lonsa Corporate Finance Advisory Mandate. 16.
- SacOil Transaction Consideration Shares that are issued.

Table 5

The unaudited pro forma balance sheet set out below presents the effects of the Farmout Interest Acquisition, Specific Issue to Metropolitan Asset Managers and Specific Issue to GVM on the financial position of SacOil as at 28 February 2010 based on the assumption that the Farmout Interest Acquisition, Specific Issue to Metropolitan Asset Managers and Specific Issue to GVM were effective 28 February 2010:

	Before the Proposals¹ Published R′000	Farmout Interest Acquisition – Adjustments Pro forma R'000	After the Farmout Interest Acquisition Pro forma R'000	Specific Issue to Metropolitan Asset Managers – Adjustments Pro forma R'000	After the Specific Issue to Metropolitan Asset Managers Pro forma	Specific Issue to GVM – Adjustments Pro forma R'000	After the Specific Issue to GVM Pro forma
ASSETS Non-current assets Property, plant and equipment Intangible assets Investment in subsidiary Deferred tax asset	7 640 - - 895	85 55418	7 640 85 554 - 895	1 1 1 1	7 640 - 895	1 1 1 1	7 640
	8 535	85 554	94 089	ı	8 535	I	8 535
Current assets Loans receivable Inventories Trade receivables Sundry receivable Cash and cash equivalents	27 867 2 305 3 558 214 6 998	(1 005)19	27 867 2 305 3 558 214 5 993	22 24024	27 867 2 305 3 558 214 29 238	1111	27 867 2 305 3 558 214 6 998
Total assets	40 942	(1 005)	39 937	22 240 22 240	63 182	1 1	40 942
EQUITY AND LIABILITIES Equity Stated capital Share based payment reserve Revaluation reserve Accumulated loss	83 726 23 754 2 301 (66 449)	(2 805)20	83 726 23 754 2 301 (69 254)	23 000 ²⁵	106 726 23 754 2 301 (67 209)	2 503 ²⁷	86 229 23 754 2 301 (66 449)
Total equity attributable to equity shareholders Non controlling interest	43 332	(2 805)	40 527	22 240	65 572	2 503	45 835
lotal equity	43 332	(508 7)	40 971	77 740	7/9 69	2 503	45 835

	Before the Proposals¹ Published R′000	Farmout Interest Acquisition – Adjustments Pro forma R'000	After the Farmout Interest Acquisition Pro forma R'000	Specific Issue to Metropolitan Asset Managers - Adjustments Pro forma R'000	After the Specific Issue to Metropolitan Asset Managers Pro forma	Specific Issue to GVM – Adjustments Pro forma R'000	After the Specific Issue to GVM Pro forma R'000
Liabilities Non-current liabilities Liability under instalment sale agreement Long-term debt obligations Provision for environmental rehabilitation	108	48 030 ²¹	108 48 030 826	1 1 1	108	1 1 1	108
	934	48 030	48 964	1	934	ı	934
Current liabilities Trade payables	1 330	ı	1 330	I	1 330	ı	1 330
Liability under instalment sale agreement Deferred tax liability	138 895	1 1	138 895	1 1	138 895	1 1	138 895
Accruals Loans payable	2 503	1 800 ²² 37 524 ²³	1 40	I I	2 503	(2 503) ²⁸	[
Sundry payables	345 5 211	39 324	345 44 534	1 1	345 5 211	(2 503)	345
Total liabilities	6 145	87 354	93 499	1	6 145	(2 503)	3 642
Total equity and liabilities	49 477	84 549	134 026	22 240	717 17	_	49 477
Net asset value per Ordinary Share (cents) Net tangible asset value			12.94		18.25		14.25
per Ordinary Share (cents) Number of Ordinary Shares issued ('000)	13.83 313 292		(14.37) 313 292	46 000 ²⁹	18.25 359 292	8 34330	14.25 321 635

- 18. Capitalisation of the cost of SacOil's 55 per cent Participating Interest in the Chaal Gas Exploration Permit Area in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources.
- Payment of the transaction costs relating to the Farmout Interest Acquisition that are payable in cash immediately (all transaction costs other than those payable to Lonsa in cash in the future in terms of the Lonsa Corporate Finance Advisory Mandates and which have been accrued)
- Income statement effect of the raising of the transaction costs relating to the Farmout Interest Acquisition (the transaction costs payable in cash immediately (R1 005 000) and the transaction costs payable to Lonsa in cash in the future in terms of the Lonsa Corporate Finance Advisory Mandate and which have been accrued (R1 800 000)) 20.
- Long term liability raised in respect of the US\$6 400 000 (with a Rand equivalent of R48 000 000) payable by SacOil in respect of the Work Programme cost as detailed in paragraph 3.4.2 of the Circular. These costs have been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources. 21.
- Accrual for the transaction costs in respect of the Farmout Interest Acquisition payable to Lonsa in cash in the future in terms of the Lonsa Corporate Finance Advisory Mandate. 22.
- Amount of US\$5 000 000 (with a Rand value of R37 500 000) payable to Falcan and SMIP as consideration (by way of a refund of past incurred recoverable back costs of Falcan and SMIP) for SacOil's Farmout Interest as detailed in paragraph 3.4.1 of the Circular. These costs have been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources 23.
- Cash consideration on the issue of the 46 000 000 Ordinary Shares to Metropolitan Asset Managers less the transaction costs relating to the Specific Issue to Metropolitan Asset Manager (both the transaction costs paid in cash and those payable in terms of the Lonsa Corporate Finance Advisory Mandates presumed to be paid in cash). 24.
- Ordinary Shares that are issued to Metropolitan Asset Managers in respect of the specific issue of shares for cash at 50 cents per Ordinary share. 25.
- Income statement effect of the payment of the transaction costs relating to the Specific Issue to Metropolitan Asset Managers (the transaction costs payable in cash and the transaction costs payable to Lonsa in terms of the Lonsa Corporate Finance Advisory Mandate which are presumed to be paid in cash). 26.
- Ordinary Shares that have been issued to GVM in respect of the specific issue of shares for cash at 30 cents per Ordinary Share.

27.

- Cancellation of the Ioan owing by SacOil to GVM which has been settled through the issue of Ordinary Shares as detailed in note 30 above. 28.
 - Ordinary Shares that are issued to Metropolitan Asset Managers in respect of the specific issue of shares for cash. 29.
 - Ordinary Shares that are issued to GVM in respect of the specific issue of shares for cash

Table 6

The unaudited pro forma balance sheet set out below presents the effects of the Proposals on the financial position of SacOil as at 28 February 2010 based on the assumption that the Proposals were effective 28 February 2010:

	Before the Proposals ³¹ Published R'000	Transactions – Adjustments ³² Pro forma R′000	After the Proposals Pro forma R'000
ASSETS			
Non-current assets			
Property, plant and equipment	7 640	I	7 640
Intangible assets	I	425 721	425 721
Investments	I	I	I
Deferred tax asset	895	1	895
	8 535	425 721	434 256
Current assets			
Loans receivable	27 867	(15 304)	12 563
Inventories	2 305	I	2 305
Trade receivables	3 558	I	3 558
Sundry receivable	214	I	214
Cash and cash equivalents	866 9	12 786	19 784
	40 942	(2 518)	38 424
Total assets	49 477	423 203	472 680
EQUITY AND LIABILITIES			
Equity	700	7 0 1 1	
Stated capital	83 / 70	006 081	764 776
Share based payment reserve	23 754	I	23 754
Revaluation reserve	2 301	ı	2 301
Accumulated loss	(66 449)	(13 895)	(80 344)
Total equity attributable to equity shareholders	43 332	166 605	209 937
Non-controlling interest	I	161 179	161 179
Total equity	43 332	327 785	371 117

	Before the Proposals ³¹ Published R′000	Transactions – Adjustments ³² Pro forma R′000	After the Proposals Pro forma R′000
Liabilities			
Non-current liabilities			
Liability under instalment sale agreement	108	I	108
Long-term debt obligations	ı	48 030	48 030
Provision for environmental rehabilitation	826	I	826
	934	48 030	48 964
Current liabilities			
Trade payables	1 330	1 068	2 398
Liability under instalment sale agreement	138	ı	138
Deferred tax liability	895	1	895
Accruals	ı	11 300	11 300
Loans payable	2 503	35 021	37 524
Sundry payables	345	ı	345
	5 211	47 388	52 599
Total liabilities	6 145	95 419	101 564
Total equity and liabilities	49 477	423 203	472 680
Net asset value per Ordinary Share (cents)	13.83		64.31
Number of Ordinary Shares issued ('000)	313 292	263 799	577 091
Notes:			

Notes:

- 31. "Before the Proposals" financial information has been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2010.
 32. All of the adjustments detailed for the Restructure, Farmout Interest Acquisition, Specific Issue to Metropolitan Asset Managers and Specific Issue to GVM above.

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE TRANSACTIONS

"The Directors SacOil Holdings Limited 119 Rosen Office Park Midrand 1685

1 September 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF SACOIL HOLDINGS

Introduction

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects, income statement and balance sheet (collectively "pro forma financial information") of SacOil Holdings Limited ("SacOil") set out in paragraph 7.2 and Annexure 1 of the circular to be dated 4 September 2010 issued in connection with the restructuring of SacOil's proposed investment in the oil concession rights pertaining to Block 3 and Block 1, Albertine Graben, Democratic Republic of the Congo, the proposed acquisition by SacOil of a participating interest in the exploration permit for the Chaal Gas Exploration Permit Area in Tunisia, a specific issue of shares for cash to Metropolitan Asset Managers Limited, a specific issue of shares for cash to GVM Metals Administration (South Africa) (Proprietary) Limited and the corporate finance advisory mandates in terms of which Lonsa (Proprietary) Limited acts as corporate finance advisor to SacOil (collectively "the Transactions").

The *pro forma* financial information has been prepared for purposes of complying with the Listings Requirements of the JSE Limited (the "JSE Listings Requirements"), for illustrative purposes only, to provide information about how the Transactions might have affected the reported financial information had the transactions been undertaken on 1 March 2009 for income statement purposes and on 28 February 2010 for balance sheet purposes.

Because of its nature, the unaudited *pro forma* financial information may not present a fair reflection of the results of operations, financial position and changes in equity of SacOil after the Transactions.

Directors' responsibility

The directors of SacOil are solely responsible for the compilation, contents and presentation of the unaudited *pro forma* financial information contained in the circular and for the financial information from which it has been prepared.

Their responsibility includes determining that the unaudited *pro forma* financial information contained in the circular has been properly compiled on the basis stated, the basis is consistent with the accounting policies of SacOil and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information as disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express a limited assurance conclusion on the unaudited *pro forma* financial information included in the circular. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial information* and the *Revised Guide on Pro Forma Financial Information issued by the South African Institute of Chartered Accountants*.

This standard requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain sufficient appropriate audit evidence to support our limited assurance conclusion, expressed below.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted audited historical financial information of SacOil with the source documents, considering the *pro forma* adjustments in light of the accounting policies of SacOil, considering the evidence supporting the *pro forma* adjustments, recalculating the amounts based on the information obtained and discussing the unaudited *pro forma* financial information with the directors of SacOil.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of SacOil and other information from various public, financial and industry sources.

Whilst our work performed involved an analysis of the historical audited financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the International Standards on Auditing or the International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the unaudited pro forma financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of SacOil; and
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed pursuant to Section 8.30 of the JSE Listings Requirements.

Yours faithfully

MOORE STEPHENS MWM INC

Chartered Accountants (SA) Registered Auditors

per **N Lazanakis** Chartered Accountant (SA) Registered Auditor

7 West Street Houghton, 2198"

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2010, FOR THE EIGHT MONTHS ENDED 28 FEBRUARY 2009 AND THE YEAR ENDED 30 JUNE 2008

The financial information presented in this annexure has been extracted from SacOil's statutory annual financial statements which were reported on without qualification by Moore Stephens MWM Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION at 30 June 2008, 28 February 2009 and 28 February 2010

	Notes	28 February 2010 R	28 February 2009 R	30 June 2008 R
ASSETS				
Non-current assets		8 534 704	7 708 573	5 230 142
Property, plant and equipment	9	7 640 047	4 837 783	5 230 142
Deferred tax asset	6	894 657	_	_
Loans receivable	10	_	2 870 790	_
Current assets		40 941 743	40 369 102	46 791 674
Loans receivable	10	27 866 821	27 866 821	27 866 821
Inventories	11	2 304 768	2 048 152	1 454 409
Trade accounts receivable	12	3 558 093	2 627 883	3 730 797
Value-added Tax		183 100	834 081	1 784 044
Sundry accounts receivable	13	31 098	136 312	136 348
Cash and cash equivalents	14	6 997 863	6 855 853	11 819 255
Total assets		49 476 447	48 077 675	52 021 816
EQUITY AND LIABILITIES				
Equity attributable to equity holders		43 330 351	41 063 905	44 425 514
Stated capital	15	83 725 538	83 725 538	83 725 538
Share based payment reserve		23 753 656	23 753 656	_
Revaluation reserves		2 300 547	-	_
Accumulated loss		(66 449 390)	(66 415 289)	(39 300 024)
Non-current liability		933 505	705 972	625 972
Instalment sale obligations	18	107 533	_	-
Provision for environmental rehabilitatio	n 16	825 972	705 972	625 972
Current liabilities		5 212 591	6 307 798	7 970 330
Trade accounts payable		1 332 341	3 536 595	3 546 156
Loans payable	17	2 502 964	2 502 964	2 502 964
Instalment sale obligations	18	137 955	_	_
Deferred tax		894 657	_	_
Sundry accounts payable		344 674	268 239	921 210
Total equity and liabilities		49 476 447	48 077 675	52 021 816

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 28 February 2010, the eight months ended 28 February 2009 and the year ended 30 June 2008

No	tes	28 February 2010 R	28 February 2009* R	30 June 2008* R
Revenue		31 723 773	20 802 023	21 809 929
Cost of sales		(20 210 322)	(16 395 402)	(16 960 202)
Gross profit		11 513 451	4 406 621	4 849 727
Operating costs		(10 143 939)	(7 849 675)	(9 956 821)
Results from operating activities	1	1 369 512	(3 443 054)	(5 107 094)
Investment income	2	730 995	557 421	326 536
Interest paid		(13 039)	(93 204)	(78 320)
Net finance income		717 956	464 217	248 216
Impairment of loans receivable		(3 016 226)	(382 772)	(5 159 393)
Share-based payment expense		_	(23 753 656)	
Realised gain on insurance claim		-	_	501 055
Loss from operations		(3 016 226)	(24 136 428)	(4 658 338)
Loss for the period before tax		(928 758)	(27 115 265)	(9 517 216)
Income tax	6	894 657	_	_
Loss for the period		(34 101)	(27 115 265)	(9 517 216)
Other comprehensive income				
Fair value gain on revaluation of		0.405.004		
property, plant and equipment	,	3 195 204	_	_
Income tax on other comprehensive income	6	(894 657)		
		2 300 547	_	_
Total comprehensive income/(loss) for the period		2 266 446	(27 115 265)	(9 517 216)
Weighted average number of shares	8	313 291 614	313 291 614	167 592 528
Basic earnings/(loss) per share (cents)	8	0.72	(8.65)	(5.68)
Diluted earnings/(loss) per share (cents)	8	0.72	(8.64)	(5.68)
Headline earnings/(loss) per share (cents)	8	0.95	(8.65)	(2.90)
Diluted headline earnings/(loss) per share (cents)	8	0.95	(8.64)	(2.90)

 $^{^{\}star}$ Comparative information represents twelve months to 30 June 2008 and eight months to 28 February 2009.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 28 February 2010, the eight months ended 28 February 2009 and the year ended 30 June 2008

	28 February 2010 R	28 February 2009* R	30 June 2008* R
Stated capital			
Opening balance	83 725 538	83 725 538	3 742 749
 Transfer from share premium 	_	_	27 152 471
 Shares issued for cash 	_	_	54 148 090
- Expenses written off against stated capital	_	_	(1 317 772)
Closing balance	83 725 538	83 725 538	83 725 538
Share premium			
Opening balance			
- Transfer to stated capital	_	_	27 152 000
Closing balance	-	_	(27 152 000)
Revaluation reserve			
Opening balance	_	_	_
Revaluation reserve on the revaluation of property,			
plant and equipment	3 195 204	_	_
Deferred tax liability	(894 657)	_	
Closing balance	2 300 547	_	
Accumulated loss			
Opening balance	(66 415 289)	(39 300 024)	(29 782 808)
Loss for the period	(34 101)	(27 115 265)	(9 517 216)
Closing balance	(66 449 390)	(66 415 289)	(39 300 024)
Share based payment reserve			
Opening balance	23 753 656	_	_
Share based payment expense	_	23 753 656	_
Closing balance	23 753 656	23 753 656	

^{*} Comparative information represents twelve months to 30 June 2008 and eight months to 28 February 2009.

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 28 February 2010, the eight months ended 28 February 2009 and the year ended 30 June 2008

	28 February 2010 R	28 February 2009* R	30 June 2008* R
Cash utilised in operating activities	(275 385)	(2 154 810)	(6 102 030)
Finance costs	(13 039)	(93 204)	(78 320)
Investment income	730 995	493 628	326 536
Net cash flows from operating activities	442 571	(1 754 386)	(5 853 814)
Additions to property, plant and equipment	(262 658)	(19 249)	(680 641)
Proceeds from insurance claim	_	_	501 055
Increase in loans receivable	(145 436)	(3 189 767)	(27 866 921)
Net cash flows from investing activities	(408 094)	(3 209 016)	(28 046 507)
Increase/(Decrease) in loans payable	107 533	_	(7 275 456)
Shares issued for cash net of expenses	_	_	52 830 318
Net cash from financing activities	107 533	-	45 554 862
Net movement in cash and cash equivalents	142 010	(4 963 402)	11 654 641
Cash and cash equivalents at the beginning of the year	6 855 853	11 819 255	164 614
Cash and cash equivalents at the end of the year	6 997 863	6 855 853	11 819 255

^{*} Comparative information represents twelve months to 30 June 2008 and eight months to 28 February 2009.

SACOIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 28 February 2010, the eight months ended 28 February 2009 and the year ended 30 June 2008

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The annual financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS") as well as the AC 500 standards as issued by the Accounting Practices Board or its successor, the listings requirements of the JSE Limited, the presentation and disclosure requirements of International Accounting Standards ("IAS") and the requirements of the Companies Act of South Africa and are consistent with those of the previous reporting period. They have been prepared on a going concern basis.

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards affecting presentation and disclosure

The following new and revised standards have been adopted in these financial statements. These standards do not have any significant effect on the financial statements other than the required changes in presentation as contained in IAS 1 – Presentation of Financial Statements. Where deemed necessary changes in relation to disclosures have been made.

Standard affecting presentation and disclosure	Effective date
IAS 1 – Presentation of Financial Statements (revised)	1 January 2009
Standards adopted with no effect on the financial statements	Effective date
IAS 23 – Borrowing Costs (revised) IAS 27 – Consolidation and Separate Financial Statements IAS 39 – Financial Instruments Recognition and Measurement IFRS 2 – Share-Based Payments – Vesting Conditions and Cancellations	1 January 2009 1 July 2009 1 July 2009 1 January 2009
Standards, amendments and interpretations to existing standards that are not yet effective and have not been earlier adopted by the group:	Issue date
IFRIC 17 – Distributions of Non-cash Assets to Owners IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments IFRS 3 – Business Combinations IAS 27 – Consolidated and Separate Financial Statements IFRS 2 – Share-based-Payment – accounting for group cash-settled share-based	27 November 2008 26 November 2009 10 January 2008 10 January 2008
payment transactions in an individual subsidiary's own financial statements IASB – Improvements to International Financial Reporting Standards	31 March 2011 Issued during 2008, 2009 and 2010
IAS 39 – Financial Instruments – inflation in a financial hedged item IAS 32 – Financial Instruments: Presentation IAS 24 – Related party disclosures	30 July 2008 1 January 2009 4 November 2009
IFRS 9 – Financial Instruments	12 November 2009

The Company is currently evaluating all of the above standards, amendments and interpretations and will adopt those applicable in its financial year ending 28 February 2011.

The group has assessed the significance of these new standards, amendments to standards and new interpretations, which will be applicable from 1 January 2009 and later years and concluded that they will have no material financial impact. Currently, the company does not expect IFRS 8 to have an impact on the geographic segments definition.

3. BASIS OF CONSOLIDATION

These financial statements comprise the results of SacOil and all its subsidiaries as well as the results of the company only. The subsidiaries have the same reporting periods as that of the holding company. The same accounting policies are used consistently for the whole group. Inter-company balances and transactions between subsidiaries and the holding company are eliminated on consolidation.

4. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Use of available information and application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Significant judgements include:

Mineral reserves that are the basis of future cash flow estimates and unit of production depreciation, asset impairments, provision for rehabilitation and decommissioning, reclamation and closure obligations, fair values and accounting treatment of financial instruments.

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact that income tax and deferred tax provisions in the period in which such determination is made.

In preparing the financial statements management is required to make estimates and assumptions that effect the amounts represented in the financial statements and related disclosures.

Significant estimates include:

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

5. FINANCIAL INSTRUMENTS

Financial instruments carried on the statement of Financial Position include loans, investments, cash and cash equivalents, accounts receivable and accounts payable. All financial instruments are initially measured at fair value. In the case of financial instruments not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

5.1 Accounts receivable and loans receivable

Accounts receivable and loans originated by the company are measured at amortised cost using the effective interest rate method.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Such impairment is accounted for directly against the carrying amount of the asset.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed. The reversal shall not result in a carrying amount

of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

5.2 Investments

Share investments

Share investments are classified as available for sale financial assets and are subsequently measured at fair value. Investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. In terms of IAS 39, fair value adjustments for the period on available for sale assets are recognised directly in equity, through the statement of changes in equity.

Investments in subsidiaries

Group annual financial statements

The group annual financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition.

On acquisition the group recognises the subsidiary's assets, liabilities and contingent liabilities at fair value, except for asset classified as held-for-sale, which are recognised at fair value less costs to sell.

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

5.3 Cash and cash equivalents

Cash and cash equivalents are measured at cost which is deemed to be the fair value as they have a short-term maturity.

5.4 Accounts payable and loans payable

Financial liabilities are subsequently measured at amortised cost, being original debt value less principal repayments and amortisation.

5.5 Financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of Financial Position when the group has a legal right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and the liability simultaneously.

5.6 Derecognition of financial assets and financial liabilities

Financial assets

Financial assets are derecognised from the statement of Financial Position when the contractual rights expire or when the group transfers the asset and does not retain substantially all the risks and rewards of ownership or control.

Financial liabilities

Financial liabilities are derecognised from the statement of Financial Position when the obligation is discharged or expires.

6. INVENTORY

Inventories are stated at the lower of cost and net realisable value. Cost is determined by means of the First In, First Out basis or weighted average cost basis. Costs, including an appropriate portion of fixed and variable overhead costs, are assigned to inventories using the method most appropriate to the particular class of inventory. Methods used are:

- **6.1** Raw materials are valued at the lower of cost or net realisable value;
- **6.2** Product in process is valued at the lower of cost or net realisable value;
- 6.3 Engineering stock is valued at cost on a moving average basis; and
- **6.4** Final products are valued at the moving average cost including materials, direct labour and an appropriate portion of fixed and variable overhead costs.

Net realisable value is the estimated selling price less estimated costs of completion and marketing selling and distribution costs. Provision is made for obsolete, slow moving or defective items where appropriate.

7. STATED CAPITAL

Stated capital is recognised at the fair value of the Consideration received by the Company.

8. REVENUE RECOGNITION

Revenue is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the group and it can be reliably measured.

8.1 Revenue

The sale of mining products is recognised when the significant risks and rewards of ownership of the products are transferred to the buyer.

8.2 Interest income

Interest income is recognised on a time proportion: basis that takes into account the effective yield on the asset.

8.3 Dividend income

Dividend income is recognised when the right to receive payment is established.

9. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as expenses in the period in which they occur.

10. DEFERRED TAXATION

Deferred tax assets or liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the statement of Financial Position date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

A deferred tax asset and/or liability is recognised through equity on the potential unrealised capital gains and/or losses from available for sale financial assets.

The carrying amount of deferred tax assets is reviewed at each period end and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

11. CURRENT TAX ASSETS AND LIABILITIES

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of Financial Position date.

12. TAX EXPENSE

Current and deferred taxes are recognised as income or an expense and included in product or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity; or
- a business combination.

Current tax and deferred tax are recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same of a different period:

- in other comprehensive income, are recognised in other comprehensive income;
- directly in equity, are recognised directly in equity.

13. DIVIDENDS PAYABLE

Dividends payable are recognised when the shareholder's right to receive payment is established.

14. PROVISIONS

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

15. ENVIRONMENTAL EXPENDITURE

The Group has long-term decommissioning and rehabilitation liabilities in relation to its environmental management plans, in compliance with current environmental and regulatory requirements.

15.1 Decommissioning costs

The provision for decommissioning represents the cost that will be incurred to rectify environmental damage. Accordingly an asset is recognised and included in property, plant and equipment. Decommissioning costs are provided at the present value of the costs estimated to settle the obligation. Expert evaluation is used to estimate the quantum of such costs. The unwinding of the decommissioning obligation is included in the income statement. Estimated future costs of decommissioning are reviewed regularly and adjusted as appropriate for new evidence or changes in legislation or technology. Changes in estimates are capitalised or reversed against the relevant assets. Gains or losses on the expected disposal of mining assets are not taken into account when estimating the costs.

15.2 Rehabilitation costs

The provision for rehabilitation represents the cost of restoring site damage after the commencement of mining activities. Provision for costs are charged to the income statement as a cost of production. Expert evaluation together with management judgement is used to estimate the quantum of such costs.

16. PROPERTY PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that the future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment, the estimated dismantling costs and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Items of property, plant and equipment are subsequently stated at revaluation value less accumulated depreciation and accumulated impairment losses. Assets forming part of the long term infrastructure of mining operations including buildings, plant and equipment, roads and dams are depreciated evenly over the remaining useful life of the mining operation. Depreciation on mining assets begins when it is available for use. An asset becomes available for use when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The evaluation value of an item of property, plant and equipment is the item's fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Mineral rights and mining claims which are exploited are valued at historical cost and are amortised over their estimated useful lives using the unit-of-production method. Mineral rights and mining claims which are not being exploited are not amortised.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property plant and equipment are as follows:

Buildings10 yearsMotor vehicles5 yearsOffice equipment3 yearsPlant and equipment10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

17. SHARE-BASED PAYMENTS

Certain employees and/or directors of the company, as determined by the directors, from time to time are participants of the Share Option Scheme only if and to the extent that options are granted to such persons pursuant to the Scheme.

Equity-settled share-based payments are measured at fair value at the date of grant in the case of directors. In the case of transactions with employees the value of the services rendered and the corresponding increase in equity is measured indirectly, by reference to the fair value of the equity instruments granted. The equity-settled share-based payments are expensed to the income statement over a straight line basis over the vesting period based on the group's estimate of shares that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the share options at the grant date.

18. EMPLOYEE COSTS

The Company contributes towards a defined contribution plan under which contributions are paid to a third party. Once contributions have been made, the Company has no further payment obligation. The contributions are recognised in profit or loss when they are due.

19. FOREIGN CURRENCIES

The group financial statements are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates.

The presentation and functional currency of the group is ZAR.

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the end of the reporting period of monetary assets and liabilities denominated in currencies other than the functional currency of the entity are recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

20. LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards associated with ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

21. COMPARATIVE INFORMATION

The presentation and classification of items in the financial statements are retained from one period to another unless an International Financial Reporting Standard requires a change in presentation.

The comparative information in these financial statements represents results for the eight months ended 28 February 2009 due to a change in the year end of the company to coincide with that of its holding company and in compliance with the Companies Act of South Africa. Comparative amounts are therefore not entirely comparable.

NOTES TO THE FINANCIAL STATEMENTS OF SACOIL HOLDINGS LIMITED as at 28 February 2019

Previously stated

Deferred tax liabilityPreviously stated

Fair value adjustment on revaluation

Deferred tax liability recognised on revaluation value

		Group 2010 R	Group 2009 R	Group 2008 R
1.	Loss from operations			
	Is stated after taking into account:			
	Expenses			
	Auditors' remuneration	193 877	167 100	(187 738)
	Staff costs	3 776 218	2 437 076	3 001 209
	Depreciation – Office equipment	19 297	12 178	10 226
	Depreciation – Motor vehicles	26 630	_	_
	Depreciation – Plant and equipment	609 672	399 429	808 437
	Impairment loss on revaluation of property,			
	plant and equipment	_	_	5 159 393
	Impairment loss on revaluation of loans	2.01/.22/	202 772	
	receivable (Note 8)	3 016 226	382 772	_
	Income			
	Profit on insurance claim	_		501 055
2.	Finance revenue			
	Interest received – cash and cash equivalents and loans	730 995	557 421	326 536
١.	Finance costs			
	Interest paid on finance lease obligation	11 962	_	_
	South African Revenue Services	_	91 703	78 000
	Other	1 077	1 500	321
		13 039	93 204	78 321
	Change in accounting policy			
ŀ.				
	During the year the company changed its measurement model of property, plant and equipment from a cost model to a revaluation model. The aggregate effect of these changes in accounting policy on the annual financial statements for the year ended 28 February 2010 is as			
	follows:			
	Statement of financial position:			
	Property, plant and equipment			5 230 142

5 230 142

4 837 783

4 837 783

4 444 842

3 195 204 7 640 046

> 894 657 894 657

	Group 2010 R	Group 2009 R	Group 2008 R
Statement of comprehensive income:			
Fair value adjustment on revaluation of property,			
plant and equipment	3 195 204	_	-
Deferred tax liability on revaluation value	(894 657)		
	2 300 547	_	_
Earnings per share (cents)			
Basic earnings per share	0.73	_	_
Diluted earnings per share	0.73	_	_
Directors' emoluments			
Executive			
S Rowse – Resigned 31 July 2008 For services as director		10 000	50 000
R Vela – Appointed 25 February 2008	_	10 000	30 000
For services as director	120 000	80 000	50 000
Non-executive			
R J Linnell (Chairman)			
 Appointed 19 September 2002 			
For services as director	180 000	120 000	75 000
C Bird			
4 November 2009 Appointed 9 April 2008			
For services as director	180 000	105 000	_
B H Christie			
 Appointed 7 November 1997 			
- Resigned 31 August 2009			
For services as director	60 000	80 000	50 000
G Moseneke			
- Appointed 31 August 2009	,		
For services as director	60 000		
Total directors' emoluments	600 000	395 000	225 000

Refer to Note 20.3 for details on directors' interests and note 21 for share based payments. No post-employment, long-term or termination benefits were paid.

	Group 2010 R	Group 2009 R	Group 2008 R
Taxation			
Taxation expense:			
South African normal tax			
Current income tax charge	_	_	_
Reconciliation of the rate of taxation:			
Effective rate per the Income Statement	0.0%	0.0%	_
Permanent differences	22.0%	(2.6%)	0.4
Adjustments in respect of a reduction in the nominal tax rate	_	_	30.6
Deferred tax asset not recognised	6.0%	30.61%	28.6
South African normal tax rate	28.0%	28.0%	28.0%
The Company has an assessable tax loss of R30 060 477 of which R3 195 204 has been offset against future taxable income.			
Deferred taxation			
Revaluation of property, plant and equipment	894 657	_	_
Losses available for offset against future taxable income	(894 657)	_	_
	-	_	-
Represented by:			
Deferred tax asset	894 657	_	_
Deferred tax liability	(894 657)	_	_

7. Dividends paid

The board has resolved not to declare any dividend to shareholders for the periods under review.

8. Earnings per share

Earnings per share has been calculated on a profit of R2 266 446 (2009: loss of R27 115 265) and a weighted average number of shares in issue of 313 291 614 (2009: 313 291 614).

Diluted earnings/(loss) per share has been calculated on earnings of R2 266 446 (2009: loss of R27 115 265, 2008: loss of R9 517 216) and a weighted average number of shares in issue of 313 291 614 (2009: 313 863 466, 2008: 167 592 528). The diluted headline earnings/(loss) per share has been calculated on a weighted average number of shares in issue of 313 291 614 (2009: 313 563 466, 2008: 167 592 528)

	Group 2010 R	Group 2009 R	Group 2008 R
Reconciliation of headline earnings/(loss):			
Loss for the period	(34 101)	(27 115 265)	(9 517 216)
Realised gain on insurance claim	_	_	(501 055)
Impairment of loans receivable	3 016 226	_	5 159 393
Headline earnings/(loss)	2 982 125	(27 115 265)	(4 858 878)
Headline earnings/(loss) per share (cents)	0.95	(8.65)	(2.90)
Diluted headline earnings/(loss) per share (cents)	0.95	(8.64)	(2.90)

9. Property, plant and equipment

Cost R	Accumulated depreciation/ Impairment R	Carrying value R	Cost R	Accumulated depreciation/ impairment R	Carrying value R	Cost R	Accumulated depreciation/ impairment R	Carrying value R
GROUP								
Mining claims 18 000 Buildings 5 369 960	-	18 000 5 369 960	18 000 -	-	18 000 -	18 000 -	-	18 000 -
Plant and equipment 1 892 735 Motor vehicles 340 000 Office equipment 19 350 Decommissioning costs -	- - -	1 892 735 340 000 19 351	5 786 534 208 923 57 198 310 188	1 172 303 208 922 22 404 139 432	4 614 231 - 34 794 170 758	15 866 511 208 923 37 949 310 188	10 866 511 208 922 10 226 125 771	5 000 000 2 27 723 184 417
7 640 046	=	7 640 046	6 380 843	1 543 061	4 837 783	16 441 571	11 211 428	5 230 142
Reconciliation of carry	ing values:							
	arrying value at beginning of year R	Ac (Di	lditions/ sposals) R	Impairm Deprecia		-allocatior Revaluatio	n)/ v	arrying value at of year R
2010								
GROUP AND COMPAN	Υ							
Mining claims	18 000		_				_	18 000
Buildings	_		_			5 369 96		369 960
Plant and equipment	4 614 231		_	(609	,	(2 111 82	,	392 735
Motor vehicles	- 24.704	:	262 657	•	630)	103 97		340 000
Office equipment Decommissioning costs	34 794 170 758		_	(19	297)	(3 85) (170 75)		19 351
Decommissioning costs	4 837 783		262 657	(655	601)	3 195 20	*	540 046
2009		•		(000		0 . 7 0 2 .		
GROUP AND COMPAN	Υ							
Mining claims Buildings, plant and	18 000		_		_		_	18 000
equipment	5 000 000		_		_	(385 76	69) 4 6	514 231
Motor vehicles Office equipment	0.002 27 723		_	19	249	(12 17	78)	34 794
Decommissioning costs	184 417		_	1,7	_	(13 66	,	170 758
	5 230 142		_	19	249	(411 60	08) 4 8	337 783
2008								
GROUP AND COMPAN	Υ							
Mining claims Buildings, plant and	18 000		_		_		_	18 000
equipment	10 302 141		_	642	691	(5 944 83	32) 5 (000 000
Motor vehicles	3		_				(1)	2
Office equipment	- 210 121		_	37	949	(10 22		27 725
Decommissioning costs	219 121			/00	- (10	(34 70	-	184 417
	10 539 265		_	680	040	(5 989 76	52	230 142

A register containing the information in terms of the 4th schedule of the Companies Act is available for inspection of the registered office.

The carrying amounts that would have been recognised had the assets been carried under the cost model are as follows:

	R
Buildings	-
Mining claims	18 000
Plant and equipment	4 004 557
Motor vehicles	236 029
Office equipment	15 498
	4 275 083

A motor vehicle with a book value of R217 098 is subject to an installment sale obligation. Refer note 18 for details of such obligation.

At 28 February 2010, the Company revalued its property, plant and equipment. The valuation was done by an independent value, estimating the value of the assets using a combination of replacement values, the researched second hand values, usage values as well as estimated liquidation values in order to estimate the current market values.

10. Loans receivable

	Group 2010 R	Group 2009 R	Group 2008 R
Non-current			
Pioneer Coal Limited	_	2 870 790	_

During November 2008 expenses paid by the company on behalf of Pioneer Coal Limited ("Pioneer") in an amount of R1.2 million were debited to a loan account. A further loan was made in December 2008, in an amount of R2.0 million. The purpose of these loans is to provide Pioneer with seed capital to set up the company as a coal exploration company. The loan has been impaired to comply with IAS 39. Pioneer is currently seeking suitable coal acquisitions. The loan will be repaid once Pioneer has resources available.

Current

South Africa Congo Oil Company			
(Proprietary) Limited ("SacOil")	16 160 000	16 160 000	16 160 000
Divine Inspiration Group			
(Proprietary) Limited ("DIG")	11 706 821	11 706 821	11 706 821
	27 866 821	27 866 821	27 866 821

These loans represent amounts paid, in terms of the SacOil agreement dated 17 March 2008, directly to the DRC Government in respect of signature bonus and health and safety obligations for the oil concessions.

Repayment of the loans is subject to conditions specified in the respective loan agreements. In the event of the conditions not being met, the loans are repayable by the borrowers within 5 days of receiving written demand from the company requiring repayment of the loans.

Upon conclusion of the SacOil transaction, the indebtedness of DIG to the company under the relevant loan agreement will be set-off against the indebtedness of SacOil to DIG under the SacOil agreement. The indebtedness of SacOil to the company under the relevant loan agreement will be capitalised to the value of the exploration and evaluation asset on conclusion of the transaction.

The loans advanced to DIG and SacOil are interest free and are secured by pledges and sureties normal for transactions of this nature.

The loans advanced to DIG and SacOil are interest free and are secured by pledges and sureties normal for transactions of this nature.

	Group 2010 R	Group 2009 R	Group 2008 R
I. Inventories			
Raw materials Production in process Engineering stock Final product	374 290 446 298 889 743 594 437	728 581 80 568 601 696 637 306	641 051 33 878 - 779 480
	2 304 768	2 048 151	1 454 409
2. Trade accounts receivable			
Trade accounts receivable	3 558 093	2 627 883	3 730 797
The Company's anchor client maintained their production levels during the economic downturn, and orders from them for Manganese Sulphate Powder are continuing as normal. During the period under review more than 10% of the Company's revenues were derived from the anchor clien	t.		
The following revenues were received for the period under review:	17 974 485	11 412 848	10 111 884
3. Sundry accounts receivable			
Loans receivable Deposits	11 000	132 228 4 120	132 228 4 120
Deferred finance charges	20 098	 136 348	136 348
	31 070	130 340	130 340
I. Cash and cash equivalents			
Cash at bank	1 575 763	2 290 254	2 887 745
Call deposits	5 422 100	4 565 599	8 931 510 11 819 255

The Company has no overdraft facilities.

15. Stated capital

Authorised

Number of Ordinary Shares of no par value	10 000 000 000 10 000 000 000 10 000 00			
Issued				
Number of Ordinary Shares of no par value	313 291 614	313 291 614	313 291 614	
Stated capital (R)	83 725 538	83 725 538	83 725 538	

In terms of a resolution passed by Shareholders at the last Annual General Meeting the unissued share capital is under the control of the Board.

	Group 2010 R	Group 2009 R	Group 2008 R
16. Provisions			
Provision for environmental rehabilitation	825 972	705 972	625 972

The provision for rehabilitation represents the estimated cost of restoring site damage after the commencement of mining activities. The provision for rehabilitation costs in an amount of R120 000 is included in profit or loss. Provision for costs is charged to the income statement as a cost of production.

In terms of an environmental study, the Company will need approximately R1, 6 million to restore the site damage after the commencement of mining activities.

	Group 2010 R	Group 2009 R	Group 2008 R
7. Loans payable			
- GVM Metals Administration (SA) (Proprietary) Limited	2 502 964	2 502 964	2 502 964
The loan is interest free, unsecured and is free of any collateral.			
3. Instalment sale obligations			
Minimum lease payments due			
- within one year	155 724	_	_
 in the second year 	109 862	_	_
	265 586	_	_
Less: Future finance charges	(20 098)	_	_
Present value of minimum lease payments	245 488	_	_
Present value of minimum lease payments due			
within one year	137 955		_
 in the second year 	107 533	_	_
	245 488	_	_
Non-current liabilities	107 533	_	_
Current liabilities	137 955	_	-
	245 488	_	_

	Group 2010 R	Group 2009 R	Group 2008 R
Cash flow information			
Cash flows from operating activities			
Loss before tax	(928 758)	(27 115 265)	(9 517 216)
Adjustments for:			
 Share based payment expense 	-	23 753 656	
- Finance income	(730 995)	(557 421)	(326 536)
- Finance costs	13 039	93 204	78 320
- Depreciation	655 599	411 607	830 370
 Movement in provisions 	120 000	80 000	100 000
 Realised profit on insurance claim 	_	_	(501 055)
- Impairment loss	3 016 226	382 772	5 159 393
	2 145 111	(2 951 447)	(4 176 724)
Cash utilised in movements in working capital			
Increase in inventories	(256 616)	(593 743)	(982 664)
(Increase)/Decrease in accounts receivable	(174 015)	2 052 913	(2 917 410)
(Decrease)/Increase in accounts payable	(1 989 865)	(662 533)	1 974 769
	(2 420 496)	796 638	(1 925 305)
Cash utilised in operating activities	(275 385)	(2 154 809)	(6 102 029)

20. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

		2010 Total Number of Shares	% of Total Issued Shares	2009 Total Number of Shares	% of Issues Shares	2008 Number of Shares	% of issued shares
20.1	Directors' shareholding						
	B H Christie						
	- Direct beneficial	_	_	32 421 656	10.3	32 421 656	10.8
	C Bird						
	- Direct beneficial	5 300 000	1.7	5 300 000	0.1	300 000	0.1
		5 300 000	1.7	37 721 656	10.4	32 721 656	10.4

At the date of signature of the 2010 report, directors were directly and indirectly beneficially interested in 13 643 216 issued ordinary shares in the company as follows:

	Direct Beneficial	Indirect Beneficial	Total
C Bird	5 300 000	-	5 300 000
R Linnell	_	8 343 216	8 343 216
	5 300 000	8 343 216	13 643 216

Subsequent to 28 February 2009 the following dealings by directors were reported:

	Number of shares acquired/ (sold)	Dates of dealings	Number of sales after dealing	Percentage of total issues shares
Director				
B H Christie (resigned 31 August 2009)				
 Direct beneficial 	(4 938 000)	2110 July 09 and 22 July 2009	27 484 111	8.8
C Bird		J		
 Direct beneficial 	5 000 000	22 July 09	5 300 000	1.7
			32 784 111	10.5

20.2 Directors' interests

Save as set out in this note, none of the directors had any interest in any transaction which is or was unusual in its nature or conditions, and that was effected during the current or immediately preceding financial year, which remains in any respect outstanding or unperformed.

Contingent liability – Lonsa (Proprietary) Limited ("Lonsa") R11 875 000 R10 600 000

R Vela is a director of Lonsa, which, in terms of corporate finance advisory mandates dated 22 February 2008 and 17 May 2010 acts as corporate finance adviser to SacOil. Lonsa introduced, structured, negotiated and project managed the Initial SacOil Transaction and its subsequent Restructure and the Farmout Interest Acquisition on behalf of SacOil and has charged a fee for its services. Lonsa is entitled to a contingent success fee equivalent to 2 per cent of the proposed transaction value of assets acquired and 2.5 per cent of the gross value of the equity raised which is standard in all Lonsa mandates for proposed transactions and equity raised. Lonsa has given an undertaking that it will not call on the company for payment of such fees until such time as the company has sufficient resources available to effect payment.

Lonsa – fees for services by R Vela as executive director	R1 202 868	R747 620
---	------------	----------

The directors' emoluments are disclosed at note 5.

20.3 Subsidiaries

	Issued share capital R	Effective holding %
Baltimore Manganese Mine (Proprietary) Limited	1	100.0
Bushveld Pioneer (Proprietary) Limited	313 292	100.0
RDK Mining (Proprietary) Limited	100	100.0
Pioneer Coal (Proprietary) Limited	100	100.0

20.4 Holding company

Encha Capital (Proprietary) Limited, a subsidiary of Encha Group (Proprietary) Limited, currently holding 55,23% of the total issued Shares of the Company at the date of this report.

	Group	Group	Group
	2010	2009	2008
	R	R	R
 Administration fees charged to the Company by Encha Group (Proprietary) Limited 	180 000	238 723	_

21. Share options

2010

Outstanding at beginning of year	_
Granted during the period	41 986 136
Exercised during the period	_

Exercised during the period	_
Outstanding at end of year	41 986 136
Exercise price (cents)	0.8215
Total number of options granted	41 986 136
Total number of options vesting in 2010	41 986 136
Fair value of the call option (cents)	0.57
Total number of options exercised in 2009, 2010	_
Fair value was determined by using the Black	
Scholes Merton Valuation Model. The following	
inputs were used:	
 Value of underlying share (cents) 	80
- Average risk free rate (%)	8.14%
- Volatility (5)	84.53%
- Expected dividends (cents)	-

At 28 February 2010, the Directors held 41 986 136 share options as follows:

Name	Number of options	Option price	Date granted
R Vela B Christie (resigned 31 August 2009) C Bird R Linnell	8 397 227 8 397 227 12 595 841 12 595 841	0.8215 0.8215 0.8215 0.8215	21-Nov-08 21-Nov-08 21-Nov-08 21-Nov-08
Total	41 986 136		

On 8 July 2010 the following share options were allocated to Directors:

Name	Grant date	Latest exercise date	Option price R	Number of options allocated
R Vela	8 July 10	8 July 20	0.29	4 198 614
G Moseneke (Appointed 31 August 2009)	8 July 10	8 July 20	0.29	3 132 916
C de Beer (Appointed 10 August 2010)	8 July 10	8 July 20	0.29	3 132 916
Total				10 464 446

22. Financial instruments

The company's activities expose it to a variety of risks which are managed as set out below:

22.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its obligations in respect of these instruments to the Group.

Cash and cash equivalents

The company only does banking with major banks with high quality credit standing and limits exposure to any one counterparty.

Sundry accounts receivable

Due to the nature of accounts receivable the risk related to accounts receivable is low.

Trade accounts receivable

The company only does business with counterparties who are able to service their accounts in accordance with the company's terms of payment.

Appropriate credit checks are performed on potential customers before sales commences.

22.2 Interest rate risk

Cash and cash equivalents

Cash and cash equivalents comprise current accounts and call deposits. During the year under review, the call deposits attracted interest at rates averaging 6% per annum.

Accounts receivable and accounts payable

Due to the short-term nature of accounts receivable and payable, the company is not exposed to any material interest rate risk.

22.3 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors.

Treasury management on a regular basis ensures that the company has sufficient liquidity to meet its ongoing commitments by forecasts. This liquidity management is achieved through a combination of call terms deposits and sufficient short-term facilities necessary.

Accounts receivable and payable

The collection of accounts receivable is actively managed. The cash conversion profile of accounts receivable is built into liquidity management.

Accounts payable are paid when the amount is due, unless an early settlement discount is offered which is then taken.

22.4 Foreign exchange risk

The Company exports its products and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the Euro.

The Company exports its products and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the Euro.

22.5 Financial assets by category

The accounting policies for financial assets have been applied to the line items below:

2010	Loans and receivables R	Available for sale R	Total R
Loans receivable	27 866 821	_	27 866 821
Trade receivables	3 558 093	_	3 558 093
Sundry receivables	31 098	_	31 098
Cash and cash equivalents	_	6 997 863	6 997 863
	31 456 013	6 997 863	38 453 876
2009	Loans and receivables	Available for sale	Total
	R	R	R
Loans receivable	27 866 821	R -	
Loans receivable Trade receivables		R	R
Trade receivables	27 866 821	R - -	R 27 866 821
	27 866 821 2 764 194	R 6 855 853	27 866 821 2 764 194

22.6 Financial liabilities by category

The accounting policies for financial liabilities have been applied to the line items below:

GROUP 2010	Financial liabilities at amortised cost R	Total R
Loans payable Trade payables Finance lease obligations Sundry accounts payable	2 502 964 1 332 340 245 488 344 674	2 502 964 1 332 340 245 488 344 674
	4 425 467	4 425 467
GROUP 2009		
Loans payable Trade payables Finance lease obligations Sundry accounts payable	2 502 964 3 536 595 - 268 239	2 502 964 3 536 595 - 268 239
Sundry accounts payable	6 307 798	6 307 798

23. Commitments and contingent liabilities

The company has no material commitments. Refer to note 20.3 for details of contingent liabilities.

HISTORICAL FINANCIAL INFORMATION OF SACOIL (PROPRIETARY) LIMITED FOR THE THREE YEARS ENDED 28 FEBRUARY 2010

1. BASIS OF PREPARATION

The definitions on pages 9 to 17 of the Circular have been used in this annexure.

The income statement, balance sheet, statements of changes in equity, cash flow statement and the related notes for the years ended 28 February 2010, 2009 and 2008 (collectively "the Historical Financial Information") have been extracted, without adjustment from the audited statutory financial statements ("Financial Statements") of SacOil (Proprietary) Limited.

The Financial Statements of SacOil (Proprietary) Limited were prepared in the manner required by the Act and in accordance with IFRS and were reported on without qualification by [Simama Chartered Accountants (SA)]. Moore Stephens MWM Inc. is the Independent Report Accountant to SacOil (Propreitary) Limited and has reported on the Historical Financial Information without qualification. The text of the Independent Reporting Accountants Report on the Historical Financial Information is set out in Annexure 5 to the Circular.

The Historical Financial Information is the responsibility of the Directors.

2. INCOME STATEMENTS

The income statements of SacOil (Proprietary) Limited for the periods ended February 2010, 2009 and 2008 are set out below:

	Audited Year ended 28 Feb 2010 ZAR	Audited Year ended 28 Feb 2009 ZAR	Audited six months ended 29 Feb 2008 ZAR
Revenue	_	-	
Operating expenses	(1 200)	(623 038)	(1 025 100)
Loss and headline loss for the year	(1 200)	(623 038)	(1 025 100)
Weighted average number of shares in issue ('000)	1 000	1 000	500
Loss and headline loss per share (cents)	(120)	(62 304)	(205 020)
Dividends per share (cents)	_	_	_

3. BALANCE SHEETS

The balance sheets of SacOil (Proprietary) Limited as at February 2010, 2009 and 2008 are set out below:

	Notes	Audited 28 Feb 2010 ZAR	Audited 28 Feb 2009 ZAR	Audited 29 Feb 2008 ZAR
ASSETS				
Non-current assets				
Intangible assets	7.1	57 444 987	57 444 987	57 444 987
Total assets		57 444 987	57 444 987	57 444 987
EQUITY AND LIABILITIES				
Equity				
Share capital	7.2	1 000	1 000	1 000
Share premium		41 284 487	41 284 487	41 284 487
Accumulated loss		(1 649 338)	(1 648 138)	(1 025 100)
		39 636 149	39 637 349	40 260 387
Liabilities				
Current liabilities				
Trade and other payables		1 067 963	1 067 963	1 024 600
Loans payable	7.3	16 740 875	16 739 675	16 160 000
		17 808 838	17 807 638	17 184 600
Total equity and liabilities		57 444 987	57 444 987	57 444 987
Number of shares in issue ('000)		1 000	1 000	1 000
Net asset value per share (cents)		39 636 149	39 637 349	40 260 387
Net tangible asset value per share (cents)		3 963 615	3 963 735	4 026 039

4. STATEMENTS OF CHANGES IN EQUITY

The statement of changes in equity of SacOil (Proprietary) Limited for the periods ended February 2010, 2009 and 2008 are set out below:

	Notes	Year ended 28 Feb 2010 Audited ZAR	Year ended 28 Feb 2009 Audited ZAR	6 months ended 28 Feb 2008 Audited ZAR
Share capital				
Balance – beginning of period Shares issued	7.2	1 000	1 000	1 000
Balance – end of year		1 000	1 000	1 000
Share premium				
Balance – beginning of period Shares issued	7.2	41 284 487 -	41 284 487 -	- 41 284 487
Balance – end of year		41 284 487	41 284 487	41 284 487
Total				
Retained earnings				
Balance – beginning of period Net loss for the period		(1 648 138) (1 200)	(1 025 100) (623 038)	(1 025 100)
Balance – end of year		(1 649 338)	(1 648 138)	(1 025 100)
Total equity		39 636 149	39 637 349	40 260 387

5. CASH FLOW STATEMENTS

The cash flow statements of SacOil (Proprietary) Limited for the periods ended 29 February 2008 is set out below:

Notes	Year ended 28 Feb 2010 Audited ZAR	Year ended 28 Feb 2009 Audited ZAR	6 months ended 28 Feb 2008 Audited ZAR
Cash flows from operating activities			
Loss for the period Movement in trade and other payables	(1 200)	(623 038) 43 363	(1 025 100) 1 024 600
Net cash from operating activities Cash flows from investing activities	(1 200)	(579 675)	(500)
Acquisition of exploration and evaluation asset	_	_	(57 444 987)
Cash flows from financing activities			
Proceeds from issue of share capital	_	_	41 285 487
Increase in loans payable	1 200	579 675	16 160 000
Nat cash from financing activities	1 200	579 675	57 444 587
Net increase in cash and cash equivalent	_	_	_

6. ACCOUNTING POLICIES

6.1 Nature of operations

SacOil (Proprietary) Limited is engaged in the exploration and mining of mineral resources and operated principally in South Africa and the DRC.

6.2 Statement of compliance

The Historical Financial Information of SacOil (Proprietary) Limited has been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board ("IASB") and in the manner required by the Act.

6.3 Basis of preparation and significant accounting policies

The Historical Financial Information of SacOil (Proprietary) Limited is presented in Rand. The preparation of the Historical Financial Information of SacOil (Proprietary) Limited in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The principal accounting policies adopted in the preparation of these financial statements are set out below:

6.4 Intangible assets – exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before SacOil (Proprietary) Limited has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation
 of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits
 a reasonable assessment of the existence or otherwise of economically recoverable reserves
 and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity related. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and development.

6.5 Intangible assets - development costs

Development costs relating to major development programmes are capitalised. Development costs consist primarily of expenditure to develop the technology to commercialisation. Day-to-day development costs to maintain production are expensed as incurred. Initial development and preproduction costs relating to a new technology, including amortisation and depreciation to develop the technology, are capitalised until commissioning of production facilities.

SacOil (Proprietary) Limited reviews the carrying amount of development assets and development costs when circumstances suggest the carrying amount may not be recoverable. Recoverability is assessed using estimates of future cash flows on a discounted basis, including revenues, operating costs and future capital expenditures. Where necessary a reduction in carrying amount is recorded.

6.6 Financial assets

SacOil (Proprietary) Limited classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

6.7 Financial instruments

Interest receivable and payable is accrued and credited or charged to the income statement in the period to which it relates.

6.8 Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

6.9 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates/(and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax asset and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expense

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

6.10 Provisions

Provisions are recognised when SacOil (Proprietary) Limited has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Long-term provisions are discounted to net present value.

6.11 Critical estimates and judgements

In the application of SacOil (Proprietary) Limited's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Impairment of goodwill

SacOil (Proprietary) Limited tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. As at the year end, it was deemed that goodwill is not impaired.

(b) Impairment of exploration assets

SacOil (Proprietary) Limited tests exploration assets for impairment when indicators of impairment arise, in accordance with the accounting policy. Impairment reviews are carried out on a project by project basis, with each project representing a potential single cash generating unit. The impairment reviews require the use of judgement.

7. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7.1 Intangible assets

	Other mineral assets exploration and evaluation assets ZAR
Year ended 28 February 2010 At the beginning of the financial year Additions	57 444 987 -
At the end of the financial year	57 444 987
Year ended 28 February 2009 At the beginning of the financial year Additions	57 444 987 -
At the end of the financial year	57 444 987
Year ended 29 February 2008 At the beginning of the financial period Additions	- 57 444 987
At the end of the financial year	57 444 987

The evaluation and exploration asset relates to exploration rights for oil and natural gas in respect of Block 3, Albertine Graben in the DRC.

There has been no major change in the nature of intangible assets or the policy regarding the use thereof during the periods under review.

7.2 Share capital

	2010 R	2009 R	2008
Authorised			
1 000 ordinary shares of R1.00 each	1 000	1 000	1 000
The directors of the company do not have the authority to issue shares.			
Issued			
1 000 ordinary shares of R1.00 each Share premium	1 000 41 284 487	1 000 41 284 487	1 000 41 284 487
	41 285 487	41 285 487	41 285 487

7.3 Loans payable

	2010 R	2009 R	2008
SacOil Encha	16 160 000 580 875	16 160 000 579 675	16 160 000 -
	16 740 875	16 739 675	16 160 000

The SacOil loan arose due to SacOil advancing an amount of US\$2 000 000 to SacOil (Proprietary) Limited payable directly to the DRC Government in respect of signature bonus obligations in terms of the Block 3 Production Sharing Agreement. The loan is repayable within 5 days of receiving written demand from SacOil requiring repayment of the loan. The loan is interest free is secured by pledges and sureties normal for transactions of this nature.

The Encha loans are provided to finance working capital repayments. The loan is interest free and unsecured and there are no fixed terms of repayment.

7.4 Directors' emoluments

There have been no payments to directors to date.

7.5 Segmental information

No segmental information has been presented as the company currently operates in one segment in the DRC.

8. POST BALANCE SHEET EVENTS

On 18 June 2010, the President and Prime Minister of the DRC signed Presidential Ordinance 10/042 approving the Block 3 Production Sharing Agreement. The Presidential Ordinance was gazetted in the *Journal Officiei de la Rèpublique Dèmocratique du Congo* on 22 June 2010.

On 18 June 2010, the President and Prime Minister of the DRC further signed Presidential Ordinance 10/043 ordering the Amendment. Presidential Ordinance 10/043 was gazetted in the *Journal Officiei de la Rèpublique Dèmocratique du Congo* on 22 June 2010.

The signature and publication of Presidential Ordinance 10/042 perfected the rights of SacOil (Proprietary) Limited under the Block 3 Production Sharing Agreement subject to compliance with the provisions of the Amendment.

Other than as detailed above, the directors of SacOil (Proprietary) Limited are not aware of any matter or circumstances arising since the end of the financial year to the date of this report.

9. DIRECTORS' COMMENTARY

2010

SacOil (Proprietary) Limited was in ongoing discussions with the DRC Government to obtain approval for the Block 3 Production Sharing Agreement. On 22 July 2010 SacOil (Proprietary) Limited entered into the Second SacOil – SacOil (Proprietary) Limited Loan Agreement in terms of which SacOil will advance a further loan of US\$1 000 000 (with a Rand value of R7 619 000 assuming an exchange rate of R7.62 to US\$1) to SacOil (Proprietary) Limited, payable directly to the DRC Government to partially fund the payment of the Block 3 Payment.

The results of SacOil (Proprietary) Limited and the state of affairs are set out in the Historical Financial Information above. SacOil (Proprietary) Limited has no current business operations. Its assets mainly comprise costs capitalised in relation to commitments in terms of the acquisition of oil concessions and oil rights pertaining to the Block 3 Production Sharing Agreement. Such costs were funded through the shareholder loans detailed in note 7.3 above.

2009

SacOil (Proprietary) Limited was in ongoing discussions with the DRC Government to obtain approval for the Block 3 Production Sharing Agreement. On 17 March 2008 SacOil (Proprietary) Limited entered into the Initial SacOil Loan Agreement in terms of which SacOil advanced an amount of US\$2 000 000 (with a Rand value of R16 160 000 assuming an exchange rate of R8.08 to US\$1) to SacOil (Proprietary) Limited, payable directly to the DRC Government in respect of signature bonus obligations in terms of the Block 3 Production Sharing Agreement.

2008

On 4 December 2007 SacOil (Proprietary) Limited entered into the Block 3 Production Sharing Agreement. In terms of the Block 3 Production Sharing Agreement, the operators, being SacOil (Proprietary) Limited and Cohydro, are to carry out a minimum work programme which includes geological and geochemical field studies, acquisition of 400 kilometres of 2D or 400 square kilometres of 3D seismic data and drilling of two exploration wells during the exploration period of five years.

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION OF SACOIL (PROPRIETARY) LIMITED FOR THE THREE YEARS ENDED 28 FEBRUARY 2010

"The Directors SacOil Holdings Limited 119 Rosen Office Park Midrand 1685

1 September 2010

Dear Sirs

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION IN RESPECT OF SACOIL (PROPRIETARY) LIMITED

Introduction

At your request and for the purposes of the circular to SacOil Holdings Limited ("SacOil") shareholders, to be dated on or about 4 September 2010, we present our report on the historical financial information of South African Congo Oil Company (Pty) Limited, as set out in Annexure 4 of the circular, in compliance with the Listings Requirements of the JSE Limited ("JSE Listings Requirements").

Responsibility and purpose of report

The directors of SacOil are responsible for the compilation, contents and preparation of the circular and for the accuracy of the information contained therein. The directors of SacOil are responsible for the financial information to which this report on the historical financial information of the Company relates, and from which the report has been prepared. Our responsibility is to express an opinion on the historical financial information included as Annexure 4 of this circular.

History and ownership

South African Congo Oil Company (Pty) Limited was incorporated in South Africa on 30 August 2007. The financial year end is end of February each year.

Scope

We have audited the financial information of South African Congo Oil Company (Pty) Limited for the year ended 28 February 2010, and reviewed the financial information for the years ended 28 February 2009 and 29 February 2008.

Scope of audit

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements for the year ended 28 February 2010 are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial information for the years ended 28 February 2009 and 29 February 2008 are free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit of the above-mentioned financial information and, accordingly, we do not express an audit opinion thereon.

Opinions

In our opinion, the historical financial information of South African Congo Oil Company (Pty) Limited for the year ended 28 February 2010 as reported in Annexure 4 fairly presents, in all material respects, the financial position as of that date, in accordance with International Financial Reporting Standards, the Companies Act in South Africa and the JSE Listings Requirements.

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information of South African Congo Oil Company (Pty) Limited for the years ended 28 February 2009 and 29 February 2008 as reported in Annexure 4 is not fairly presented, in all material respects, in accordance with International Financial Reporting Standards, the Companies Act in South Africa and the JSE Listings Requirements.

Consent

We consent to the inclusion of this report, which will form part of the circular to the shareholders of SacOil.

Yours faithfully

MOORE STEPHENS MWM INC

Chartered Accountants (SA) Registered Auditors

per **N Lazanakis** Chartered Accountant (SA) Registered Auditor

7 West Street Houghton, 2198"

HISTORICAL FINANCIAL INFORMATION OF THE CHAAL GAS EXPLORATION PERMIT AREA FOR THE THREE MONTHS ENDED 31 MARCH 2010 AND THE THREE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

The historical financial information pertaining to the Chaal Gas Exploration Permit Area is set out below:

1. INTRODUCTION

The definitions on pages 9 to 17 of the Circular have been used in this annexure.

The historical financial information of the Chaal Gas Exploration Permit Area ("Historical Financial Information") set out in this annexure is for the three months ended 31 March 2010 and financial years ended 31 December 2007, 2008 and 2009 which has been prepared in accordance with IFRS. Moore Stephens MWM Inc. is the Independent Report Accountant in respect of the Chaal Gas Exploration Permit Area and has reported on the Historical Financial Information without qualification. The text of the Independent Reporting Accountants Report on the Historical Financial Information is set out in Annexure 7 to the Circular.

The preparation and presentation of the Historical Financial Information is the responsibility of the Directors.

2. HISTORY AND BACKGROUND TO THE CHAAL GAS EXPLORATION PERMIT AREA

The Chaal Gas Exploration Permit Area is a gas condensate discovery located onshore central Tunisia some 25 kms to the west of Tunisia's second largest city, Sfax.

The Chaal Gas Exploration Permit Area covers approximately 1,200 square kilometres. Gas condensate was discovered there in the early 1960s. In 2006 a further well was drilled ("the Chaal 1 Well"). The Chaal Gas Exploration Permit Area is within close proximity of established excess capacity gas pipeline infrastructure and gas markets (both local and international).

3. BASIS OF PREPARATION

The Historical Financial Information has been extracted and complied from the audited annual financial information of Candax. Falcan, one of the Farmout Interest Vendors in terms of the Farmout Interest Acquisiton, is a wholly owned subsidiary of Candax and, therefore, the Historical Financial Information has been extracted from the consolidated annual financial statements of Candax. The statutory annual financial statements of Candax were reported on by PricewaterhouseCoopers plc who issued an unqualified audit opinion in that regard.

Statements of comprehensive income and statements of changes in equity have not been presented in this report as these are not relevant as the Chaal Gas Exploration Permit Area is an exploration and evaluation asset and as such all expenditures related to the development of the mineral resources have been accounted for on the cost basis in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources.

4. FINANCIAL INFORMATION

4.1 Statement of assets

The statement of assets in respect of the Chaal Gas Exploration Permit Area as at 31 March 2010, 31 December 2007, 2008 and 2009 are set out below:

	Note	As at 31 March 2010 US\$ Audited	As at 31 December 2009 US\$ Audited	As at 31 December 2008 US\$ Audited	As at 31 December 2007 US\$ Audited
ASSETS Non-current assets					
Intangible assets	6.1	22 905 847	22 891 894	21 719 103	19 296 010

4.2 Statement of cash flows

The statement of cash flows in respect of the Chaal Gas Exploration Permit Area as at 31 March 2010, 31 December 2007, 2008 and 2009 are set out below:

	Three months			
	ended	Year ended	Year ended	Year ended
	31 March	31 December	31 December	31 December
	2010	2009	2008	2007
	US\$	US\$	US\$	US\$
	Audited	Audited	Audited	Audited
Investing activities				
Exploration expenditure	(27 533)	(2 423 092)	(1 172 792)	(13 953)

5. ACCOUNTING POLICIES

5.1 Presentation of the financial information

The Historical Information has been prepared in accordance with IFRS. The Historical Financial Information has been presented on the historical cost basis and incorporate the principal.

5.2 Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral and petroleum resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- · exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- · conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are charged to the income statement. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

• Exploration and evaluation expenditure (including amortisation of capitalised licence costs) is charged to the income statement as incurred except in the following circumstances, in which case the expenditure may be capitalised;

- · In respect of minerals activities:
 - the exploration and evaluation activity is within an area of interest which was previously acquired in a business combination and measured at fair value on acquisition; or
 - the existence of a commercially viable mineral deposit has been established;
- In respect of petroleum activities:
 - the exploration and evaluation activity is within an area of interest for which it is expected that the expenditure will be recouped by future exploitation or sale; or
 - exploration and evaluation activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves.

Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment at cost less impairment charges. Otherwise, it is recorded as an intangible asset (such as licences). As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

Cash flows associated with exploration and evaluation expenditure (comprising both amounts expensed and amounts capitalised) are classified as investing activities in the cash flow statement.

5.3 Development expenditure

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as 'assets under construction', and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalised and classified as 'assets under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

On completion of development, all assets included in 'assets under construction' are reclassified as either 'plant and equipment' or 'other mineral assets'.

5.4 Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment charges. Cost is the fair value of consideration given to acquire the asset at the time of its acquisition or construction and includes the direct cost of bringing the asset to the location and condition necessary for operation and the estimated future cost of dismantling and removing the asset.

Disposals are taken to account in the income statement. Where the disposal involves the sale or abandonment of a significant business (or all of the assets associated with such a business) the gain or loss is disclosed as an exceptional item.

5.5 Other mineral assets

Other mineral assets comprise:

- Capitalised exploration, evaluation and development expenditure (including development stripping) for properties now in production;
- · Mineral rights and petroleum interests acquired; and
- Production stripping (as described below in 'Overburden removal costs').

6. NOTES TO THE HISTORICAL FINANCIAL INFORMATION:

6.1 Intangible assets

	Other mineral assets exploration and evaluation assets US\$
Three months ended 31 March 2010	
At the beginning of the financial period Additions	22 891 894 13 953
At the end of the financial period	22 905 847
Year ended 1 December 2009 At the beginning of the financial year	21 719 103
Additions At the end of the financial year	1 172 792 22 891 895
Year ended 1 December 2008	
At the beginning of the financial year Additions	19 296 010 2 423 092
At the end of the financial year	21 719 102
Year ended 1 December 2007	
At the beginning of the financial year Additions	19 268 478 27 533
At the end of the financial year	19 296 011

The evaluation and exploration asset relates to exploration activities for natural gas in respect of the Chaal Gas Exploration Permit Area.

There has been no major change in the nature of intangible assets or any change in policy regarding the use thereof during the period under review

7. POST BALANCE SHEET EVENTS

On May 10, 2010 Candax, through its wholly-owned subsidiary Falcan, entered into a Farm-out Agreement with SacOil providing for SacOil to acquire a 55 per cent Participating Interest in the Chaal Gas Exploration Permit Area and to provide up to US\$6.4 million in respect of the Work Programme cost. Additionally, the Farm-out Agreement provides for a payment of back costs of US\$5 million to be paid to Falcan (US\$3.75 million) and SMIP (US\$1.25 million) on the approval by the Tunisian Government of the Development Plan.

The farm-out of the Chaal Gas Exploration Permit Area to a financially solid partner, namely, SacOilwill allow Candax to advance the Work Programme.

8. DIRECTORS' COMMENTARY

2009

An initial exploration well, Chaal–1, was drilled in 2006 but could not be tested due to formation damage caused by the heavy mud weights required to manage the high pressures encountered. Candax and its partners subsequently committed to drill a deviated sidetrack of the Chaal–1 well using managed pressure drilling to further evaluate the commerciality of the gas discovery and as a condition of securing an extension to the Chaal Permit to 25 May 2010.

Drilling of the deviated sidetrack became dependent upon Candax entering into farm-out arrangements to finance its share of the well costs and reaching an agreement with the Tunisian authorities for a further extension to the expiration date for the Chaal Permit. Candax entered into a non-binding Heads of Agreement on 23 March 2010 with the intention of concluding a definitive farm-out agreement following satisfactory completion of due diligence by both parties. The Tunisian authorities have been informed of situation and a response is awaited as to the possibility of securing an extension to the expiration date of the Chaal Prospecting Permit.

In the event that Candax and its partners in the Chaal Prospecting Permit do not reach agreement with the Tunisian authorities for the Chaal–1 well sidetrack to be drilled then, upon expiry of the permit on 25 May 2010, it is possible that the Tunisian authorities could seek to impose penalties arising from the non fulfilment of Work Programme. Candax has been given no indication that the Tunisian authorities would seek to impose any penalty and the obligations of Falcan, the Candax subsidiary named as permit holder, are not guaranteed by any other Group company.

2008

The initial exploration well, Chaal –1, was drilled in 2006 but could not be tested due to formation damage caused by the heavy mud weights required to manage the high pressures encountered. Candax and its partners subsequently agreed to drill a deviated sidetrack of the Chaal–1 well using managed pressure drilling to further evaluate the commerciality of the gas discovery. The sidetrack operation had been scheduled to commence in Q4 2008 but, having regard to the changing economic and commercial environment, was deferred.

2007

Candax achieved a notable success with the drilling of Chaal–1 in the Chaal Gas Exploration Permit Area in 2006. The well encountered a 450 metre hydrocarbon column, but due to formation damage, equipment availability and a mechanical failure during the testing of the well, Candax was unable to complete the flow test programme. Nonetheless, the Chaal–1 well and earlier wells drilled on this structure, proved the presence of a large gas resource which supported Canax's belief that the Chaal Gas Exploration Permit Area has the potential to become a strategically important gas resource for both Candax and for Tunisia. The fractured Jurassic limestone reservoir continued to present technical challenges, however significant technical work was undertaken for Candax to move forward with evaluating Chaal–1.

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION OF THE CHAAL GAS EXPLORATION PERMIT AREA FOR THE THREE MONTHS ENDED 31 MARCH 2010 AND THE THREE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

"The Directors SacOil Holdings Limited 119 Rosen Office Park 37 Invicta Road Midrand, 1685

1 September 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE CHAAL PERMIT AREA

Introduction

At your request, we present our Reporting Accountants' Report on the Historical Financial Information of the Chaal Permit Area ("Chaal") (the "Historical Financial Information"), for the purposes of complying with the Listings Requirements of the JSE Limited (the "JSE Listings Requirements"), and for inclusion in the circular to SacOil's shareholders to be dated 4 September 2010 ("circular"). The financial information has been extracted from the audited and unaudited financial information of Candax Energy Inc ("Candax"). The auditors of Candax are PricewaterhouseCoopers LLP. We have audited the financial information of Chaal for the three months ended 31 March 2010 and year ended 31 December 2009, and reviewed the financial information of Chaal for the years ended 31 December 2008 and 2007.

Responsibility of the directors

The directors of SacOil are responsible for the compilation, contents and preparation of the circular in accordance with the JSE Listings Requirements and the Companies Act of South Africa as amended, and for the accuracy of the Historical Financial Information contained therein to which this Independent Reporting Accountants' Report relates.

Responsibility of the Independent Reporting Accountants

Our responsibility is to express an opinion on the audited historical financial information for the three months ended 31 March 2010 and year ended 31 December 2009 and reviewed financial information for the years ended 31 December 2008 and 2007 included in Annexure 6 to the circular based on our procedures.

Historical Financial Information

Introduction

We have audited the financial information of Chaal for the three months ended 31 March 2010 and year ended 31 December 2009 and reviewed the financial information for the years ended 31 December 2008 and 2007 prepared in accordance with International Financial Reporting Standards.

Scope of audit

We conducted our audit of the financial information of Chaal for the three months ended 31 March 2010 and year ended 31 December 2009 in accordance with International Standards on Auditing ISA 800: The Auditors' Report on Special Purpose Audit Engagements. These standards require that we plan and perform an audit to obtain reasonable assurance about whether the Historical Financial Information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Financial Information. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the Historical Financial Information. We believe that our audit provides a reasonable basis for our opinion on the Historical Financial Information.

Scope of review

We conducted our review of the financial information for the years ended 31 December 2008 and 2007 in accordance with the *International Standard on Review Engagements 2400*.

This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial information for the years ended 31 December 2008 and 2007 is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit of the above mentioned financial information and, accordingly, we do not express an audit opinion thereon.

Audit opinion on Historical Financial Information for the three months ended 31 March 2010 and the year ended 31 December 2009

In our opinion, the financial information of Chaal for the three months ended 31 March 2010 and year ended 31 December 2009, included in Annexure 6 of the circular, presents fairly, in all material respects, the financial position of Chaal and the results of its operations for the three months ended 31 March 2010 and year ended 31 December 2009 in accordance with the Basis of Preparation, Note 3 included in Annexure 6 to the circular.

Review conclusion for the years ended 31 December 2008 and 2007

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information of Chaal for the years ended 31 December 2008 and 2007 included in Annexure 6 is not fairly presented, in all material respects, in accordance with International Financial Reporting Standards, the Companies Act in South Africa and the JSE Listings Requirements.

Consent

We consent to the inclusion of this report, which will form part of the circular to the shareholders of SacOil.

Yours faithfully

MOORE STEPHENS MWM INC

Chartered Accountants (SA) Registered Auditors

per **N Lazanakis** Chartered Accountant (SA) Registered Auditor

7 West Street Houghton, 2198"

FAIRNESS OPINION ON THE RESTRUCTURE AND THE LONSA CORPORATE FINANCE ADVISORY MANDATES

The Directors
SacOil Holdings Limited
119 Rosen Office Park
37 Invicta Road
Midrand
Gauteng
1685

1 September 2010

Dear Sirs.

INDEPENDENT FAIRNESS OPINIONS IN RESPECT OF THE PROPOSED TRANSACTIONS BETWEEN SACOIL HOLDINGS LIMITED AND RELATED PARTIES

INTRODUCTION

The definitions commencing on page 9 of the Circular have been used in this report.

We have been appointed by the Board of Directors to advise the shareholders of SacOil whether, in our opinion, the following transactions between related parties ("the transactions") as set out in the Circular of which this report forms part, is fair to the shareholders of SacOil:

- (I) The proposed acquisition by SacOil of 50 per cent of the entire issued share capital and shareholder loan accounts of SacOil (Proprietary) Limited from related parties; and
- (II) The proposed corporate finance adviser fees payable to Lonsa, a related party.

This fairness report is required in terms of section 10.4 of the Listings Requirements.

Acquisition of 50 per cent of SacOil (Proprietary) Limited

The proposed acquisition by SacOil in terms of which SacOil will acquire from the SacOil (Proprietary) Limited Vendors 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited on the Effective Date for an aggregate consideration payable to the SacOil (Proprietary) Limited Vendors of R439 900 000 settled by the issue of 209 456 000 Ordinary Shares at an issue price of 210 cents per Ordinary Share, subject to the fulfilment or waiver of the conditions precedent.

Corporate finance advisor fee

R Vela is a director of Lonsa, which, in terms of corporate finance advisory mandates dated 22 February 2008 and 17 May 2010 acts as corporate finance adviser to SacOil in respect of the Initial SacOil Transaction, its subsequent Restructure and the Farmout Interest Acquisition. Lonsa is responsible for the introduction, structuring, negotiations and project management of the Initial SacOil Transaction and its subsequent Restructure and the Farmout Interest Acquisition on behalf of SacOil and has charged a fee for its services. In terms of the above mandate, Lonsa is entitled to a contingent success fee equivalent to 2 per cent of the proposed transaction value of assets acquired and 2.5 per cent of the gross value of the equity raised.

EXPLANATION OF THE TERM 'FAIR'

Fairness

The term 'fairness' is defined in Schedule 5 of the JSE Listings Requirements as being primarily based on quantitative issues. Therefore, the consideration payable for assets or services to a related party would be considered fair to the SacOil Shareholders if the consideration payable is equal to or less than an arms length market related price of the assets or unfair if the opposite would hold true.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- · Current economic, regulatory and market conditions will not change materially;
- That reliance can be placed on the audited figures of SacOil and SacOil (Proprietary) Limited during the course of this assignment;
- Where relevant, representations made by management and/or directors were corroborated to source documents prepared by third parties, independent analytical procedures performed by us and by examining and understanding the industry in which SacOil operates and analysing external factors that influence the business; and
- SacOil (Proprietary) Limited has exclusive, binding, valid and enforceable legal title to the Block 3 Rights and that, other than as expressly stipulated in the relevant Block 3 Production Sharing Agreement and the Amendment, no other authorisations or approvals are required to enable SacOil (Proprietary) Limited to conduct exploration and in due course exploitation activities in respect of the Block 3 Rights.

SOURCES OF INFORMATION

In the course of our analysis, we relied upon financial and other information, including financial information obtained from management together with industry related and other information available in the public domain. Our conclusion is dependent on such information being accurate in all material respects.

The principle sources of information used in formulating our opinion regarding the transaction include:

- Audited financial statements of SacOil for the year ended 30 June 2008 and the eight months ended 28 February 2009;
- The reviewed financial statements of SacOil for the year ended 28 February 2010;
- The audited financial statements of SacOil (Proprietary) Limited for the years ended 29 February 2008, 28 February 2009 and 29 February 2010;
- The management accounts of SacOil for the four months ended 30 June 2010;
- Forecast financial information for SacOil prepared by management for the years ending 28 February 2011 and 2012;
- A valuation performed by an independent consultancy specialising in hydrocarbon reservoir evaluation, field development planning and economic analysis, Bayphase, on the Block 3 Rights in the Albertine Graben, on the border of the DRC and Uganda. This valuation takes into account prevailing economic conditions in the DRC and the neighbouring blocks, particularly those in Uganda which have seen far more exploration. The report complies with the requirements of Section 12.9 of the Listing Requirements;
- A review of the qualifications of the competent person, Bayphase, which has performed a valuation of
 the Block 3 Rights in the Albertine Graben. We confirm that we are satisfied with the basis of the cost
 approach valuation as well as the market approach valuation and have relied on this these valuations for
 the purpose of performing the valuation of 50 per cent of SacOil (Proprietary) Limited. In terms of the
 competent persons report, the cost approach used warranted future costs to value Block 3 while the
 market approach is based on similar market related transactions to value the block;
- Corporate finance mandates entered between SacOil and Lonsa dated 22 February 2008 and 17 May 2010;
- Information and assumptions made available by and from discussions held with executive and non-executive directors, and senior staff members of SacOil in terms of the rationale for the transactions; and
- Similar market related transactions, based on publicly available information which includes market related rates and benchmarks generally in use for corporate finance fees and capital raising fees.

We obtained the information through:

Conducting interviews with management, directors and senior staff members;

- Obtaining corroborating evidence from independent third parties such as other corporate finance firms and financial institutions regarding fees charged on similar transactions; and
- Extracting information from the Internet and the press.

We satisfied ourselves as to the appropriateness and reasonableness of the information with reference to:

- Analysis of similar market related fees and management agreements;
- Assessing whether replies from management on certain issues were corroborated by third parties and documentary evidence;
- A review of the qualifications of the competent person, Bayphase, which has performed a valuation of the Block 3 Rights in the Albertine Graben; and
- A review of the valuation report and methodology utilised by Bayphase to value the Block 3 Rights in the Albertine Graben. We confirm we are satisfied with the basis of this valuation and have relied thereon.

LIMITING CONDITIONS AND RELATED PARTY RELATIONSHIPS

We have relied upon the accuracy of information provided to us or otherwise reviewed by us, for the purposes of this opinion, whether in writing or obtained in discussion with the management of SacOil. We express no opinion on this information.

There were no limiting conditions, or any restrictions of scope imposed by the client whilst this opinion was being prepared.

Our opinion is based on current economic, regulatory, market as well as other conditions. Subsequent developments may affect this opinion, which we are under no obligation to update, review or re-affirm.

This letter and opinion is provided solely for the benefit of the shareholders of SacOil in connection with and for the purposes of their consideration of the transaction.

There is no relationship between Mazars Corporate Finance (Proprietary) Limited ("MCF") and any other parties involved in this transaction. MCF has no Ordinary Shares in SacOil or shares in any other party involved in the transaction. MCF's fees are not payable in Ordinary Shares.

Each shareholder's individual decision may be influenced by such shareholder's particular circumstances and accordingly each shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the transaction.

PROCEDURES

In order to assess the fairness of the terms and conditions relating to the transactions, we have performed, amongst others, the following procedures:

- Reviewed audited annual financial statements, management accounts and forecast financial information of SacOil;
- Reviewed the historic prices and volumes at which the Ordinary Shares in SacOil have traded and analysed the share price performance over the relevant periods for comparison;
- Reviewed the transaction, its terms and conditions;
- Considered information made available by and from discussions held with the executive and non-executive directors and management of SacOil;
- Considered the terms of the transaction contained in the circular and the related transaction agreements;
- Considered the rationale for the transaction;
- Performed an indicative valuation of SacOil using the discounted cash flow and Net Asset Value methodology. We corroborated this with capitalisation of earnings method;
- Considered the valuation of Block 3 Rights performed by Bayphase based on the cost approach and market approach;
- Reviewed the valuation report and methodologiesy utilised by Bayphase to value the Block 3 Rights in the Albertine Graben:

- Performed an indicative valuation of SacOil (Proprietary) Limited using the net asset value methodology taking into account the fair market value of the Block 3 Rights as indicated above;
- Compared the valuations derived above to the proceeds in respect of the transaction and the impact on the minority shareholders;
- Conducted appropriate sensitivity analyses given a reasonable range of key assumptions on the valuations above;
- Reviewed and analysed the salient features of the agreement between SacOil and Lonsa;
- Considered the underlying rationale for the fees payable;
- Obtained information relating to industry guidelines and norms regarding the fees payable based on publicly available information and industry research; and
- Derived a range of market related corporate finance and equity raising fees payable for similar transactions; and
- Compared the fee payable in terms of the agreement entered between SacOil and Lonsa with the range of fees obtained from the research above.

We believe the above procedures commercially justify the conclusion outlined below.

CONFIRMATION OF PERFORMANCE OF VALUATION AND VALUATION METHODOLOGY

We confirm that we have performed a valuation of SacOil using the discounted cash flow model (primary method) and net asset value method (secondary method). We have also performed a valuation of SacOil (Proprietary) Limited using the net asset value method, incorporating the fair market value of the Block 3 Rights.

The valuations were performed taking cognisance of SacOil's current and planned operations as well as other market factors affecting these operations. Using the values derived from the above valuations, a comparison was made to the consideration of 209 million Ordinary Shares at 210 cents.

Key value drivers to the discounted cash flow valuation are as follows:

Internal:

- · Revenue growth rates;
- · Profit margins;
- · Working capital assumptions;
- Free cash flows:
- · Recoverability of loans receivable in SacOil;
- · Forecast capital expenditure requirements of SacOil; and
- · Discount rates.

External

- Stability of the economy and other macro-economic factors;
- Both long term and short term inflation rates;
- · Commodity prices; and
- · Interest rates.

Key value drivers to the Net Asset Value method are as follows:

- Fair market value of the Block 3 Rights as derived from the independent valuation performed by Bayphase; and
- Fair market values of the assets and liabilities of SacOil (Proprietary) Limited.

The valuations involved stress test and sensitivity analysis on the key value drivers.

Our procedures and enquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

OPINION

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

Acquisition of 50 per cent of SacOil (Proprietary) Limited

We have considered the terms and conditions of the acquisition, and based upon, and subject to the aforegoing, we are of the opinion that the proposed acquisition by SacOil of 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited for an aggregate consideration payable to the SacOil (Proprietary) Limited Vendors of R439 900 000 settled by the issue of 209 456 000 SacOil Ordinary Shares at an issue price of 210 cents per Ordinary Share is fair to the shareholders of SacOil.

Corporate finance advisor fee

We have considered the terms and conditions of the corporate finance advisor fee, and based upon, and subject to the aforegoing, we are of the opinion that the contingent success fee equivalent to 2 per cent of the proposed transaction value of assets acquired and 2.5 per cent of the gross value of the equity raised is fair to the shareholders of SacOil.

Furthermore, we have compared the consideration paid for the acquisition of 50% of SacOil (Proprietary) Limited, together with the corporate finance advisory fee, with the fair market value of 50% of SacOil (Proprietary) Limited and assessed itf for fairness. We have considered the terms and conditions of the above and , subject to the aforegoing, we are of the opinion that this combined consideration is also fair to the shareholders of SacOil.

CONSENT

We hereby consent to the inclusion of this letter in its entirety in the circular to the shareholders of SacOil to be distributed during September 2010.

Yours faithfully

Anoop Ninan

Director

Mazars Corporate Finance (Proprietary) Limited

PO Box 6697 Johannesburg 2000

1 September 2010"

PRICE HISTORY OF THE ORDINARY SHARES ON THE JSE

The high, low, close, volumes and values at which the Company's Ordinary Shares traded on the JSE from the quarter ended June 2007 to the quarter ended June 2009, monthly from April 2009 up to June 2010 and daily from 12 July 2010 to 23 August 2010 are set out below:

Date	High	Low	Close	Volume	Value R
Quarterly					
29/06/07	77	64	63	53 966 570	4 231 829
28/09/07	67	60	63	24 586 698	1 795 400
31/12/07	85	75	81	66 126 899	5 519 446
31/03/08	115	104	106	3 351 602	3 647 061
30/06/08	149	70	85	1 010 344	1 083 146
30/09/08	101	91	101	1 245 219	1 120 334
31/12/08	77	69	81	224 035	150 856
31/03/09	63	57	65	187 724	105 232
30/06/09	33	27	40	13 175 679	3 539 129

Date	High	Low	Close	Volume	Value R
Monthly					
30/04/09	60	30	57	29 643	14 038
31/05/09	56	21	29	9 366 494	2 639 442
30/06/09	33	16	20	3 779 542	885 649
31/07/09	20	14	17	10 973 230	2 013 820
31/08/09	30	15	26	1 821 326	440 425
30/09/09	25	22	25	1 655 259	405 719
31/10/09	30	21	24	1 688 030	407 141
30/11/09	24	17	19	632 860	125 423
31/12/09	19	11	18	282 169	44 381
31/01/10	19	15	18	634 200	109 716
28/02/10	21	15	21	694 440	132 970
31/03/10	20	10	20	751 846	144 306
30/04/10	20	11	16	906 319	146 825
31/05/10	19	14	18	1 662 208	300 961
30/06/10	23	18	20	9 858 191	2 628 239

Date	High	Low	Close	Volume	Value R
Daily					
12/07/10	60	55	60	1 056 000	600 594
13/07/10	80	59	77	2 410 323	1 732 486
14/07/10	95	78	93	2 149 026	1 924 975
15/07/10	93	82	87	1 276 174	1 101 107
16/07/10	89	73	84	822 139	675 916
19/07/10	85	77	78	447 241	365 054
20/07/10	82	71	78	579 845	450 446
21/07/10	81	74	76	220 149	168 108

Date	High	Low	Close	Volume	Value R
Daily (continued)					
22/07/10	79	76	79	112 700	87 511
23/07/10	79	72	74	518 050	385 153
26/07/10	77	67	70	388 700	273 274
27/07/10	75	67	74	471 892	335 414
28/07/10	72	67	69	442 816	309 820
29/07/10	69	61	69	113 265	74 104
30/07/10	69	65	65	118 772	79 952
02/08/10	68	60	64	66 900	41 200
03/08/10	60	60	60	900	540
04/08/10	61	50	61	594 862	319 408
05/08/10	62	49	55	411 780	219 340
06/08/10	60	49	55	793 495	409 427
10/08/10	53	48	50	1 121 193	561 826
11/08/10	51	49	51	122 000	59 880
12/08/10	50	46	50	24 129	11 602
13/08/10	60	49	60	957 000	501 460
16/08/10	60	50	55	1 707 266	888 891
17/08/10	55	52	54	225 000	120 500
18/08/10	60	51	60	2 362 539	1 361 804
19/08/10	60	59	59	2 611 000	1 564 600
20/08/10	63	43	60	25 083 309	12 751 093
23/08/10	70	60	67	2 478 044	1 649 932

Source: I-Net Bridge

AMENDED SHARE OPTION SCHEME

1. DEFINITIONS

In this agreement, unless the context indicates otherwise, the words and expressions set out below shall have the meanings assigned to them and cognate expressions shall have a corresponding meaning, namely:

1.1	"Act"	the Companies Act, as amended;
1.2	"SENS Announcement"	the announcement released on SENS by the Company on 26 March 2008, in relation to the acquisition by the Company of certain oil concessions in the DRC;
1.3	"Auditors"	the auditors of the Company from time to time;
1.4	"Capitalisation Issue"	the issue of Shares on a capitalisation of the Company's profits and/ or reserves, including its share premium account and/or capital redemption reserve fund;
1.5	"Company"	SacOil Holdings Limited (Registration number 1993/000460/06), a public company with limited liability, whose shares are listed on the JSE;
1.6	"Convertible Securities"	convertible securities as defined in the JSE Listings Requirements;
1.7	"Date of Approval"	the relevant date of approval of a grant of an Option to a Participant by a resolution of the Directors;
1.8	"Date of Grant"	the relevant date of grant of an Option to a Participant in accordance with the Scheme;
1.9	"Directors"	the directors of the Company from time to time;
1.10	"Employees"	a person in the employment of the Company including executive Directors and executive management in consulting capacity;
1.11	"JSE"	the JSE Limited;
1.12	"Option"	an option granted to each of the Participants pursuant to the Scheme;
1.13	"Participants"	Employees and executive directors of the Company for the time being who are nominated by the Remuneration Committee of the Board to be Participants;
1.14	"Remuneration Committee"	the appointed remuneration committee of the Board from time to time;
1.15	"Rights Offer"	any offer for subscription, with a right to renounce in favour of other persons, of any Shares to all holders of equity Shares <i>pro rata</i> to their shareholdings in the Company as at the date of such offer;
1.16	"Scheme"	the share option scheme contained in this document;
1.17	"Shares"	ordinary no par value shares in the stated share capital of the Company. The voting, dividend, transfer and other rights, including those arising on a liquidation of the issuer, attaching to the shares and to any options rank <i>pari passu</i> with all the remaining ordinary no par value shares in the stated share capital of the Company; and
1.18	"Strike Price"	the strike price in 5.1.3 of the Scheme.

2. PURPOSE

- 2.1 The Scheme is intended as an incentive to the Participants to identify themselves more closely with the activities of the Company and to promote its continued growth by giving them the opportunity of acquiring Shares through the Options and is not intended to be utilised for trading purposes.
- 2.2 As an incentive to each of the Participants, to render ongoing services to the Company, the terms and conditions attaching to Options provided for in this Scheme have been agreed to and are recorded in this document.

3. ELIGIBILITY

- 3.1 The terms and conditions of the Scheme shall only apply to the Participants, in their capacities as Employees.
- 3.2 To qualify for options to be granted in terms of this deed, a participant must be an employee of the company. Options are granted at the discretion of the board of directors taking into consideration performance, value added, commitment, diligence and going above and beyond the call of duty.
- **3.3** The persons identified in 3.1 shall be eligible to and shall participate in the Scheme only if and to the extent that Options are granted to them in terms of this deed.

4. GENERAL CONDITIONS

- 4.1 No option granted to any Participant in terms of the Scheme shall exceed a number of Shares, which, together with any Shares granted in terms of the Scheme, would exceed 115 418 166 shares in the total number of issued shares in the stated capital of the Company.
- 4.2 The maximum aggregate number of Shares which may be issued or transferred to any one Participant and accordingly in respect of which options may be granted to any one Participant in terms of this Scheme shall be limited to 28 854 541 shares in the total number of issued shares in the stated capital of the Company.
- **4.3** Cumulatively, all Shares forming the subject matter of any share option scheme or share incentive scheme of the Company, including this Scheme, shall not exceed 115 418 166 shares in the total number of issued shares of the Company's issued share capital, unless under exceptional circumstances.

5. OPTIONS

5.1 Terms and Conditions attaching to the options granted in terms of this Scheme

- **5.1.1** each Option referred to in 5.1.3:
- **5.1.2** shall be subject to the provisions of this Scheme;
- **5.1.3** shall be personal to the grantee to whom it is addressed, and may only be accepted by him/her and may not be ceded or otherwise assigned by him/her;
- **5.1.4** shall be an option to purchase the number of Shares specified by the Directors at the Strike Price, payable in terms of the Scheme;
- **5.1.5** shall be exercised by notice in writing delivered to the company secretary;
- **5.1.6** may be exercised in part (but only for 100 Shares or multiples thereof) or in full;
- 5.1.7 an Option shall constitute the whole contract between the Company and a grantee and the Company shall prior to their allotment and issue, apply for a listing on the JSE of all shares forming the subject matter of such Option;
- **5.1.8** each of the Participants shall have the irrevocable right and option to purchase Shares at a strike price consisting of the 15 day volume weighted average price per Share on the JSE as at the Date of Approval; and

- **5.1.9** Options are exercisable, cumulatively, on or after the Date of Grant as follows:
 - 5.1.9.1 on or after the Date of Grant (as to 50%);
 - 5.1.9.2 on or after the first anniversary of the Date of Grant (as to 25%); subject to each of the relevant Participants, as the case may be, still remaining as Participants of the Company respectively; and
 - 5.1.9.3 on or after the second anniversary of the Date of Grant (as to 25%), subject to each of the relevant Participants, as the case may be, still remaining as Participants of the Company respectively.

5.2 Termination of employment

On the date of termination of any participant's employment in circumstances other than in the circumstances contemplated in 5.2.1 or 5.2.2 all share options not yet exercised shall lapse, unless otherwise determined by the board at its discretion:

- 5.2.1 if any Participant ceases to be an employee of the Company (as the case may be) for any reason not approved by the Directors from time to time (including without being limited to summary dismissal, proven dishonesty, fraudulent or grossly negligent conduct), then all of the Options that may become exercisable on or after the date of termination will lapse immediately on the date of termination and may not be exercised by the Participant thereafter;
- 5.2.2 if any participant's employment terminates as a result of his death, the executors or administrators of his estate or his heirs shall be entitled to exercise all of the participant's share options within a period of 2 (two) years from the date of the death of the participant. A share option shall lapse upon the sequestration, whether provisionally or finally, of a participant's estate or upon the voluntary surrender by any participant of his estate;
- **5.2.3** if any participant's employment is terminated as a result of his retirement, permanent disability or permanent incapacity, the participant shall have a period of (two) years in which to exercise all or any multiple of 100 (one hundred) of his share options;
- **5.2.4** if any Participant leaves the employment of the Company or resigns as director (as the case may be), then all of the Options that may become exercisable on or after the date of termination will lapse immediately on the date of termination and all of the options must be exercised by the Participant within 30 calendar days after the date of termination;
- **5.2.5** all or any of the Options granted in terms of this scheme may be exercised immediately by any Participant if at any time whilst any Option remains unexercised, there is a "change in control" in the Company (within the meaning of the Securities Regulation Code on Take-over and Mergers of the Securities Regulation Panel), as amended or substituted from time to time and causing the termination of the Participants position as Employee or Director.

5.3 Registration and release of Shares pursuant to the exercise of an Option

Within 30 days after the exercise of an Option, whether in part (in which case only in multiples of 100 Shares) or in full, and on payment of the Strike Price, the Directors shall allot and issue Shares represented by the exercised Options on the terms and conditions detailed in 5.1, provided that except where the Directors in their absolute discretion decide otherwise, a grantee shall not be entitled to exercise part or the whole or his/her Option except on a cumulative basis, to an extent exceeding the limits in 5.1.5.

5.4 Rights Offers

- **5.4.1** In the event of a Rights Offer by the Company of any Shares for subscription ("Rights Offer Shares"), then:
 - 5.4.1.1 the Directors shall include in the Options held by each Participant, a further Option to acquire such additional number of Shares as would have been offered to each Participant in terms of such Rights Offer, if he/she had been the registered holder of the Shares forming the subject matter of the options previously granted to such Participant, at a price equal to the Rights Offer price thereof ("Additional Option"); and

- 5.4.1.2 the Additional Options will be continued to be governed by the provisions of the Scheme as if the Additional Options had been included in the option as granted in terms of 5.1, and in particular the provisions of 5.2 shall apply to the Additional Options, the date for the purposes of calculating the relevant anniversaries being the date on which such Additional Options were granted to each Participant.
- 5.4.2 Likewise, if in the event of a Rights Offer by the Company of Convertible Securities, then the provisions of 5.4.1.1 and 5.4.1.2 shall apply with the necessary changes so that each Participant will acquire a further Option to acquire such Convertible Securities as would have been offered to each Participant in terms of the Rights Offer if he/she had been the registered holder of the Shares forming the subject matter of the Options previously granted to such Participant.

5.5 Capitalisation Issues

In the event of the allotment and issue of any Shares by the Company to its shareholders by way of a Capitalisation Issue, the number of Shares in respect of which an Option is held by each Participant at the date of such Capitalisation Issue, will automatically be increased with effect from the Date of Grant of the Option so held, by a number of Shares equal to the number of capitalisation shares which would have accrued to each Participant in terms of such Capitalisation Issue in respect of the Shares, subject to his/her Options as if he/she had been the registered holder thereof, but the Strike Price for each such increased number of Shares, shall be reduced to a price equal to a pro rata proportion of the total price payable by such grantee in respect of all Shares for which such grantee held that Option immediately prior to that Capitalisation Issue.

5.6 Sub division or consolidation of shares in issue

In the event of a sub division or consolidation of the number of shares in issue, the number of Shares in respect of which an Option is held by each Participant at the date of such sub division or consolidation will automatically be adjusted with effect from the Date of Grant of the Option so held, by a number of Shares equal to the number of shares which would have accrued to each Participant in terms of such sub division or consolidation Issue in respect of the Shares.

5.7 Issue of securities for an acquisition, issue of securities for cash and issue of securities for a vendor consideration

The Issue of securities for an acquisition, the issue of securities for cash and the issue of securities for a vendor consideration will not be regarded as a circumstance requiring adjustment to a participants entitlement to share options in terms of this scheme.

5.8 Expiry

If, on the expiry of 10 years after the Date of Grant of any Option to a Participant, such Participant has not exercised his/her options in full, then the Directors shall be obliged and authorised to call upon him/her in writing to do so within 30 days after the date of such request, and if such Participant fails to comply with such request, or exercises his/her option in respect of only 100 Shares or any multiple thereof, that part of the relevant Option not exercised will automatically lapse.

6. DISPUTES

Any dispute arising under the Scheme shall be referred to the senior partner of the Auditors of the Company or his nominee, who shall act in accordance with the Arbitration Act, 1965, and whose decision shall be final and binding.

7. AMENDMENT OF SCHEME

The Directors may, from time to time, subject to the approval of the shareholders of the Company and the JSE or any other recognised exchange on which the Shares may be listed at the relevant time, by resolution, amend all or any of the provisions of the Scheme, whether retrospectively or otherwise, provided that no such amendment shall adversely affect the vested rights of any Participant and no such amendment affecting:

- 7.1 the category of persons entitled to participate in the Scheme;
- **7.2** the total number of Options and Shares subject to the Scheme;
- 7.3 the maximum number of Options and Shares which may be allocated to any Participant;

- 7.4 the amount payable on exercise of an Option;
- 7.5 the basis for determining the Strike Price;
- **7.6** the provisions relating to the payment of the Strike Price;
- 7.7 the provisions relating to termination of employment or retirement of a Participant; and
- 7.8 the voting, dividend, transfer and other rights attaching to the Options,

shall be made, unless approved by members of the Company in general meeting.

8. ADMINISTRATION

The Company and its subsidiaries will bear all costs of and incidental to the implementation and administration of the Scheme including any securities transfer tax payable in respect of the issue or transfer of any Shares forming the subject matter of the Options.

9. DURATION OF THE SCHEME

The Scheme shall continue for an indefinite period of time until terminated by a resolution of the Directors provided that such termination shall not affect or modify any existing accrued or vested rights or obligations of any Participant, the Scheme shall continue to be administered by the Company for so long as it may be necessary to give effect thereto.

10. LISTING OF SHARES

The Board shall, on registration of any Shares in the name of the Participants, make application for a listing, quotation and permission to deal in such Shares on the JSE.

11. SUMMARY IN ANNUAL REPORT

A summary of the number of Shares in respect of which Options have been granted to the Participants as at the beginning of the financial year, the number of Shares in respect of which Options have been granted to the Participants during the year, the number of Shares in respect of which Options have been exercised by the Participants during the year, the number of Shares in respect of which Options have lapsed and the number of Shares in respect of which the Participants can still exercise options as at the year end, shall be included in the annual financial statements in the annual report to members of the Company. The valuation model used including inputs used for fair valuing Options granted shall also be disclosed in the annual financial statements.

12. INTERPRETATION

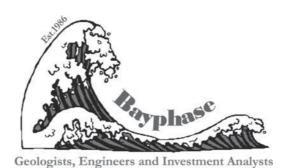
- **12.1** Unless the context requires otherwise:
 - **12.1.1** words importing any one gender shall include the other two genders;
 - 12.1.2 the singular shall include the plural and vice versa;
 - **12.1.3** a reference to natural persons shall include created entities (corporate or unincorporated) and *vice versa*.
- **12.2** The headings have been inserted for convenience only and shall not be used for nor assist or affect its interpretation.

If anything in a definition is a substantive provision conferring rights or imposing obligations on anyone, effect shall be given to it as if it were a substantive provision in the body of this document.

THE BLOCK 3 RIGHTS INDEPENDENT TECHNICAL EXPERT'S REPORT

Independent Technical Expert's Report on SacOil's Block 3 in the Albertine Graben, DRC

Revision 4



Effective Date: 23rd July 2010

Executive Summary

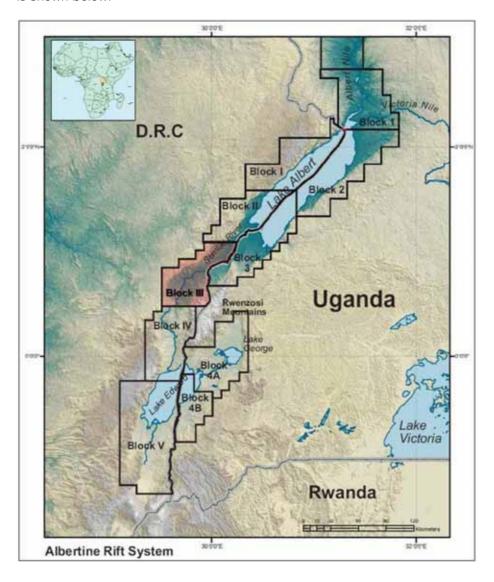
The Report is dated at 23rd July 2010.

I Geoff Eyre, as a Independent Technical Expert, as defined in the Listings Requirements Section 12, state that this Executive Summary is a true reflection of the Full Independent Technical Expert's Report.

The report was prepared for SacOil. The purpose of the Report is to be included in the Circular to seek Shareholder approval for the SacOil Transaction Agreements as well as to confirm value of asset acquired.

This report has been prepared in accordance with the Petroleum Resources Management System. The report complies with all requirements of Section 12.9 of the Listings Requirements (Service Issue 3).

Block 3 is located in the Albertine Basin, on the border of the DRC and Uganda. The acreage is located south and on trend of discoveries made recently on the Ugandan side of Lake Albert. The location map is shown below:



The block is currently owned by SacOil (85%) and Cohydro (15%), with the operator as yet to be determined.

The block is currently almost unexplored, with no seismic data or wells drilled. However, the proximity of recent discoveries in the Albertine Graben indicates that the block is highly prospective and that it may contain a hydrocarbon play. According to the SPE/AAPG/WPC/SPEE standard (Petroleum Resources Management System, SPE/AAPG/WPC/SPEE, 10 April 2007 and The 2007 SPE/AAPG/WPC/SPEE Reserves and Resources Classification, Definitions and Guidelines: Defining the Standard!, SPE paper 107693, Etherington, J R and Ritter, J E), Block 3 contains no reserves or contingent resources, but may contain prospective resources (play).

The data from the area indicates that the potential discovered hydrocarbon would be mostly oil. The Monte Carlo probabilistic method was used to estimate the prospective resources of Block 3. In addition, the Risk Factor and potential Recovery Factors were estimated. The results are presented in Table 1.1. The Risk Factor estimate is further described in Section 3.1.1.2.

Valuation of Block 3 has been performed using the Cost Approach and the Market Approach.

As no exploration work has been performed on the block, the Cost Approach used warranted future costs to value the block. These costs have been estimated using NetCo\$ter and are based on the exploration programme which in turn reflects the current view of the prospectivity of the block.

Market Approach valuation has been based on a sale of Heritage's entire 50 per cent interest in Blocks 1 and 3A in Ugandan part of the Albertine Graben to Tullow. The per barrel cost used for Contingent Resources in this transaction has been used as the basis for the valuation of Block 3, DRC; however modifiers were applied to reflect the difference in asset maturity and contractual terms.

The value of Block 3 (net to SacOil) is US\$155.19 million on a Cost Approach basis and US\$123.39 million on a Market Approach Basis.

The summary valuation table is shown below:

Valuation Method	Net Present Value to SacOil (million US\$)
Cost Approach Basis	155.19
Market Approach Basis	123.39

Table 1.1: Summary of Resources for Block 3 (tabulated as per AIM Guidance Note for Mining, Oil and Gas Companies, June 2009)

	7	•	-			_		
	Gross	Gross Prospective Resources	ources	Net Prospective Resources to SacOil: Risk Facto Unrisked STOIIP (barrels or standard cubic feet) (fraction)	Net Prospective Resources to SacOil: ked STOIIP (barrels or standard cubic	to SacOil: dard cubic feet)	Risk Factor (fraction)	Operator
Oil and Liquids F	Oil and Liquids Prospective Resources	rces						
	Unri	Unrisked STOIIP2 (barrels)	rels)	Unris	Unrisked STOIIP ² (barrels)	els)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	Best Estimate High Estimate		
Block 3 – Play	767,490,000	1,518,470,000	2,828,040,000	652,367,000	1,290,700,000	2,403,834,000	0.21	To be
Total for Oil and Liquids	767,490,000	1,518,470,000	2,828,040,000	652,367,000	1,290,700,000	2,403,834,000	0.21	determined
Gas Prospective Resources	Resources				•			
	Unriskec	Unrisked GIIP (standard cubic feet)	ubic feet)	Unrisked	Unrisked GIIP (standard cubic feet)	bic feet)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Block 3 (associated gas)		230,247,000,000 455,541,000,000 842,412,000,000	842,412,000,000	40,996,000,000	81,111,000,000 149,995,000,000	149,995,000,000	0.21	To be
Total for Gas	230,247,000,000	455,541,000,000 842,412,000,000	842,412,000,000	40,996,000,000	81,111,000,000 149,995,000,000	149,995,000,000	0.21	determined

Source: Ivan Djokic (geologist, Principal Consultant for Bayphase Limited).

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1. INTRODUCTION

1.1 Data

There was very little direct data from Block 3 available for the estimation of resources at this stage. Notably, there is no well or seismic data in the block. Therefore the estimation of reserves has been based on analogy with neighbouring blocks, particularly those in Uganda which have seen more exploration effort.

The data for the Ugandan blocks and the Albertine Graben in general was available in the form of reports, rather than raw data. The reports focus on a variety of issues, such as source rock availability and maturity, structural styles and exploration history. They also provide analogue data, such as reservoir properties and fluid properties which could be expected to be found in Block 3.

A list of reports which have been used in the analysis is given below:

- 2006 Results presentation by Tullow Oil plc, 2006
- Albert Rift Basin Review (DRC Uganda) report by RPS Energy, October 2007
- Distribution of crustal extension and regional basin architecture of the Albertine rift system, East Africa paper from Marine and Petroleum Geology 17 (2000), by Karner *et al*
- Exploring for Oil in Africa presentation by Tower Resources plc, June 2007
- Geology and Hydrocarbon Potential of the Albertine Graben paper, author unknown
- Geology of the Albertine Graben and its Implications for Petroleum as a Resource in the East African Rift System paper by Abdul Byakagaba
- Modelling and Interpreting Gravity Anomaly Data in African Great Lakes Region paper from the Asian Journal of Information Technology 5 (2), 2006, by Tondozi-keto and Liu Tianyou
- Petroleum Geochemistry of the Albertine Graben presentation with abstract, by Ghori et al
- Petroleum Systems of East Africa: Prospects for Oil and Gas presentation with abstract, by Daniel M Jarvie
- Tullow Fact Book summary by Tullow Oil plc, September 2007
- Uganda Analyst Visit a presentation by Tullow Oil plc, October 2007
- (no title) presentation on the hydrocarbon potential of the DRC side of the Albertine Graben by Dominion Petroleum Ltd
- Various maps: regional gravity and magnetic and time and depth maps of certain intervals in Uganda
- Production Sharing Agreement for Block 3 of the DRC Albert Graben
- Interministerial Order N°005/CAB/MIN/HYDRO/2010 and N°25/CAB/MIN/FINANCES/2010 of 17 April 2010 Pertaining to the Setting of Duties, Taxes and License Charge Rates to be Collected on the Initiative of the Ministry of Hydrocarbons (PSA Amendment)

All the data reflect the status as of 23nd July 2010. Bayphase's staff have used their understanding of the area and their experience to judge whether the assumptions made are valid and reasonable.

1.2 Description of Resources

Block 3 is located in the Albertine Basin, on the border of the DRC and Uganda. The acreage is located south and on trend of discoveries made recently on the Ugandan side of Lake Albert.

There is currently no conventional data (such as gravity/magnetic, seismic, well data, etc.) available for this block, as it is in the earliest stages of exploration. Therefore, individual prospects and leads could not be defined. However, the block is expected to contain a continuation of a hydrocarbon play identified and tested elsewhere in the Albertine Graben. Accordingly, the block currently does not include reserves or contingent resources, but it is anticipated that it may contain **prospective resources (play)**.

The prospectivity of this play in Block 3 was estimated for the block as a whole, using the probabilistic Monte Carlo method. A range of field and reservoir parameters (such as gross rock volume, porosity, etc.) from analogous fields, most notably (but not limited to) those in the discoveries made in the Ugandan part of the Albertine Graben was used as an input into the model. The analysis produced a probabilistic range of hydrocarbon resources.

The overview of the property, with the current equity shares is presented in Table 1.1.

Block 3 is 85 per cent owned by SacOil, with the remaining 15 per cent belonging to La Congolaise Des Hydrocarbures (Cohydro) Table 1.1. The block is an Exploration license.

Under the terms of the agreement, the operators are to carry out a minimum work programme which includes geological and geochemical field studies, acquisition of 400km of 2D or 400km² of 3D seismic data and drilling of two exploration wells during the exploration period of five years. The works are to commence immediately.

Table 1.2: Overview of the Resources

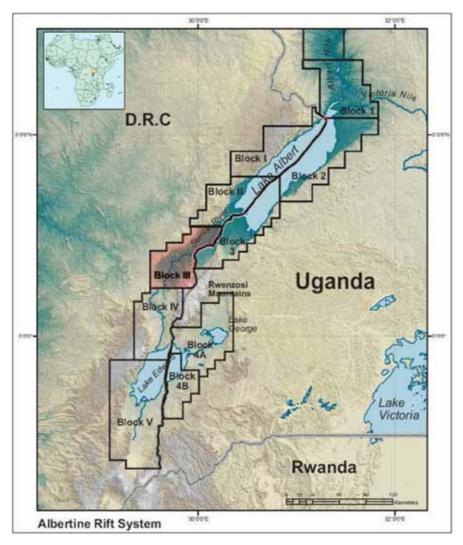
Asset	Holder	Interest (%)	Status	License Expiry Date	License Area (km²)
Block 3	SacOil	85			
Democratic Republic of the Cong-	La Congolaise Des Hydrocarbures (Cohydro)	15	Exploration	19 June 2035	3,177

2. OVERVIEW OF THE REGION, LOCATION AND ASSETS

2.1 Description of Assets

Block 3 is located in the eastern part of the DRC, alongside the border with Uganda. The block encompasses an area of approximately 3,177 square kilometres, much of which is a part of the highly prospective Albertine Graben (Figure 2.1).

Figure 2.1: Location of Block 3, DRC



2.2 Geological Setting

2.2.1 Regional Structure

Block 3 is located in the Albertine Graben, which forms the Western Branch of the East African Rift System (EARS).

The East African Rift System is an Oligocene to Recent system on a boundary between two continental sub-plates, the Nubian Shield and Somalia Block, both of which are a part of the African plate. The system is linked with the sea-floor spreading of the developing Red Sea.

Rifting is believed to have been initiated in the Gulf of Aden at about 30Ma and propagated southwards in a non-systematic way. Rifting in the Albertine Graben itself began in the Early Miocene and propagated further southwards, to Lake Tanganyika and Nyasa during the later stages of Miocene and Pliocene.

Unlike the Eastern branch, the Western branch is characterised by less developed, patchy volcanism.

The Western Branch itself is segmented into individual asymmetric basins along its length. Block 3 is located in the northern sector (also known as the Albertine Graben), comprising the basins of Lake Albert, Lake Edward and Lake George from north to south.

Albertine Graben itself consists of three main structural domains (northern, central and southern), each of which is 80 – 100km long and 25 – 65km wide. The main sectors are separated by elevated ramps, transfer faults and accommodation zones. The main structural components are the Albert Nile, Lake Albert itself, Semliki valley, Lake George and Lake Edward. Semliki valley and Lake George are separated by a narrow horst, the non-volcanic Rwenzori Mountain, which trends parallel to the graben border faults (NNE-SSW). The northernmost basins in this sector are oriented NNE-SSW, however the direction becomes NS in the southern part.

Albertine Graben is bounded by broad uplifted flanks (Upcott *et al* 1996; Karner *et al* 2000). Coherence analyses of gravity and topography show that the lithosphere has been weakened beneath the faulted rift valleys (Ebinger *et al* 1989; Upcott 1994), with brittle deformation developing at a depth of 0 – 31 km in a relatively strong lithosphere (Upcott *et al* 1996).

Karner *et al* (2000) suggest that the style of extensional deformation may have changed over time, beginning with a regionally distributed brittle deformation, followed by preferential growth and development of the major border faults and antithetic/synthetic faults within the collapsed hanging wall blocks.

The same authors also estimated extension and maximum sediment thickness in the Albertine Graben. Maximum extension has occurred in the central and north segment of the Albertine Graben. Maximum sediment thickness was estimated to 4,630m in the central segment of the Albertine Graben, which compares well with that of 5km estimated from a gravity profile across the Semliki valley (Smith 2005).

Though extension has been the main mode of deformation in the Albertine Graben, there is also evidence of compression, believed to represent localised inversion due to oblique extension.

Block 3 encompasses two basins: the northern part of the block is in the Lake Albert Basin, while the southern part is in the Semliki Basin.

The Lake Albert Basin is an asymmetrical graben, trending NE-SW. It is approximately 190 km long, with an average width of 45km and terminates against the Pakwach Basin in the north and the Semliki basin in the south.

The western boundary of the rift is marked by the steep western edge of the lake, where the uplifted flanks reach a height of more than 2,200m. The eastern margin however is shallower, with rift structures continuing on land. The uplifted flanks on the eastern edge of the rift are lower than those on the western edge, reaching 1,300m.

Structural interpretation based on magnetic, gravity and seismic data shows two main sub-basins, separated by a basement high, possibly representing an accommodation/transfer zone.

Structural cross sections indicate two possible episodes of extension from Early Tertiary to Recent. PEPD (2005) interpreted the possible early syn-rift phase to be a pre-rift Mesozoic section, but none of the wells drilled so far have confirmed this.

The Semliki Basin is separated from the Lake Albert Basin to the north by an accommodation zone. The trend of the rift changes here from NE-SW in the Lake Albert Basin to NNE-SSW in the Semliki Basin. The Semliki Basin terminates against the Rwenzori Mountains to southeast.

2.2.2 Stratigraphy

Little is known about the stratigraphy of the southern part of the block. However, it is expected to be similar to that of the Lake Albert to some extent. However, the stratigraphy of the northern part of the block is expected to be very similar to that discovered by the Turaco wells drilled just 10km away from it, on the Ugandan side of the border.

The general stratigraphic sequence of Lake Albert is divided into two mega-sequences: Pre-rift and Syn-rift.

The pre-rift mega-sequence is composed mostly of Pre-Cambrian basement rocks, exposed on the rift flanks. This sequence consists of high-grade meta-sedimentary rocks, gneisses, granitic gneisses and quartzites. These rocks have no source potential, but could prove to act as reservoirs if fractured and sealed.

The syn-rift mega-sequence overlies the pre-rift rocks, mostly unconformably. Most of the syn-rift sequence is of Cenozoic age, possibly ranging from Paleogene?/Early Miocene to Recent. However, the lowest part of the sedimentary section in Lake Albert is possibly Jurassic, though this is based only on lithological similarities of a bituminous black shale discovered by the Butaiba Waki-1 well in Uganda and Stanleyville shales found elsewhere in Congo. Though this formation is found in Lake Albert, it may or may not be actually found in either the northern or southern part of Block 3.

The Cenozoic sequence was penetrated by the several wells drilled and is also exposed on the flanks of the rift. Sequences found in the Turaco wells (10km from Block 3) and those further away in wells drilled on the Ugandan side of Lake Albert generally correspond to each other. The sequence is mainly divided into two formations, Kisegi and Kaiso Formations, separated by an unconformity.

The Kisegi Formation (Early Miocene-Pliocene) is comprised of sandstones and shales, some of which are bituminous. The unit is believed to have been deposited in fluvial and ephemeral to permanent lake setting, though it is alluvial in its lowest part. It contains potential reservoir sandstones reported to be of excellent quality as well as bituminous shales with up to 7% TOC. The formation is present in the Turaco wells and outcrops close to the northern part of Block 3 and should be expected to be encountered in the subsurface of the block.

The Kaiso Formation (Early Pleistocene) comprises of the deposits of two main depositional phases – lacustrine and alluvial plain. The lacustrine unit is comprised of sandstones and shales, while the alluvial unit is conglomeratic. The sandstones of this formation have also been shown to have suitable reservoir properties in several of the discoveries made in Uganda.

Sediments in the northern part of Block 3 are expected to be similar to those described above. Further, depth-to-basement is expected to be similar to main Lake Albert and reaches approximately 4.5km.

However, much less is known about the southern part of Block 3. According to the gravity data, the sediments in this part of the block are expected to be much thinner, reaching 2.5 to 3.5 km in thickness. At this stage, it is not known how the sedimentary column in this part of the block relates to that in the main Lake Albert area, but it is expected to be broadly similar. Presumably, the area would have been a site of an ephemeral lake (like Lake Albert and perhaps joined to it at times) during some episodes and alluvial/deltaic conditions, similar to today's Semliki delta, at other times. In addition, steep slopes of the rift and the Rwenzori mountain have possibly contributed coarse sediments deposited in alluvial fans and aprons, which could result in very good reservoirs (similar to those found in the Ugandan discoveries).

A key question in this part of the block is probably if (sufficient) source rocks have been deposited to generate commercial quantities of hydrocarbons and to a lesser extent if the shale intervals would provide adequate seals.

2.2.3 Exploration History

Little conventional data has been acquired in Block 3. No seismic surveys have been performed and no wells have been drilled. However, part of the block is covered with aero-magnetic and gravity data (not available for this review).

The main indication of prospectivity of Block 3 comes from the results of exploration activities carried out in the Albertine Graben of neighbouring Uganda.

Following the discovery of numerous oil seeps, mostly concentrated around the shores of Lake Albert, several shallow wells have been drilled. However, it was only recently that a concerted effort to explore the prospectivity of the Albertine Graben was made using modern methods.

Several 2D and 3D seismic surveys have been shot on the Ugandan side of the border and a large number of structures identified. Several wells drilled into these and all encountered hydrocarbons, usually in multi-layered reservoirs. The history of wells drilled in the Albertine Graben is summarised in Table 2.1 below.

Table 2.1: Drilling Results in the Albertine Graben

Well Name	Туре	Location	Spud Date	Depth (metres)	Result
Kingfisher-1	Exploration	Block 3A, Uganda	August 2006	2,290	Oil Discovery
Mputa-1	Exploration	Block 2, Uganda	December 2005	1,186	Oil Discovery
Mputa-2	Appraisal	Block 2, Uganda	May 2006	1,344	Oil
Mputa-3	Appraisal	Block 2, Uganda	August 2007	973	Oil
Nzizi-1	Exploration	Block 2, Uganda	October 2006	shallow	Oil Shows untested
Nzizi-2	Appraisal	Block 2, Uganda	June/July 2007	950	Oil and Gas Discovery
Turaco-1	Exploration	Block 3, Uganda	2002	2,487	Oil and Gas Shows
Turaco-2	Appraisal	Block 3, Uganda	2003	2,500 (approx.)	Oil and Gas Shows
Turaco-3	Appraisal	Block 3, Uganda	2004	2,850	Gas
					Discovery (non-commercial)
Waraga-1	Exploration	Block 2, Uganda	March 2006	2,010	Oil Discovery

The most significant of these are the Turaco wells, drilled in the delta of the Semliki River, only some 10km away from Block 3. These wells encountered oil and gas shows, but the gas accumulation turned out to be 80% – 90% carbon dioxide when it was finally tested.

While the presence of carbon dioxide is a cause for concern, particularly as it is not well understood, the wells have demonstrated the presence of good quality reservoirs in the subsurface, as well as several intervals of potential source rocks with relatively high Total Organic Carbon content. The analysis of the recovered source rock samples showed that the source rock is Peak Mature at this depth, which is significant not just for the northern part of Block 3, which presumably has approximately the same conditions, but also for the southern part of the block. Though the sediment column in the southern part of the block is much shallower, it is estimated that some of it is at least as deep as the depth from which peak-mature samples of bituminous shale were recovered. This then suggests that the source rocks, if present at an approximately similar depth in the southern part of the block, could also be mature.

2.3 Economic Conditions

The PSA terms, as presented in the Production Sharing Agreement document dated November 2007 and the Interministerial Order N° 005/CAB/MIN/HYDRO/2010 and N° 005/CAB/MIN/FINANCES/2010 (PSA Amendment), dated 17 April 2010, are interpreted below.

Capital and Operation Costs are divided between the Contracting Party. SacOil (85%) and Cohydro (15%). SacOil carries all costs of Cohydro up to full recovery of Costs + Interest (LIBOR+2%). The Libor rate used is 3% (US\$6 Months/15th day).

A cost recovery mechanism is used to recover the capital and direct operating expenditures, but limited by the rate of 60% and amount of the recoverable costs. The balance of the revenue after deductions made for Royalty and "Cost-Oil" is split between Contracting Party and Government as per Table 2.2.

Table 2.2: Profit Oil Splitting Scheme

Gross Consolidated Production (barrels)	Contracting Party Percentage	State Percentage
<20,000,000	60	40
20,000,000 – 50,000,000	50	50
>50,000,000	40	60

The main Economic Assumptions indicated in the PSA:

- · Capital Expenditures:
 - 100% allocated to the Contracting Party.
 - Recoverable under Cost Recovery at 60%.
- · Operation Expenditures:
 - 100% allocated to the Contracting Party.
 - All operation expenditures are recoverable under Cost recovery at 60%.
- · Taxes:
 - Royalty is 12.5%.
 - Signature Bonus is US\$4.0 million (non-recoverable).
 - First Production Bonus is US\$1 million (recoverable).
 - Bonus for the production of 10 million barrels is US\$5 million (recoverable).
 - Bonus payable upon signing the Pipeline Agreement is US\$5 million (recoverable).
 - Bonus payable upon signing the Agreement establishing a refinery US\$1 million (recoverable).
- Special community payments to Government:
 - Community development contribution: US\$250,000 per annum pre-production and US\$300,000 per annum after the start of production.
 - Environment audit cost contribution: US\$50,000 per annum.
- · Cost Recovery:
 - All Petroleum Costs are Recoverable.
 - Cost recovery is at a rate of 60%.
 - 100% plus Inflation Index is applied to all recoverable costs to the Contracting Party.
 - Limited by recoverable costs and by the rate.
 - Cost recovering base is Gross revenue.
- Profit Oil
 - Profit Oil for the Contracting Party is as shown in Table 2.2.
 - Profit Oil split between the Contracting party is SacOil 85% and Cohydro 15%.
 - Equal to Gross Revenue minus Royalty and minus allocated Cost-Oil.
- Loan Account
 - Interest Rate is LIBOR + 2%.
 - Loan Amount is Cohydro's part of costs.
 - Loan Repayment is made by 100% of Cohydro's part of Cost-Oil and 50% of Cohydro's part of Profit Oil.

3. RESOURCES

3.1 Statement of the Resources

The estimation of the resources was prepared in accordance with standard geological and engineering methods generally accepted by the oil and gas industry and is reported according to the rules of the AIM, including the AIM Guidance Note For Mining, Oil and Gas Companies, June 2009. The estimates comply with all requirements of Section 12.9 of the JSE Listings Requirements (Service Issue 3).

The resources are categorised and presented according to the standards published by SPE/AAPG/WPC/SPEE standard (Petroleum Resources Management System, SPE/AAPG/WPC/SPEE, 10 April 2007 and The 2007 SPE/AAPG/WPC/SPEE Reserves and Resources Classification, Definitions and Guidelines: Defining the Standard!, SPE paper 107693, Etherington, J. R. and Ritter, J. E.).

According to this standard, Block 3 contains no *reserves* or *contingent resources*, but may contain *prospective resources*. Block 3 is almost a virgin exploration territory, where no seismic or other relevant data exists as yet, which could be used to define the prospects and leads. However, the block is in close proximity to several discoveries and can be said to contain a prospective *Play*.

An exploration campaign is being planned for this block and will aim to establish the presence of all the elements of the petroleum system in Block 3, define prospects and leads and eventually re-grade the resources.

A summary of the reserves and resources is provided in Table 3.1. According to the SPE/AAPG/WPC/SPEE standard, the values presented in this table reflect an estimate of the Stock Tank of Oil Initially In Place (STOIIP).

The method used to estimate the resources is presented in Section 3.1.1.

Recovery factor is subject to the many technical and economic factors and has been presented separately. It is intended to illustrate what the potentially recoverable resources of the block would be, based on current views and practices.

Table 3.1: Summary of Resources for Block 3 (tabulated as per AIM Guidance Note for Mining, Oil and Gas Companies, June 2009)

)	•	-)	-	•	
	Gross	Gross Prospective Resources		Net Prospective Resources to SacOil: Risk Facto Unrisked STOIIP (barrels or standard cubic feet)	Net Prospective Resources to SacOil: ked STOIIP (barrels or standard cubic	to SacOil: dard cubic feet)	Risk Factor (fraction)	Operator
Oil and Liquids F	Oil and Liquids Prospective Resources	rces						
	Unri	Unrisked STOIIP3 (barrels)	rels)	Unris	Unrisked STOIIP3 (barrels)	els)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Block 3 – Play	767,490,000	1,518,470,000	2,828,040,000	652,367,000	1,290,700,000	2,403,834,000	0.21	To be determined
Total for Oil and Liquids	767,490,000	1,518,470,000	2,828,040,000	652,367,000	1,290,700,000	2,403,834,000	0.21	
Gas Prospective Resources	Resources							
	Unriskec	Unrisked GIIP (standard cubic feet)	ubic feet)	Unrisked	Unrisked GIIP (standard cubic feet)	bic feet)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	Best Estimate High Estimate		
Block 3 (associated gas)	230,247,000,000		455,541,000,000 842,412,000,000	40,996,000,000	81,111,000,000 149,995,000,000	149,995,000,000	0.21	To be determined
Total for Gas	230,247,000,000	230,247,000,000 455,541,000,000 842,412,000,000 40,996,000,000	842,412,000,000	40,996,000,000	81,111,000,000 149,995,000,000	149,995,000,000	0.21	

Source: Ivan Djokic (geologist, Principal Consultant for Bayphase Limited).

3.1.1 Method

Unrisked prospective resources/deposits (Unrisked STOIIP) for Block 3 have been estimated using the Monte Carlo probabilistic method, based on the standard volumetric calculation. According to the SPE/AAPG/WPC/SPEE standard, the P_{90} , P_{50} and P_{10} values calculated by the probabilistic simulations have been used as the Low, Most Likely and High estimates, respectively.

The Risk Factor has been estimated and presented separately. In addition to representing the estimated chance of discovering hydrocarbons in sufficient quantity for them to be tested it also represents the current view of the proportion of the prospective resources which *may* mature to become reserves through exploration of the block as a whole.

It is believed that oil will be encountered in the subsurface rather than gas. The amount of associated gas was calculated from the STOIIP, using the Gas-Oil Ratio (GOR) of 300scf/barrel. The GOR has been estimated from the results of recent production tests in the Ugandan discoveries.

3.1.1.1 Unrisked Resources

The Most Likely values of parameters used in the Monte Carlo simulation have been taken or estimated using the available regional data, while the range of parameters have been applied using worldwide analogues.

The prospectivity of Block 3 is seen mainly in the graben part of the block, located between the faulted valley sides, which are comprised of metamorphic basement. Although seismic data was not directly available, it can be reasonably assumed that the structures in the block will be similar in both size and number to those identified on the seismic data in the neighbouring blocks.

The most likely number of structures was then calculated using the respective graben areas of Block 3 (DRC) and Blocks 2 and 3A in Uganda. Likewise, the area extent of an average structure was taken to be the approximate average of those identified within Blocks 2 and 3A in Uganda. It has to be mentioned that some of the structures currently explored in Uganda may be much larger than they are currently thought to be – this will be the subject of further exploration and appraisal programmes in these blocks. This range of possibilities is reflected in the range used in the Monte Carlo simulation. In addition, the average structure area and the number of structures have been inversely correlated, with the higher average structure area likely to decrease the number of structures.

The average total thickness of the reservoirs is more difficult to estimate. The total reservoir thicknesses reported from the wells drilled so far in Blocks 2 and 3 in Uganda have thus been used as the basis. However, several other factors were taken into consideration:

- Many of the wells drilled on the Ugandan side did not penetrate the whole
 prospective interval, mainly due to technical limitations (drilling rigs unable to
 drill deeper). This is true particularly regarding the Kingfisher discovery, where
 the rigs were unable to drill to the main target horizon. This would indicate that
 the average total thickness is higher than reported in the wells.
- Several gravity maps and interpretation indicate that the sediment thickness in the main part of Block 3 (depth to basement of 2.5 – 3km) is not as great as in Blocks 2 and 3A in Uganda (depth of basement of 3.5 – 5km). Therefore, it is expected that the total thickness of the reservoir intervals in Block 3 would be lower than in the blocks explored so far. This could mean a smaller number of prospective intervals in each of the structures, or smaller thickness of each interval, or most likely both.
- The wells drilled so far in Uganda have targeted the prospects on the downthrown sides of major faults. Given the geological setting (proximal alluvial fan or fluvio-deltaic), this is where the sediment thickness would be expected to be the greatest, with equivalent reservoir intervals thinner or absent in

prospects located closer to the centre of the graben. This would indicate that the average total reservoir thickness would be expected to be slightly lower than discovered by the wells drilled so far.

Given the considerations above, we believe that the most likely total average reservoir thickness in Block 3 will be approximately 75% of that reported from recent exploration wells.

Net to Gross is one of the key parameters and subject to a high level of uncertainty. This is primarily due to the low volume of data acquired so far in the analogue blocks in Uganda. This does not allow for sufficient understanding of the depositional system which contributed to reservoir formation in the recent discoveries. It is understood that even the operators themselves acknowledge this as their reserve estimates, made using identical data, vary widely.

We believe that it is likely that the Net to Gross has an intermediate value overall, as the system is a mixture of fluvio-deltaic and alluvial fan deposits. This variation is expected both vertically, with different intervals deposited in either setting, and laterally, with alluvial fans passing into fluvio-deltaic deposits towards the basin centre. We have used a large range of this parameter in the Monte Carlo simulation to reflect this uncertainty.

Porosity is somewhat better known. The prospective intervals display porosities in the range of 20% – 30%, with averages of 24% or 25%. The porosity values will also be influenced by depositional environment. Thus we could expect that the reservoirs in structures closer to the basin centre may be slightly less porous. However, they may likewise be somewhat higher in more proximal settings (for example, the main target intervals in Kingfisher, which have not been drilled due to rig limitations).

Given the nature of the reservoirs, which are comprised of clean sandstones, and medium to light oils discovered in them to date, we would expect the oil saturations to be around 80%. This is of course subject to a wide range of factors, but is not as uncertain as some of the other factors.

The most likely value and ranges of the Oil Formation Volume Factor have been estimated by analogy with other fields which have similar oils (32° – 35°API).

The parameters used are summarised in Table 3.2, with a full description presented in Appendix 1.

Table 3.2: Assumptions for the Monte Carlo Volumetric Simulation

Parameter	Distribution Type	Minimum	Most Likely	Most Likely Maximum	Standard Deviation	Notes
Number of Structures	Normal	10	17	30	2	Correlated with Average Structure Area by - 0.5
Average Structure Area (km²)	Lognormal	10	30	20	10	Correlated with Number of Structures by – 0.5
Average Total Gross Thickness (m)	Triangular	15	35	70	Ι	_
Average Net to Gross (fraction)	Triangular	0.20	0.50	0.80	Ι	Correlated with Average Porosity by 0.25
Average Porosity (fraction)	Triangular	0.18	0.25	0.30	Ι	Correlated with Average Net to Gross by 0.25
Average Oil Saturation (fraction)	Lognormal	0.50	0.80	0.85	0.05	-
Average Oil Formation Volume Factor	Triangular	1.09	1.12	1.17	I	_

The Monte Carlo simulation was run using Crystal Ball software. 100,000 trials were used in the simulation.

The unrisked P_{50} Stock Tank of Oil Initially In Place (STOIIP) is estimated to 1,518.47 million stock tank barrels, The results are summarised in Table 3.3, with further description given in Appendix 1.

The associated gas resources/deposits were estimated using the Gas-Oil Ratio of 300 standard cubic feet per barrel. This value has been selected as the most likely, based on the results of drilling in Uganda and is also appropriate to the gravity of oil recovered from the Ugandan discoveries.

Table 3.3: Results of the Estimation of the Unrisked Prospective Resources using the Monte Carlo Probabilistic Method

Estimate	Unrisked Gross STOIIP (million stock tank barrels)	Unrisked Gross GIIP (associated gas) (million standard cubic feet)
Low Estimate – P ₉₀	767.49	230.247
Best Estimate – P ₅₀	1,518.47	455.541
High Estimate – P ₁₀	2,828.04	842.412

The P_{10} – P_{90} range is quite wide, as would be expected given the acute lack of data. Sensitivity analysis (see Appendix 1) shows that the amount of recoverable reserves is mostly dependant on the Gross Rock Volume (Average Total Thickness and Average Net to Gross). Conversely, these values are the greatest unknowns at this stage, as is the case with most projects.

Further exploration effort, in the whole of the Albertine Graben as well as Block 3, will allow these parameters and consequently the range of the results to be constrained better in the future.

3.1.1.2 Risk Factor

The Risk Factor represents the probability/likelihood of discovering hydrocarbons in sufficient quantity for them to be tested, with any single exploration well. It is also applied to the unrisked reserves to estimate the reserves most likely to be encountered in the block, i.e. risked reserves. In addition, it also represents the current view of the proportion of the prospective resources which *may* mature to become reserves through exploration for the block as a whole.

Each of the conventional play elements was examined and risked in turn. In addition, the $\rm CO_2$ presence presents a risk to the prospectivity of Block 3, as demonstrated by a nearby discovery, and was therefore included in the Risk Factor estimation.

The Risk Factor is a combination of the probabilities of different play elements being present in the petroleum system. These are summarised in Table 3.4.

Table 3.4: Summary of the Risk Factor

Risk Element	Risk Factor
Source Rock Presence and Maturity	0.5
Reservoir Presence and Quality	0.9
Trap Presence	1
Seal Presence and Integrity	0.7
Migration Pathway and Timing	0.95
CO ₂ Presence	0.7
Total Exploration Risk	0.21

3.1.1.2.1 Source Rock Presence and Maturity

The source rocks in the Albertine Graben are mostly lacustrine shales. The age of these deposits is uncertain and some authors have assigned them to the Jurassic, though this is only by analogy of the samples recovered from outcrop and Waki-Butaiba–1 well (drilled in 1938) to the Stanleyville shale found elsewhere in Congo. In addition, although Mesozoic sediments have been inferred to be present in the deeper parts of the graben, this has not been confirmed by drilling as yet.

On the other hand, Tertiary lacustrine shales have been indicated from a number of oil seeps, shows of bituminous oils in shallow wells and also sampled by exploration wells.

Whether they are Jurassic or Tertiary, the bituminous shales are known to be present in the Albertine Graben and are known to be mature, as evidenced by numerous oil seeps and recent discoveries. Indeed, geochemical analyses have indicated that the oils in seeps have been sourced from different intervals to those sampled from shallow bituminous sandstones. This makes it likely that there are multiple source rocks contributing to the system in the main Lake Albert area.

Significantly, organic-rich shales have been sampled at depth by the Turaco wells, which were drilled on the Ugandan side of the border, just 10km from Block 3. The wells recovered samples of lacustrine shales from the Kasande-Kakara Formation (Miocene/Tertiary) as well as Pliocene intervals. The source intervals are 115m and 22m thick respectively and have Total Organic Carbon (TOC) content of up to 4.8%. Furthermore, thermal maturity modelling indicated that these source rocks are currently in the peak oil generation window. This would indicate that the source rocks in the deeper part of the basin (mainly on the DRC side) are peak-mature to post mature.

Kibuku oil seeps, located approximately 10km away from Block 3, are another significant oil show in the area. This series of four seeps is concentrated along one of the larger faults and demonstrates the validity of the source in this area. The analysis of oil samples taken from these seeps showed that the rocks which produced it are early mature and oil prone. Interestingly, some of the indicators pointed to a significant contribution of land plants to the lacustrine. These were presumably deposited in the estuaries of the ancient equivalent of the Semliki delta.

These shows would seem to validate the source for the northern part of Block 3.

However, the lack of oil shows in Block 3 itself is a serious concern. This is because the block covers mostly the area south of the main depocentre of the Lake Albert from which it is somewhat separated by an accommodation zone north of the Rwenzori Mountain, where the rift valley is relatively narrow. Any oil generated in the main Lake Albert area would have moved updip, towards the boundary faults of the rift, rather than southwards, towards the southern part of Block 3.

The part of the Albertine Graben which occupies the greatest area in Block 3 is a smaller sub-basin west of the Rwenzori Mountain. According to the gravity data this sub-basin is shallower than at Lake Albert. This is a cause for concern if lacustrine shales have accumulated in this part of the graben in sufficient quantities. The current topography places the Semliki delta and the lake some way to the north and if this was the case in the past, then the presence of the source rocks is questionable, especially in the light of the absence of oil

seeps. On the other hand, it is likely that at least during some episodes in the past this area would have been a lake, similar (and perhaps connected to) Lake Albert, which would give hope of encountering lacustrine shales with sufficient organic content and thickness.

The thermal maturity is difficult to gauge in the absence of any data. This is made even more acute by the findings from the Lake Albert area where source rock maturity was found to be highly dependent on the proximity of intrusive volcanics, making the maturity patchy. However, the maturity is judged to be less of an issue as:

- Source rock samples recovered from depths similar to those expected in the main part of Block 3 have been found to be mature (in Turaco wells).
- Tertiary volcanic have been identified in the vicinity of the block (though there is very little data on this).

Either the lack of source rocks or their immaturity could be the cause of the lack of surface oil seeps. However, a possibility exists that the seeps are present but have not been identified, or that they have simply not been reported. Certainly most of the data available is from the Ugandan oil seeps. However, despite there being no analysis or much mention of the Congolese samples in the reports, several are marked on maps, all of which are on the Congolese side of Lake Albert. Still, this certainly does not preclude the possibility of undetected or unreported surface shows of hydrocarbons in Block 3, which is mainly forested and inaccessible (as opposed to the shores of Lake Albert), as witnessed by the general absence of data from field studies in this area.

In conclusion, the source rocks are believed to be present and mature in the northern part of the block. However this is uncertain in the southern part of the block (i.e. most of the block) and further studies would be required for better understanding of this parameter. Viewed on average for the whole block, the presence and maturity is deemed as *unknown*.

3.1.1.2.2 Reservoir Presence and Quality

With a similar tectonic setting, it would be expected that reservoir intervals similar to those present in the recent exploration wells would be encountered in the subsurface of Block 3. This is certainly the case with the northern part of the block, where the Turaco wells have confirmed laterally extensive reservoirs in a structure just 10km away from Block 3.

The southern part of the block is somewhat shallower than the main Lake Albert equivalent and it would be expected that the total reservoir thickness may be slightly lower in Block 3.

With the high Rwenzori Mountain and fault movement during rifting, it would be expected that much coarse clastic material would be available for the formation of alluvial fans and aprons. During quieter episodes this sediment could have been reworked and deposited by the equivalent of the current Semliki River – such rivers would have also followed the downthrown side of normal fault, as the Semliki River does today, and would have concentrated the coarse sediment there. Lastly, while the current position of the Semliki delta is further to the North from Block 3, this may have been further to the south during some episodes, which would also provide a suitable environment for the deposition of suitable reservoir rocks.

We therefore estimate that it is *highly likely* that an adequate reservoir will be encountered.

3.1.1.2.3 Trap Presence

The trap has not been risked individually. This is because this risk is usually applied to indicate the possibility of the seismic data incorrectly indicating the existence of a particular structure capable of trapping hydrocarbons (prospect or lead), due to erroneous time/depth interpretation. In this case, all the data is conjectural – there is no actual seismic data, and the prospectivity of the whole block is considered as a single *play*. However, the presence of traps in the Albertine Graben is well known through general rift geology and proven by drilling in the Ugandan discoveries.

In addition, this risk has in essence been reflected in the Monte Carlo simulation. This risk should be applied on the case by case basis for each structure perceived, and the "Number of Structures" parameter in the Monte Carlo simulation has been given a range which reflects the possibility that some of the leads/prospects identified by the Lake Albert seismic surveys may not be traps in reality (as well as the possibility that the number of structures per unit area is different in Block 3 compared to Blocks 2 and 3 in Uganda).

In our view it is *very highly likely* that hydrocarbon traps exist in Block 3.

3.1.1.2.4 Seal Presence and Integrity

The lacustrine shales, silts and claystones would be expected to provide a seal, as is the case in the recent discoveries in Uganda. Similar comments as for the source presence could be applied here, though in this case there is no dependence on the organic content.

With the viability of the seal demonstrated by the Turaco wells (and others further away) it would appear likely that adequate seals are present in most of Block 3. It is also notable that the seal in the Turaco structure appears to be adequate for gas in addition to oil.

The faults are expected to act as adequate lateral seals, as evidenced by the accumulations in discovered fault-dependent closures in Uganda as well as oil seeps concentrated against faults.

The presence of oil seeps at the surface obviously indicates that there are intervals which are not adequately sealed, but the evidence suggests that adequate seals could be reasonably expected to be present in Block 3. Seal presence and integrity are viewed as *likely*.

3.1.1.2.5 Migration Pathway and Timing

In this system, the lacustrine source rocks would be deposited adjacent to and interbedded with the alluvial and fluvio-deltaic reservoir rocks. This relationship would be generally expected in the rift sediments and has been confirmed in outcrop and also in wells. In Turaco–3 well in particular, the source interval (Kasande Formation) overlays the primary objective (Kisegi Formation – stacked fluvial channel sandstones) and is immediately below the secondary objective (Kakara Formation – Prograding deltaic sandstones). This would make for a very short migration route, with hydrocarbons expulsed from the source rock directly into the reservoir. Of course, this is also expected to occur in the northern part of Block 3, just 10km away.

Additionally, the reservoir intervals would tend to grade to source rock intervals in the deeper parts of the basins. Again, the migration pathway would be short as the expulsed hydrocarbons migrate upwards – straight into the reservoir sandstones.

In the rift graben setting the structures will have developed early, mostly before the source rocks have reached maturity.

From maturity modelling it becomes apparent that the hydrocarbon generation would have started some 10 –12 million years ago in the deepest parts of the Lake Albert Basin and significantly later in the shallower parts (e.g. maturity modelling of the source rock samples taken from the Turaco – 3 well indicates these have entered the maturity window only some 2 million years ago).

The structures on the other hand would have already been in place – mostly these would have developed during the main rifting phases, particularly in Oligocene (around 30 million years ago) and Miocene (5 – 20 million years ago). There are also indications of a late compressional phase, occurring at 12 – 10 million years ago, though it is possible that these are localised and represent inversion which occurred due to oblique extension.

Therefore, the structures would have developed before the hydrocarbons had matured, been expelled and migrated into the reservoir. Recent discoveries in Uganda show that this is the case.

It is therefore *highly likely* that these two requirements of the petroleum system are met in Block 3. The risk is therefore very low for this element.

3.1.1.2.6 CO₂ Presence

The presence of CO_2 has been discovered by the Turaco wells, which have tapped into an accumulation containing 80 – 90% of this gas, making the discovery non-commercial. The main concern with the presence of CO_2 is that this gas may prevent the commercial hydrocarbons from entering the trap or even displace them from the trap.

The source of ${\rm CO_2}$ is not well understood – many explanations are plausible, from volcanogenic origin to bacterial oxidation of the organic matter. Likewise, the timing of its emplacement in the reservoirs is not understood.

Given that most of the wells drilled so far have not encountered CO_2 , it would seem that the risk associated with it would be low. However, the wells which did encounter it are precisely those which lie in close proximity of the block. We have therefore assigned a moderate risk to this factor, i.e. most of the traps are *likely* to be free of CO_2 .

3.1.1.3 Expected Recovery Factor

Expected Recovery Factor has been estimated using the nature of the reservoir and fluids, current view of the likely development plan and our knowledge of similar projects worldwide.

The clastic nature of the reservoir, as well as the presumed analogy with reservoir properties of the discoveries in Uganda, particularly average porosities, high permeabilities (200 – 8,000mD) and test results, which have shown wells to have productivities in excess of those predicted using the already high permeabilities, indicate that the recovery would be average, but tending towards the higher end.

This is somewhat moderated by the fact that there is still a marked gap in the knowledge of the interconnectedness of the reservoir (which depends on whether the reservoirs are mainly fluvio-deltaic or proximal alluvial fans and aprons), even in Ugandan discoveries.

Given the discoveries made so far, it could be anticipated that the crudes would be medium to light, which would facilitate better recoveries, even though they could also be waxy.

The potential fields would be likely to be developed using primary depletion only, given the expected size of the potential discoveries. Given the climate and regional geology, it is expected that the aguifer would be at least moderately

active (i.e. good aquifer support is predicted). This, combined with the current economic conditions, would make water injection unlikely to be economical. Gas injection on the other hand is believed not to be feasible, primarily due to small volumes of associated gas expected (low expected Gas Oil Ratios).

Given the current views on the parameters above, it is expected that the recovery factor for any discovered fields would be in the region of 30 per cent – 35 per cent using primary depletion as the recovery method.

This is of course subject to the collection of further data, as well as economic variation and political issues.

3.1.1.4 Risked Prospective Resources/Deposits

Risked prospective resources/deposits have been calculated by applying the Risk Factor to the Unrisked prospective resources. In addition to STOIIP, an illustration of potentially recoverable prospective resources has been included.

Potentially recoverable prospective resources were estimated using the Monte Carlo probabilistic method, with parameters and ranges as described in Section 3.1.1.1. A range of recovery factors was added to this, as described below:

Table 3.5: Recovery Factor Assumption for the Monte Carlo Simulation

Parameter	Distribution Type	Minimum	Most Likely	Maximum
Average Recovery Factor (fraction)	Triangular	0.27	0.35	0.40

Table 3.6 illustrates an estimate of what the prospective recoverable resources for Block 3 could be.

Table 3.6: Unrisked and Risked Prospective Resources/Deposits

Estimate	Unrisked Gross STOIIP (million stock tank barrels)	Unrisked Gross Recoverable Prospective Resources (million stock tank barrels)	Risk Factor (fraction)	Risked Gross STOIIP (million stock tank barrels)	Risked Gross Recoverable Prospective Resources (million stock tank barrels)
Low Estimate (P ₉₀)	767.49	258.59		160.77	54.23
Best Estimate (P ₅₀)	1,518.47	513.31	0.21	318.08	107.53
High Estimate (P ₁₀)	2,828.04	967.64		588.21	202.70

3.2 Valuation of Block 3

Block 3 has been valued using the Cost and Comparative approaches.

3.2.1 Cost Approach

This method proposes that the value of an exploration property is reflected in the sum of costs for meaningful past exploration activities and warranted future costs.

Block 3 is at this stage virtually unexplored, with the exception of aeromagnetic and gravity surveys. However, the cost of this previous work can be considered to be negligible.

As no work has essentially been performed on the block, it has been valued using warranted future costs. These costs have been estimated using NetCo\$ter and are based on the exploration program which in turn reflects the current view of the prospectivity of the block.

The program and costs used here are exactly the same as those used in the comparative valuation using the cash flow methodology, except that the exploration expenditure is considered only to the point at which the failure would lead to the cessation of further exploration activities.

The programme and costs are summarised in Table 3.7.

Table 3.7: Summary of the Valuation of Block 3 using the Cost Approach

Item Description	Total Cost (US\$ Million)
Signature Bonus	4.00
Mobilisation, Implementation of Studies	20.00
Establishment of Infrastructure	25.30
2D Seismic Survey (1,500km)	30.00
3D Seismic Surveys (400km²)	10.00
5 Exploration Wells	64.60
2 Appraisal Wells	28.68
Total Warranted Exploration Costs:	182.58

Therefore, the current valuation of Block 3 as on a Cost Approach Basis is US\$155.19 million net to SacOil (who own 85 per cent of the Block).

3.2.2 Market Approach

There is no data available in the public domain on recent sales or purchases of licenses containing only prospective resources in the Albertine Graben.

The only recent asset transaction is the Albertine Graben is the sale of Heritage's entire 50 per cent interest in Blocks 1 and 3A in Uganda. A Sale and Purchase Agreement (SPA) was originally agreed between Heritage and ENI in December 2009. However Tullow, who partnered Heritage on these blocks used its pre-emption rights in January 2010 and purchased Heritage's interest instead. The transaction between Tullow and Heritage proceeded on the same terms which were agreed between Heritage and ENI. The original SPA signed between Heritage and ENI has been terminated.

The main elements in this transaction are:

- Cash consideration of US\$1,350 million paid.
- Contingent consideration of either US\$150 million in cash or an interest in a producing field.
- · Both blocks are development licenses.
- The blocks are reported to have Contingent Resources of 255 million barrels of oil (Net to Heritage).
- The blocks also have an unreported quantity of Prospective Resources.

This indicates that Tullow paid approximately US\$5.3/bbl for the Contingent Resources, but it is unknown what the contingent consideration was paid for.

This value has been used as a basis for valuation of Block 3, where it was applied to the Risked Recoverable Resources. However several modifiers have been used to reflect the differences in asset maturity and contractual terms:

- · Exploration cost.
- PSC terms.
- Export cost.

A summary of the Market Valuation of Block 3, DRC is presented in Table 3.8. An estimation of Risked Prospective Resources is presented in Section 3 and particularly Section 3.1.1.4. The valuation modifiers are further explained below.

Table 3.8: Summary of the Market Valuation of Block 3, DRC

Item	Cost/Modifier
Per barrel cost of Contingent Resources paid by Tullow to Heritage	US\$5.3/bbl
Approximate exploration cost	-US\$0.95/bbl
PSC terms	-US\$2/bbl
Export cost	-US\$1/bbl
Per barrel cost of Risked Prospective Resources used to value Block 3, DRC	US\$1.35/bbl
Net Risked Prospective Resources – Block 3, DRC	91.40 million barrels
Market Valuation of Block 3, DRC	US\$123.39 million

Therefore, the current valuation of Block 3 as on a Market Approach Basis is US\$123.39 million net to SACOil (who own 85 per cent of the Block).

Exploration Cost

This is the per barrel cost associated with turning Prospective Resources into Contingent Resources. The cost is calculated as full cost: it includes exploration that was both successful and unsuccessful, i.e. a situation which can be compared with Block 3, DRC.

The actual costs have not been published by Heritage in entirety. Therefore, the exploration cost can be approximately estimated as a sum of:

- Total drilling cost, estimated from an average cost of a well and the number of wells drilled.
- Total geophysical data acquisition cost, estimated using known acquisitions and their approximate costs.
- Total cost of accompanying work, including setting up the infrastructure for acquisition of geophysical data or drilling, studies, administration costs and so on. These have been estimated based on the volume of work performed to-date.

Our estimate is that a total of US\$240 million (net) was spent by Heritage on exploration of Blocks 1 and 3A in Uganda. This figure is comparable with that published Heritage's 2009 Annual Report – which is a total of US\$158.5 million in Uganda. This figure reflects only intangible costs. Tangible costs have not been broken out between Ugandan and other assets, but these costs are usually 30 – 40 per cent of intangible costs.

This is the equivalent of US\$0.95/bbl of Contingent Resources – this value has been used as a discount in the valuation of Block 3, DRC.

PSC Terms

Details of the PSC terms signed between Heritage and the Ugandan Government are unknown. However, this PSC has been signed at the time when Albertine Graben was entirely unexplored and it can be assumed that this PSC would be comparable to Sole Risk Contracts offered elsewhere in the World.

We have therefore assumed that they are significantly better than those signed for Block 3, DRC between SACOil and the government of the Democratic Republic of the Congo. Based on a comparison between similar assets in other parts of the World, we have used a discount factor of US\$2/bbl.

Export Costs

Oil produced in Block 3, DRC would most likely have to be exported using the same export route planned by Heritage and Tullow. Consequently, an export premium payable for production from Block 3, DRC would be higher than that paid for Blocks 1 and 3A, Uganda.

This figure would be subject to future negotiations; however based on practices in other parts of the World we have discounted the valuation of Block 3, DRC by US\$1/bbl.

4. CONCLUSIONS

The Report is dated at 23rd July 2010.

Block 3 is located in the Albertine Basin, on the border of the Democratic Republic of the Congo and Uganda. The acreage is located south and on trend of discoveries made recently on the Ugandan side of Lake Albert.

The block is currently owned by SacOil (85%) and Cohydro (15%), with the operator as yet to be determined.

The block is currently almost unexplored, with no seismic data or wells drilled. However, the proximity of recent discoveries in the Albertine Graben indicates that the block is highly prospective and that it may contain a hydrocarbon play. According to the SPE/AAPG/WPC/SPEE standard (Petroleum Resources Management System, SPE/AAPG/WPC/SPEE, 10 April 2007 and The 2007 SPE/AAPG/WPC/SPEE Reserves and Resources Classification, Definitions and Guidelines: Defining the Standard!, SPE paper 107693, Etherington, J. R. and Ritter, J. E.), Block 3 contains no reserves or contingent resources, but may contain prospective resources (play).

The data from the area indicates that the potential discovered hydrocarbon would be mostly oil. The Monte Carlo probabilistic method was used to estimate the prospective resources of Block 3. In addition, the Risk Factor and potential Recovery Factors were estimated. The results are presented in Table 1.1.

Valuation of Block 3 has been performed using the Cost Approach. As no exploration work has been performed on the Block, the Cost Approach used warranted future costs to value the block. These costs have been estimated using NetCo\$ter and are based on the exploration program which in turn reflects the current view of the prospectivity of the block.

The value of Block 3 (net to SacOil) is US\$155.19 million on a Cost Approach basis.

All forward-looking or forecast values are subject to uncertainty.

Table 4.1: Summary of Resources for Block 3 (tabulated as per AIM Guidance Note for Mining, Oil and Gas Companies, June 2009)

to SacOil: n) Operator	-	rels)	Best Estimate High Estimate	2,403,834,000 0.21 To be determined	2,403,834,000 0.21		ubic feet)	High Estimate	81,111,000,000 149,995,000,000 0.21 To be determined	
Net Prospective Resources to SacOil: Risk Factor (fraction) Operator		Unrisked STOIIP¹³ (barrels)	Best Estimate	1,290,700,000	1,290,700,000	•	Unrisked GIIP (standard cubic feet)	Best Estimate	81,111,000,000	
Net Prospe		Unris	Low Estimate	652,367,000	652,367,000		Unrisked	Low Estimate	40,996,000,000	
urces lard cubic feet)	-	rels)	High Estimate	2,828,040,000	2,828,040,000	.	bic feet)	High Estimate	842,412,000,000	
Gross Prospective Resources Unrisked STOIIP (barrels or standard cubic feet)	ces	Unrisked STOIIP13 (barrels)	Best Estimate	1,518,470,000	1,518,470,000		Unrisked GIIP (standard cubic feet)	Best Estimate	455,541,000,000	
Gross Unrisked STOIIF	Oil and Liquids Prospective Resources	Unris	Low Estimate	767,490,000	767,490,000	Resources	Unrisked	Low Estimate	Block 3 (associated gas) 230,247,000,000 455,541,000,000 842,412,000,000 40,996,000,000	
	Oil and Liquids P			Block 3	Total for Oil and Liquids	Gas Prospective Resources			Block 3 (associated gas)	

Source: Ivan Djokic (geologist, Senior Technical Consultant for Bayphase Limited).

5. QUALIFICATION AND BASIS OF OPINION

5.1 Qualification

Bayphase Limited is an independent consultancy specialising in hydrocarbon reservoir evaluation, field development planning and economic analysis. The company is based in St. George's House, Knoll Road, Camberley, Surrey GU15 3SY, UK.

Bayphase Limited does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this report, other than the provision of professional services on a fee basis.

The project was managed and signed off by Geoff Eyre, the Project Manager, with the address at Bayphase Limited, St. George's House, Knoll Road, Camberley, Surrey GU15 3SY, UK. Mr Eyre, a chemical engineer (BSc (Hons) Chemical Engineering, FIChemE, CEng, Eur Ing, Member SUT, Member SPE, CSci) is also the founder of company. He has been in this function since 1986, during which time the company has conducted work, including but not restricted to valuations, for many energy companies and financial institutions on a number of projects worldwide.

In addition to extensive work conducted for state owned companies and privately held companies around the world Mr Eyre has been supervised or been involved in the development of these technical reports for listed companies:

Company	Report				
PKN Orlen	Prospectivity Evaluation and Exploration Programme Development				
KBC Bank	Bridge North Sea Reserves Verification				
ONGC Videsh	Reserves Verification in Acquisition of Kazakhstan Assets				
Petrobaltic	Reserves Assessment, Field Development Plan and Valuation, B8 Field				
KBC Bank	Skarv Field Reserves Verification				
Circle Oil	Resources and Reserves Assessment – Kosmos License				
Anglo Siberian Oil Company plc	North Vankor Field Petroleum Expert Witness Report				
CentraGas Holdings AG	Sakhalinsky and Prirechnoye Reserves Assessment and Valuation Report				
Wintershall AG	Bab and Shah Fields Reserves Assessment and Field Development Plan				
Regal Petroleum plc	Suceva Block Seismic Interpretation and Prospectivity Assessment				
KBC Bank	Okoro and Setu Field Reserves Verification and Field Development Plan Assessment				
KBC Bank	Petroneft Financing Reserves Verification				
PetroKazakhstan	Kazakhstan Oil License Evaluation and Acquisition Support				
Burren Energy plc	Kazakhstan Field Evaluation Support				
Aker	Aker vs OFD Petroleum Expert Witness Report				
Regal Petroleum plc	Liberia Blocks 8 and 9 Seismic Interpretation and Prospectivity Assessment				

5.2 Basis of Opinion

The evaluation presented in this report reflects our informed judgement based on accepted standards of professional investigation, but is subject to generally recognised uncertainties associated with the interpretation of geological, geophysical and subsurface reservoir data as well as economic factors.

It should be understood that this, like any evaluation may be subject to significant variations as new information becomes available.

5.3 Statement

I Geoff Eyre, as an Independent Technical Expert, as defined in the Listings Requirements Section 12, have prepared the Technical Report as presented and am solely responsible for the form and content in which they have been prepared.

5.4 Effective Date

The effective date of this report is 23rd July 2010.

5.5 Report Compliance

This report has been prepared according to the rules of the AIM, including the AIM Guidance Note for Mining, Oil and Gas Companies, June 2009.

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GLOSSARY AND DEFINITIONS OF TERMS USED

Cohydr La Congolaise Des Hydrocarbures.

Contingent Resources Those quantities of petroleum which are estimated, on a given date, to

be potentially recoverable from known accumulations, but which are not

currently considered to be commercially recoverable.

Contracting Party SacOil and Cohydro.

Inflation Index Is the inflation index released each year by the Central Bank of Congo.

NPV Net Present Value.

Petroleum Costs All Capital Costs, Operating Costs incurred in performance of the PSA.

Prospective Resources Those quantities of petroleum which are estimated, on a given date, to be

potentially recoverable from undiscovered accumulations.

PSA Production Sharing Agreement.

ReservesThose quantities of petroleum which are anticipated to be commercially

recovered from known accumulations from a given date forward.

Risk Factor (for prospective resources) The chance or probability of discovering

hydrocarbons in sufficient quantity for them to be tested to the surface.

SacOil South Africa Congo Oil (Proprietary) Limited.

SPE The Society of Petroleum Engineers.

STOIIP Stock Tank of Oil Initially In Place.

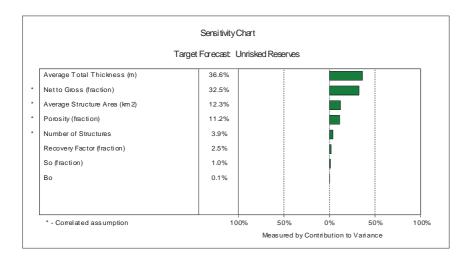
WPC The World Petroleum Congress.

Cost-Oil All costs incurred and payable by the Contracting Party as a result of the

petroleum works.

ESTIMATION OF UNRISKED RESOURCES USING THE MONTE CARLO PROBABILISTIC METHOD

CRYSTAL BALL REPORT



Forecast: Unrisked Resources (STOIIP)

Cell: J17

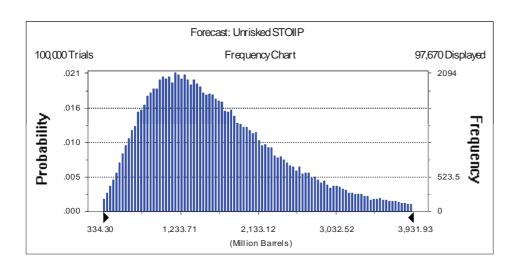
Summary:

Display Range is from 334.30 to 3,931.93 (Million Barrels)

Entire Range is from 157.71 to 8,665.82 (Million Barrels)

After 100,000 Trials, the Std. Error of the Mean is 2.71

Statistics:	Value
Trials	100000
Mean	1,687.96
Median	1,518.47
Mode	-
Standard Deviation	858.18
Variance	736,475.37
Skewness	1.26
Kurtosis	5.49
Co-efficient of Variability	0.51
Range Minimum	157.71
Range Maximum	8,665.82
Range Width	8,508.11
Mean Standard Error	2.71



Percentiles:

Percentile	(Million Barrels)
0%	157.71
10%	767.49
20%	975.89
30%	1,154.32
40%	1,330.96
50%	1,518.47
60%	1,726.60
70%	1,976.54
80%	2,298.08
90%	2,828.04
100%	8,665.82

Forecast: Unrisked Potentially Recoverable Resources

Cell: L17

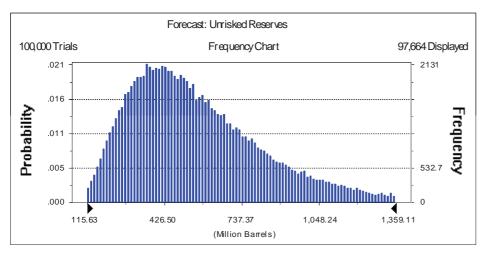
Summary:

Display Range is from 115.63 to 1,359.11 (Million Barrels)

Entire Range is from 51.72 to 3,168.12 (Million Barrels)

After 100,000 Trials, the Std. Error of the Mean is 0.94

Statistics:	Value
Trials	100,000
Mean	573.67
Median	513.31
Mode	
Standard Deviation	296.18
Variance	87,724.00
Skewness	1.31
Kurtosis	5.72
Co-efficient of Variability	0.52
Range Minimum	51.72
Range Maximum	3,168.12
Range Width	3,116.40
Mean Standard Error	0.94



Percentiles:

Percentile	(Million Barrels)
0%	51.72
10%	258.59
20%	328.61
30%	390.04
40%	449.90
50%	513.31
60%	585.18
70%	671.25
80%	783.56
90%	967.64
100%	3,168.12

ASSUMPTIONS

Assumption: Total Number of Structures				Cell	: C17
Normal distribution with parameters:					
17.00					
5.00	-				
	-				
	200	0.50	, 💠	· · ·	32.0
-0.50	2.00	9.50	17.00	24.30	32.0
	5.00	5.00	5.00	17.00 5.00 5.00 9.50 17.00	Number of Structures 17.00 5.00 Mean = 17.74 2.00 9.50 17.00 24.50

Assumption: Average Structure Area (km²) Lognormal distribution with parameters: Mean Standard Deviation Selected range is from 10.00 to 50.00. Correlated with: Number of Structures (C17) Cell: D17 Average Structure Area (km²) Average Structure Area (km²) 10.00 -0.50

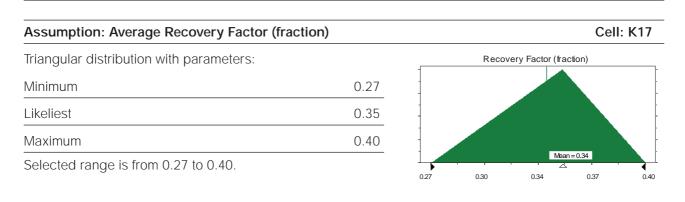
Number of Structures (C17)	-0.50	10.75	26.90	43.05	59.21	75.36
Assumption: Average Total Thickness (m)					Cell	: E17
Triangular distribution with parameters:			Averag	e Total Thickne	ess (m)	
Minimum	15.00					
Likeliest	35.00	-				
Maximum	70.00					
Selected range is from 15.00 to 70.00.				Mean = 40	.00	
<u> </u>		15.00	28.75	42.50	56.25	70.00

Assumption: Average Net to Gross (fraction)					Cell	: F1
Triangular distribution with parameters:		Net	to Gross (frac	tion)		
Minimum	0.20					
Likeliest	0.50	-				
Maximum	0.80					
Selected range is from 0.20 to 0.80.		0.20	0.35		0.65	0
Correlated with:						

Assumption: Average Porosity (fraction) Triangular distribution with parameters: Minimum O.18 Likeliest O.25 Maximum Selected range is from 0.18 to 0.30. Correlated with: Net to Gross (fraction) (F17) O.25

Assumption: Average Oil Saturation (fraction) Lognormal distribution with parameters: Mean O.80 Standard Deviation Selected range is from 0.50 to 0.85.

Assumption: Average Oil Formation Volume	Factor				Ce	II: I17
Triangular distribution with parameters:				Во		
Minimum	1.09					
Likeliest	1.12	-				
Maximum	1.17					
Selected range is from 1.09 to 1.17.		1.09	1.11	Mean = 1.	13	



DECISION VARIABLES

End of Decision Variables.

THE CHAAL GAS EXPLORATION PERMIT AREA INDEPENDENT TECHNICAL EXPERT'S REPORT

Independent Report Prepared in Accordance with NI51-101

on SACOIL HOLDINGS LIMITED'S Interests

In the Hydrocarbon Resource Potential
Pertaining to the Production Sharing Agreement Covering
The Chaal Exploration Permit

Onshore Tunisia

As of May 10, 2010

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DISCUSSION

SacOil Holdings Limited June 30, 2010

June 30, 2010

The Board of Directors SacOil Holdings Limited 119 Rosen Office Park 37 Invicta Road Midrand 1685 South Africa

File No: 8344RP10

Dear Board Members;

Pursuant to your request, Ryder Scott Company-Canada (Ryder Scott) has prepared an independent evaluation of the hydrocarbon resource potential pertaining to the acreage interests of SacOil Holdings Limited (SacOil) in the Production Sharing Agreement (PSA) covering the Chaal Exploration Permit, Tunisia as of May 10, 2010. The Chaal Exploration Permit is located in central Tunisia, approximately 60 kilometers to the west of the City of Sfax and comprises approximately 12,000 square kilometers, or 2,965,200 acres (see Appendix 1, Figure 1). This report is an update of a previous Ryder Scott report prepared for Candax Energy Inc., (Candax) entitled "CHAAL EXPLORATION PERMIT Estimates of Contingent Resources" as of March 31, 2007, dated March 31, 2007.

It is our understanding that the purpose of this report is to be included in and support the circular to seek shareholder approval for a DRC restructuring agreement.

SacOil's interests in the PSA covering the Chaal Exploration Permit are derived from a Farmout Agreement, date May 10, 2010, whereby SacOil has the right to earn a 55 percent working interest in the PSA covering the Chaal Permit (SacOil net 6,600 square kilometers or 163,860 acre). As of the dating of this report, SacOil has not earned any interest in the PSA.

As of the date of the previous Ryder Scott report only 4 wells have been drilled in the Chaal License Block. No new wells have been drilled in the Chaal Exploration permit, nor has there been any additional new information provided to Ryder Scott since the previous report. Any changes in this report are based on revisions in the September 2007, version of the Canadian standards set out in the Canadian Oil and Gas Evaluation Handbook (COGEH) and in National Instrument 51-101 (NI51-101) as well as proposed changes to regulations from the Alberta Securities Commission (ASC) (see Appendix 3).

It should be noted that the resource prospects identified in this report are seismic features which have not been penetrated by wells. Due to the scarcity of well control and the quality of the seismic, it should be clearly understood that the resources evaluated herein are undiscovered and high risk and that there is no certainty that any portion of the undiscovered resources will be discovered and that, if discovered, may not be economically viable or technically feasible to produce any of the resources.

1. RESOURCE DEFINITIONS AND CLASSIFICATIONS

1.1 Description of terms as defined in COGEH

This is an independent report and the resource estimates presented herein have been prepared in accordance with the Canadian standards set out in COGEH, NI51-101 and CSA Staff Notice 51-327 (see Appendix 2). Under Section 5.1.2 of COGEH, "Petroleum is defined as a naturally occurring mixture consisting predominantly of hydrocarbons in the gaseous, liquid or solid phase". The term "resources" encompasses "all petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced".

The resource estimates presented in this report are classified as either *Undiscovered Petroleum Initially-in-Place* (*PIIP*) and *Prospective Resources or Discovered PIIP and Contingent Resources*. COGEH defines *Undiscovered PIIP*, (equivalent to undiscovered resources), as that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. Prospective Resources "are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Discovered Resources "are those quantities of oil and gas estimated on a given date to be remaining in, plus those quantities already produced from known accumulations. Discovered Resources are divided into economic and uneconomic categories, with the estimated future recoverable portion classified as reserves and contingent resources, respectively". Contingent Resources "are those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations but are not currently economic".

1.2 Classification of Resources

Natural gas is the primary expected product to be produced to the Chaal exploration project.

For the purpose of further clarity, undiscovered hydrocarbon resource volumes are presented on various tables in this report as "Unrisked Discovered or Undiscovered Original Gas-in-Place (OGIP)". Prospective or contingent resources are presented as unrisked prospective or unrisked contingent gas resources. The term "Unrisked" means that no geological risk (play risk) has been incorporated in the hydrocarbon volume estimates.

In the previous Ryder Scott report, under the 2002 version of COGEH, all of the resources in the Chaal Exploration Permit had been classified as contingent. In this report, the majority of the hydrocarbon accumulation has been re-classified as undiscovered and prospective resources while an area around the discovery well will retain the original discovered contingent resource classification. The re-classification of resources is a result of an update issued by COGEH in September of 2007 which clarifies and expands the criteria used to classify the various types of resources.

Again, it should be clearly understood that the resource play evaluated herein is one of high risk and that there is no certainty that any portion of the undiscovered resources will be discovered and that, if discovered, it may not be economically viable or technically feasible to produce any of the resources.

2. SUMMARY OF THE FARMOUT AGREEMENT AND JOINT OPERATING AGREEMENT

2.1 Summary of Farmout Agreement

The subject Farmout Agreement covering the Chaal Exploration Permit was signed as of May 10, 2010 between Falcan Chaal Petroleum Limited (Falcan) and Societe De Maintenance d'Installations Petrolieres (SMIP) as Farmors and SacOil Holdings Limited (SacOil) as Farmee. Falcan is a corporation registered in Barbados and has its registered office located at Whitepark House, Whitepark Road, Barbados, SMIP is a company registered in Tunisia whose office is at Immeuble Maghredia, 4th Floor, Rue du Lac, Windermere, Les Berges du lac, 1053 Tunis and SacOil is a company registered in South Africa and has its registered office located at 119 Rosen Office Park, 37 Invicta Road, Midrand 1685, South Africa. As of May 10, 2010, the Participating Interest in the PSA covering the Chaal Exploration Permit is a follows:

Before Farmout Earnings

Falcan (Farmor)	60%
SMIP (Farmor)	20%
SacOil (Farmee)	0%
Mitsubishi	20%
After Farmout Earnings	
Falcan (Farmor)	18.75%
SMIP (Farmor)	6.25%
SacOil (Farmee)	55%
Mitsubishi	20%

Under the terms of the Farmout Agreement SacOil has the right to earn a 55 percent working interest in the Chaal Permit, from the Farmors (Falcan and SMIP).

(**Note:** the Mitsubishi Corporation did not participate in the Farmout Agreement and remains a working interest partner in the Chaal PSA.)

It should be noted that the Chaal Exploration Permit is held by the Tunisian Government through its state owned "Granting Authority" Enterprise Tunisienne d'Activites Petrolieres (ETAP) as the "Holder" of the Permit. Falcan, SMIP and Mitsubishi are the "Contractors" with interests only in the Chaal PSA. The Contractors have the right to conduct exploration and production activities and share in the production derived from the Permit but do not own an interest in the Permit itself. It should be pointed out that the current term Chaal Exploration Permit expired in May of 2010. It is our understanding that Falcan as Operator has applied to the Tunisian authorities to extend the term of the Permit from May 25, 2010 to May 25, 2011.

On June 15, 2010, Candax Energy Inc. (Candax) announced that Falcan had received notification from Tunisia's Directeur General that its request for an extension to the Chaal Permit had not been accepted and that the Permit had been cancelled. SacOil has assured Ryder Scott that the talks with the Tunisian authorities are progressing and that the Permit is sure to be renewed.

2.2 Pertinent Terms and Conditions of the Farmout Agreement

- Participation in the Joint Operating Agreement (JOA) dated 24, October 2005: The current parties to the JOA will consent to SacOil becoming a participant.
- Operator: Falcan will remain as Operator for the Chaal Permit Area.
- Extension Approval: The Farmors will provide SacOil with written notice of approval from ETAP to extend the current term of the Chaal Permit for a one year period from May 25, 2010 to May 25, 2011.
- Refundable Back Costs: SacOil will pay a total of US\$4,750,000 to Falcan and SMIP pertaining
 to previous CAPEX expenditures regarding the Participating Interests of Falcan and SMIP in
 proportion to their Participating Interests once the development plan has been approved by
 the Tunisian Government. The total Historic CAPEX to March 31, 2010 is US\$22,905,846.93
 (see Appendix 2).
- Fulfillment Date Payment: The fulfillment date is the date on which the Conditions Precedent are fulfilled or waived, where waiver is allowed by the Agreement. The final date for fulfillment of the conditions is July 15, 2010 or at a later date as that may be agreed in writing by the Parties. SacOil will pay a total of US\$250,000 to Falcan and SMIP in proportion to their Participating Interest once the development plan has been approved by the Tunisian Government.

2.2.1 Project Economics

It is anticipated that the total cost to drill and test a well to the target depth is in the order of US\$8,000,000. Drilling is likely to commence during the month of October 2010 and the total time for completion would be approximately four months. Because of the uncertain nature of a resource play no sales contracts have been signed. As a result, it is very difficult to estimate reasonable anticipated prices to be received for each product. It is also difficult to comment on reasonably expected marketing and transportation arrangements.

However, there are adjacent producing fields to the east of the Chaal Exploration block. As a result, extensive transportation and export facilities are available in the area to facilitate the movement of extracted products.

2.2.2 Farmout Costs

SacOil agrees to fund 80% of the Expenditures for petroleum operations on the Chaal Exploration Permit for a net cost of US\$6,400,000. The Work Program consists of the reentry or drilling of a sidetrack to the Chaal 1 Well to a target depth of 4,500 metres true vertical depth. Depending on the results of the re-entry/drilling, stimulation and testing programs will be undertaken where applicable. The suspension or abandonment of the well is also part of the Work Program.

2.2.3 Cost Overrun

If 80% of the work commitment exceeds US\$6,400,000, SacOil is liable for the after earning participating interest costs of Falcan (18.75%) and SMIP (6.25%) up to a total cost of US\$2,000,000.

 SacOil Expenditures Recovery: SacOil has the right to recover US\$5,000,000 with the participating interests as follows:

Falcan	18.75%
SMIP	6.25%
SacOil	55%
Mitsubishi	20%

 Historic CAPEX Recovery: After SacOil has recovered the above cumulative total of US\$5,000,000, the historic CAPEX expenditures (US\$22,905,846.93) will be recovered by the existing Participating Interests in the Chaal Permit Area of May 10, 2010 (see Appendix 2, Table 1):

Falcan	60%
SMIP	20%
SacOil	0%
Mitsubishi	20%

 SacOil Farmout Expenditures Recovery: After the above cumulative total of the historic CAPEX costs has been recovered, the future expenditures recovered in the Chaal Permit Area shall be divided as follows until SacOil has recovered a cumulative total of US\$6,400,000 by way of expenditures:

Falcan	0%
SMIP	0%
SacOil	80%
Mitsubishi	20%

 After Farmout Recovery: After the above cumulative total of US\$6,400,000 of the expenditures has been recovered by SacOil, the expenditures recovered thereafter by the entities from time to time holding a Participating Interest in the Chaal Permit Area shall be divided as follows:

Falcan	18.75%
SMIP	6.25%
SacOil	55%
Mitsubishi	20%

2.3 Summary of the Joint Operating Agreement

The Joint Operating Agreement is a standard industry type agreement governing the working relationship of the partners in the Chaal Project. Under the JOA Agreement Falcan will remain as the Operator.

3. DATA REVIEWED

3.1 Summary of Data Reviewed

Ryder Scott reviewed all the data originally provided by Candax which included a variety of geological, geophysical and engineering data, including Candax's most recent interpreted 2D seismic and the SegY digital data, mechanical well logs and well test data. This data formed the basis of our interpretation.

4. OVERVIEW OF THE CHAAL EXPLORATION PERMIT, TUNISIA

4.1 Introduction

Tunisia has historically been a stable country and therefore has attracted steady exploration over the past thirty years. A number of significant commercial fields have been discovered in the vicinity of the Chaal Permit (see Appendix 1, Figure 1). Even so, Tunisia imports gas from Algeria in order to adequately provide for its growing requirements. Many hydrocarbon prospects in Tunisia have been subject to limited exploration activity. Considering its relative economic and political stability, and established infrastructure, and limited exploration activity, Tunisia is an attractive area for further petroleum exploration. The Chaal Exploration Permit has the potential to be a significant gas and possibly condensate field located onshore central Tunisia.

4.2 Reservoir Characterization of the Chaal Exploration Permit

Exploration in the Chaal permit is at a very early stage with only four wells in total having been drilled to date. These include the Ali Ben Khalifa-1A (ABK-1A), Ali Ben Khalifa-2 (ABK-2), Hachichina-1 (HAC-1) and most recently, the Chaal-1 (CHL-1) (see Appendix 1, Figure 1). The main structure penetrated by ABK-1A, ABK-2 and Chaal-1, most often referred to as the Ali Ben Khalifa structure or the Chaal structure, is a highly faulted NW-SE oriented anticline, developed in an area affected by Early Mesozoic rifting and by Mid Cretaceous to Tertiary compressional stresses. In addition, Triassic salt diapirs have been active since the late Cretaceous. The HAC-1 Well was drilled some 25km south east of the ABK-2 on a separate structure and lies outside the area of the structure map (see Appendix 1, Figures 1 and 3). Six developed and producing analogous fields lie approximately 50 kilometres to the east and north east of the Chaal Permit and are the Mahares, El Hajeb Guebiba, Gremda, Rhemoura, Sidi El Itayem, and Sidi Behara fields (see Appendix 1, Figure 1). The oldest of the analogous fields is the Sidi El Itayem which was discovered in 1971 and the most recent is the Mahares and Rhemoura, discovered in 1991. Oil and gas production from all of the aforementioned analogous fields are, as in the Chaal block, from shaley limestones which are often poor reservoirs and may produce only when fracturing is present. The main difference is that the productive zones in the analogous fields range in age from Late Cretaceous to Eocene while the Nara is Jurassic in age. However, there is potential upside in the shallower equivalent late Cretaceous and Eocene carbonates within the Chaal Exploration Permit area.

The primary target in the Chaal Exploration Permit is the Nara Formation of Middle/Lower Jurassic age (see Appendix 1, Figure 2). The Nara Formation was deposited in shelf to basinal marine conditions creating a succession of micritic limestones, marls, calcareous shales and marginally coarser dolomites. The succession of limestones, marls and shales in the Lower to Middle Nara to a dolomitic and less shale prone facies up through the Middle to Upper Nara is indicative of a change from a pelagic to a more shelfal setting during Bathonian to Oxfordian time. Based on the three wells within the Resource area, the top of the Middle Nara Formation is typically encountered between 3 650 meters and 3 800 meters.

The deposition of the pelagic facies is a result of basinal sag development during Jurassic offlapping of the Saharan Platform which lies to the south west. The overall succession is seen in both ABK wells and is thought to reflect interdigitation of basinal and more shelfal deposits which broadly clean upwards, thus making shelfal deposits more common in the uppermost Nara.

The reservoir is characterized by low porosity and poor matrix permeability. Fracturing is believed to be present in the Nara gas reservoir, likely associated with the numerous large and small faults which cut the structure. The contribution of fractures to the gas storage and deliverability is not well understood at this time and the long term productivity of the Nara Formation has not yet been determined. The ABK-1A well is reported to have flowed gas at rates up to 2 MMcf/d but the detailed flow test reports were not available and therefore the sustained flow capacity and commercial viability is unknown at this time. Additionally the Lower Nara Formation is a recognized source rock within Tunisia and the gas kicks and shows could therefore represent locally generated gas trapped in a low permeability interbedded limestone reservoir.

4.3 Exploration History of the Chaal Exploration Permit

As mentioned previously there have only been four wells drilled to date in the Chaal Exploration Permit. The ABK-1A Well was drilled in 1963 in a four-way dip structure based on early seismic and gravity data. The original ABK-1 well encountered mechanical problems and a new well bore ABK-1A was whipstocked and drilled to TD. Multiple targets had been anticipated but only the Middle/Lower Jurassic Nara Formation yielded any hydrocarbon shows. The well tested gas rates of at least 2 MMscf/d and may have been as high as 3 MMcf/d. It should be noted that while we do not have the original test reports, we have relied on information provided to us indicating that the ABK-1A Well tested at least 2 MMscf/day of gas.

A second well, ABK-2, was drilled in 1965 on the same structure, 1.8 kilometers to the south east of ABK-1A. Strong gas shows were recorded over an interval stratigraphically similar to that which tested gas in the ABK-1A Well. However, no tests were run in this well.

The HAC-1 Well was drilled in 1986 towards the south eastern edge of the permit, on what appears to be a separate anticlinal structure. The well is located approximately 25 kilometers south east of the ABK wells. The HAC-1 well had been drilled targeting younger Upper Cretaceous formations and bottomed in the Upper Nara with no gas shows and was subsequently abandoned. The well was not drilled deep enough to penetrate the interval that tested gas at the ABK-1A well.

The most recent well, CHL-1 was drilled 428 meters south east of well ABK-1A in 2006 to below the base of the Lower Nara Formation. The well encountered mechanical problems and high pressure zones while drilling. High mud weights were utilized to control the gas kicks. The well tested gas in minor amounts from the Middle and Lower Nara Formation.

4.4 Seismic Data and Quality over the Chaal Exploration Permit

Seismic data is sparse over the Chaal Exploration Permit (see Appendix 1, Figure 3). A total of 770 line kilometers of 2D seismic have been acquired in three surveys across the permit. The seismic data were acquired in three tranches. A total of 482 line kilometers of 2D (KN and Numerical) was shot in 1969 for Total and Sorek, presumably over separate permits at the time. In 1984, a total of 288 line kilometers of 2D seismic (KSK) was undertaken by CGG for Kufpec. Three examples of seismic lines run over the Chaal structure show the quality of the poor seismic and the complex structural style (see Appendix 1, Figures 3 to 6).

A brief summary of each survey is provided below:

						No. Line	
Year	Survey	Operator	Source	Traces	Fold	Kms	Contractor
1969	Numerical	Total	Dynamite	24	24	76	CGG
1969	KN	Sorek	Dynamite	N/A	N/A	406	CGG
1984	KSK	Kufpec	Dynamite	N/A	N/A	288	CGG

5. RESOURCE ESTIMATES

5.1 Unrisked Discovered and Contingent Gas Resource Estimates

The Ali Ben Khalifa structure is very large and two of the exploration wells (ABK-1A and ABK-2) were drilled within 2 kilometers of each other in the northernmost sector of the structure (see Appendix 1, Figure 7). No wells have been drilled in the southern extension.

For our calculation of unrisked discovered OGIP, we have restricted the reservoir extent to an area (outlined in orange) surrounding the discovery well, ABK-1A and the CHL-1 Well (see Appendix 1, Figure 7). This contingent area is approximately 2.06 square kilometers or 508 acres. We have prepared estimates of unrisked discovered OGIP and contingent gas resources using a deterministic approach. The average reservoir parameters from the two tested wells drilled to date on the Chaal structure (ABK-1A and ABK-2) together with a 50 percent recovery factor were applied over the area as outlined in orange on the structure map (see Appendix 1, Figure 7). The parameters used in the calculation are 508 acres for areal extent, 155 feet average net pay, 4.5% porosity, and 50% water saturation. The 50 percent recovery factor is based on our knowledge and experience in similar low porosity, tight and fractured limestone reservoirs. While no gas composition data has been provided, a gas expansion factor of 270 vol/vol is given in all the literature provided to Ryder Scott and thus, was used in our calculation of unrisked discovered OGIP and contingent gas resources. It should be clearly understood that the actual recovery could be higher or lower depending on the number of wells drilled and the drainage area of each well. Actual production is required to better define the potential recovery factor from the Middle and Lower Nara Formations.

The following Table 1 summarizes the deterministic calculation of unrisked discovered OGIP and unrisked contingent gas resources for the Middle and Lower Nara Formation. Gas volumes are expressed in billions of cubic feet.

Table 1

Unrisked Estimates of Discovered and Contingent Gas Resources in the Middle and Lower Nara Formation – ABK Structure, Chaal Permit Area

As of May 1, 2010

	Unrisked Discovered OGIP (Bcf)	Unrisked Contingent Recoverable Gas Resource (Bcf)
Total Gas volumes (Bcf)	20.8	10.4

It should be emphasized that contingent resources are by definition, associated with significant risk and uncertainty.

5.2 Unrisked Undiscovered and Prospective Gas Resource Estimates

5.2.1 Description and Methodology of the Probabilistic Method

A probabilistic approach to estimating undiscovered oil and gas resources is considered to be the most appropriate methodology where a great deal of uncertainty exists in the reservoir parameters. Due to the large extent of the Ali Ben Khalifa structure and the scarcity of well and seismic data, Ryder Scott believes that this statistical methodology is the most appropriate approach to calculating undiscovered prospective resources in the structure.

The probabilistic method involves estimating distributions for uncertain reservoir parameters and using and iterative approach to arrive at an expected probability distribution for potential resources. We use a low, best, and high distribution of the various reservoir parameters (see Table 2) and Crystal Ball software to perform the calculations. The results are provided in Table 3. The parameters for these input distributions were estimated based on a review of all available relevant data. It should be noted that these parameters represent average parameters over the entire formation. So, for example, the porosity ranges do necessarily represent those porosities which might be present in a particular well or a particular interval, but rather the reasonable range of the average porosities for the whole reservoir.

5.2.2 Probabilistic Modeling Input Parameters

The range of input parameters such as net pay, porosity, and water saturation were calculated from available logs for the three wells in the Chaal structure, (ABK-1A, ABK-2, and CHL-1). Again, while no gas composition data has been provided, a gas expansion factor of 270 vol/vol is given in all the literature provided to Ryder Scott and thus, was used in our calculation of unrisked undiscovered OGIP and prospective gas resources. The range of recovery factors used in this probabilistic analysis is again, based on our knowledge and experience in similar low porosity, tight and fractured limestone reservoirs. It should be clearly understood that the actual recovery could be higher or lower depending on the number of wells drilled and the drainage area of each well. Actual production is required to better define the potential recovery factor from the Middle and Lower Nara Formations.

5.2.3 Reservoir Areal Extent

Seismic data is sparse and of relatively poor quality over the Ali Ben Khalifa structure (see Appendix 1, Figures 3 to 6). The areal extents used in our calculations were based on the Upper Nara Time Structure Map (see Appendix 1, Figure 7). The areal extent used in the calculation of the low estimate of undiscovered prospective resources encompasses both the contingent area and the offset well, ABK-2 as outlined in magenta on the Upper Nara Time Structure map (see Appendix 1, Figure 7). The ABK-2 well was included within the low case area because although there were no tests run in the ABK-2 Well, there were reported gas shows while drilling. For the purposes of this evaluation, the areal extent of the best (outlined in blue) and high estimates (outlined in red in addition to blue) of undiscovered prospective resources was defined by the lowest closing contour on the Upper Nara Time Structure Map (see Appendix 1, Figure 7). The difference between best and high estimates is defined by faults interpreted at reservoir level.

The input parameters used for the calculation of unrisked undiscovered OGIP and prospective gas resources in the Middle and Lower Nara Formation are summarized in Table 2 below. Triangular distributions were assumed for all the input reservoir parameters.

Table 2
Summary Of Reservoir Parameters For Probabilistic Analysis,
Middle and Lower Nara Formation
As of May 1, 2010

Parameter	Minimum	Most Likely (Best)	Maximum
Net gas pay (ft)	42.7	269.0	450.0
Porosity (%)	3.5	4.5	7.0
Gas Saturation (%)	30	50	60
Bg (vol/vol)	270	270	270
Areal Extent (ac)	3,787	14,030	21,478
Gas Recovery Factor (%)	40	50	60

The following Table 3 summarizes the probabilistic unrisked estimation of unrisked undiscovered OGIP and unrisked prospective gas resources for the Middle and Lower Nara Formation. Gas volumes are expressed in billions of cubic feet.

Table 3
Unrisked Estimates of Undiscovered and Prospective Gas Resources in the Middle and Lower Nara Formation
As of May 1, 2010

	Unris	ked Undisco OGIP (Bcf)	vered	Unrisked Pros Gas R	spective R esource (I	
	Low	Best	High	Low	Best	High
Total Gas Volume (Bcf)	825.84	1,744.18	2,985.78	408.46	867.20	1498.71

6. GEOLOGICAL RISK ASSESSMENT

6.1 Introduction

The total geologic risk is an estimate of the chance that the gas (or oil) will be discovered in a given structure. The total geological risk associated with the above undiscovered prospective resource estimate is based on four principle geological risk factors.

- i. Trap
- ii. Timing and Migration

- iii. Reservoir
- iv. Source

The total geologic risk ranges from a minimum risk of 1.0 (100% chance of oil and/or gas discovery), to a maximum of 0.0 (0% chance of oil and/or gas discovery). In terms of the four principle risk factors, the higher the value, the lesser the risk. In a conventional reservoir, the total geological risk is defined as:

6.2 Trap Risk

Trap risk is defined as the probability that adequate vertical and lateral seals exist which could confine hydrocarbons within adjacent reservoir rock. For the middle and lower Nara reservoir, the trap risk is directly proportional to the confidence of the structure existing in seismic as well as evidence of four-way closures. The quality of the seismic is rather poor and thus the trap risk is relatively high. Despite the poor quality of seismic, it is fairly apparent that a trap exists in the Ali Ben Khalifa structure. However, evidence of four-way closure is more difficult to determine. A trap risk value of 0.7 was assigned.

6.3 Timing and Migration Risk

Timing and Migration risk is the probability that a source rock expelled oil or gas after the reservoir and trap were in place and that a flow path existed between source and reservoir. A timing and migration risk of 0.9 was assigned for the middle and lower Nara Formation in the Ali Ben Khalifa structure. The ABK-1A and CHL-1 well both tested gas within the Ali Ben Khalifa structure and thus, migration must have occurred after trap formation and there would be a flow path for the migration of hydrocarbons.

6.4 Reservoir Risk

Reservoir Risk is defined as the probability that a lithology exists with sufficient porosity, permeability and continuity to contain moveable hydrocarbons. A reservoir risk of 0.6 was assigned to the middle and lower Nara Formation in the Ali Ben Khalifa structure. While there is a better than equal probability of encountering the reservoir or not at a new location, because it is a reservoir based on limestone porosity in addition to the lack of well control over the entire structure, there is substantial uncertainty that quality reservoir rock would be encountered at a new location.

6.5 Source Risk

Source risk is defined as the probability that a lithology exists with sufficient quantity and quality of thermally mature organic matter to have expelled oil or gas which could feasibly have migrated to the reservoir. A source risk of 1.0 has been assigned to this play. In addition to the positive gas test in the ABK-1A and CHL-1 wells, there are numerous reservoirs, such as the Zebbag and Meloussi, which indicate that the presence of source rock is not in question. Also, source rocks have been identified within the basin.

6.6 Total Geological Risk

Total geologic risk = (trap risk) x (reservoir risk) x (source risk) x (timing and migration risk)

Thus, the total geological risk calculated is:

Total geological risk = $0.7 \times 0.6 \times 1.0 \times 0.9 = 0.38$ (i.e. 38% probability of discovery).

7. GENERAL

It should be noted that the oil and gas volumes presented in this report are estimates only and should not be construed as being exact quantities. This project must be considered as a high risk exploration play. There is no assurance that any of these resources will be discovered and if discovered they may not be economic to produce.

Estimates of unrisked discovered PIIP, unrisked contingent resources, unrisked undiscovered PIIP and unrisked prospective resources presented herein are based upon a review of the data provided by Candax (SacOil did not provide Ryder Scott with any new information for this report). We have not made

any field examination of the property, as it was deemed that an on-site visit would not provide any significant additional data pertinent to the evaluation of the resources. Our estimated gas volumes have been based on the three wells that have actually been drilled within the mapped structure, and there remains a high geological risk associated with these resource estimates. No consideration was given in this report to potential environmental liabilities which may exist, nor were any costs included for potential liability to restore and clean up damages, if any, caused by past operating practices. Candax and SacOil have informed us that they have provided us all of the geological and engineering data, reports and other data which was available for this investigation. The data received from Candax were accepted as represented without further investigation.

Neither we nor any of our employees have any interest in the subject property and neither the employment to make this study nor the compensation is contingent upon our estimates of resources for the subject property.

This report was prepared for the exclusive use and sole benefit of SacOil Holdings Limited and the Johannesburg Stock Exchange (JSE) and may not be put to other use without our prior written consent. The data, work papers, and maps used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be or further service.

Yours very truly,

RYDER SCOTT COMPANY-CANADA

Fred Dewis, P.Geol.

Vice President Geoscience

Howard C. Lam, P.Eng. Managing Senior Vice President

PERMIT TO PRACTICE
RYDER SCOTT_COMPANY

Signature

July 29, 2010

PERMIT NUMBER: P 6092

The Association of Professional Engineers, Geologists and Geophysicists of Alberta

(USD.AFE.SUM) CHAAL PERMIT

CERTIFICATE OF QUALIFICATION

- I, FREDERICK JOHN DEWIS, Professional Geologist, in the province of Alberta, Canada, HEREBY CERTIFY:
- 1. THAT I am a registered Professional Geologist in the province of Alberta and reside in the city of Calgary, Alberta.
- 2. THAT I graduated from Carleton University with Honors in Geology with a Bachelor of Science degree in 1969 and received a Master of Science degree in Geology from the University of Calgary in 1971.
- 3. THAT I have been employed in the petroleum industry for approximately 41 years since graduation. During the time of employment I have been directly involved in reservoir geology and petrophysical analysis.
- 4. THAT I am presently employed by Ryder Scott Company which prepared an evaluation effective May 10, 2010 for SacOil Holdings Limited.
- 5. THAT a personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information and records, and the files of SacOil Holdings Limited.

6. THAT I do not have, nor do I expect to receive, any direct or indirect interest in the securities of SacOil Holdings Limited or its affiliated companies.

Frederick J. Dewis, P.Geol

July 29, 2010

CERTIFICATE OF QUALIFICATION

- I, HOWARD C. LAM, Professional Engineer, in the province of Alberta, Canada, HEREBY CERTIFY:
- 1. THAT I am a registered Professional Engineer in the province of Alberta and reside in the city of Calgary, Alberta.
- 2. THAT I graduated with a Bachelor of Engineering degree and a Master of Applied Science degree in Chemical Engineering from McGill University and the University of British Columbia in 1972 and 1974, respectively.
- 3. THAT I have been employed in the petroleum industry for approximately 36 years since graduation. During the time of employment I have been directly involved in reservoir studies, pool development and property evaluation.
- 4. THAT I am presently employed by Ryder Scott Company which prepared an evaluation effective May 10, 2010 for SacOil Holdings Limited.
- 5. THAT a personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information and records, and the files of SacOil Holdings Limited.

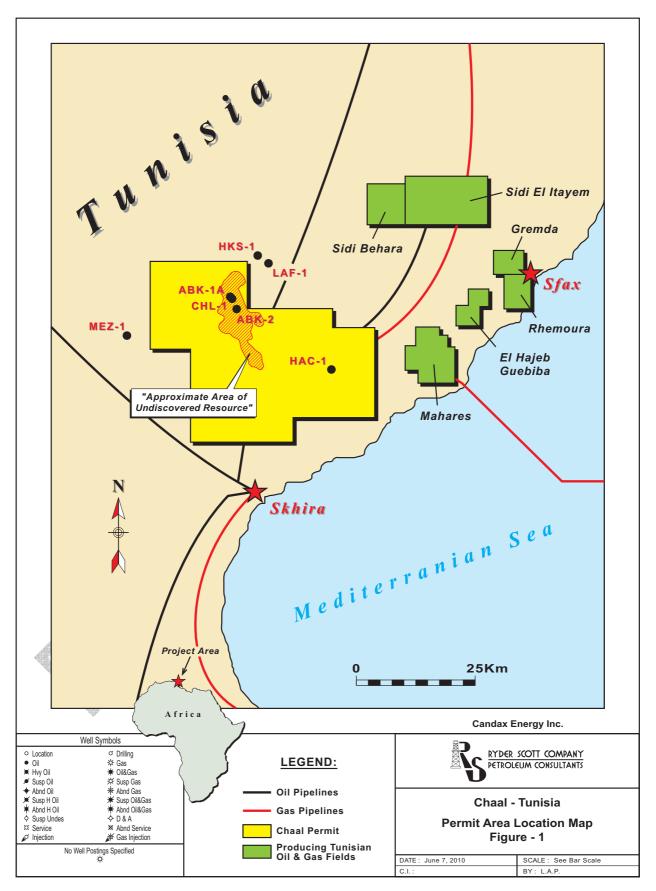
6. THAT I do not have, nor do I expect to receive, any direct or indirect interest in the securities of SacOil Holdings Limited or its affiliated companies.

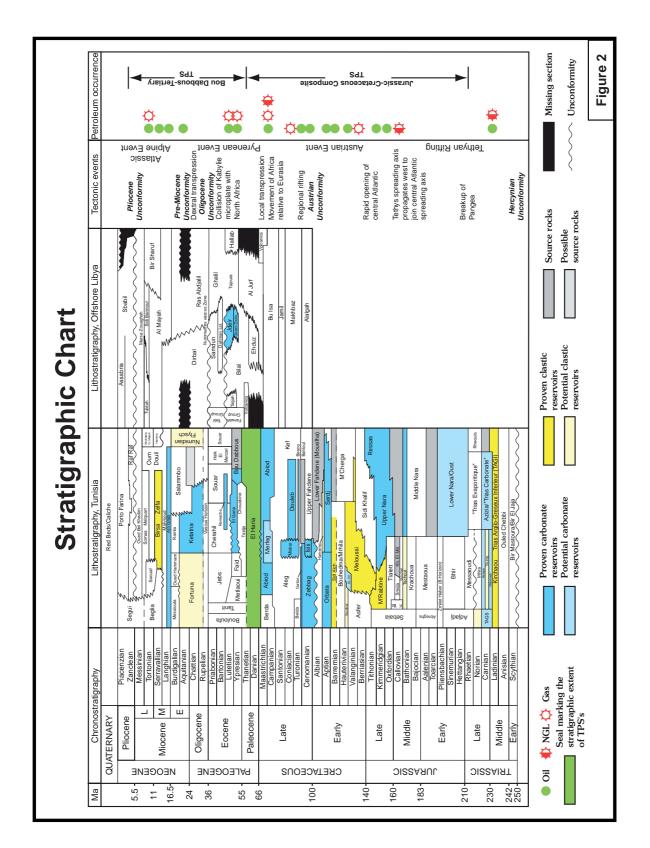
Howard C. Lam, P.Eng.

July 29, 2010

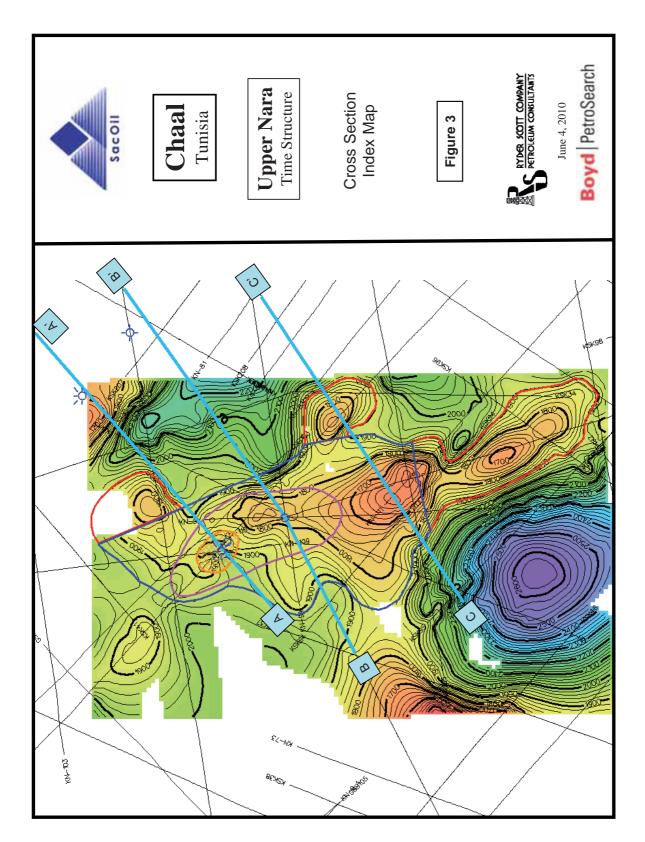
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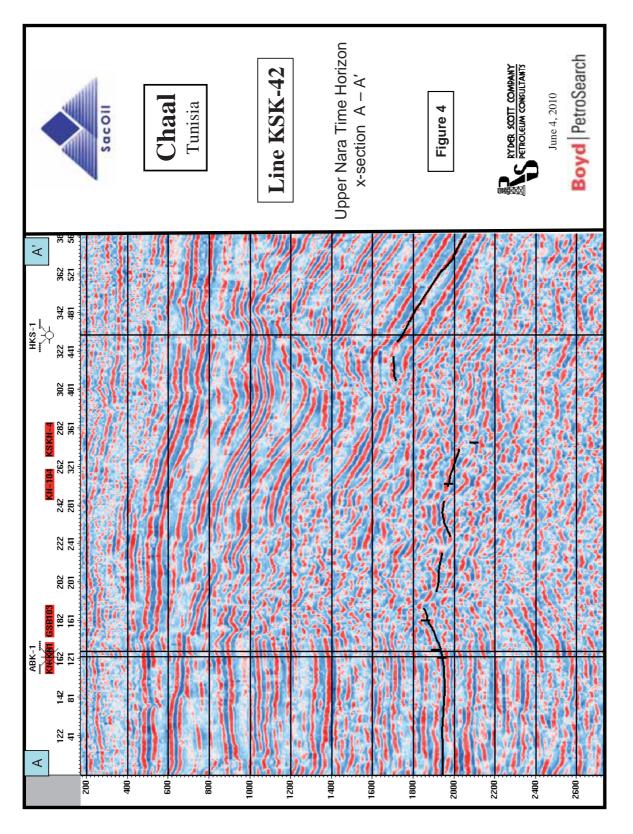


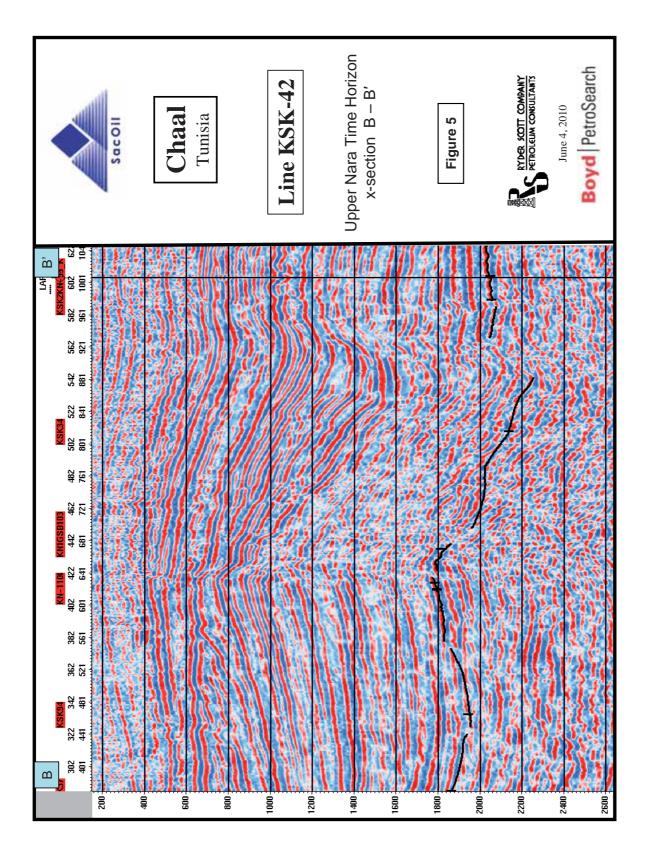












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 Table 1: Historic CAPEX Expenditures to March 31, 2010 Chaal Permit

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ECUMED USD (GROSS) AFE SUMMARY REPORT 2005 UP TO 03-31-10

AFE NUMBER	AFE DESCRIPTION	2005	2006	2007	2008	2009	2010 – Q1	TOTAL COST TO DATE UP TO 03-31-10
1500100	CHAAL PERMIT ADMINISTRATION	90,248.35	43,519.64			40.69		133,808.68
2500000	CHAAL MATERIAL INVENTORY		792,472.64	(373,777.01)	1,453,935.79	768,503.12	335.38	2,641,469.92
2500100	CHAAL GEOLOGY AND GEOPHYSICS 2005	19,138.02	107,583.18					126,721.20
2500101	CHAAL GEOLOGICAL STUDIES 2005		4,840.19					4,840.19
2500103	CHAAL-1 COMPLEMENTARY DATA ANALYSIS			293,922.54	142,621.44	16,186.77		452,730.75
2500200	CHAAL PREPLANNING DRILLING PROGRAM 2006	26,250.01						26,250.01
2500201	CHAAL # 1 WELL DRILLING	159,906.94	110,651.73	60,224.83	33,578.19	36,958.25	6,613.04	407,932.98
2500202	CHAAL-1 TESTING		8,637,334.34	4,268.76	(46,541.25)			8,595,061.85
2500203	CHAAL-1 SUSPENSION/ COMPLETION		5,782,365.74	1,645.14	178.95			5,784,189.83
2500204	CHAAL # 1 COILED TUBING RE-ENTRY		767,404.57	41,248.43				808,653.00
2500205	PREPARATION CHAAL 1 SIDETRACK		2,654,353.48		792,778.05	397,643.93	7,004.11	3,851,779.57
3500100	CHAAL SEISMIC SCANNING 2005	19,208.59	2,759.59					21,968.18
3500101	CHAAL SEISMIC INTERPRETATION 2005	50,440.77						50,440.77
200	CHAAL PERMIT	365,192.68	18,903,285.10	27,532.69	2,423,092.42	1,172,791.51	13,952.53	22,905,846.93

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SECTION 5 DEFINITIONS OF RESOURCES AND RESERVES

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5.1 Preface

5.1.1 Background

The Petroleum Society of CIM (Petroleum Society) Standing Committee on Reserves Definitions (Standing Committee) released revised *Definitions and Guidelines For Estimating and Classifying Oil and Gas Reserves* in January 2002. Later in 2002 these reserves definitions were adopted as the foundation for reserves estimation in the Canadian Oil and Gas Evaluation Handbook (COGEH).

The authors of COGEH and the Standing Committee each developed separate definitions of resources, incorporating terminology and concepts published in February 2000 by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), and the American Association of Petroleum Geologists (AAPG) (hereafter referred to as the 2000 SPE Resources Definitions). The COGEH version was published in COGEH in 2002, with the Standing Committee version being published in the second edition of the Petroleum Society's Monograph No. 1, Determination of Oil and Gas Reserves, in 2004.

The Standing Committee has now reviewed its definitions for both resources and reserves. Simultaneously, the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE) reviewed the 2000 SPE Resources Definitions and released revised definitions in April 2007 in its Petroleum Resources Management System (SPE-PRMS) document. This revision to COGEH has given due consideration to the SPE-PRMS and has resulted in notable changes to resources definitions, with only minor editorial changes to the previous reserves definitions and guidance.

There is now a broad alignment between the COGEH and SPE-PRMS definitions and guidelines, but some minor differences remain. Currently neither the sponsors of COGEH nor those of SPE-PRMS have fully endorsed all aspects of the other party's definitions, nor has such endorsement been requested.

5.1.2 Introduction

Petroleum is defined as a naturally occurring mixture consisting predominantly of hydrocarbons in the gaseous, liquid, or solid phase. The term "resources" encompasses all petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced. Accordingly, total resources is equivalent to total Petroleum Initially-In-Place (PIIP). It is recommended

that the term "total PIIP" be used rather than "total resources" in order to avoid any confusion that may result from the mixed historical usage of the term "resources" to mean the recoverable portion of PIIP or total PIIP.

The concept that a recovery or development *project* is required in order to recover resources from a petroleum accumulation is fundamental to the SPE-PRMS. One or more exploration, delineation, or development projects may be applied to an accumulation, and each project will provide additional technical data and/or recover an estimated portion of the PIIP. In the early stage of exploration or development, project definition will not be of the detail expected in later stages of maturity. For the purposes of government/regulatory resource management or for basin potential studies, projects will typically be defined with lesser precision. Regardless of the end use of estimates, a basic requirement for the assignment of recoverable resources in any category is that it must be possible to define a technically feasible recovery project.

Figure 5-1, taken from the SPE-PRMS, illustrates the main resources classification system. Additional operational subcategories may also be optionally used (see Section 5.3.4 a).

The vertical axis of Figure 5-1 represents the chance of commerciality. The key vertical categories relate to the quantities that are estimated to be remaining and recoverable; that is

- · reserves, which are discovered and commercially recoverable;
- contingent resources, which are discovered and potentially recoverable but sub-commercial;
- prospective resources, which are undiscovered and potentially recoverable.

The range of uncertainty indicated on the horizontal axis of Figure 5-1 reflects that remaining recoverable quantities can only be estimated, not measured. Three uncertainty categories, or scenarios, are identified for estimates of recoverable resources — low estimate, best estimate, and high estimate (abbreviations for contingent resources are 1C, 2C, and 3C, respectively) — with the corresponding reserves categories of proved (1P), proved + probable (2P), and proved + probable + possible (3P).

Formal definitions for each element of Figure 5-1 are provided in Section 5.2.

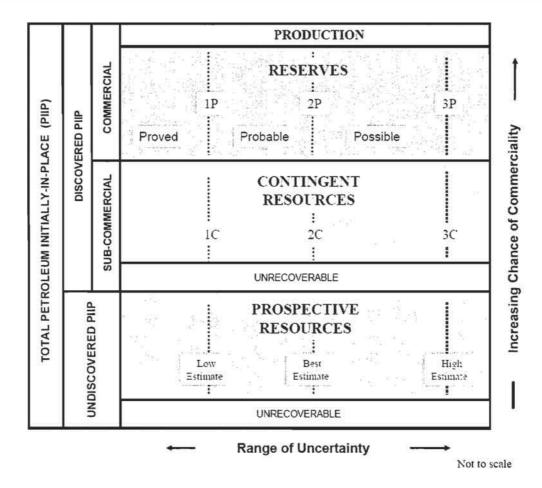


Figure 5-1 Resources classification framework (SPE-PRMS, Figure 1.1).

5.2 Definitions of Resources

The following definitions relate to the subdivisions in the resources classification framework of Figure 5-1 and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS, with direct excerpts shown in italics.

Total Petroleum Initially-In-Place (PIIP) is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

Discovered Petroleum Initially-In-Place (equivalent to discovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum

initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable.

Production is the cumulative quantity of petroleum that has been recovered at a given date.

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be subclassified based on development and production status. Refer to the full definitions of reserves in Section 5.4.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

Unrecoverable is that portion of Discovered or Undiscovered PIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources," the remainder as "unrecoverable."

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

Unrecoverable: see above.

Reserves, contingent resources, and prospective resources should not be combined without recognition of the significant differences in the criteria associated with their classification. However, in some instances (e.g., basin potential studies) it may be desirable to refer to certain subsets of the total PIIP. For such purposes the term "resources" should include clarifying adjectives "remaining" and "recoverable," as appropriate. For example, the sum of reserves, contingent resources, and prospective resources may be referred to as "remaining recoverable resources." However, contingent and prospective resources estimates involve additional risks, specifically the risk of not achieving commerciality and exploration risk, respectively, not applicable to reserves estimates. Therefore, when resources categories are combined, it is important that each component of the summation also be provided, and it should be made clear whether and how the components in the summation were adjusted for risk.

5.3 Classification of Resources

For petroleum quantities associated with simple conventional reservoirs, the divisions between the resources categories defined in Section 5.2 may be quite clear, and in such instances the basic definitions alone may suffice for differentiation between categories. For example, the drilling and testing of a well in a simple structural accumulation may be sufficient to allow classification of the entire estimated recoverable quantity as contingent resources or reserves. However, as the industry trends toward the exploitation of more complex and costly petroleum sources, the divisions between resources categories are less distinct, and accumulations may have several categories of resources simultaneously. For example, in extensive "basincenter" low-permeability gas plays, the division between all categories of remaining recoverable quantities, i.e., reserves, contingent resources, and prospective resources, may be highly interpretive. Consequently, additional guidance is necessary to promote consistency in classifying resources. The following provides some

clarification of the key criteria that delineate resources categories. Subsequent volumes of COGEH provide additional guidance.

5.3.1 Discovery Status

As shown in Figure 5-1, the total petroleum initially in place is first subdivided based on the discovery status of a petroleum accumulation. Discovered PIIP, production, reserves, and contingent resources are associated with known accumulations. Recognition as a known accumulation requires that the accumulation be penetrated by a well and have evidence of the existence of petroleum. COGEH Volume 2, Sections 5.3 and 5.4, provides additional clarification regarding drilling and testing requirements relating to recognition of known accumulations.

5.3.2 Commercial Status

Commercial status differentiates reserves from contingent resources. The following outlines the criteria that should be considered in determining commerciality:

- · economic viability of the related development project;
- a reasonable expectation that there will be a market for the expected sales quantities of production required to justify development;
- evidence that the necessary production and transportation facilities are available or can be made available;
- evidence that legal, contractual, environmental, governmental, and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated;
- a reasonable expectation that all required internal and external approvals will be forthcoming. Evidence of this may include items such as signed contracts, budget approvals, and approvals for expenditures, etc.;
- evidence to support a reasonable timetable for development. A reasonable
 time frame for the initiation of development depends on the specific
 circumstances and varies according to the scope of the project. While five
 years is recommended as a maximum time frame for classification of a
 project as commercial, a longer time frame could be applied where, for
 example, development of economic projects are deferred at the option of the
 producer for, among other things, market-related reasons or to meet
 contractual or strategic objectives.

COGEH Volume 2, Sections 5.5 to 5.8, provides addition details relating to the foregoing aspects of commerciality relating to classification as reserves versus contingent resources.

5.3.3 Commercial Risk

In order to assign recoverable resources of any category, a development plan consisting of one or more projects needs to be defined. In-place quantities for which a feasible project cannot be defined using established technology or technology under development are classified as unrecoverable. In this context "technology under development" refers to technology that has been developed and verified by testing as feasible for future commercial applications to the subject reservoir. In the early stage of exploration or development, project definition will not be of the detail expected in later stages of maturity. In most cases recovery efficiency will be largely based on analogous projects.

Estimates of recoverable quantities are stated in terms of the sales products derived from a development program, assuming commercial development. It must be recognized that reserves, contingent resources, and prospective resources involve different risks associated with achieving commerciality. The likelihood that a project will achieve commerciality is referred to as the "chance of commerciality." The chance of commerciality varies in different categories of recoverable resources as follows:

- Reserves: To be classified as reserves, estimated recoverable quantities must be associated with a project(s) that has demonstrated commercial viability.
 Under the fiscal conditions applied in the estimation of reserves, the chance of commerciality is effectively 100 percent.
- Contingent Resources: Not all technically feasible development plans will
 be commercial. The commercial viability of a development project is
 dependent on the forecast of fiscal conditions over the life of the project. For
 contingent resources the risk component relating to the likelihood that an
 accumulation will be commercially developed is referred to as the "chance of
 development." For contingent resources the chance of commerciality is equal
 to the chance of development.
- Prospective Resources: Not all exploration projects will result in discoveries. The chance that an exploration project will result in the discovery of petroleum is referred to as the "chance of discovery." Thus, for an undiscovered accumulation the chance of commerciality is the product of

two risk components — the chance of discovery and the chance of development.

5.3.4 Economic Status, Development, and Production Subcategories

a. Economic Status

By definition, reserves are commercially (and hence economically) recoverable. A portion of contingent resources may also be associated with projects that are economically viable but have not yet satisfied all requirements of commerciality. Accordingly, it may be a desirable option to subclassify contingent resources by economic status:

Economic Contingent Resources are those contingent resources that are currently economically recoverable.

Sub-Economic Contingent Resources are those contingent resources that are not currently economically recoverable.

Where evaluations are incomplete such that it is premature to identify the economic viability of a project, it is acceptable to note that project economic status is "undetermined" (i.e., "contingent resources – economic status undetermined").

In examining economic viability, the same fiscal conditions should be applied as in the estimation of reserves, i.e., specified economic conditions, which are generally accepted as being reasonable (refer to COGEH Volume 2, Section 5.8).

b. Development and Production Status

Resources may be further subclassified based on development and production status. For reserves, the terms "developed" and "undeveloped" are used to express the status of development of associated recovery projects, and "producing" and "non-producing" indicate whether or not reserves are actually on production (see Section 5.4.2).

Similarly, project maturity subcategories can be identified for contingent and prospective resources; the SPE-PRMS (Section 2.1.3.1) provides examples of subcategories that could be identified. For example, the SPE-PRMS identifies the highest project maturity subcategory as "development pending," defined as "a discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future."

5.3.5 Uncertainty Categories

Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project. Consequently, estimates of resources should generally be quoted as a range according to the level of confidence associated with the estimates. An understanding of statistical concepts and terminology is essential to understanding the confidence associated with resources definitions and categories. These concepts, which apply to all categories of resources, are outlined in Sections 5.5.1 to 5.5.3.

The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Resources should be provided as low, best, and high estimates as follows:

- Low Estimate: This is considered to be a conservative estimate of the
 quantity that will actually be recovered. It is likely that the actual remaining
 quantities recovered will exceed the low estimate. If probabilistic methods
 are used, there should be at least a 90 percent probability (P₉₀) that the
 quantities actually recovered will equal or exceed the low estimate.
- Best Estimate: This is considered to be the best estimate of the quantity that
 will actually be recovered. It is equally likely that the actual remaining
 quantities recovered will be greater or less than the best estimate. If
 probabilistic methods are used, there should be at least a 50 percent
 probability (P₅₀) that the quantities actually recovered will equal or exceed
 the best estimate.
- High Estimate: This is considered to be an optimistic estimate of the
 quantity that will actually be recovered. It is unlikely that the actual
 remaining quantities recovered will exceed the high estimate. If probabilistic
 methods are used, there should be at least a 10 percent probability (P₁₀) that
 the quantities actually recovered will equal or exceed the high estimate.

This approach to describing uncertainty may be applied to reserves, contingent resources, and prospective resources. There may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production. However, it is useful to consider and identify the range of potentially recoverable quantities independently of such risk.

5.4 Definitions of Reserves

The following reserves definitions and guidelines are designed to assist evaluators in making reserves estimates on a reasonably consistent basis, and assist users of evaluation reports in understanding what such reports contain and, if necessary, in judging whether evaluators have followed generally accepted standards.

The guidelines outline

- · general criteria for classifying reserves,
- · procedures and methods for estimating reserves,
- · confidence levels of individual entity and aggregate reserves estimates,
- · verification and testing of reserves estimates.

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable, and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgement combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions. These concepts are presented and discussed in greater detail within the guidelines in Section 5.5.

The following definitions apply to both estimates of individual reserves entities and the aggregate of reserves for multiple entities.

5.4.1 Reserves Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on

- analysis of drilling, geological, geophysical, and engineering data;
- the use of established technology;

 specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

a. Proved Reserves

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

b. Probable Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.

c. Possible Reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves.

Other criteria that must also be met for the classification of reserves are provided in Section 5.5.4.

5.4.2 Development and Production Status

Each of the reserves categories (proved, probable, and possible) may be divided into developed and undeveloped categories.

a. Developed Reserves

Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be

currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production but are shut in and the date of resumption of production is unknown.

b. Undeveloped Reserves

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities, and completion intervals in the pool and their respective development and production status.

5.4.3 Levels of Certainty for Reported Reserves

The qualitative certainty levels contained in the definitions in Section 5.4.1 are applicable to "individual reserves entities," which refers to the lowest level at which reserves calculations are performed, and to "reported reserves," which refers to the highest level sum of individual entity estimates for which reserves estimates are presented. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves,
- at least a 50 percent probability that the quantities actually recovered will
 equal or exceed the sum of the estimated proved + probable reserves,
- at least a 10 percent probability that the quantities actually recovered will
 equal or exceed the sum of the estimated proved + probable + possible
 reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3.

5.5 General Guidelines for Estimation of Reserves

The following is a summary of fundamental guidelines that should be followed by reserves evaluators. These general guidelines provide guidance that should aid in improving consistency in reserves reporting, but provide only a brief summary of the issues that may arise in applying the reserves definitions. It must be recognized that reserves definitions and associated guidelines cannot address all possible scenarios, nor can they remove the conditions of uncertainty that are inherent in all reserves estimates. It is the responsibility of the reserves evaluator to exercise sound professional judgement and apply these guidelines appropriately and objectively.

5.5.1 Uncertainty in Reserves Estimation

Reserves estimation has characteristics that are common to any measurement process that uses uncertain data. An understanding of statistical concepts and the associated terminology is essential to understanding the confidence associated with reserves definitions and categories.

Uncertainty in a reserves estimate arises from a combination of error and bias:

- Error is inherent in the data that are used to estimate reserves. Note that the
 term "error" refers to limitations in the input data, not to a mistake in
 interpretation or application of the data. The procedures and concepts dealing
 with error lie within the realm of statistics and are well established.
- Bias, which is a predisposition of the evaluator, has various sources that are not necessarily conscious or intentional.

In the absence of bias, different qualified evaluators using the same information at the same time should produce reserves estimates that will not be significantly different, particularly for the aggregate of a large number of estimates. The range within which these estimates should reasonably fall depends on the quantity and quality of the basic information and the extent of analysis of the data.

5.5.2 Deterministic and Probabilistic Methods

Reserves estimates may be prepared using either deterministic or probabilistic methods.

a. Deterministic Method

The deterministic approach, which is the one most commonly employed worldwide, involves the selection of a single value for each parameter in the reserves calculation. The discrete value for each parameter is selected based on the estimator's determination of the value that is most appropriate for the corresponding reserves category.

b. Probabilistic Method

Probabilistic analysis involves describing a range of possible values for each unknown parameter. This approach typically consists of employing computer software to perform repetitive calculations (e.g., Monte Carlo simulation) to generate the full range of possible outcomes and their associated probability of occurrence.

c. Comparison of Deterministic and Probabilistic Estimates

Deterministic and probabilistic methods are not distinct and separate. A deterministic estimate is a single value within a range of outcomes that could be derived by a probabilistic analysis. There should be no significant difference between reported reserves estimates prepared using deterministic and probabilistic methods.

d. Application of Guidelines to the Probabilistic Method

The following guidelines include criteria that provide specific limits to parameters for proved reserves estimates. For example, volumetric estimates are restricted by the lowest known hydrocarbon (LKH). Inclusion of such specific limits may conflict with standard probabilistic procedures, which require that input parameters honour the range of potential values.

Nonetheless, it is required that the guidelines be met regardless of analysis method. Accordingly, when probabilistic methods are used, constraints on input parameters may be required in certain instances. Alternatively, a deterministic check may be made in such instances to ensure that aggregate estimates prepared using probabilistic

methods do not exceed those prepared using a deterministic approach including all appropriate constraints.

5.5.3 Aggregation of Reserves Estimates

Reported reserves typically comprise the aggregate of estimates prepared for a number of individual wells, reservoirs, and/or properties/fields.

When deterministic methods are used, reported reserves will be the simple arithmetic sum of all estimates within each reserves category. Evaluators and users of reserves information must understand the effect of summation on the confidence level of estimates. The confidence level associated with the arithmetic sum for a number of individual estimates may be different from that of each of the individual estimates. Arithmetic summation of independent high-probability estimates will result in a total with a higher confidence level; arithmetic summation of low-probability estimates will yield a total with a lower confidence level.

Because the definitions and guidelines require a conservative approach in the estimation of proved reserves, the minimum probability target for proved reported reserves will be satisfied with a deterministic approach as long as there are enough independent entity estimates in the aggregate. Where a very small number of entities dominate in the reported reserves, a specific effort to meet the probability criteria may be required in preparing deterministic estimates of proved reserves. Since proved + probable reserves prepared by deterministic methods will approximate mean values, the probability associated with the estimates will essentially be unaffected by aggregation.

When probabilistic techniques are used in reserves estimation, statistically based mathematical aggregation is performed within the probabilistic model. It is critical that such models appropriately include all dependencies between variables and components within the aggregation. Where dependencies and specific criteria contained in the guidelines have been treated appropriately, reserves for the various categories would be defined by the minimum probability requirements contained in Section 5.4.3, subject to the following considerations.

Reported reserves for a company will typically not be the aggregate results from a single probabilistic model, since reserves estimates are used for a variety of purposes, including planning, reserves reconciliation, accounting, securities disclosure, and asset transactions. These uses will generally necessitate tabulations of reserves estimates at lower aggregation levels than the total reported reserves. For these reasons and due to the lack of general acceptance of probabilistic aggregation up to

the company level, reserves should not be aggregated probabilistically beyond the field (or property) level.

Statistical aggregation of a tabulation of values, which does not result in a straightforward arithmetic addition, is not accepted for most reporting purposes. Consequently, discrete estimates for each reserves category resulting from separate probabilistic analyses, which may, as appropriate, include aggregation up to the field or property level, should be summed arithmetically. As a result, reported reserves will meet the probability requirements in Section 5.4.3 regardless of dependencies between separate probabilistic analyses and may be summed with deterministic estimates within each reserves category.

It is recognized that the foregoing approach imposes an additional measure of conservatism when proved reserves are derived from a number of mathematically independent probabilistic analyses, because the sum of independent 90 percent confidence level estimates has an associated confidence level of greater than 90 percent. Nonetheless, this is considered to be an acceptable consequence given the need for a discrete accounting of component proved reserves estimates.

Conversely, this approach will cause the sum of proved + probable + possible reserves derived from a number of probabilistic analyses to fail to meet the 10 percent minimum confidence level requirement. Given the limited application for proved + probable + possible reported reserves, this is also considered to be an acceptable consequence.

5.5.4 General Requirements for Classification of Reserves

The following general conditions must be satisfied in the estimation and classification of reserves. More detailed guidance can be found in Chapter 5 of COGEH Volume 2.

a. Ownership Considerations

Assigning reserves to a company requires the company to own the subsurface mineral rights or have the contractual right to exploit and produce. This may be ascertained by reviewing land records and verified in financial records.

Internationally, in Production Sharing Contracts, the company will not usually own the mineral rights, but reserves may be assigned if the company has the right to extract the oil or gas. Further qualifications are

· the right to take volumes in kind,

- exposure to market and technical risk,
- the opportunity for reward through participation in producing activities.

Reserves would not be booked for companies participating in projects where their rights are limited to purchasing volumes or service agreements that do not contain aspects of technical and price risk and reward. Pure service contracts are an example of this type.

Company gross reserves are the working interest share of reserves prior to deduction of payments to others such as royalties (burdens).

Company royalty interest reserves are the net reserves received as a result of a royalty or carried interest.

Company interest reserves are the sum of company gross plus company royalty interest reserves. To avoid double accounting of reserves reported by a company, company royalty interest reserves must include only royalty volumes derived from non-related working interest owners.

Company net reserves are the working interest reserves after payment of burdens. Received royalty interests and carried interests are included in net reserves. Internationally, net reserves are after payments to governments. Depending on the PSC, they may be before or after payment of income tax.

b. Drilling Requirements

Proved, probable, or possible reserves may be assigned only to known accumulations that have been penetrated by a wellbore. Potential hydrocarbon accumulations that have not been penetrated by a wellbore may be assigned to prospective resources.

c. Testing Requirements

Confirmation of commercial productivity of an accumulation by production or a formation test is required for classification of reserves as proved. In the absence of production or formation testing, probable and/or possible reserves may be assigned to an accumulation on the basis of well logs and/or core analysis that indicates that the zone is hydrocarbon bearing and is analogous to other reservoirs in the immediate area that have demonstrated commercial productivity by actual production or formation testing.

d. Regulatory Considerations

In general, proved, probable, or possible reserves may be assigned only in instances where production or development of those reserves is not prohibited by governmental regulation. This provision could, for instance, preclude the assignment of reserves in designated environmentally sensitive areas. Reserves may be assigned in instances where regulatory restraints may be removed subject to satisfaction of minor conditions. In such cases the classification of reserves as proved, probable, or possible should be made with consideration given to the risk associated with project approval.

e. Infrastructure and Market Considerations

In order to assign reserves there should be an identifiable transportation infrastructure and a market to sell the oil or gas. The market requirement could vary from highly transparent spot markets such as exist in North America or the UK to long-term contracts in more remote areas of the world. If there is no existing market, the evaluator has to assess the level of confidence that one will be available within a reasonable time frame.

If there is no infrastructure in place, or the company has no ownership in nearby infrastructure, the evaluator has to assess the level of confidence that access to suitable infrastructure will be available within a reasonable time frame.

f. Timing of Production and Development

Non-producing reserves should be planned to be developed within a reasonable time frame. For projects requiring minor capital expenditures, two years is a recommended guideline unless the non-producing reserves are awaiting depletion of another producing zone or production levels are constrained by facility or market limitations. For larger capital expenditures, three years is a recommended guideline for assigning proved reserves and five years for assigning probable reserves. Exceptions to these guidelines are possible but should be clearly documented.

For producing reserves, extrapolating reserves over very long periods should take into account the uncertainties in forecasting volumes, fiscal terms, market factors, and infrastructure. It is recommended that reserves be limited to less than a 50-year forecast period unless there are clear reasons to extend beyond this.

g. Economic Requirements

Proved, probable, or possible reserves may be assigned only to those volumes that are economically recoverable. The fiscal conditions under which reserves estimates are prepared should generally be those considered to be a reasonable outlook on the future. Securities regulators or other agencies may require that constant or other prices and costs be used in the estimation of reserves and value. In such instances the estimated reserves quantities must be recoverable under those conditions and should also be recoverable under fiscal conditions considered to be a reasonable outlook on the future. In any event, the fiscal assumptions used in the preparation of reserves estimates must be disclosed.

Undeveloped recoverable volumes must have a sufficient return on investment to justify the associated capital expenditure in order to be classified as reserves as opposed to contingent resources.

5.5.5 Procedures for Estimation and Classification of Reserves

The process of reserves estimation falls into three broad categories: volumetric, material balance, and decline analysis. Selection of the most appropriate reserves estimation procedures depends on the information that is available. Generally, the range of uncertainty associated with an estimate decreases and confidence level increases as more information becomes available and when the estimate is supported by more than one estimation method. Regardless of the estimation method(s) employed, the resulting reserves estimate should meet the certainty criteria in Section 5.4.

a. Volumetric Methods

Volumetric methods involve the calculation of reservoir rock volume, the hydrocarbons in place in that rock volume, and the estimation of the portion of the hydrocarbons in place that ultimately will be recovered. For various reservoir types at varied stages of development and depletion, the key unknown in volumetric reserves determinations may be rock volume, effective porosity, fluid saturation, or recovery factor. Important considerations affecting a volumetric reserves estimate are outlined below:

Rock Volume: Rock volume may simply be determined as the product of a
single well drainage area and wellbore net pay or by more complex
geological mapping. Estimates must take into account geological
characteristics, reservoir fluid properties, and the drainage area that could be
expected for the well or wells. Consideration must be given to any limitations

indicated by geological and geophysical data or interpretations, as well as pressure depletion or boundary conditions exhibited by test data.

- Elevation of Fluid Contacts: In the absence of data that clearly define fluid contacts, the structural interval for volumetric calculations of proved reserves should be restricted by the lowest known structural elevation of occurrence of hydrocarbons (LKH) as defined by well logs, core analyses, or formation testing.
- Effective Porosity, Fluid Saturation, and Other Reservoir Parameters:
 These are determined from logs and core and well test data.
- Recovery Factor: Recovery factor is based on analysis of production behaviour from the subject reservoir, by analogy with other producing reservoirs, and/or by engineering analysis. In estimating recovery factors the evaluator must consider factors that influence recoveries, such as rock and fluid properties, PIIP, drilling density, future changes in operating conditions, depletion mechanisms, and economic factors.

b. Material Balance Methods

Material balance methods of reserves estimation involve the analysis of pressure behaviour as reservoir fluids are withdrawn, and they generally result in more reliable reserves estimates than volumetric estimates. Reserves may be based on material balance calculations when sufficient production and pressure data are available. Confident application of material balance methods requires knowledge of rock and fluid properties, aquifer characteristics, and accurate average reservoir pressures. In complex situations, such as those involving water influx, multi-phase behaviour, multi-layered or low-permeability reservoirs, material balance estimates alone may provide erroneous results.

Computer reservoir modelling can be considered a sophisticated form of material balance analysis. While modelling can be a reliable predictor of reservoir behaviour, the input rock properties, reservoir geometry, and fluid properties are critical. Evaluators must be aware of the limitations of predictive models when using these results for reserves estimation.

The portion of reserves estimated as proved, probable, or possible should reflect the quantity and quality of the available data and the confidence in the associated estimate.

c. Production Decline Methods

Production decline analysis methods of reserves estimation involve the analysis of production behaviour as reservoir fluids are withdrawn. Confident application of decline analysis methods requires a sufficient period of stable operating conditions after the wells in a reservoir have established drainage areas. In estimating reserves, evaluators must take into consideration factors affecting production decline behaviour, such as reservoir rock and fluid properties, transient versus stabilized flow, changes in operating conditions (both past and future), and depletion mechanism.

Reserves may be assigned based on decline analysis when sufficient production data are available. The decline relationship used in projecting production should be supported by all available data.

The portion of reserves estimated as proved, probable, or possible should reflect the confidence in the associated estimate.

d. Future Drilling and Planned Enhanced Recovery Projects

The foregoing reserves estimation methodologies are applicable to recoveries from existing wells and enhanced recovery projects that have been demonstrated to be economically and technically successful in the subject reservoir by actual performance or a successful pilot. The following criteria should be considered when estimating incremental reserves associated with development drilling or implementation of enhanced recovery projects. In all instances the probability of recovery of the associated reserves must meet the criteria for commerciality (Section 5.3.2), the general requirements (Section 5.5.4), and certainty criteria contained in Section 5.4.

If interpretations are such that no proved or probable reserves are assigned to a development project involving significant future capital expenditures, then the potentially recoverable quantities should be classified as contingent resources rather than stand-alone possible reserves.

i. Additional Reserves Related to Future Drilling

Additional reserves associated with future commercial drilling projects in known accumulations may be assigned where economics support, and regulations do not prohibit, the drilling of the location.

Aside from the criteria stipulated in Section 5.4, factors to be considered in classifying reserves estimates associated with future drilling as proved, probable, or possible include

- whether the proposed location directly offsets existing wells or acreage with proved or probable reserves assigned,
- the expected degree of geological continuity within the reservoir unit containing the reserves,
- the likelihood that the location will be drilled.

In addition, where infill wells will be drilled and placed on production, the evaluator must quantify well interference effects, that portion of recovery that represents accelerated production of developed reserves, and that portion that represents incremental recovery beyond those reserves recognized for the existing reservoir development.

ii. Reserves Related to Planned Enhanced Recovery Projects

Reserves that can be economically recovered through the future application of an established enhanced recovery method may be classified as follows.

Proved reserves may be assigned to planned enhanced recovery projects when the following criteria are met:

- Repeated commercial success of the enhanced recovery process has been demonstrated in reservoirs in the area with analogous rock and fluid properties.
- The project is highly likely to be carried out in the near future. This may be demonstrated by factors such as the commitment of project funding.
- Where required, either regulatory approvals have been obtained or no regulatory impediments are expected, as clearly demonstrated by the approval of analogous projects.

Probable reserves may be assigned when a planned enhanced recovery project does not meet the requirements for classification as proved; however, the following criteria are met:

The project can be shown to be practically and technically reasonable.

- Commercial success of the enhanced recovery process has been demonstrated in reservoirs with analogous rock and fluid properties.
- · It is reasonably certain that the project will be implemented.

Additional possible reserves may be assigned in a planned enhanced recovery project considering factors such as greater effective hydrocarbons in place or greater recovery efficiencies than those estimated in the proved + probable reserves scenario. As previously noted, stand-alone possible reserves should not be assigned to a potential future enhanced recovery project where conditions are such that no proved or probable reserves could be assigned. In such cases the potentially recoverable quantities would be classified as contingent resources, with a corresponding low, best, and high estimate.

5.5.6 Validation of Reserves Estimates

A practical method of validating that reserves estimates meet the definitions and guidelines is through periodic reserves reconciliation of both entity and aggregate estimates. The tests described below should be applied to the same entities or groups of entities over time, excluding revisions due to differing economic assumptions:

- Revisions to proved reserves estimates should generally be positive as new information becomes available.
- Revisions to proved + probable reserves estimates should generally be neutral as new information becomes available.
- Revisions to proved + probable + possible reserves estimates should generally be negative as new information becomes available.

These tests can be used to monitor whether procedures and practices employed are achieving results consistent with certainty criteria contained in Section 5.4. In the event that the above tests are not satisfied on a consistent basis, appropriate adjustments should be made to evaluation procedures and practices.



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

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that a general meeting of the Shareholders of the Company will be held in the boardroom, 119 Rosen Office Park, 37 Invicta Road, Midrand, Gauteng, on Monday, 20 September 2010 at 10:00 for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolution set out below in the manner required by the Companies Act, 1973 (Act 61 of 1973), as amended:

ORDINARY RESOLUTION NUMBER 1

"RESOLVED THAT the Sale of Shares Agreement, the Shareholder Undertaking, the Amended and Restated DIG Loan Agreement, the Second Divine Cession and Pledge in Security, the Second SacOil – SacOil (Proprietary) Limited Loan Agreement, the Block 1 Agreement of Assignment, the Cession Agreement and the Cancellation Agreement as detailed in the circular attached to this notice, copies of which agreements are available for inspection and have been initialled by the chairman for purposes of identification, be and are hereby approved, ratified and adopted."

Related party transaction

Encha Group Limited, which is a related party in terms of the Listings Requirements of the JSE Limited ("JSE"), and its associates will be taken into account in determining a quorum at the general meeting, but their votes will not be taken into account in determining the results of the voting in relation to ordinary resolution number 1.

ORDINARY RESOLUTION NUMBER 2

"RESOLVED THAT, by way of a specific authority in terms of section 221 of the Companies Act of South Africa, in accordance with section 5.51 of the Listings Requirements of the JSE Limited and subject to the passing of ordinary resolution number 1 in the notice to which this resolution is attached, the directors of SacOil shall have the power to allot and issue 209 456 000 new SacOil ordinary shares at an issue price of 210 cents per SacOil ordinary share to Columbia Falls Properties 114 (Proprietary) Limited, Encha Group Limited and the Kulsum Moosa Family Trust as a result of the conclusion of the Sale of Shares Agreement as follows:

Encha Group Limited 201 884 800 ordinary shares; Kulsum Moosa Family Trust 2 704 000 ordinary shares; and Columbia Falls 114 Properties (Proprietary) Limited 4 867 200 ordinary shares."

Related party transaction

Encha Group Limited, which is a related party in terms of the Listings Requirements of the JSE, and its associates will be taken into account in determining a quorum at the general meeting, but their votes will not be taken into account in determining the results of the voting in relation to ordinary resolution number 2.

ORDINARY RESOLUTION NUMBER 3

"RESOLVED THAT the Farmout Agreement and the Farmout Agreement Amendment as detailed in the circular attached to this notice, copies of which Agreements are available for inspection and which have been initialed by the chairman for purposes of identification, be and are hereby approved, ratified and adopted."

ORDINARY RESOLUTION NUMBER 4

"RESOLVED THAT the directors of SacOil be and are hereby authorised, by way of a specific authority, in terms of section 221 of the Companies Act of South Africa and in accordance with section 5.51 of the Listings Requirements of the JSE Limited, to issue a maximum of 46 000 000 ordinary shares to Metropolitan Asset Managers Limited at an issue price of 50 cents per ordinary share constituting a 5 per cent premium to the volume weighted average traded price of SacOil ordinary shares measured over the 30 business days prior to 16 July 2010, being the date that the Irrevocable Undertaking was signed by Metropolitan Asset Managers Limited. The purpose of this issue is to fund transaction costs and future exploration costs."

It must be noted that ordinary resolution number 4 is to be approved by not less than a 75 per cent majority of the votes cast by Shareholders present or represented by proxy at the general meeting for this resolution to become effective.

Related party transaction

Metropolitan Asset Managers Limited, which is a related party in terms of the Listings Requirements of the JSE Limited ("JSE"), and its associates will be taken into account in determining a quorum at the general meeting, but their votes will not be taken into account in determining the results of the voting in relation to ordinary resolution number 4.

ORDINARY RESOLUTION NUMBER 5

"RESOLVED THAT the specific issue of 8 343 216 ordinary shares to GVM Metals Administration (South Africa) (Proprietary) Limited ("GVM") at an issue price of 30 cents per ordinary share constituting a 11 per cent premium to the volume weighted average traded price of SacOil ordinary shares measured over the 30 business days prior to 2 July 2010, being the date that the settlement agreement was signed between SacOil and GVM be and is hereby ratified. The purpose of this issue is to settle a liability amounting to R2 502 964 owing by SacOil to GVM."

It must be noted that ordinary resolution number 5 is to be ratified by not less than a 75 per cent majority of the votes cast by Shareholders present or represented by proxy at the general meeting for this resolution to become effective.

Related party transaction

GVM Metals Administration (South Africa) (Proprietary) Limited, which is a related party in terms of the Listings Requirements of the JSE Limited ("JSE"), and its associates will be taken into account in determining a quorum at the general meeting, but their votes will not be taken into account in determining the results of the voting in relation to ordinary resolution number 5.

ORDINARY RESOLUTION NUMBER 6

"RESOLVED THAT the corporate finance advisory mandates dated 22 February 2008 and 17 May 2010 entered into between SacOil and Lonsa (Proprietary) Limited ("Lonsa"), details of which are set out in paragraph 4 of this circular, and a copy of which mandate is available for inspection and have been initialled by the chairman for purposes of identification, be and are hereby approved and adopted."

Related party transaction

Lonsa, which is a related party in terms of the Listings Requirements of the JSE, and its associates will be taken into account in determining a quorum at the general meeting, but their votes will not be taken into account in determining the results of the voting in relation to this resolution.

ORDINARY RESOLUTION NUMBER 7

"RESOLVED THAT the SA Mineral Resources Corporation Limited Share Option Scheme be amended by replacing it in its entirety with the SacOil Holdings Share Option Scheme contained in Annexure 10 of the circular."

In terms of the Listings Requirements of the JSE, the approval of this resolution requires a 75 per cent majority of the votes cast by shareholders, present or represented by proxy, and voting, at the general meeting at which this resolution is considered.

ORDINARY RESOLUTION NUMBER 8

"RESOLVED THAT any director or the company secretary of SacOil be and is hereby authorised to do all such things and sign all documents including Company forms and take all such actions as they consider necessary to give effect to and implement Ordinary Resolutions Numbers 1, 2, 3, 4, 5, 6 and 7 which are proposed and passed at the general meeting at which this Ordinary Resolution Number 8 is proposed."

Voting and proxies

On a show of hands every Shareholder present in person or by proxy and if a member is a body corporate, its representative, shall have one vote and on a poll every Shareholder present in person or by proxy and if the person is a body corporate, its representative, shall have one vote for every ordinary share held or represented by him/her.

Each Shareholder is entitled to appoint one or more proxies (who need not be a Shareholder of the Company) to attend, speak and on a poll, to vote in his/her stead.

A form of proxy (yellow) is attached for completion by registered certificated Shareholders and dematerialised Shareholders with "Own Name Registration" who are unable to attend the general meeting in person, but wish to be represented thereat. Forms of proxy must be completed and received by the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Thursday, 16 September 2010. Registered certificated Shareholders and dematerialised Shareholders with "Own Name Registration" who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the general meeting to the exclusion of their appointed proxy/(ies) should such member wish to do so. Dematerialised Shareholders, other than with "Own Name" registrations, must inform their CSDP or broker of their intention to attend the general meeting and obtain the necessary Letter of Representation from their CSDP or broker to attend the general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the general meeting in person, but wish to be represented thereat. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or broker concerned.

By order of the Board

M Gouws

Company Secretary

4 September 2010

Registered office

119 Rosen Office Park 37 Invicta Road Midrand, 1685 (PO Box 8439 Halfway House, 1685)

Transfer secretaries

Link Market Services South Africa (Proprietary) Limited 16th Floor 11 Diagonal Street Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000)



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

FORM OF PROXY To be completed by registered certificated Shareholders and dematerialised Shareholders with "Own Name Registration" only For use in respect of the general meeting to be held on Monday, 20 September 2010 at 10:00 in the boardroom, 119 Rosen Office Park, 37 Invicta Road, Midrand, Gauteng. Shareholders who have dematerialised their ordinary shares with a CSDP or broker, other than with "own name" registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the general meeting or the Shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or broker concerned. I/We (Full names in BLOCK LETTERS) of (address) Telephone (work) (Telephone (home) (Cellphone number being the holder(s) of ordinary shares in the Company, appoint (see note 1): or failing him/her or failing him/her, 3. the chairman of the general meeting. as my/our proxy to act on my/our behalf at the general meeting which is to be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at any adjournment thereof and to vote for or against the ordinary resolutions or to abstain from voting in respect of the SacOil ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2): Number of votes (one vote per SacOil ordinary share) For Against Abstain Ordinary resolution number 1 Approval of the Sale of Shares Agreement, the Shareholder Undertaking, the Amended and Restated DIG Loan Agreement, the Second Divine Cession and Pledge in Security, the Second SacOil (Proprietary) Limited Loan Agreement, the Block 1 Agreement of Assignment, the Cession Agreement and the Cancellation Agreement as detailed in the circular attached to this notice. Ordinary resolution number 2 Specific issue of shares to: Encha Group Limited; Kulsum Moosa Family Trust; and Columbia Falls 114 Properties (Proprietary) Limited Ordinary resolution number 3 Approval of the Acquisition of the 55 per cent Participating Interest in the Chaal Gas Exploration Permit Area Ordinary resolution number 4 Specific issue of shares to Metropolitan Asset Managers Limited Ratification of the Specific Issue of Shares to GVM Metals Administration (South Africa) (Proprietary) Limited Approval of the corporate finance advisory mandates entered into with Lonsa (Proprietary) Limited Ordinary resolution 7 Approval of the SacOil Holdings Limited Share Option Scheme

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.)

ng any one of the directors or the company secretary of SacOil to give effect to and implement

Each Shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak, and on a poll, vote in place of that Shareholder at the general meeting.

shareholder at the general meeting.		
Signed at	on	2010
Signature(s)		

Please read the notes on the reverse side hereof.

Ordinary Resolutions Numbers 1, 2,3, 4, 5, 6 and 7

Ordinary resolution number 8

Capacity

Notes:

- 1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space(s) provided, with or without deleting "the chairman of the general meeting". The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
- 2. A member should insert an "X" in the relevant space according to how they wish their votes to be cast. However, if a member wishes to cast a vote in respect of a lesser number of SacOil ordinary shares than they own in the Company, they should insert the number of SacOil ordinary shares held in respect of which they wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the member's votes exercisable at the general meeting. A member is not obliged to use all the votes exercisable by the member, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the member.
- 3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to so do.
- 4. The chairman of the general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
- 5. Shareholders who have dematerialised their ordinary shares with a CSDP or broker, other than with "own name" registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the general meeting or the Shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or broker concerned.
- 6. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/ies.
- 7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a Company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the Company or waived by the chairman of the general meeting.
- 8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been recorded by the Company.
- 9. Where there are joint holders of ordinary shares:
 - (a) any one holder may sign the form of proxy; and
 - (b) the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the Company's register of members, will be accepted.
- 10. Forms of proxy should be lodged at or posted to the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) so as to be received by no later than 10:00 on Thursday, 16 September 2010.



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Share code: SCL ISIN: ZAE000127460
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REVISED LISTING PARTICULARS

(The "Corporate information" on page 1 of the Circular and the definitions commencing on page 9 of the Circular apply, *mutatis mutandis*, to these Revised Listings Particulars.)

These Revised Listing Particulars have been prepared on the assumption that the ordinary resolutions proposed in the notice of General Meeting and all of the conditions precedent set out in this Circular, of which these Revised Listing Particulars form part, have been passed and/or fulfilled and that the Transactions, as detailed and defined in this circular, have been implemented.

At the date of these Revised Listing Particulars, the authorised ordinary share capital of SacOil will comprise 10 000 000 Ordinary Shares of no par value and the issued ordinary share capital will comprise 577 090 828 Ordinary Shares of no par value.

References to "the date of these Revised Listing Particulars" are accordingly to be construed as at the Last Practicable Date, unless the context states otherwise.

These Revised Listing Particulars do not constitute an invitation to the public to subscribe for Ordinary Shares, but are issued in compliance with the Listings Requirements for the purpose of providing information to the public with regard to the implications of the Transactions on SacOil and its Shareholders.

The Directors, whose names appear in the "Corporate Information" section of the Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would render any statement in these Revised Listing Particulars false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that these Revised Listing Particulars contains all information required by law and the Listings Requirements.

The Sponsor, independent reporting accountants, legal adviser, independent expert, independent technical experts and Transfer Secretaries have consented in writing to act in the capacity stated and to their name being stated in these Revised Listing Particulars and, in the case of the independent reporting accountants and independant experts, reference to their reports in the form and context in which they appear and have not withdrawn their consents prior to the publication of these Revised Listing Particulars.

Johannesburg 4 September 2010

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REVISED LISTING PARTICULARS

1. INTRODUCTION

The Revised Listing Particulars have been issued for the purpose of providing information to the public, Shareholders and investors with regard to SacOil, after the Transactions.

Shareholders are referred to the Circular with which these Revised Listing Particulars are issued containing the rationale for the Transactions and the details thereof.

2. NATURE OF BUSINESS OF SACOIL

2.1 Incorporation

SacOil was listed on 19 October 1994 on the venture capital sector of the JSE under the name SA Mineral Resources Corporation Limited. It was incorporated in 1993 for the purpose of establishing a manganese sulphate manufacturing and marketing business.

On 31 December 2007 the Company was restructured and recapitalised. Encha Capital acquired a controlling interest in the Company.

Encha is an investment holding Company with exploration, industrial and property interests. Encha is wholly owned and controlled by black Persons and is compliant with the provisions of the Broadbased Black Economic Empowerment Act, 2003 and other relevant legislation. Encha, together with Investec Limited, have formed a special purpose vehicle, Encha Capital, that holds a controlling shareholding in SacOil.

In terms of a circular to Shareholders dated 24 October 2008, the Initial SacOil Transaction was ratified subject to the issuance of Presidential Ordinances approving the Block 1 Production Sharing Agreement and/or the Block 3 Production Sharing Agreement by 31 May 2010, a new share Share Option Scheme was approved, and the name SA Mineral Resources Corporation Limited was changed to SacOil Holdings Limited to better reflect the Company's new corporate identity.

2.2 Nature of business

Set out below is a summary of the Company's main business operations:

2.2.1 Manganese

The Company manufactures manganese sulphate powder, manganese sulphate solution and manganese oxide at its plant in Mpumalanga, better known as the Greenhills plant. Its main source of income is from the sale of manganese sulphate monohydrate and manganese oxide.

2.2.2 Oil

The Restructure is intended to continue to pursue SacOil's strategy of being a pan-African controlled and managed, oil and gas focused company with world class exploration and, in time, oil and gas producing and near producing assets in Africa.

The Block 3 Rights are located in the Albertine Graben area of the DRC, which is part of the Rift Valley and is situated in the area of Lake Albert, which is on the boundary between the DRC and Uganda. The Albertine Graben area is a proven petroleum region. Bituminous shales are known to be present in the Albertine Graben area and are known to be mature, as evidenced by numerous oil seeps and recent positive drill results in adjacent oil concessions.

Notwithstanding the existence of positive evidence in the region, Shareholders are advised that oil exploration prospects of this nature are highly risky and will remain so until the resources are satisfactorily proven. Should they be successfully proven, however, the accretion of value becomes exponential.

2.2.3 Gas

The Board believes that the Chaal Gas Exploration Permit Area has the potential to be a world-class resource of gas/condensate. Tunisia has historically been a stable country. Tunisia also imports gas from Algeria in order to adequately provide for its growing gas requirements. The infrastructure within Tunisia is outstanding and there is a major gas trunk line (with excess capacity) that passes some 15 kilometres to the east of the present exploration well.

2.3 Prospects

The average production of the plant is 300 tonnes per month of manganese sulphate powder and 360 tonnes of manganese oxide per month of which approximately 230 tonnes are used in the production of manganese sulphate powder.

During the period of time between the signature of the Initial SacOil Agreement and the Initial Agreement of Assignment on 17 March 2008 and the lapsing of the same agreements on 31 May 2010, significant oil exploration work was carried out by titleholders to adjacent oil concession blocks in the Lake Albertine area, albeit on the Uganda side of the lake. The work done and discoveries made, together with the publicly disclosed offer by Italian Oil and Gas major, ENI International B.V., a Netherlands-based subsidiary of ENI S.p.A., the Italian-based Oil and Gas for Heritage plc's 50 per cent interest in Blocks 1 and 3A, Albertine Graben, Uganda for US\$1.5 billion (subsequently being pre-empted and completed by Tullow Oil plc July 2010) made it difficult for the Company to retain the Initial SacOil Transaction. The discoveries, to some extent, also provided further confidence in the existence of a petroleum system in the Lake Albertine region, and in the case of the Block 3 Rights, increased the Block 3 Rights Independent Technical Expert's Report valuation (on a cost approach basis) from US\$122 490 000 (with a Rand equivalent of R989 719 000, assuming an exchange rate of R8.08 to US\$1) at the time of the circular issued on 24 October 2008 to a Block 3 Rights Independent Technical Expert's Report valuation (on a cost approach basis) of US\$155 190 000 (with a Rand equivalent of R1.18 billion assuming an exchange rate of R7.62 to US\$1).

The Chaal Gas Exploration Permit Area is potentially one of Tunisia's most significant future gas resources and is potentially a world class gas condensate discovery, located onshore central Tunisia some 25 kilometres to the west of Tunisia's second largest city, Sfax. Candax together with its partners and the Tunisian Government are actively pursuing the deep gas resources at the Chaal Gas Exploration Permit Area and in the Triassic reservoirs lying beneath the producing fields in the south of the country.

3. STRATEGIES FOR GROWTH

The Company's main focus is that of Oil and Gas.

The Restructure, as detailed in paragraph 4 below, and the Farmout Interest Acquisition, as detailed in paragraph 3 of the Circular, will position the Company as a player in the oil and gas industry both locally and internationally. It will enable the Company to grow and strengthen its technical and financial resources.

The investment in the Exploration Permit of the Chaal Gas Exploration Permit Area, Tunisia will enable the Company to further enhance its current financial and technical resources. The Directors are also in the process of evaluating other value adding acquisitions which will enhance Shareholder value.

The Company is also actively seeking suitable coal acquisitions to enable its Shareholders to participate in the returns received from these assets through Pioneer Coal.

4. HISTORY AND DEVELOPMENT

SacOil was listed on 19 October 1994 on the "Venture Capital" sector of the JSE lists under the name SA Mineral Resources Corporation Limited. It was incorporated in 1993 for the purpose of establishing a manganese sulphate manufacturing and marketing business.

With effect from 31 December 2007 the Company was restructured and recapitalised. Encha Capital acquired a controlling interest in the Company and made an offer to minority Shareholders in terms of the requirements of the Securities Regulation Code and Rules of the SRP.

Encha is an investment holding Company with exploration, industrial and property interests. Encha is wholly owned and controlled by black Persons and is compliant with the provisions of the Broad-based Black Economic Empowerment Act, 2003 and other relevant legislation. Encha, together with Investec Limited, have formed a special purpose vehicle, Encha Capital, to hold a controlling shareholding in SacOil Holdings.

In terms of the Initial SacOil Agreement, entered into on 17 March 2008 and approved by Shareholders on 21 November 2008, SacOil proposed to acquire the entire issued share capital and shareholder loans of SacOil (Proprietary) Limited from the Initial SacOil (Proprietary) Limited Vendors.

In terms of a circular to Shareholders dated 24 October 2008, the Initial SacOil Transaction was ratified subject to the issuance of Presidential Ordinances approving the Block 1 Production Sharing Agreement and/or the Block 3 Production Sharing Agreement by 31 May 2010, a new Share Option Scheme was approved, and the name of SA Mineral Resources Corporation Limited was changed to SacOil to reflect the Company's new corporate identity.

On 18 June 2010 the President and Prime Minister of the DRC signed Presidential Ordinance 10/042 approving the Block 3 Production Sharing Agreement. The Presidential Ordinance was gazetted in the *Journal Official de la Rèpublique Dèmocratique du Congo* on 22 June 2010.

On 18 June 2010 the President and Prime Minister of the DRC signed Presidential Ordinace 10/143 ordering the Amendment. Presidential Ordinance 10/043 was gazetted in the *Journal Officiel de la Rèpublique Dèmocratique du Congo* on 22 June 2010.

The signature and publication of Ordinance 10/042 perfected the rights of SacOil (Proprietary) Limited under the Block 3 Production Sharing Agreement subject to compliance with the provisions of the Amendment.

SacOil (Proprietary) Limited signed the Amendment on 12 July 2010. The Amendment varies certain commercial terms of the Block 3 Production Sharing Agreement and, *inter alia*, requires SacOil (Proprietary) Limited to effect the Block 3 Payment to the DRC Government on execution of the Amendment.

On 18 June 2010 the President and the Prime Minister of the DRC signed Presidential Ordinance 10/041 approving an alternative production sharing agreement in respect of Block 1 concluded with third parties, notwithstanding the fact that the Block 1 Production Sharing Agreement has not been cancelled.

On 22 July 2010 SacOil and DIG concluded the Block 1 Agreement of Assignment pursuant to which DIG shall assign to SacOil the Block 1 Interest.

Certain of the agreements relating to the Initial SacOil Transaction lapsed on 31 May 2010 due to the fact that the conditions precedent were not timeously fulfilled.

On 22 July 2010 SacOil entered into the various agreements, including the Sale of Shares Agreement, detailed in section 2 of the Circular, in terms of which SacOil's proposed investment in the Block 3 Rights and the Block 1 Rights was restructured.

The Restructure will result in SacOil acquiring 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited on the Effective Date, subject to the fulfilment or waiver of the conditions precedent set out in paragraph 2.9 of the Circular. In addition, DIG will assign to SacOil the Block 1 Interest in terms of the Block 1 Agreement of Assignment.

5. MATERIAL ACQUISITIONS AND DISPOSALS

SacOil has not concluded any acquisitions or disposed of any of its assets within the 3 (three) years prior to the date of these Revised Listing Particulars, other than as set out below:

5.1 Restructure

For the purposes of this section:

• R7.62 to US\$1 is the exchange rate on 22 July 2010 being the date of signature of the SacOil Transaction Agreements.

On 22 July 2010, SacOil entered into the Sale of Shares Agreement in terms of which the Company acquired from the SacOil (Proprietary) Limited Vendors 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited on the Effective Date.

On 22 July 2010, SacOil and DIG concluded the Block 1 Agreement of Assignment pursuant to which DIG will assign to SacOil 35 per cent of its interest under the Block 1 Production Sharing Agreement and 35 per cent of all current and future claims of any nature whatsoever that DIG has, or may have in the future, against the DRC Government in relation to the Block 1 Production Sharing Agreement in the event that Presidential Ordinance in respect of the Block 1 Production Sharing Agreement is not issued.

The consideration payable to the SacOil (Proprietary) Limited Vendors is an amount of R439 857 600 to be settled through the issue of 209 456 000 Ordinary Shares at an issue price of 210 cents per Ordinary Share in terms of the Sale of Shares Agreement.

The consideration payable to DIG in respect of the assignment to SacOil of the Block 1 Interest, is an effect amount totalling US\$811 364 (with a Rand equivalent of R6 182 594, assuming an exchange rate of R7.62 to US\$1) being an assignment fee of US\$1 (with a Rand equivalent of R7.62, assuming an exchange rate of R7.62 to US\$1) and an additional amount of US\$811 363 (with a Rand equivalent of R6 182 586, assuming an exchange rate of R7.62 to US\$1).

The value of the SacOil Transaction Consideration Shares were determined with reference to the updated Block 3 Rights Independent Technical Expert's Report value of US\$155 900 000 (with a Rand value of R1.18 billion assuming an exchange rate of R7.62 to 1US\$) and applying a discount on this value to take into consideration the risks attached to an asset of this nature. Notwithstanding the existence of positive evidence in the region, oil exploration prospects of this nature are highly risky and will remain so until the resources are satisfactorily proven. Should they be successfully proven, however, the accretion of value become exponential.

The lapsing of time made it difficult for the Company to retain the structure of the Initial Transaction with the Intial SacOil (Proprietary) Limited Vendors whose valuation parameters had changed significantly. The Company therefore decided to seek to acquire the interests of the SacOil (Proprietary) Limited Vendors and restructure the transaction in a manner which remained value accretive to the SacOil Shareholders.

Encha, the controlling shareholder of SacOil and its associates and subsidiaries will not have an interest in SacOil (Proprietary) Limited following the Restructure.

5.2 Farmout Interest

On 10 May 2010, SacOil entered into the Farmout Agreement in terms of which SacOil will acquire a 55 per cent Participating Interest in the Chaal Gas Exploration Permit Area on the Fulfilment Date. The aggregate consideration payable by SacOil in terms of the Farmout Interest Acquisition is US\$ 11 400 000 (with a Rand value of R85 500 000). Details of the consideration payable by SacOil in terms of the Farmout Interest Acquisition are set out in paragraph 3.4 of the Circular.

Details of the valuation of the Participating Interest are set out in the Chaal Gas Exploration Permit Area Independent Technical Expert's Report in Annexure 12 of the Circular.

The aggregate consideration payable by SacOil in terms of the Farmout Interest Acquisition will be funded through the proceeds of a combination of specific and general share issues.

Details of the SacOil (Proprietary) Limited Vendors and the Farmout Interest Vendors are set out in Appendix 6 to these Revised Listing Particulars.

6. FINANCIAL INFORMATION

6.1 Financial information

Historic financial information relating to SacOil is set out in Annexure 3 of the Circular.

6.2 Dividend policy

No dividends were declared or paid by the Company in the past 3 (three) years.

Periodically, the Directors will consider the payment of dividends, taking into account prevailing circumstances and future cash requirements of the Company in order to determine whether it would be appropriate to pay a dividend in respect of a particular financial reporting period.

In terms of the Company's Articles, any dividend that remains unclaimed for a period of three years after having been declared by the Company shall revert to the Company.

The provisions of the Articles relating to dividends are set out in Appendix 3 to these Revised Listings Particulars.

There is no arrangement under which future dividends will be waived or have been waived.

6.3 Immovable properties owned and leased

6.3.1 Properties owned

The Group has not been the owner of, nor has it entered into any negotiations in respect of the proposed Restructure or the Farmout Interest Acquisition of, any immovable property, or other property/ies in the nature of a fixed asset or any option to acquire such property/ies and has no mortgage bond commitments within the last 3 (three) years as at the date of these Revised Listing Particulars.

No material property has been disposed of during the past 3 (three) years as at the date of the Revised Listing Particulars, nor has any property been disposed of by the Group.

SacOil currently has no lease agreements over any properties.

6.4 Material commitments, lease payments and contingent liabilities

The Company had no material commitments, lease payments or contingent liabilities at the Last Practicable Date.

6.5 Material loans payable

6.5.1 SacOil

Details of the material borrowings of the Group as at the Last Practicable Date are set out below:

SacOil was indebted to GVM for an amount of R2 502 964 in relation to restructuring expenses paid for on behalf of SacOil during 2007/2008. On 5 July 2010, SacOil signed a settlement agreement with GVM to issue 8 343 216 Ordinary Shares at a price of 30 cents per Ordinary Share representing a premium of 11 per cent to the 30-day VWAP of 27 cents per SacOil Ordinary Share on 2 July 2010, being the date prior to the settlement agreement, in full and final settlement of the outstanding loan. The 8 343 216 Ordinary Shares were issued to GVM in terms of a general authority granted to Directors by SacOil Shareholders at the last annual general meeting held on 27 November 2009 and were granted a listing by the JSE on 29 July 2010. However, the Specific Issue to GVM is to a related party and constitutes a specific issue of shares in terms of Section 5 of the Listings Requirements and therefore Shareholders were asked to ratify the Specific Issue to GVM at the General Meeting. Further details of the Specific Issue to GVM are set out in paragraph 4.2 of the Circular.

6.5.2 SacOil (Proprietary) Limited

Details of the material borrowings of SacOil (Proprietary) Limited as at the Last Practicable Date are set out below:

Current	R
SacOil	16 160 000
DIG	16 160 000
Encha Group Limited	580 875
	32 900 875

The loans due to SacOil and DIG are repayable within 5 days of receiving written demand from the Company requiring repayment of the loan.

Shareholders undertakings' are in place for shareholders not to call for payment of these loans until such time as SacOil (Proprietary) Limited has sufficient resources to pay these loans.

The loans are interest free.

6.6 Material loans receivable

Details of the loans receivable by the Group during the last 3 (three) years, are set out below:

Pioneer Coal R3 125 972

During November 2008 expenses paid by the Company on behalf of Pioneer Coal in an amount of R1 190 000 were debited to a loan account. A further loan was made in December 2008, in an amount of R2 000 000. The purpose of these loans is to provide Pioneer Coal with seed capital to set itself up as a coal exploration Company.

	R27 866 821
DIG	R11 706 821
SacOil (Proprietary) Limited	R16 160 000

These loans represent amounts paid, in terms of the Initial SacOil Loan Agreement and the Initial DIG Loan Agreement dated 17 March 2008, directly to the DRC Government in respect of signature bonuses under the Block 1 Production Sharing Agreement and the Block 3 Production Sharing Agreement.

Repayment of these loans is subject to conditions specified in the respective loan agreements. In the event of the conditions not being met, the loans are repayable by the borrowers within 5 days of receiving written demand from the Company requiring repayment of the loans.

The loans advanced to DIG and SacOil (Proprietary) Limited are interest free.

The Group has not made any loans or furnished any security to or for the benefit of any Director or manager or any associate of any Director or manager of the Group.

7. SHARE CAPITAL

The share capital of the Company is set out in paragraph 9.2 of the Circular.

7.1 Issues of Ordinary Shares and changes to stated capital during the preceding 3 (three) years **Specific issue of Ordinary Shares for cash dated 8 November 2007*

The following Ordinary Shares were issued under a specific authority to issue Ordinary Shares for cash as detailed in the circular dated 8 November 2007:

On 31 December 2007, the Company issued 207 859 889 new Ordinary Shares to the parties detailed below at an issue price of 10 cents per new Ordinary Share. The issue price was the equivalent of 1 cent per unconsolidated Ordinary Share, which represented an 8 cent discount to the market price of 9 cents on 7 June 2007, the trading day prior to the first announcement of the specific issue of Ordinary Shares for cash. The purpose of the specific issue of Ordinary Shares for cash was to repay the GVM loan account, to raise capital for the evaluation of new acquisitions by the Company and to facilitate the recruitment of a new management team.

	R
Encha Capital	147 859 889
The South African Export Development Fund	10 000 000
Riccla 1978 (Proprietary) Limited	30 000 000
Encha	20 000 000
	207 859 889

Specific issue of Ordinary Shares to GVM

On 5 July 2010, SacOil signed a settlement agreement with GVM to issue 8 343 216 ordinary Shares at a price of 30 cents per Ordinary Share in full and final settlement of a loan owing by SacOil to GVM amounting to R2 502 964 in relation to restructuring expenses paid for on behalf of SacOil during 2008. The Ordinary Shares were issued and listed on the JSE on 29 July 2010. The Specific Issue to GVM was ratified by shareholders at the General Meeting. The Ordinary Shares issued to GVM in terms of the Specific Issue to GMV were issued at a 11 per cent premium to the 30-day VWAP of 27 cents per Ordinary Share on 2 July 2010.

Specific issue of Ordinary Shares to Metropolitan Asset Managers

In terms of a specific authority granted by SacOil Shareholders in General Meeting, SacOil issued 46 000 000 new Ordinary Shares to Metropolitan Asset Managers, a related party, at an issue price of 50 cents per Ordinary Share and an aggregate issue price of R23 000 000. The Ordinary Shares issued to Metropolitan Asset Managers in terms of the Specific Issue to Metropolitan Asset Managers were issued at a 5 per cent premium to the 30-day VWAP of the Ordinary Shares of 47.56 cents per Ordinary Share prior to 16 July 2010 (being the signature date of the Irrevocable undertaking by Metropolitan Asset Managers to subscribe for Ordinary Shares).

The proceeds of R23 000 000 from of the Specific Issue to Metropolitan Asset Managers will be utilised to fund the costs of the Transactions and the obligations of SacOil as a result of the Restructure and the Farmout Interest Acquisition.

Issue of the SacOil Transaction Consideration Shares

Following the approval of the Restructure by SacOil Shareholders in General Meeting, the Company issued 209 456 000 new Ordinary Shares to the SacOil (Proprietary) Limited Vendors at an issue price of 210 cents per new Ordinary Share. The value of the SacOil Transaction Consideration Shares were determined with reference to the updated Block 3 Rights Independent Technical Expert's Report value of US\$155 900 000 (with a Rand value of R1.18 billion assuming an exchange rate of R7.62 to US\$1) and applying a discount on this value to take into consideration the risks attached to an asset of this nature. The 209 456 000 new Ordinary Shares were issued to the SacOil (Proprietary) Limited Vendors in consideration for the acquisition by SacOil of 50 per cent of the entire issued share capital of, and all claims of the SacOil (Proprietary) Limited Vendors against, SacOil (Proprietary) Limited.

The issue price of the Ordinary Shares to the SacOil (Proprietary) Limited Vendors equates to a 578 per cent premium to the 30-day VWAP prior to 12 April 2010 amounting to 31 cents per SacOil Ordinary Share, being the date on which the SacOil Board resolved to proceed with the Restructure.

Consolidation of existing share capital and conversion to no par value Ordinary Shares

On 30 November 2007, Shareholders approved the following:

- to consolidate the existing ordinary share capital of SacOil Holdings on a 1 for 10 basis which
 resulted in the authorised share capital of 450 000 000 Ordinary Shares having a par value of
 1 cent per Ordinary Share being consolidated into 45 000 000 Ordinary Shares having a par
 value of 10 cents per Ordinary Share;
- to convert its par value Ordinary Shares into no par value Ordinary Shares;
- to increase its authorised share capital by the creation of 9 955 000 000 convertible preference shares having a par value of R0.0001 per convertible preference share; and
- immediately converting these convertible preference shares into 9 955 000 000 no par value Ordinary Shares.

This resulted in the Company's authorised share capital being 10 000 000 000 no par value Ordinary Shares.

General issue of Ordinary Shares for cash

On 6 March 2008 the Company issued 40 864 120 Ordinary Shares for cash to public shareholders at an issue price of 75 cents per Ordinary Share which represents a discount of less than 10 per cent to the 30-day VWAP prior to 25 February 2008, being the date on which the terms of the general issue were fixed. The Ordinary Shares were issued under the general authority granted

to the Directors by SacOil Shareholders in terms of a resolution passed at the annual general meeting held on 30 January 2008. The funds so raised were utilised in completing the envisaged Intial SacOil Transaction and the Restructure.

7.2 Rights attaching to Ordinary Shares

The provisions of the Articles relating to the voting rights, rights to dividends, redemption rights, rights on liquidation and variation of rights attaching to SacOil Holdings Shares are set out in Appendix 3 to these Revised Listings Particulars. There are currently no preferential conversion or exchange rights to Ordinary Shares in SacOil.

Other than the share options that have been granted to Directors in terms of the Samroc Share Option Scheme as set out in paragraph 8.2 of the Circular there is no contract or arrangement, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any Person to acquire any Ordinary Shares in SacOil.

8. MATERIAL CONTRACTS

Other than the agreements relating to the Initial SacOil Transaction, the SacOil Transaction Agreements and the Farmout Agreement (as varied by the Farmout Agreement Amendment) detailed in paragraphs 2 and 3 of the Circular, there were no other material contracts entered into by SacOil or the Group, other than in the ordinary course of business, within the last 2 (two) years prior to the date of this Circular or entered into at any time containing an obligation or settlement that is material to SacOil or its subsidiaries.

Copies of the agreements are available for inspection as detailed in paragraph 17 of the Circular.

The Company is not subject to any management agreements.

9. DIRECTORS

The information relating to the Directors of SacOil has been included in paragraph 8 of the Circular of which these Revised Listing Particulars form part.

10. CONSENTS

The consents of the various experts to the Transactions have been provided as set out in paragraph 13 of the Circular of which these Revised Listing Particulars form part.

11. WORKING CAPITAL STATEMENT

The working capital statement is detailed in paragraph 11 of the Circular of which these Revised Listing Particulars form part.

12. BORROWINGS AND ADVANCES

- No material loans have been made by the Company or to the Company, save as disclosed in paragraphs 6.4 6.6 above.
- The borrowing powers of SacOil, which are set out in Appendix 3 to these Revised Listings Particulars, may only be varied by special resolution and have not been exceeded during the previous three years. There are no exchange control or other restrictions on the borrowing powers of the Company.
- · No loan capital is currently outstanding.

13. INTERESTS OF ADVISORS AND PROMOTERS

R Vela is a director of Lonsa, which, in terms of the Lonsa Corporate Finance Advisory Mandate detailed in paragraph 5 of the Circular acts as corporate finance adviser to SacOil in respect of the Initial SacOil Transaction, the Restructure and the Farmout Interest Acquisition. Lonsa introduced, structured, negotiated and project managed the Initial SacOil Transaction, the Restructure and the Farmout Interest

Acquisition on behalf of SacOil and has charged a fee for its services as set out in paragraph 14 of this Circular. The Lonsa Corporate Finance Advisory Mandates are available for inspection as set out in paragraph 17 of this Circular. Lonsa is entitled to a contingent success fee equivalent to 2 per cent of the proposed transaction value of assets acquired and 2.5 per cent of the gross value of the equity raised.

Other than as set out above and in paragraph 8.3 of the Circular no amount has been paid, accrued as payable or proposed to be paid by SacOil to any promoter during the preceding 3 (three) years.

No commissions, discounts, brokerages or other special terms have been granted by the Company during the preceding 3 (three) years in connection with the issue or sale of any securities, stock or debentures.

No royalties have been paid or are payable by the Company during the preceding 3 (three) years.

14. LITIGATION STATEMENT

Other than as set out below, there are no legal or arbitration proceedings, including proceedings which are pending or threatened, of which SacOil is aware, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the Group's financial position.

The Company has a claim against a former employee for fraud in an amount of approximately R1.8 million. This case is currently with the commercial crimes unit.

There is no Government protection or any investment encouragement law pertaining to any of the businesses operated by the Group.

15. CODE OF CORPORATE PRACTICES AND CONDUCT

The Board of directors is committed to the principles of transparency, integrity and accountability and the provision of timeous, relevant and meaningful reporting to all stakeholders. SacOil has taken cognisance of, and implemented, where possible, the majority of the recommendations of the King II Report and has, where possible, improved upon its internal structures.

In supporting the Code, the Board actively reviews and enhances the Company's systems of control and governance on a continuous basis to ensure that its business is managed ethically and in conformity with accepted standards of best practice. These policies relate, *inter alia*, to the duties of the Board, delegation of powers to board committees, responsibilities and levels of authority. Details of the Company's compliance with the Code are set out in Appendix 4 to these Revised Listing Particulars.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The documents that are available for inspection, are detailed in paragraph 17 of the Circular of which these Revised Listing Particulars forms part.

SIGNED AT JOHANNESBURG ON 1 SEPTEMBER 2010 BY ROBIN VELA ON BEHALF OF ALL THE DIRECTORS OF SACOIL LIMITED IN TERMS OF POWERS OF ATTORNEY SIGNED BY SUCH DIRECTORS:

R Vela

Chief Executive Officer

4 September 2010

MATERIAL BORROWINGS, INTER-COMPANY BORROWINGS AND LOANS OF SACOIL

The Group did not have any material loans at the Last Practicable Date.

SacOil's indebtedness to GVM for an amount of R2 502 964 in relation to restructuring expenses paid for on behalf of SacOil during 2008 was settled on 5 July 2010 when SacOil signed a settlement agreement with GVM to issue 8 343 216 Ordinary Shares at a price of 30 cents per Ordinary Share, in full and final settlement of the outstanding loan. The 8 343 216 Ordinary Share were issued in terms of a general authority granted to Directors by SacOil Shareholders at the last annual general meeting held on 27 November 2009. However, the Specific Issue to GVM is to a related party and constitutes a specific issue of shares in terms of Section 5 of the Listings Requirements and therefore Shareholders were asked to ratify the Specific Issue to GVM at the General Meeting. Further details of the Specific Issue to GVM are set out in paragraph 4.2 of the Circular.

OTHER DIRECTORSHIPS AND PARTNERSHIPS HELD BY DIRECTORS

Other directorships and partnerships held by Directors in the five years preceding the date of these Revised Listing Particulars are as follows:

The definitions and interpretation commencing on page 8 of this circular shall not apply to this Appendix. The names of all companies and partnerships of which the directors of SacOil have been a director or partner at any time in the last five years are listed below:

Director	Current directorship	Past directorship
Richard John Linnell	Centebale Resources Limited Coal of Africa Limited and its subsidiaries/associates Cuco Resources Limited D Group Limited D Group Corporate Forum Limited GRD Minproc SA Limited IPSA Group Plc Maghreb Minerals Plc Maghreb Mining Limited Maghreb Algeria Limited Mag Industries Corp Inc. Mag Minerals Potash Corp. New Kush Exploration & Mining New Africa Mining Fund (Chaiman of Trustees) Nimag (Proprietary) Limited R.J. Linnell & Associates cc Rockwell Diamonds Inc	Brinkley Mining Company Business Map Foundation Chrome Corporation Falkland Gold & Minerals Limited GMA Resources Limited GRD Minproc Limited Kalahari Diamonds Plc Moydow Mines International Inc Namakwa Diamonds Project Literacy Education Cent Resource & Investment NL
Colin Bird	A.K. Motor Sports Braemore Resources Dullstroom Plats Emanuel Mining and Exploration (Proprietary) Limited Jubilee Platinum plc Lion Mining Finance Limited Lion Networks Limited Maude Mining & Exploration M.I.T Ventures Corp Mokopane Mining and Exploration (Proprietary) Limited Pioneer Coal (Proprietary) Limited Thos Begbie Tiger Resource Finance plc Tjate Platinum Corporation Limited	Freegold Ventures GP Precious Metals Fund Kiwara plc Lion Capital Corporation Limited Pan African Resources

Director	Current directorship	Past directorship
Robin Tendai Vela	Baltimore Manganese Mine (Proprietary) Limited Bushveld Pioneer (Proprietary) Limited Encha Lonsa Investments (Proprietary) Limited Firstmile Properties (Proprietary) Limited Lonsa (Proprietary) Limited Lonsa Capital (Proprietary) Limited Lonsa Corporate Finance (Proprietary) Limited Netgame Investments (Proprietary) Limited Orange Cab (Proprietary) Limited Pioneer Coal (Proprietary) Limited RDK Mining (Proprietary) Limited Rob Vel Trading (Proprietary) Limited	
Gontse Samuel Moseneke	Aprilog Investments (Proprietary) Limited Emergent Process Management (Proprietary) Limited Encha Investments No. 2 (Proprietary) Limited Encha Knowledge (Proprietary) Limited Encha Supply Base Consortium (Proprietary) Limited Encha Tech (Proprietary) Limited Fernridge Encha Knowledge (Proprietary) Limited Jaguar Capital (Proprietary) Limited New Africa Millenium Telecommunications (Proprietary) Limited New Oil Trading South Africa (Proprietary) Limited Wheatfields Investments No. 127 (Proprietary) Limited Wild Peach Trading 23 (Proprietary) Limited	ed
Carina de Beer	Amrich 61 (Proprietary) Limited Pioneer Coal (Proprietary) Limited	Johannes de Beer Inc.

EXTRACTS OF THE ARTICLES

3. ISSUE OF SHARES AND VARIATION OF RIGHTS

- 3.1 Subject to any relevant provisions of the Memorandum and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any shares may be issued with such preferred, deferred, or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the company may from time to time determine. Preference shares may be issued and existing shares may be converted into preference shares on the basis that they are, or at the option of the company are liable, to be redeemed on such terms and in such manner as shall be prescribed in these Articles or the resolution authorising or effecting such issue or conversion.
- 3.2 With the prior approval of the company in general meeting, subject to the Statutes and the approval of the Listings Division of the JSE (where necessary) any securities in the company authorised but unissued from time to time may be issued by the directors to such person or persons on such terms and conditions and with such rights or restrictions attached thereto as the directors may determine. Securities in the company which are authorised but unissued shall be offered to the existing members *pro rata* to their shareholdings in the company, unless:
 - 3.2.1 otherwise determined by the company in general meeting; or
 - 3.2.2 allotted and issued for the acquisition of assets or the repayment of debt obligations.

All or any of the rights, privileges or conditions for the time being attached to any class of shares for the time being forming part of the share capital of the company may (unless otherwise provided by the terms of issue of the shares of that class) whether or not the company is being wound up, be varied in any manner with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a resolution passed in the same manner as a special resolution of the company at a separate general meeting of the holders of the shares of that class. The provisions of these Articles relating to a general meeting shall apply with the necessary changes to any such separate general meeting.

12. BORROWING POWERS

- 12.1 The directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured) and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the company or of any third party.
- **12.2** For the purpose of the provisions of Article 12.1, the borrowing powers of the company shall be unlimited.

13. DIRECTORS

- **13.1** Until otherwise determined by a meeting of members, the number of directors shall not be less than 4 (four).
- 13.2 The directors shall have power at any time and from time to time to appoint any person, subject always to the disqualifications provided for in the Statutes, as a director, either to fill a casual vacancy or as an addition to the board, but so that the total number of the directors shall not at any time exceed the maximum number fixed. Subject to the provisions of Article 16.2, any person appointed to fill a casual vacancy or as an addition to the board shall retain office only until the next following annual general meeting of the company and shall then retire and be eligible for re-election.

- **13.3** The appointment of a director shall take effect upon compliance with the requirements of the Statutes.
- 13.4 The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the company at any meeting of members and unless and until so fixed no qualification shall be required.
- 13.5 The remuneration of the executive directors shall from time to time be determined in sub-committee by an appointed disinterested quorum of non-executive directors, when appropriate assisted by independent advisers. The remuneration of non-executive directors shall be approved by the company in general meeting.
- 13.6 The directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the company, and in attending meetings of the directors or of committees thereof, and if any director shall be required to perform extra services or to go or to reside abroad or otherwise shall be specially occupied about the company's business, he shall be entitled to receive a remuneration to be fixed by a disinterested quorum of the directors which may be either in addition to or in substitution for the remuneration provided for in Article 13.5.
- 13.7 The continuing directors may act, notwithstanding any casual vacancy in their body, so long as there remain in office not less than the prescribed minimum number of directors duly qualified to act; but if the number falls below the prescribed minimum, the remaining directors shall not act except for the purpose of filling such vacancy or calling general meetings of shareholders.
- **13.8** A director shall cease to hold office as such:
 - **13.8.1** if he becomes insolvent, or assigns his estate for the benefit of his creditors, or suspends payment or files a petition for the liquidation of his affairs, or compounds generally with his creditors; or
 - 13.8.2 if he becomes of unsound mind; or
 - 13.8.3 if (unless he is not required to hold a share qualification) he has not duly qualified himself within 2 months of his appointment or if he ceases to hold the required number of shares to qualify him for office, in those instances where a shareholding qualification had been fixed by the company in general meeting; or
 - 13.8.4 if he is absent from meetings of the directors for 6 consecutive months without leave of the directors and is not represented at any such meetings during such 6 consecutive months by an alternate director and the directors resolve that the office be vacated, provided that the directors shall have power to grant any director leave of absence for any or an indefinite period; or
 - 13.8.5 if he is removed under Article 13.16; or
 - **13.8.6** 1 month or, with the permission of the directors earlier, after he has given notice in writing of his intention to resign as a director; or
 - **13.8.7** if he shall pursuant to the provisions of the Statutes be disqualified or cease to hold office or be prohibited from acting as director.
- 13.9 The company and the directors shall comply with the provisions of the Statutes with regard to the disclosure of the interests of directors in contracts or proposed contracts; subject thereto, no director or intending director shall be disqualified by his office from contracting with the company, either with regard to such office or as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement entered into by or on behalf of the company, in which any director shall be in any way interested, be or be liable to be avoided, nor shall any directors so contracting or being so interested be liable to account to the company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established.

- 13.10 No director shall, as a director, vote in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote, his vote shall not be counted, nor shall he be counted for the purpose of any resolution regarding the same in the quorum present at the meeting, but these prohibitions shall not apply to:
 - **13.10.1** any contract or dealing with a company or partnership or corporation of which the directors of the company or any of them may be directors, members, managers, officials or employees or otherwise interested;
 - **13.10.2** any contract by or on behalf of the company to give to the directors or any of them any security by way of indemnity or in respect of advances made by them or any of them;
 - 13.10.3 any contract to subscribe for or to underwrite or sub-underwrite any shares in or debentures or obligations of the company or any company in which the company may in any way be interested;
 - **13.10.4** any resolution to allot and issue shares in or debentures of the company to any director of the company or to any matter arising out of or consequent upon any such resolution;
 - **13.10.5** any contract for the payment of commission in respect of the subscription for such shares, debentures or obligations.

The above prohibitions may at any time or times be suspended or relaxed to any extent by the company in general meeting.

- **13.11** A director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat any other director is appointed to hold any office or place of profit under the company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement notwithstanding that at such meeting his own appointment or an arrangement in connection therewith is a matter before the board of directors.
- **13.12** Any general notice given to the directors of the company by a director to the effect that he is a member of a specified company or firm shall comply with the provisions of the Statutes.
- **13.13** For the purpose of this Article an alternate director shall not be deemed to be interested in any contract or arrangement merely because the director for whom he is an alternate is so interested.
- **13.14** Nothing in this Article contained shall be construed so as to prevent any director as a member from taking part in and voting upon all questions submitted to a general meeting whether or not such director shall be personally interested or concerned in such questions.
- 13.15 A director may be employed by or hold any office of profit under the company or under any subsidiary company in conjunction with the office of director, other than that of auditor of the company or of any subsidiary company, and upon such terms as to appointment, remuneration and otherwise as the directors may determine, and any remuneration so paid may be in addition to the remuneration payable in terms of Article 13.5 or 13.6: Provided that the appointment of a director in any other capacity in the company and his remuneration must be determined by a disinterested quorum of directors.
- **13.16** Subject to the provisions of the Statutes, a majority of directors may remove a director at a directors' meeting before the expiration of his period of office and by an ordinary resolution elect another person in his stead. The person so elected shall hold office until the next following annual general meeting of the company and shall then retire and be eligible for re-election.

15. ROTATION OF DIRECTORS

15.1 At the first annual general meeting all of the directors shall retire, and at the annual general meeting held in each year thereafter 1/3 of the directors, or if their number is not a multiple of 3, then the number nearest to, but not less than 1/3 shall retire from office, provided that in determining the number of directors to retire no account shall be taken of any director who by reason of the provisions of Article 16.2 is not subject to retirement. The directors so to retire at each annual general meeting shall be firstly those retiring in terms of Article 13.2 and secondly those referred to in terms of Article 13.16 and lastly those who have been longest in office since their last election or appointment. As between directors of equal seniority, the directors to retire shall, in the absence of agreement, be selected from among them by lot: Provided that notwithstanding anything herein

contained, if, at the date of any annual general meeting any director will have held office for a period of 3 years since his last election or appointment he shall retire at such meeting, either as one of the directors to retire in pursuance of the foregoing or additionally thereto. Aretiring director shall act as a director throughout the meeting at which he retires. The length of time a director has been in office shall, save in respect of directors appointed or elected in terms of the provisions of Articles 13.2 and 13.16, be computed from the date of his last election or appointment.

20. POWERS OF DIRECTORS

- 20.1 The management of the company shall be vested in the directors who, in addition to the powers and authorities by these Articles expressly conferred upon them, may exercise all such powers, and do all such acts and things, as may be exercised or done by the company and are not hereby or by the Statutes expressly directed or required to be exercised or done by the company in general meeting (including without derogating from the generality of the aforegoing or from the rights of the members, the power to resolve that the company be wound up), but subject nevertheless to such management and control not being inconsistent with these Articles or with any resolution passed at any general meeting of the members in accordance therewith; but no resolution passed by the company in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the directors by any other Article.
- 20.2 It is hereby declared pursuant to the provisions of the Statutes that although the directors shall have power to enter into a provisional contract for the sale or alienation of the undertaking of the company, or the whole or the greater part of the assets of the company, such provisional contract shall become binding on the company only in the event of the specific transaction proposed by the directors being approved by a resolution passed by the company in general meeting.
- **20.3** The directors shall have the power to delegate to any person or persons any of their powers and discretions and to give to any such person or persons power of sub-delegation.
- Without in any way limiting or restricting the general powers of the directors to grant pensions, allowances, gratuities and bonuses to officers or ex-officers, employees or ex-employees of the company or the dependants of such persons, it is hereby expressly declared that the directors may from time to time without any further sanction or consent of the company in general meeting, but subject to the Statutes, grant pensions, gratuities or other allowances to any person or to the widow or dependants of any deceased person in respect of services rendered by him to the company as managing director, executive director, general manager or manager, or in any other office or employment under the company, notwithstanding that he may continue to be or be elected a director or may have been a director of the company, of such amounts, for such period, whether for life or for a definite period or for a period terminable on the happening of any contingency or event, and generally upon such terms and conditions as the directors in their discretion may from time to time think fit. For the purpose of this Article, the expression "executive director" shall mean a director appointed to an executive office in the company and receiving in addition to his fees as a director salary or remuneration for additional services whether under a service agreement or otherwise. The directors may authorise the payment of such donations by the company to such religious, charitable, public or other bodies, clubs, funds or associations or persons as may seem to them advisable or desirable in the discretion of the directors.

37. DIVIDENDS AND OTHER PAYMENTS TO MEMBERS

- **37.1** Subject to the provisions of the Statutes, the company may make payments to its members from time to time.
- 37.2 The company in general meeting (subject to obtaining the declaration of the directors referred to in Article 37.3) or the directors, with due regard to the sustainability of the business of the company as a going concern, may from time to time determine a dividend (provided that the company in general meeting may not declare a larger dividend than that declared by the directors) or other payment to be made to the members in such manner as the company in general meeting or the directors, as the case may be, may determine and direct at the time of declaration, including, without limiting the aforegoing, that a payment shall be made by distribution of specific assets

or in a specific currency (and if the latter the date of conversion of the currency in which the dividend or other payment is approved, into such other currencies). If any difficulty arises in regard to any payment, the directors may settle same as they consider appropriate:

- **37.3** The declaration of the directors as to whether:
 - **37.3.1** the company is, or would be after the payment able to pay its debts as they become due in the ordinary course of business;
 - **37.3.2** the consolidated assets of the company, fairly valued would, after the dividend or other payment, not be less than the consolidated liabilities of the company,

shall be conclusive as regards the company in general meeting declaring a dividend or making any other payment to members.

- 37.4 Dividends are to be payable to shareholders registered as at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is the later. Dividends may be paid by crossed, not negotiable cheque or otherwise as the directors may from time to time determine, and shall either be sent by post to the last registered address of the member or person entitled thereto or given to him personally and reasonable proof of payment in terms hereof, will be sufficient proof of compliance by the company. The company shall not be responsible for the loss in transmission of any cheque or other document mailed to the registered address of any member, whether or not it was so sent at his request.
- 37.5 No notice of change of address or instructions as to payment given after the last day of trade for a dividend or other payment by the company in general meeting or the directors, shall become effective until after the dividend or other payment has been made, unless the company in general meeting or the directors so determine at the time the dividend or other payment is approved.
- 37.6 All unclaimed dividends or other payments to members as contemplated in this Article may be invested or otherwise be made use of by the directors for the benefit of the company until claimed, provided that any dividend remaining unclaimed for a period of not less than 3 years from the date on which it became payable may be forfeited by resolution of the directors for the benefit of the company.
- **37.7** The company shall be entitled at any time to delegate its obligations to any member in respect of unclaimed dividends or other unclaimed payments to any one of the company's bankers from time to time.
- 37.8 Unless the Statutes or these Articles require a resolution to be passed by the company in general meeting to authorise the reduction by the company of its share capital, stated capital and any capital redemption reserve fund or any share premium account, the directors shall have the power, to the extent necessary, to resolve that the company reduce its share capital, stated capital and any capital redemption reserve fund or any share premium account, whether accompanied by a payment to members as contemplated in this Article 37, or without any payment to members.

CODE OF CORPORATE PRACTICES AND CONDUCT

STATEMENT ON CORPORATE GOVERNANCE

The Board endorses the fundamental principles of good financial, social, ethical and environmental practice as set out in the King Report on Corporate Governance for South Africa 2009 ("the King Report"). The Company complies with the King Report in all material aspects. Areas where the Company has not yet achieved full compliance are indicated under the relevant headings.

The Directors recognise that they are responsible for implementing practices of good governance and that companies no longer act independently from the societies and the environment in which they operate. Shareholders and stakeholders insist on high standards of corporate governance requiring increasing levels of transparency, integrity, openness and accountability by directors.

Issues of corporate governance continue to receive the Board's consideration when appropriate, refinements are made to reflect current best practice in corporate governance and specifically taking into account the changes arising from the South African Corporate law reform process, including the recent publication of the King III Report (2009).

BOARD OF DIRECTORS

Board composition

The Board consists of two executive Directors (R T Vela and C de Beer) who fulfil the roles of Chief Executive Officer and Financial Director, respectively, one non-executive Director (G S Moseneke) and two independent non-executive Directors (Messrs R J Linnell and C Bird). The Board aims to ensure that there is an appropriate balance of power and authority on the Board, such that the risk of domination in decision taking is minimised. The Chairman is an independent non-executive Director. The roles of the Chief Executive Officer and Chairman are also split.

The Board is responsible for the management and governance of the Group which it monitors by regular and frequent management meetings.

Rotation of Directors

The rotation of Directors is more fully governed in terms of section 15 (fifteen) of the Articles. One third of the Directors, or if their number is not a multiple of 3 (three), then the number nearest to, but not less than one third shall retire from office each year at the annual general meeting.

Board meetings

During the year ended 28 February 2010 the Board convened four times the following being the dates:

Board meetings	Richard Linnell – Independent non-executive Chairman Appointed 19 September 19 September 2002	Brian Christie Appointed 7 November 1997/Resigned 31 August 2009	Robin Vela – Chief Executive Officer Appointed 25 February 2008	Colin Bird – Independent non-executive Appointed April 2008	Gontse Moseneke – Non-executive Appointed 31 August 2009
26 May 2009 26 June 2009 18 November 2009	Yes Yes Yes Yes	Yes Yes n/a n/a	Yes Yes Yes Yes	Yes Yes Yes Yes	n/a n/a Yes No
17 February 2010 Total attendance:	4	2	4	4	1

Independent Non-Executive Directors

The Company Secretary confirms the following on the independent non-executive Directors of the Company (R Linnell and C Bird):

- They are not representatives of any Shareholders who has the ability to control or materially influence management or the Board;
- They were not employed by the Company or the Group in any executive capacity for the preceding three financial years;
- They are not members of the immediate family of an individual who is, or has been in any of the past three financial years, employed by the Company or the Group in an executive capacity;
- They are not professional advisors to the Company or the Group, other than in their respective capacities as directors;
- They are not suppliers or material suppliers to, or customers of the Company or Group;
- They have no material contractual relationship with the Company or Group; and
- They are free from any business or other relationship which could be seen to materially interfere with the individual's capacity to act in an independent manner.

Non-executive Directors

The non-executive Directors (R Linnell, C Bird and G Moseneke) are not involved in the day-to-day management of the Group nor are they full-time salaried employees of the Company. Non-executive Directors are individuals of calibre and credibility, and have the necessary skills and experience to bring judgement to bear, independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance. The non-executive directors have unrestricted access to management.

Executive Directors

The executive Directors (R Vela and C de Beer) are intimately involved in the day-to-day management and operation of the Group's activities and are in the full-time employment of the Group.

The executive Directors are individually mandated and held accountable for:

- execution of business plan within the framework of an annual budget;
- identifying risks and managing risks through mitigation plans and a transparent reporting process to the Board;
- managing business in line with the ethics and values of the business;
- managing and securing the assets (tangible and intangible) of the business;
- providing inputs to the Board into the strategic direction, positioning and repositioning of the Group; and
- · managing all stakeholder engagements.

Company Secretary and access to professional advice

The Directors all have unfettered access to the Company secretary who, *inter alia*, is responsible for ensuring that proper procedures are followed regarding board matters. The Company secretary is also responsible to ensure that directors are alerted to any changes to, amongst other, the Act, the Insider Trading Act and the Listings Requirements. Directors' information packs are prepared before each board meeting so as to fully inform the Directors of the issues at hand. Directors are furthermore entitled to ask personnel questions and have unrestricted access to all Company documentation, information, documents and property.

Where deemed necessary the Company makes use of independent professional advisors, specifically in relation to legal and accounting matters pertaining to the Company's business. All these costs are borne by the Company.

ACCOUNTABILITY

The main responsibilities of the Board are to:

- develop the Company's goals, mission and vision;
- determine the strategy to achieve its goals, mission and vision;
- create shareholder value for all Shareholders through the exercise of leadership, enterprise, integrity and judgement;
- protect the assets and the reputation of the Company;
- ensure that a control framework is in place to prevent financial or information loss in the Company;
- ensure that an Information Technology governance framework is implemented and monitored;
- identify key risk areas and key performance indicators and ensure continual risk monitoring by management;
- assess performance and effectiveness as a whole;
- ensure that a succession plan is place for Directors and senior management.

The Board recognises its responsibilities in relation to effective control over the Company and in setting standards. Management is responsible to implement systems of internal control to reduce the risk of misstatement, fraud or error. This is done through proper delegation within a structured framework, efficient financial management and adequate segregation of duties.

The Board is responsible for the preparation and presentation of the financial statements. These financial statements present a balanced and carefully considered assessment of the Company's position and prospects. The auditors are responsible for reporting on the fairness of the financial statements presented in terms of compliance with the Act and International Financial Reporting Standards.

The Directors are satisfied that the internal controls and systems have been sufficiently improved and strengthened to provide ongoing reasonable assurance as to the integrity and reliability of the financial statements, to safeguard the resources of the business and to detect and minimise the potential for loss or material misstatement.

AUDIT COMMITTEE

The role of the committee is to ensure that financial results are communicated to Shareholders on a regular basis in accordance with the Group's accounting policies, which comply with International Financial Reporting Standards and the presentation and disclosure requirements of International Accounting Standards statement IAS 34 and the requirements of the Act, and to review the effectiveness of the internal controls adopted by the Company including reviewing of the appropriateness of the accounting policies adopted and the presentation of information to Shareholders. The Board is of the opinion that the Company's current business does not justify the costs of having a separate risk committee and internal audit function, and that the audit committee have sufficient experience and qualification to fulfil this role. The committee sets the principles for approval of non audit services by the external auditors. The provision of non audit services are recommended by the committee and approved by the Board. All non audit services need to be mandated separately for each assignment. The current members of this committee are Messrs G S Moseneke and C Bird, with the Financial Director attending by invitation. The size of the Company as well as the composition of its current Board does not facilitate three independent non-executive Directors as members of this committee. The Chairman of the committee is C Bird who is an independent non-executive Director.

The committee is satisfied that the Financial Director has the appropriate expertise and experience to fulfil her function. It is also satisfied that the external auditors are independent of the Company.

The committee meets at least twice a year to discuss and recommend for approval the interim and year end results and to perform its other functions.

The specific terms of reference of the Audit Committee as approved by the Board includes but are not limited to:

- · overseeing of integrated reporting;
- reviewing financial information and results;
- reviewing reports from the external auditors;
- · assessment of the risk of fraudulent reporting;
- reviewing the code of ethics;

- assess the appropriateness of the Financial Director's expertise and experience;
- · compliance with internal control procedures;
- approval of audit fees; and
- reporting to the Board any aspects considered relevant.

REMUNERATION COMMITTEE

The committee is responsible for developing a formal and transparent policy on executive remuneration and for fixing the remuneration packages of individual Directors. It is also responsible for the overseeing of remuneration to all staff members throughout the organisation.

The remuneration committee is a useful mechanism for facilitating the determination of all the essential components of remuneration and establishing remuneration credibility with shareowners.

Due to the size of the current board, remuneration matters are dealt with at board level.

The Company does not have a nomination committee. The remuneration committee assists the Board in the process of new nominations and appointments to the Board. There is a clear policy detailing the procedures for appointments to the Board. Such appointments are formal and transparent and a matter for the Board as a whole.

The remuneration committee currently consists of two directors, namely Messrs G S Moseneke and Colin Bird.

CODE OF ETHICS AND BUSINESS CONDUCT

SacOil requires all employees and directors in the Group to act in good faith and with integrity in all transactions and with all stakeholders with whom they interact. Core ethical principles of fairness, transparency, honesty, non-discrimination, accountability and responsibility and respect for human dignity, rights and social justice are important to the Company.

Due to the size of the Company it does not have a formal written code.

SHARE DEALINGS BY EMPLOYEES AND DIRECTORS

All directors, officers and employees are advised of closed periods. The Company has closed periods during which Directors, officers and all employees are prohibited from trading in the securities of the Company. The closed period is from the last day of the financial year or half year to the date of the respective announcements relating to the reporting period, and when other price-sensitive information is known. For dealings at any other time of the year the Company secretary maintains a record. Any dealings by a director and/or management must be approved by the Chairperson in writing and are reported to the JSE in terms of their applicable rules.

RISK MANAGEMENT

The Board accepts the Directors' accountability and responsibility for risk management. The audit committee works closely with the Board on the issue of risk management. Risk management includes identifying potential risks within the Company which can have an impact on the Company's objectives, profitability, assets, social and environmental issues, and financial, political and operational environments.

In addition to the management of financial risk, which is a function of the audit committee, the Directors are specifically responsible for the implementation of measures to reduce as far as possible the operational risks posed by the potential for breakdown of equipment, supply chains, or defaults by the Company's suppliers and customers. Regular updates in this regard are communicated to the Board.

ENVIRONMENTAL MANAGEMENT AND OCCUPATIONAL HEALTH

SacOil's mineral resource is located in an environmentally sensitive area. The Company works closely with the Minerals, Energy and Water Affairs Departments as well as with environmental Groups to ensure that the effect of its operations on the environment is minimised. Strict measures are taken to ensure that the employees wear suitable protective equipment in certain areas of the plant which may be affected by dust or other contamination or by the handling of toxic materials. During the period under review the Company submitted its Social and Labour Works Programme ("SLP") to the Department of Minerals and Energy.

The objectives of the SLP are to:

- promote employment and advance the social and economic welfare of all South Africans;
- contribute to the transformation of the mining industry; and
- ensure that holders of mining rights contribute towards the socio-economic development of the areas in which they are operating (including major labour sending areas).

EMPLOYMENT EQUITY

SacOil has prepared an employment equity plan and has undertaken a number of initiatives at operational level to improve skills levels and to reward initiative and hard work with advancement and supervisory and management positions. Within the financial constraints of the Group, this programme will be steadily advanced. Extensive work in relation to employment equity has already been done in the Social and Labour Works Programme.

DETAILS OF SUBSIDIARY COMPANIES AND THEIR DIRECTORS

Subsidiary companies

	Issued share capital R	Effective Holding %
Baltimore Manganese Mine (Proprietary) Limited	1	100
Bushveld Pioneer (Proprietary) Limited	100	100
Pioneer Coal	313 292	100
RDK Mining (Proprietary) Limited	100	100

Baltimore Manganese Mine (Proprietary) Limited (Registration number 1995/000129/07) ("Baltimore") is currently dormant.

Bushveld Pioneer (Proprietary) Limited (Registration number 1975/001561/07) ("Bushveld") holds manganese claims.

Pioneer Coal is currently seeking suitable coal exploration assets.

RDK Mining (Proprietary) Limited (Registration number 1953/002101/07) ("RDK") is currently dormant.

R T Vela is the director of Baltimore, Bushveld and RDK. R T Vela, C de Beer and C Bird are directors of Pioneer Coal.

DETAILS OF VENDORS

SacOil Transaction

Details of the SacOil (Proprietary) Limited Vendors are as follows:

Name	Address	Share of SacOil (Proprietary) Limited Consideration Shares	Rand value
Encha	119 Rosen Office Park, 37 Invicta Road Midrand, 1685	201 884 800	423 958 080
Columbia	1334 Lords Street, Highgate Extension Dainfern, Fourways, 2191	4 867 200	10 221 120
Moosa	89 Maxwell Road, Claudius, 0037	2 704 000	5 678 400
		209 456 000	439 857 600

The SacOil (Proprietary) Limited Vendors have given warranties normal for a transaction of this nature, including warranties that SacOil (Proprietary) Limited has exclusive, binding, valid and enforceable legal title to the Block 3 Rights and that, other than as expressly stipulated in the relevant Block 3 Production Sharing Agreement and the Amendment, no other authorisations or approvals are required to enable SacOil (Proprietary) Limited to conduct exploration and in due course exploitation activities in respect of the Block 3 Rights.

The SacOil (Proprietary) Limited Vendors have warranted that the book debts of SacOil (Proprietary) Limited as at the Effective Date will have arisen in the ordinary course of business and will be fully recoverable within a period of 90 days after the Effective Date.

The Sale of Shares Agreement does not preclude the SacOil (Proprietary) Limited Vendors from carrying on business in competition with the Group.

No restraint of trade agreements have been concluded between SacOil and the SacOil (Proprietary) Limited Vendors.

Any taxation payable by SacOil (Proprietary) Limited up to the Effective Date will be settled and paid prior to the Effective Date.

The value of the SacOil Transaction Consideration Shares were determined with reference to the updated Block 3 Rights Independent Technical Expert's Report value of US\$155 900 000 (with a Rand value of R1.18 billion assuming an exchange rate of R7.62 to 1US\$) and applying a discount on this value to take into consideration the risks attached to an asset of this nature. Notwithstanding the existence of positive evidence in the region, oil exploration prospects of this nature are highly risky and will remain so until the resources are satisfactorily proven. Should they be successfully proven, however, the accretion of value become exponential.

The assets acquired by SacOil in terms of the SacOil (Proprietary) Limited Transaction have not been ceded or pledged.

Farmout Interest Acquisition

The details of the Farmout Interest Vendors are set out below:

Name	Address	Share of Farmout interest acquisition consideration Approximate Rand value	Cost of Farmout Interest Acquisition to the Farmout Interest Vendors Approximate Rand value
Falcan	Whitepark House, Whitepark Road Bridgetown, Barbados	39 375 000	32 211 347
SMIP	Immeuble Maghrebia, 4th Floor Rue du Lac Windermere Les Berges du Lac, 1053 Tunis – Tunisia	13 125 000	10 737 116
		52 500 000	42 948 463

In terms of the Principal Agreements and the Farmout Agreement, the Farmout Interest Vendors are not precluded from carrying on business in competition to SacOil or any of its subsidiaries. No restraint of trade payments have been paid to the Farmout Interest Vendors.

SacOil is acquiring a Participating Interest and, therefore, there is no need for the Farmout Interest Vendors to guarantee the book debts as none are being acquired in terms of the Farmout Interest Acquisition.

SacOil will not be acquiring any liability for accrued taxation in terms of the Farmout Interest Acquisition as SacOil is acquiring a Participating Interest.

The Participating Interest has not been ceded or pledged by SacOil.

The Farmout Interest Acquisition is subject to Falcon obtaining the consent of the relevant Tunisian authorities for the extension of the exploration license for the Chaal Gas Exploration Permit Area and to the assignment of the Farmout Interest to SacOil.

ADMINISTRATION

COMPANY SECRETARIES AND REGISTERED OFFICE

Company Secretary

Fusion Corporate Secretarial Services (Proprietary) Limited (Registration number 2007/008376/07)
No. 65 Regency Road
Route 21, Corporate Park, Nellmapius Drive, Irene, Pretoria, 0157 (PO Box 68528 Highveld, 0169)

Registered Office

119 Rosen Office Park 37 Invicta Road Midrand, 1685 (PO Box 8439 Halfway House, 1685)

