

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

The definitions commencing on page 5 of this Circular apply, *mutatis mutandis*, to this front cover.

**Action required**

- If you are in any doubt as to what action you should take arising from this Circular, please consult your broker, CSDP, the Depository, banker, accountant, attorney or other professional advisor immediately.
- If you have disposed of all of your SacOil Shares, please forward this Circular to the purchaser of such SacOil Shares or to the broker, CSDP, the Depository, banker, accountant, attorney or other agent through whom the disposal was effected.
- SacOil Shareholders are referred to page 2 of this Circular, which sets out the action required by them.



**SACOIL HOLDINGS LIMITED**

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

**CIRCULAR TO SACOIL SHAREHOLDERS**

regarding:

- the specific issue of 883,449,144 SacOil Shares to nominees of Gairloch for R238,531,269 at an issue price of R0.27 per SacOil Share in settlement of the Gairloch Loans;
- a renounceable rights offer of up to 2,111,111,111 SacOil Shares at an issue price of R0.27 per SacOil Share in the ratio of 220.80013 Rights Offer Shares for every 100 SacOil Shares held at the close of business on Friday, 3 January 2014;
- the proposed Whitewash Resolution, in respect of the waiver by the independent SacOil Shareholders of GEPF's obligation to make a mandatory offer that may arise as a result of the PLC fulfilling its obligation in terms of the PIC Undertaking; and
- the proposed appointment of the Gairloch Nominated Directors;

and incorporating:

- a notice of a General Meeting of SacOil Shareholders;
- a form of proxy (*blue*) (to be completed by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration only); and
- revised listing particulars.

**Investment Bank, Corporate  
Advisor and Sponsor**



**Legal Advisor:  
South African Law**



**Independent Reporting  
Accountants**



**Nominated Advisor**



Date of issue: Thursday, 7 November 2013

This Circular is available in English only. Copies may be obtained from the Registered Office at the address set out in the "Corporate information and advisors" section of this Circular.

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## CORPORATE INFORMATION AND ADVISORS

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The definitions commencing on page 5 of this Circular apply, *mutatis mutandis*, to this "Corporate information and advisors" section.

### **Registered Office**

SacOil Holdings Limited  
(Registration number 1993/000460/06)  
2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston, 2021  
South Africa  
(PostNet Suite 211, Private Bag X75,  
Bryanston, 2021)

### **Investment Bank, Corporate Advisor and Sponsor**

Nedbank Capital, a division of Nedbank Limited  
(Registration number 1951/000009/06)  
3rd Floor, Corporate Place, Nedbank Sandton  
135 Rivonia Road  
Sandown, 2196  
South Africa  
(PO Box 1144, Johannesburg, 2000)

### **Legal Advisor – South African law**

Norton Rose Fulbright South Africa  
(Incorporated as Deneys Reitz Inc.)  
(Registration number 1984/003385/21)  
15 Alice Lane  
Sandton, 2146  
South Africa  
(PO Box 784903, Sandton, 2146)

### **Nominated Advisor**

finnCap Limited  
(Registration number 6198898)  
60 New Broad Street  
London, EC2M 1JJ  
United Kingdom

### **Jersey Registrars**

Computershare Investor Services (Jersey) Limited  
(Registration number 75005)  
Queensway House  
Hilgrove Street  
St Helier  
Jersey, JE1 1ES  
Channel Islands

**Place of incorporation:** Pretoria, South Africa

### **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  
South Africa  
(PO Box 68528, Highveld, 0169)

### **Independent Reporting Accountants**

Ernst & Young Incorporated  
(Registration number 2005/002308/21)  
Wanderers Office Park  
52 Corlett Drive  
Illovo  
Johannesburg, 2196  
South Africa  
(Private Bag X14, Northlands, 2116, Johannesburg)

### **SA Transfer Secretaries**

Link Market Services South Africa Proprietary Limited  
(Registration number 2000/007239/07)  
13th Floor, Rennie House  
19 Ameshoff Street  
Braamfontein, 2001  
South Africa  
(PO Box 4844, Johannesburg, 2000)

### **UK Depository**

Computershare Investor Services PLC  
(Registration number 3498808)  
The Pavilions  
Bridgwater Road  
Bristol, BS13 8AE  
United Kingdom

**Date of incorporation:** 1 February 1993

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## ACTION REQUIRED BY SACOIL SHAREHOLDERS

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The definitions commencing on page 5 of this Circular apply, *mutatis mutandis*, to this "Action required by SacOil Shareholders" section.

**Please take careful note of the following provisions regarding the action required by SacOil Shareholders:**

1. If you are in any doubt as to what action to take, consult your broker, CSDP, the Depository, banker, accountant, attorney, or other professional advisor immediately.
2. If you have disposed of all of your SacOil Shares, this Circular should be handed to the purchaser of such SacOil Shares or the broker, CSDP, the Depository, banker, accountant, attorney or other agent through whom the disposal was effected.
3. The General Meeting, convened in terms of the notice of General Meeting incorporated in this Circular, will be held at the Registered Office on Friday, 6 December 2013, commencing at 10:00.
4. This Circular contains information relating to:
  - 4.1 the Specific Issue; and
  - 4.2 the Rights Offer.

You should carefully read through this Circular and decide how you wish to vote on the Resolutions to be proposed at the General Meeting.

**5. General Meeting**

**5.1 If you hold Dematerialised Shares**

**5.1.1 Own-name registration**

You are entitled to attend, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting but wish to be represented thereat, you must complete and return the attached form of proxy (*blue*), in accordance with the instructions contained therein, to be received by the Transfer Secretaries, Link Market Services, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Thursday, 5 December 2013.

If you are a registered SacOil shareholder on the Jersey register, refer to paragraph 5.2.

**5.1.2 Other than own-name registration**

You are entitled to attend, or be represented by proxy, at the General Meeting.

You must advise your CSDP or broker timeously if you wish to attend, or be represented at the General Meeting.

You must **not** complete the attached form of proxy.

If you do wish to attend or be represented at the General Meeting, your CSDP or broker will be required to issue the necessary letter of representation to you to enable you to attend or to be represented at the General Meeting.

If your CSDP or broker does not contact you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

**5.2 If you hold Certificated Shares**

You are entitled to attend, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached form of proxy (*blue*), in accordance with the instructions contained therein, to be

received by the Transfer Secretaries, Link Market Services, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Thursday, 5 December 2013.

If you are a registered SacOil shareholder on the Jersey register, you must complete and return the enclosed form of proxy to Computershare Investor Services (Jersey) Limited c/o The Pavilions, Bridgwater Road, Bristol, BS99 6ZY by no later than 09:00 GMT on Thursday, 5 December 2013.

### 5.3 **If you hold Depository Interests**

Subject to and in accordance with the terms of the Deed Poll and any arrangements between you and your broker, you are entitled to attend, or be represented by proxy, at the General Meeting.

You must advise the Depository timeously if you wish to attend, or be represented at the General Meeting.

You must **not** complete the attached form of proxy.

If you do wish to attend or be represented at the General Meeting, the Depository will be required to issue the necessary letter of representation to you to enable you to attend or to be represented at the General Meeting.

If your broker does not contact you, you are advised to contact your broker and provide them with your voting instructions. If your broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

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## SALIENT DATES AND TIMES

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The definitions commencing on page 5 of this Circular apply, *mutatis mutandis*, to this "Salient dates and times" section.

<b>Details</b>	<b>Dates</b>
Record date to determine which shareholders are eligible to receive the Circular	Friday, 1 November 2013
Circular posted to SacOil Shareholders on	Thursday, 7 November 2013
Last day to trade in order to be eligible to vote at the General Meeting on	Friday, 22 November 2013
Record date for voting at the General Meeting on	Friday, 29 November 2013
Forms of proxy to be received by 10:00 on	Thursday, 5 December 2013
General Meeting to be held at 10:00 on	Friday, 6 December 2013
Results of the General Meeting released on SENS on	Friday, 6 December 2013
Results of the General Meeting published in the South African press on	Monday, 9 December 2013
Expected listing of the Specific Issue Shares on the JSE from the commencement of business on	Monday, 27 January 2014

**Notes:**

1. These dates and times are subject to amendment. Any such amendment will be released on SENS and published in the South African press.
2. All times indicated above and in this Circular are local times in South Africa, unless otherwise indicated.

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## DEFINITIONS

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In this Circular, unless otherwise stated or the context otherwise indicates, the words in the first column below shall have the meaning stated opposite them, respectively, in the second column below, reference to the singular shall include the plural and *vice versa*, words denoting one gender shall include the other genders, and an expression denoting natural persons shall include juristic persons and associations of persons:

"AIM"	the Alternative Investment Market of the LSE;
"ASX"	the Australian Stock Exchange;
"Board" or "Directors"	the board of directors of SacOil whose names are reflected in paragraph 8.1 of this Circular;
"cent"	cent, the official currency of South Africa, being one-hundredth of a Rand;
"CEO"	chief executive officer;
"Certificated Share(s)"	SacOil Share(s) which have not been dematerialised and which are held in physical form as share certificate(s) or other Document(s) of Title;
"Certificated Shareholder(s)"	holders of Certificated Share(s);
"Circular"	this bound circular, dated Thursday, 7 November 2013, including its annexures, the revised listings particulars, the notice of General Meeting and the form of proxy ( <i>blue</i> ) attached hereto;
"Companies Act"	the Companies Act, No. 71 of 2008, as amended;
"Companies Regulations"	the Companies Regulations, 2011 promulgated under the Companies Act;
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755), including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force;
"CSDP"	a Central Securities Depository Participant, appointed by individual SacOil Shareholder(s) for the purpose of, and in regard to, dematerialisation in terms of the Financial Markets Act;
"Deed Poll"	the deed poll, dated 17 November 2010, made by the Depository dealing with the creation and issue of Depository Interests in respect of SacOil Shares;
"Dematerialised Share(s)"	SacOil Share(s) that have been dematerialised through a CSDP or broker and replaced by electronic record(s) of ownership under the Strate system;
"Dematerialised Shareholder(s)"	holders of Dematerialised Shares;
"Depository"	Computershare Investor Services PLC acting in its capacity as depository pursuant to the terms of the agreement for the provision of depository services entered into between the Company and Computershare Investor Services PLC;
"Depository Interests"	a depository interest issued by the Depository representing an entitlement to a SacOil Share which may be traded through CREST in dematerialised form;

"Document(s) of Title"	share certificate(s), transfer deed(s) or form(s), balance receipt(s) or any other document(s) of title acceptable to SacOil in respect of Certificated Shareholder(s);
"DRC"	the Democratic Republic of Congo;
"EER"	Energy Equity Resources (Norway) Limited, (Registration number 05216886), a company duly incorporated in accordance with the laws of England and Wales;
"Encha"	Encha Group Limited (Registration number 2005/003490/06), a public company incorporated and registered in South Africa with the Moseneke Family as the controlling shareholder;
"EPS"	earnings per share;
"Euroclear"	Euroclear UK & Ireland Limited, a company incorporated in England and Wales and the operator of CREST;
"FD"	financial director;
"Financial Markets Act"	the Financial Markets Act, No. 19 of 2012, as amended;
"FinSurv"	the Financial Surveillance Department of South African Reserve Bank;
"Gairloch"	Gairloch Limited (Registration number 352430), a limited liability company registered in the British Virgin Islands with Dr Olatunji Olowolafe as the controlling shareholder;
"Gairloch Deed of Confirmation and Amendment"	the written deed of confirmation and amendment entered into by Gairloch and SacOil, dated 28 December 2012;
"Gairloch Deed of Novation"	the written deed of novation entered into by Gairloch, Rencap and SacOil, dated 28 December 2012, in respect of the novation of the Rencap Loan;
"Gairloch Loans"	the loans advanced to SacOil in terms of the Gairloch Loan Agreements;
"Gairloch Loan Agreements"	the Gairloch Loan Agreement 1, the Gairloch Loan Agreement 2 and the Gairloch Novated Loan Agreement;
"Gairloch Loan Agreement 1"	the written loan agreement entered into by Gairloch and SacOil, dated 12 September 2012 in terms of which Gairloch loaned and advanced the amount of USD1 million to the Company;
"Gairloch Loan Agreement 2"	the written loan agreement entered into by Gairloch and SacOil, dated 30 October 2012 in terms of which Gairloch provided a loan facility of USD1 million to the Company. At 28 February 2013, USD600,000 of this facility had been drawn and a further USD400,000 was drawn on 13 April 2013;
"Gairloch Novated Loan Agreement"	collectively, the Gairloch Deed of Novation, the Gairloch Deed of Confirmation and Amendment and the Rencap Loan Agreement;
"Gairloch Nominated Directors"	the Gairloch nominated directors being Mr Danladi Verheijen and Ms Lola Akinleye;
"Gairloch Nominees"	collectively, Gairloch Nominee 1 and Gairloch Nominee 2 and "Gairloch Nominee" shall have a corresponding meaning;
"Gairloch Nominee 1"	Westglamry Limited, a company registered and incorporated in the British Virgin Islands with Gairloch as the controlling shareholder;
"Gairloch Nominee 2"	Newdel Holdings Limited, a company registered and incorporated in the British Virgin Islands, owned 80% by Verod Holdings and 20% by Gairloch;



“Gairloch Subscription Agreement”	the written second subscription and settlement agreement entered into by Gairloch and SacOil, dated 11 September 2013, in respect of the Specific Issue, as amended by the Gairloch Subscription Agreement First Addendum, the salient terms of which are set out in Annexure 5 to this Circular;
“Gairloch Subscription Agreement First Addendum”	means the written first addendum to the Gairloch Subscription Agreement entered into by Gairloch and SacOil, dated 29 October 2013;
“General Meeting”	the general meeting of SacOil Shareholders to be held at the Registered Office, commencing at 10:00 on Friday, 6 December 2013 to consider and, if deemed appropriate, to approve the Resolutions as more fully set out in the notice of General Meeting attached to this Circular;
“GEPF”	Government Employee Pension Fund;
“HEPS”	headline earnings per share;
“HLPS”	headline loss per share;
“Independent Reporting Accountants”	Ernst & Young Inc. (Registration number 2005/002308/21), registered auditors, a firm of chartered accountants (SA) and the independent reporting accountants to SacOil;
“Investment Bank, Corporate Advisor and Sponsor”	Nedbank Capital, a division of Nedbank Limited (Registration number 1951/000009/06);
“Issue Price”	the issue price of R0.27 per SacOil Share in terms of the Specific Issue;
“JSE”	the securities exchange operated by the JSE Limited (Registration number 2005/0222939/06), a public company incorporated and registered in South Africa, licensed as an exchange under the Financial Markets Act;
“King III”	the King Report on Governance for South Africa, 2009;
“Last Practicable Date”	the last practicable date prior to the finalisation of this Circular, being Thursday, 31 October 2013;
“Legal Advisor(s)”	Norton Rose Fulbright South Africa (incorporated as Deneys Reitz Inc.) (Registration number 1984/003385/21), a company incorporated and registered in South Africa and the legal advisor to SacOil on South African law;
“Listings Requirements”	the JSE Listings Requirements, as amended from time to time;
“Long Stop Date”	means 31 January 2014 or such later date as SacOil and Gairloch may agree in writing;
“LPS”	loss per share;
“LSE”	the London Stock Exchange;
“m”	million;
“Malawi”	the Republic of Malawi;
“Memorandum of Incorporation”	the memorandum of incorporation of SacOil, as amended from time to time;
“Moseneke Family”	collectively, Vincent Moseneke, Tiego Moseneke, Sedise Moseneke, Karabo Moseneke, Koketso Moseneke and persons related or inter-related to them, as defined in section 2 of the Companies Act;
“NAV”	net asset value per share;
“Nigeria”	the Federal Republic of Nigeria;
“Nominated Advisor”	finnCap Limited (Registration number 6198898), a company duly incorporated in accordance with the laws of England and Wales;

"Ordinary Resolutions"	the ordinary resolutions to be passed at the General Meeting to authorise and approve the issue of the Specific Issue Shares to the Gairloch Nominees as a specific issue for cash in accordance with the provisions of the Listings Requirements, the issue of Rights Offer Shares to Shareholders in accordance with the provisions of the Memorandum of Incorporation, the appointment of each of the Gairloch Nominated Directors as non-executive directors of the Company, the Whitewash Resolution and the Directors' authority to sign all documents and do all such things and take such further steps to give effect thereto, as more fully set out in the notice of General Meeting attached to this Circular;
"PIC"	Public Investment Corporation (SOC) Limited (Registration number 2005/009094/06), a corporation created in terms of the Public Investment Corporation Act, 2004 as amended, and duly registered and incorporated under the laws of South Africa;
"PIC Undertaking"	the irrevocable undertaking provided by the PIC, dated 14 August 2013, whereby the PIC irrevocably agreed to support the Rights Offer up to a maximum amount of R329,211,713 as fund manager for the Government Employees Pension Fund, a shareholder in SacOil;
"Rand" or "R"	the South African Rand, the lawful currency of South Africa;
"Registered Office"	the registered office of SacOil, being 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, 2021;
"Rencap"	Rencap Securities Proprietary Limited (South Africa) (formerly Renaissance BJM Securities Proprietary Limited (South Africa)) (Registration number 1987/000175/07), a private company incorporated and registered in South Africa;
"Rencap Loan"	the loan advanced to SacOil in terms of the Rencap Loan Agreement;
"Rencap Loan Agreement"	the written loan agreement entered into by Rencap and SacOil, dated 10 April 2012, as amended by the supplemental agreement, dated 10 October 2012, whereby RenCap loaned and advanced the amount of USD11,249,392 to the Company;
"Resolutions"	the Ordinary Resolutions and the Special Resolution;
"Rights Offer"	a renounceable rights offer of up to 2,111,111,111 Rights Offer Shares at an issue price of R0.27 per SacOil share in the ratio of 220.80013 Rights Offer Shares for every 100 SacOil Shares held at the close of business on Friday, 3 January 2014;
"Rights Offer Circular"	the circular dated Monday, 6 January 2013, including its annexures, the form of instruction and the letter of allocation;
"Rights Offer Share(s)"	a maximum of 2,111,111,111 new SacOil Shares, which are to be offered to SacOil Shareholders pursuant to the Rights Offer;
"RNS"	the Regulatory News Service of the LSE;
"SacOil" or the "Company"	SacOil Holdings Limited (Registration number 1993/000460/06), a public company incorporated and registered in South Africa and the shares of which are listed on AIM and the JSE;
"SacOil Group" or the "Group"	SacOil and its subsidiaries;
"SacOil Share(s)"	ordinary shares with no par value in the issued share capital of SacOil;
"SacOil Shareholders"	holders of SacOil Shares;
"SacOil Share Options"	the share options that SacOil has issued to its directors and employees;
"Senior Managers"	the senior managers of the SacOil Group;

“SENS”	the Securities Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“South African Exchange Control Regulations”	the South African Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended;
“Special Resolution”	the special resolution to be passed at the General Meeting to authorise and approve the issue of the Specific Issue Shares and the Rights Offer Shares in terms of the Specific Issue and the Rights Offer, respectively, in terms of the Companies Act, as more fully set out in the notice of General Meeting attached to this Circular;
“Specific Issue”	the specific issue of the Specific Issue Shares to the Gairloch Nominees in settlement of SacOil’s indebtedness under the Gairloch Loan Agreements;
“Specific Issue Shares”	883,449,144 SacOil Shares to be issued to the Gairloch Nominees, being the nominees of Gairloch, for an aggregate subscription consideration of R238,531,269 at the Issue Price in terms of the Gairloch Subscription Agreement;
“Strate”	Strate Limited (Registration number 1998/022242/06), a company incorporated and registered in South Africa and the electronic settlement system for transactions that take place on the JSE and off-market trades;
“TNAV”	tangible net asset value per share;
“Total”	Total E&P RDC (Registration number 712 081 382 RCS), a company incorporated and registered in France;
“Transfer Secretaries”	Link Market Services South Africa Proprietary Limited (Registration number 2000/007239/07), a private company incorporated and registered in South Africa and the transfer secretaries to SacOil;
“TRP”	Takeover Regulation Panel, a regulatory body established in terms of section 196 of the Companies Act;
“UK”	United Kingdom;
“US” or “United States”	United States of America;
“USD”	the United States Dollar, the lawful currency of the United States;
“VAT”	Value Added Tax, payable in terms of the Value Added Tax Act, No. 89 of 1991, as amended; and
“Whitewash Resolution”	the ordinary resolution of SacOil Shareholders as contemplated in Regulation 86(4) of the Companies Regulations to waive the benefit of a mandatory offer from PIC in terms of section 123(3) of the Companies Act, in the event that GEPF’s shareholding post the Specific Issue and the Rights Offer is equal to or exceeds 35% of SacOil’s issued share capital.



## SACOIL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1993/000460/06)

JSE share code: SCL ISIN: ZAE000127460

AIM share code: SAC

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### Directors

Tito Mboweni\* (*Chairman*)

Roger Rees (*CEO*)

Tariro Mudzimuirema (*FD*)

Ignatius Sehoole#

Gontse Moseneke#

Mzuvukile Maqetuka\*

Stephanus Muller\*

Vusumzi Pikoli\*

\* *Independent non-executive Director*

# *Non-executive Director*

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## CIRCULAR TO SACOIL SHAREHOLDERS

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### 1. INTRODUCTION AND PURPOSE OF THE CIRCULAR

SacOil Shareholders are referred to the SENS announcement, dated 12 September 2013, wherein it was announced that:

- the Company has concluded the Gairloch Subscription Agreement with Gairloch for the Specific Issue, subject to the fulfilment of the conditions precedent thereto; and
- subject to the fulfilment of certain conditions, the Company would undertake to raise up to R570 million by way of a renounceable rights offer in respect of the Rights Offer Shares at an issue price of R0.27 per SacOil share, which Rights Offer will be supported by one of the Company's largest Shareholders, the GEPF managed by the PIC, up to a maximum amount of R329,211,713.

The purpose of this Circular is to provide SacOil Shareholders with information to enable them to make an informed decision as to whether or not they should vote in favour of the Resolutions required to give effect to:

- the Specific Issue;
- the Rights Offer; and
- the appointment of the Gairloch Nominated Directors as directors of the Company.

The Resolutions to be proposed are contained in the notice of General Meeting attached to this Circular, dated 7 November 2013. The General Meeting will be held at the Registered Office, to consider and, if deemed appropriate, to approve the Resolutions. Any adjourned or postponed meeting will be held at such date and time as determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act.

### 2. THE SPECIFIC ISSUE

#### 2.1 Introduction

In terms of the Gairloch Subscription Agreement the Company will issue 883,449,144 SacOil Shares for R238,531,269 to the Gairloch Nominees, being nominees of Gairloch, at the Issue Price in settlement of the Gairloch Loans with an aggregate carrying value of R238,531,269, subject to the fulfilment of the conditions precedent as detailed in paragraph 2.3 below.

Gairloch is a private investment holding company registered in the British Virgin Islands and controlled by Dr Olatunji Olowolafe. Dr Olatunji Olowolafe holds in excess of 75% of the shares in Gairloch, with the residual shares being held by his family.

The salient terms of the Gairloch Subscription Agreement are set out in Annexure 5 to this Circular.

## 2.2 Rationale for the Specific Issue

It is the opinion of the Board that the Specific Issue represents an opportunity to raise equity capital for the Company, the proceeds of which will be applied to settling in its entirety the indebtedness of the Company to Gairloch in terms of the Gairloch Loan Agreements.

To the extent that the maximum number of SacOil Share is issued in terms of the Specific Issue, SacOil shall be largely debt-free, thereby reducing financing costs and significantly improving its balance sheet position.

## 2.3 Conditions precedent relating to the Specific Issue

In terms of the Gairloch Subscription Agreement the Specific Issue is subject to the fulfilment, or waiver (where applicable), of the following conditions precedent, *inter alia*:

- 2.3.1 SacOil Shareholders approving the issue of the Specific Issue Shares to the Gairloch Nominees as a specific issue for cash in accordance with the provisions of the Listings Requirements;
- 2.3.2 the Specific Issue Shares and the Rights Offer Shares being admitted to trading on the JSE and AIM;
- 2.3.3 all regulatory consents and approvals (including, without limitation, the approval of FinSurv) required for the implementation of the transactions contemplated in the Gairloch Subscription Agreement being granted either unconditionally or subject to such conditions as are acceptable to SacOil and Gairloch (as confirmed in writing) and, where required, such conditions have been satisfied;
- 2.3.4 SacOil Shareholders approving and authorising the issue of the Specific Issue Shares and the Rights Offer Shares in terms of the Specific Issue and the Rights Offer, respectively, in accordance with the provisions of the Companies Act;
- 2.3.5 pursuant to the Rights Offer, either: (i) SacOil Shareholders electing to subscribe for Rights Offer Shares for an aggregate subscription consideration of not less than R570,000,000 or (ii) the PIC electing to subscribe for the Rights Offer Shares for an aggregate subscription consideration of not less than R329,000,000 and the Company receiving such subscription consideration;
- 2.3.6 SacOil issuing Rights Offer Shares to all existing SacOil Shareholders that have elected to subscribe for Rights Offer Shares pursuant to the Rights Offer; and
- 2.3.7 SacOil Shareholders approving the appointment of the Gairloch Nominated Directors.

## 2.4 Details of the Specific Issue

As at the Last Practicable Date, the following information is disclosed in accordance with the Listings Requirements as it relates to the Specific Issue:

- 2.4.1 The Specific Issue Shares will be ordinary shares of no par value in SacOil, which shares relate to a class of shares already in issue.
- 2.4.2 Gairloch has warranted to SacOil that, as at the date of signature of the Gairloch Subscription Agreement and the date of subscription for the Specific Issue Shares, neither Gairloch Nominee is the registered holder of any SacOil Shares (other than, for avoidance of doubt, the Specific Issue Shares), and as such Gairloch is not a related party of the Company as defined in the Listings Requirements.
- 2.4.3 The number of equity securities to be issued in terms of the Specific Issue is 883,449,144 SacOil Shares at a price of R.027 per SacOil share, being a discount of approximately 4.6% to the volume weighted average price of SacOil Shares as quoted on the JSE for the 30 days immediately prior to the suspension of trading of SacOil Shares on the JSE and AIM on 31 May 2013.
- 2.4.4 641,840,797 SacOil Shares will be issued to Gairloch Nominee 1 and 241,608,347 SacOil Shares will be issued to Gairloch Nominee 2.
- 2.4.5 The obligation of Gairloch to effect payment to SacOil of the subscription consideration for the Specific Issue Shares will be set off against the repayment obligations of SacOil under the Gairloch Loan Agreements.

- 2.4.6 As far as the Directors are aware, neither Gairloch nor any of its associates nor any concert party (as defined in the Companies Regulations) is the registered holder of any SacOil Shares (other than, for avoidance of doubt, the Specific Issue Shares).
- 2.4.7 There will be no change in the remuneration of Directors of SacOil following the Specific Issue and the Rights Offer;
- 2.4.8 The Rights Offer will occur prior to the Specific Issue, thus Gairloch will not be participating in the Rights Offer.

## 2.5 Irrevocable undertakings

SacOil has received irrevocable undertakings from SacOil Shareholders in favour of the Specific Issue and Rights Offer, representing 23.90% of SacOil's issued share capital. Details of the SacOil Shareholders who have provided irrevocable undertakings are presented in Annexure 6 of this Circular.

## 3. THE RIGHTS OFFER

### 3.1 Introduction

SacOil intends to raise additional capital of up to R570,000,000 by way of a renounceable Rights Offer of 2,111,111,111 SacOil Shares at an issue price of R0.27 per SacOil Share, which will be supported by one of the Company's largest shareholders, the GEPF managed by, the PIC, to the extent of R329,211,713.

### 3.2 Rationale for the Rights Offer

The purpose of the Rights Offer is to raise additional capital to recapitalise the Company, thereby enabling it to actively pursue and develop its existing oil and gas prospects.

### 3.3 The PIC Undertaking

SacOil has received the PIC Undertaking from the PIC. The PIC is the fund manager of the GEPF, a 16.64% shareholder in SacOil, in which PIC has irrevocably agreed to support the Rights Offer up to a maximum amount of R329,211,713.

#### 3.3.1 *Waiver of the mandatory offer to Shareholders*

The cash subscription of securities as a result of the PIC fulfilling its obligation in terms of the PIC Undertaking with regards to the Rights Offer may result in the GEPF controlling more than 35% of the issued share capital of SacOil. In terms of section 123 of the Companies Act, the PIC is obliged to make a mandatory offer to the Shareholders of SacOil at the same price unless the mandatory offer is waived in accordance with regulation 86(4) of the Companies Regulations.

The TRP has advised that it is willing to consider the application to grant an exemption from the obligation to make a mandatory offer if the majority of independent Shareholders of SacOil waive their entitlement to receive the mandatory offer from the GEPF, in accordance with this regulation.

Any Shareholder of SacOil who wishes to make representations relating to the exemption shall have 10 business days from the date of the posting of this Circular to make such representations to the TRP before the ruling is considered. Representations should be made in writing and delivered by hand, posted or faxed to:

If delivered by hand or courier:	If posted:	If faxed:
The Executive Director Takeover Regulation Panel 1st Floor, Building B Sunnyside Office Park 32 Princess of Wales Terrace Parktown 2193	The Executive Director Takeover Regulation Panel PO Box 91833 Auckland Park 2006	The Executive Director Takeover Regulation Panel +27 11 642 9284

and should reach the TRP by no later than the close of business on Thursday, 21 November 2013 in order to be considered.

If any representations are made to the TRP within the permitted timeframe, the TRP will consider the merits thereof before making a ruling.

Included in the Circular is the notice of General Meeting and the resolution for the waiver of the mandatory offer for Shareholders to consider, and if deemed fit, to approve at the General Meeting.

### 3.4 Rights Offer price

As at 12 September 2013, being the date the Rights Offer was announced, the Rights Offer is at an issue price of R0.27 per SacOil Share being a discount of approximately 4.6% to the volume weighted average price of SacOil Shares as quoted on the JSE for the 30 days immediately prior to the suspension of trading of SacOil Shares on the JSE and AIM on 31 May 2013. In terms of regulation 86(7) of the Companies Regulations a fair and reasonable opinion is not required as the Rights Offer price is at a discount to the prevailing market price on the day of the announcement.

### 3.5 Conditions relating to the Rights Offer

The implementation of the Rights Offer is conditional upon the following:

- 3.5.1 SacOil Shareholders approving and authorising the issue of the Specific Issue Shares and the Rights Offer Shares in terms of the Specific Issue and the Rights Offer respectively, in accordance with the provisions of the Companies Act;
- 3.5.2 SacOil Shareholders approving and authorising the issue of the Rights Offer Shares in terms of the Rights Offer in accordance with the provisions of the Memorandum of Incorporation;
- 3.5.3 SacOil Shareholders, other than the PIC, approving the Whitewash Resolution in accordance with the provisions of the Companies Act and the Companies Regulations;
- 3.5.4 the Rights Offer Shares and the Specific Issue Shares being admitted to trading on the JSE and AIM, respectively;
- 3.5.5 all regulatory consents and approvals (including, without limitation, the approval of FinSurv and the TRP) required for the implementation of the Rights Offer;
- 3.5.6 the approval of the Rights Offer Circular by the South African Reserve Bank; and
- 3.5.7 the approval by the JSE of the Rights Offer and all documents ancillary thereto.

## 4. APPOINTMENT OF THE GAIRLOCH NOMINATED DIRECTORS

- 4.1 The Gairloch Subscription Agreement contemplates that the Company shall, at the General Meeting, propose to the SacOil Shareholders that the Gairloch Nominated Directors shall be elected as non-executive Directors of the Company, provided that:
  - 4.1.1 such persons are eligible for election under law and the Memorandum of Incorporation;
  - 4.1.2 such persons comply with all procedural requirements for appointment stipulated in law and the Memorandum of Incorporation; and
  - 4.1.3 the appointment is conditional upon the Specific Issue occurring prior to the Long Stop Date.
- 4.2 It is a condition precedent of the Gairloch Subscription Agreement that the SacOil Shareholders shall have approved the appointment of the Gairloch Nominated Directors as non-executive Directors of the Company.
- 4.3 Information on the Gairloch Nominated Directors is provided in paragraph 8.2 below.
- 4.4 The Board is in favour of the appointment of the Gairloch Nominated Directors as non-executive Directors of the Company.

## 5. MOVEMENT IN SHARE CAPITAL

- 5.1 The share capital of SacOil as at the Last Practicable Date is as follows:

<b>Before the Specific Issue and the Rights Offer</b>	<b>R</b>
<b>Authorised share capital</b>	
10,000,000,000 ordinary shares of no par value	
<b>Stated share capital</b>	
956,118,568 ordinary shares of no par value	534,863,367



5.2 The authorised and stated capital of SacOil after the Specific Issue and the Rights Offer will be as follows:

<b>After the Specific Issue and the Rights Offer</b>	<b>R</b>
<b>Authorised share capital</b>	
10,000,000,000 ordinary shares of no par value <sup>1</sup>	
<b>Stated share capital</b>	
3,947,901,046 ordinary shares of no par value <sup>2</sup>	1,338,628,592

**Notes:**

1. There will be no changes to the authorised share capital of SacOil as a result of the Specific Issue and Rights Offer.
2. Costs of R4,074,800 related to the Specific Issue and Rights Offer have been deducted from equity.
3. The Specific Issue Shares and the Rights Offer Shares are of the same class as the SacOil Shares currently in issue, rank *pari passu* in every respect and are fully paid up. SacOil has no preferred or deferred Shares in issue.
4. No SacOil Shares are held in treasury.

## 6. SALIENT INFORMATION ON SACOIL

### 6.1 Nature of the business

SacOil is a South African-based JSE and AIM-listed oil and gas exploration company focused exclusively on operations in Africa, where it has a competitive advantage through its experienced commercial and technical teams. To date, SacOil's interests and prospective interests include opportunities in the DRC, Malawi, Botswana and Nigeria. SacOil continues to evaluate a number of opportunities to secure new value accretive acreage in other established and prolific African hydrocarbon basins.

The DRC, Malawi, Botswana and Nigerian assets are all in the exploration and appraisal stage. SacOil has a vision to build a balanced hydrocarbon exploration and production portfolio in Africa with established production and cash flow.

SacOil's management team is focussed on bringing the current assets and opportunities SacOil has to account by moving the same through the value curve, progressing work on the assets, receiving definitive title and progressing to delivery of production and cash flow.

### 6.2 Assets and prospects

#### Malawi: Block 1

Initial planning associated with the environmental and social impact assessments is underway following the award of Block 1 in Malawi during December 2012. In consultation with the Malawian government, SacOil is currently targeting to complete all environmental work by Q3 2014.

Block 1 is located in the North Western part of Malawi bordering Tanzania to the north and Zambia to the west. The licence is located on trend with the East African rift system which is a proven exploration province with prolific oil discoveries in Sudan, Chad, Kenya and Uganda. Through initial work completed, SacOil's technical team anticipates that the same tertiary rift system will be present in Malawi.

#### DRC: Block III

Total successfully acquired an airborne gravity and magnetic survey over the northern part of Block III outside the Virunga National Park. The interpretation of the processed gravity and magnetic survey confirms the geological trend observed in the adjacent concessions in Uganda. Features similar to those found to be oil-bearing in Uganda in the Albertine Graben have been identified. With this positive geological information, planning for the acquisition of a 2D seismic survey has begun. The current design envisages that a minimum 400 km<sup>2</sup> 2D seismic data will be acquired during the next dry season, which is Q1 2014.

#### Botswana licences 123/2013, 124/2013 and 125/2013

Transfer Holdings (Proprietary) Limited, a Botswana subsidiary of SacOil, was awarded petroleum exploration licence numbers 123/2013, 124/2013 and 125/2013 on 29 April 2013.



### Nigeria: OPL233

In February 2013 the Nigerian National Petroleum Corporation ("NNPC") approved the OPL233 work programme and budget for 2013. The approved work programme includes the acquisition and processing of a 3D Ocean Bottom Cable ("OBC") seismic survey to be acquired over the block and the drilling of an exploration well. The awarding of the seismic contract is currently being finalised.

### Nigeria: OPL281

SacOil has completed the seismic and well re-interpretation of the existing 3D seismic data, as required under Phase 1 of the exploration period, and is currently in the process of engaging with a Competent Person to certify the OPL 281 contingent resources. SacOil has identified substantial prospective resources in OPL 281, which will be evaluated by a Competent Person for certification.

Subject to final NNPC approvals, the 2014 work programme could entail the reprocessing of existing and raw 3D seismic data over the block and the drilling of one exploration well.

### Prospects

Given SacOil's positioning, SacOil is continually approached and presented with new opportunities, which the Company continues to evaluate with a view to ensuring the progression of the Company to a balanced portfolio business with assets and opportunities in different African jurisdictions and at different stages of the upstream cycle.

## 6.3 Major Shareholders

At the Last Practicable Date, SacOil Shareholders who, insofar as is known to SacOil, are beneficially interested, directly or indirectly, in 5% or more of the issued ordinary stated capital of SacOil, were as follows:

Before the Specific Issue and Rights Offer

Beneficial Shareholder	Shares held		Total interest	Shareholding (%) <sup>1</sup>
	Direct interest	Indirect interest		
Encha and associates	193,796,137	–	193,796,137	20.27
Government Employee Pension Fund <sup>2</sup>	158,606,964	–	158,606,964	16.59
Metropolitan Asset Managers	81,163,097	–	81,163,097	8.49
<b>Total</b>	<b>433,566,198</b>	<b>–</b>	<b>433,566,198</b>	<b>45.35</b>

1. Based on 956,118,568 SacOil Shares in issue.

2. The PIC Undertaking was provided by the PIC in its capacity as the fund manager for the GEPF.

After the Specific Issue and Rights Offer

Beneficial Shareholder	Shares held		Total interest	Shareholding (%) <sup>1</sup>
	Direct interest	Indirect interest		
Gairloch <sup>2</sup>	–	883,449,144	883,449,144	22.38
Encha and associates	621,698,274	–	621,698,274	15.75
Government Employee Pension Fund <sup>3</sup>	508,811,358	–	508,811,358	12.89
Metropolitan Asset Managers	260,371,327	–	260,371,327	6.60
<b>Total</b>	<b>1,390,880,959</b>	<b>883,449,144</b>	<b>2,274,330,103</b>	<b>57.62</b>

1. Based on 3,947,901,046 SacOil Shares in issue, after taking into account the Specific Issue Shares and the maximum number of Rights Offer Shares, and assuming all SacOil shareholders exercise their rights in terms of the Rights Offer.

2. Gairloch's beneficial shareholding in the Company is held via the Gairloch Nominees.

3. The PIC Undertaking was provided by the PIC in its capacity as the fund manager for the GEPF.

## 7. FINANCIAL INFORMATION RELATING TO THE SPECIFIC ISSUE AND THE RIGHTS OFFER

Based on SacOil's published annual results for the year ended 28 February 2013, the unaudited *pro forma* financial information of the Specific Issue and Rights Offer on SacOil's reported LPS, HLPs, NAV and TNAV is set out below.

The unaudited *pro forma* financial information is presented for illustrative purposes only, and, because of its nature, it may not fairly present SacOil's financial position, changes in equity, results of operations or cash flows. The financial information is the responsibility of the Board.

Details of the unaudited *pro forma* financial information on the statement of comprehensive income and statement of financial position is contained in Annexure 1 to this Circular.

The Independent Reporting Accountants' report on the unaudited *pro forma* financial information on the statement of comprehensive income and statement of financial position is set in Annexure 2 to this Circular.

### 7.1 Unaudited *pro forma* financial information of the Specific Issue and Rights Offer

Details	Annual financial results	Adjustments		Before the Transactions*	Pro forma adjustments		After Rights Offer	Pro forma adjustment – Specific Issue	After the Transactions	Change (%)
		Gairloch Loans	Loans		Pro forma adjustments – Rights Offer	Pro forma adjustment – Specific Issue				
LPS (cents)	(6.10)	–	–	(6.10)	4.26	4.26	(1.84)	0.74	(1.10)	(81.97)
Diluted LPS (cents)	(6.09)	–	–	(6.09)	4.25	4.25	(1.84)	0.74	(1.10)	(81.94)
HLPs (cents)	(8.10)	–	–	(8.10)	5.66	5.66	(2.44)	0.87	(1.57)	(80.62)
Diluted HLPs (cents)	(8.10)	–	–	(8.10)	5.66	5.66	(2.44)	0.87	(1.57)	(80.62)
NAV (cents)	38.12	(3.10)	(3.10)	35.02	(5.62)	(5.62)	29.40	(0.57)	28.83	(17.68)
TNAV (cents)	21.04	(7.10)	(7.10)	13.94	8.90	8.90	22.84	0.90	23.74	70.30
Weighted average number of shares in issue	912,157,573	–	–	912,157,573	2,111,111,111	2,111,111,111	3,023,268,684	883,449,144	3,906,717,828	328.29
Weighted average number of shares in issue for dilution	912,697,579	–	–	912,697,579	2,111,111,111	2,111,111,111	3,023,808,690	883,449,144	3,907,257,834	328.10
Number of shares in issue	953,340,791	–	–	953,340,791	2,111,111,111	2,111,111,111	3,064,451,902	883,449,144	3,947,901,046	314.11

#### Notes:

- The "Annual financial results" column indicates the financial information which has been extracted from SacOil's historical audited financial results for the 12 months ended 28 February 2013.
- The "Adjustments – Gairloch Loans" column indicates the adjustments in respect of the Gairloch Loans. Subsequent to 28 February 2013, the Gairloch Loans incurred further interest charges amounting to R87,963,810. R76,338,378 of this interest is attributable to the Gairloch Novated Loan Agreement and is split equally between SacOil's wholly owned subsidiary SacOil 233 Nigeria Limited and EER, and is capitalised to the OPL233 asset under "exploration and evaluation assets" and the EER loan under "other financial assets", respectively. The movement in Accumulated Loss is a result of the remaining interest of R11,625,432 and foreign exchange losses amounting to R17,931,561 on the all the Gairloch loans also incurred subsequent to 28 February 2013. Furthermore, a loan of R3,657,880 was obtained under the Gairloch Loan Agreement 2 resulting in an increase in "Cash and cash equivalents". These adjustments resulted in a total increase in "Other financial liabilities" of R109,553,251.
- The "Before the Transactions" column indicates the impact of note 2 above on the "Annual financial results".
- The "Pro forma adjustments – Rights Offer" column takes into account the *pro forma* adjustments in respect of the Rights Offer, namely the issue of 2,111,111,111 SacOil Shares ("Rights Offer Shares") for R570,000,000 at the Issue Price of R0.27 per ordinary share. In this respect, Right Offer costs of R2,872,661 have been deducted from equity.
- The *pro forma* statement of comprehensive income figures are based on the assumption that the Rights Offer was implemented on 1 March 2012 while the statement of financial position figures are based on the assumption that the Rights Offer was implemented on 28 February 2013.

6. The "After the Rights Offer" column indicates the *pro forma* financial results after taking into account notes 1 to 5 above.
  7. The "Pro forma adjustments – Specific Issue" column takes into account the issue of 883,449,144 SacOil Shares to Gairloch Nominees for R238,531,269 at the Issue Price of R0.27 per Share under the terms of the Gairloch Subscription Agreement. In this respect, Specific Issue costs of R1,202,139 have been deducted from equity.
  8. The *pro forma* statement of comprehensive income figures are based on the assumption that the Specific Issue was implemented on 1 March 2012, while the statement of financial position figures are based on the assumption that the Rights Offer was implemented on 28 February 2013.
  9. The "After the Transactions" column indicates the *pro forma* financial results after taking into account notes 1 to 8 above.
- \* The specific issue of shares announced on SENS on 2 October 2013 has not been included in the *pro forma* financial information on the basis of materiality.

## 8. DIRECTORS AND DIRECTORS' INTERESTS

### 8.1 Directors' details

The name, position, date of appointment, qualifications, age, nationality, business address and experience of each Director and Senior Manager of SacOil are set out below.

The information on the Directors provided below includes the names of all the companies and/or partnerships of which such person has been a director or a partner at any time in the previous five years; in the absence of such information the person has not been either a director or a partner in any other company or partnership in the last five years.

None of the Directors have been disqualified by a court from acting as a director of a company, or from acting in the management or conduct of any company.

The Directors declare that:

- they have not been convicted of an offence resulting from dishonesty, fraud or embezzlement;
- they have not been directors of any company that has been put into liquidation or placed under judicial management or had an administrator or any other executor appointed during the period when they were, or within the preceding 12 months had been one of its directors or alternate directors;
- they have not been adjudged bankrupt or sequestrated in any jurisdiction;
- they have not at any time been party to a scheme of arrangement or made any other form of composition with their creditors;
- they have not been found guilty in disciplinary procedures, by an employer or regulatory body, due to dishonest activities;
- they have not been barred from entry into any profession or occupation;
- they, or a company of which they have been a director or an alternate director or officer at the time of the offence, have not been convicted in any jurisdiction of any criminal offense, or an offence under legislation relating to the Companies Act;
- they have not been removed from an office of trust, on the grounds of misconduct involving dishonesty; and
- they have not been granted an order declaring them delinquent or placing them under probation in terms of section 62 of the Companies Act and/or section 47 of Close Corporation Act, 1984 (Act No. 69 of 1984).

<b>Name</b>	<b>Tito Titus Mboweni</b>
<b>Position</b>	Independent non-executive chairman of SacOil
<b>Appointed</b>	10 June 2013
<b>Qualifications</b>	MA Development Economics, Doctor of Economics, Doctor of Economic Sciences, Doctor of Civil Law
<b>Age</b>	54
<b>Nationality</b>	South African
<b>Business address</b>	76 Jeppe Street, Newtown, Johannesburg, South Africa
<b>Experience and principal activities</b>	Mr Mboweni is the immediate past Governor of the South African Reserve Bank, the current Chairman of AngloGold Ashanti Limited, the current non-executive Chairman of Nampak Limited, and an international advisor to Goldman Sachs International.
<b>Other directorships</b>	AngloGold Ashanti Limited (current Chairman); and Nampak Limited (current non-executive Chairman).
<b>Name</b>	<b>Roger William Rees</b>
<b>Position</b>	CEO of SacOil
<b>Appointed</b>	25 July 2013
<b>Qualifications</b>	Chartered Accountant (FCA)
<b>Age</b>	60
<b>Nationality</b>	British
<b>Business address</b>	2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, 2021
<b>Experience and principal activities</b>	Mr Rees spent his early career with Arthur Andersen, initially in London and then Johannesburg. He has extensive public company experience. He previously served as a director and deputy chairman of Clough Limited, an ASX-listed oil and gas engineering company. He also has significant international experience in acquisitions and disposals, due diligence and corporate finance.
<b>Other directorships</b>	<ul style="list-style-type: none"> <li>• Rex Trueform Limited;</li> <li>• Redefine Properties Limited;</li> <li>• African and Overseas Enterprises Limited;</li> <li>• Ikwezi Mining Limited;</li> <li>• Murray &amp; Roberts Holdings Limited; and</li> <li>• Clough Limited.</li> </ul>
<b>Name</b>	<b>Tariro Mudzimuirema</b>
<b>Position</b>	FD of SacOil
<b>Appointed</b>	25 July 2013
<b>Qualifications</b>	CA(SA) Associate of the London Institute of Risk Management
<b>Age</b>	35
<b>Nationality</b>	Zimbabwean
<b>Business address</b>	2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, 2021
<b>Experience and principal activities</b>	Ms Mudzimuirema has more than 11 years' experience in finance, risk management, corporate governance and audit. After completing her degree at Rhodes University, she joined PwC International Limited, where she worked in their Johannesburg, Zimbabwe, Baltimore, London and Malawi offices, responsible for assurance engagements for listed and unlisted entities in the construction, mining and manufacturing industries. She has also held various senior management roles responsible for compliance, financial management and business development at Indyebo Consulting and as an Independent Finance Consultant.
<b>Other directorships</b>	None.

<b>Name</b>	<b>Gontse Moseneke</b>
<b>Position</b>	Non-executive Director of SacOil
<b>Appointed</b>	31 August 2009
<b>Qualifications</b>	Bachelor of Science in Statistics and Actuarial Science; Diploma in Actuarial Techniques
<b>Age</b>	32
<b>Nationality</b>	South African
<b>Business address</b>	119 Rosen Park, 37 Invicta Road, Midrand, 1685
<b>Experience and principal activities</b>	<p>Gontse Moseneke 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).</p> <p>Gontse Moseneke has a background in financial management and investment banking. He is part of the executive team at Encha, a diversified investment holding group, where he heads up Encha Tech Proprietary Limited.</p>
<b>Other directorships</b>	<ul style="list-style-type: none"> <li>• Aprilog Investments Proprietary Limited;</li> <li>• Business Venture Investments No. 626 Proprietary Limited;</li> <li>• Collaborative First (Proprietary) Limited;</li> <li>• Encha Investments No. 2 (Proprietary) Limited;</li> <li>• Encha Knowledge (Proprietary) Limited;</li> <li>• Encha Supply Base Consortium (Proprietary) Limited;</li> <li>• Encha Tech (Proprietary) Limited;</li> <li>• Fernridge Encha Knowledge (Proprietary) Limited;</li> <li>• Intertrading Limited;</li> <li>• New Africa Millennium Telecommunications (Proprietary) Limited;</li> <li>• New Oil Trading South Africa (Proprietary) Limited;</li> <li>• Techno Payless (Proprietary) Limited;</li> <li>• Wheatfields Investments No. 127 (Proprietary) Limited; and</li> <li>• Wild Peach Trading 23 (Proprietary) Limited.</li> </ul>

<b>Name</b>	<b>Ignatius Simon Sehoole</b>
<b>Position</b>	Non-executive Director of SacOil
<b>Appointed</b>	12 July 2013
<b>Qualification</b>	CA(SA)
<b>Age</b>	53
<b>Nationality</b>	South African
<b>Business address</b>	49 Lincoln Street, Woodmead, Johannesburg
<b>Experience and principal activities</b>	<p>Mr Sehoole serves as a member of the Board of Directors of the Public Investment Corporation (SOC) Limited, and holds the following governance roles: chairman of the audit and risk committee; chairman of the social and ethics committee; member of the human resources and remuneration committee; member of the Real Estate Asset Managers committee and member of the directors' affairs committee.</p> <p>He also previously served as a member of the King Committee on Corporate Governance, President of the South African Institute of Chartered Accountants and chairman of the audit committee at the National Treasury.</p>
<b>Other directorships</b>	<ul style="list-style-type: none"> <li>• Public Investment Corporation (SOC) Limited;</li> <li>• Harith Fund Managers (Proprietary) Limited;</li> <li>• Specialist Committee on Company Law;</li> <li>• Accounting Standards Board;</li> <li>• MTN Mobile Money Holdings (Proprietary) Limited;</li> <li>• MTN Service Provider (Proprietary) Limited;</li> <li>• MTN Group Limited;</li> <li>• Mobile Telephone Networks (Proprietary) Limited;</li> <li>• Thuthuka Education Upliftment Fund (Association Inc under section 21);</li> <li>• Sizasana Investments Holdings (Proprietary) Limited;</li> <li>• Stand 163000 Jansen Park (Proprietary) Limited;</li> <li>• PricewaterhouseCoopers Incorporated; and</li> <li>• Oltio (Proprietary) Limited.</li> </ul>
<b>Name</b>	<b>Mzuvukile Jeff Maqetuka</b>
<b>Position</b>	Independent non-executive Director of SacOil
<b>Appointed</b>	10 June 2013
<b>Qualification</b>	Bachelor of Arts (Honours) in Contemporary Media Practice
<b>Age</b>	61
<b>Nationality</b>	South African
<b>Business address</b>	44 Rosewood Road, Broadacres, Johannesburg
<b>Experience and principal activities</b>	<p>Mr Maqetuka has extensive pan-African experience having served as South Africa's ambassador to the People's Democratic Republic of Algeria and as Director General of the State Security Agency Department of the Republic of South Africa.</p>
<b>Other directorships</b>	<ul style="list-style-type: none"> <li>• Ikhala Lemvelo Trading (Proprietary) Limited;</li> <li>• Living Aloe (Proprietary) Limited;</li> <li>• Eastern Cape Development Corporation; and</li> <li>• Karoo Mining Development (Proprietary) Limited.</li> </ul>

<b>Name</b>	<b>Stephanus Hilgard Muller</b>
<b>Position</b>	Independent non-executive Director of SacOil
<b>Appointed</b>	10 June 2013
<b>Qualification</b>	CA(SA)
<b>Age</b>	52
<b>Nationality</b>	South African
<b>Business address</b>	6 Athole Avenue, Craighall, Johannesburg
<b>Experience and principal activities</b>	Mr Muller has extensive experience in the audit and investment banking disciplines. After qualifying as a Chartered Accountant in 1985 and completing his articles at Peat, Marwick, Mitchells & Co., he worked in various audit and corporate finance capacities at Aiken and Peat, prior to joining Rand Merchant Bank. Subsequently, he joined Genbel Investments, where he eventually held the office of Group Chief Operating Officer: Equities of Genbel Securities Limited. He has also served as an executive director of Gensec Bank Limited. Currently he sits on the audit and risk committee of Amalgamated Appliances Holdings Limited.
<b>Other directorships</b>	<ul style="list-style-type: none"> <li>• Amalgamated Appliances Holdings Limited; and</li> <li>• KAP Industrial Holdings Limited.</li> </ul>

<b>Name</b>	<b>Vusumzi Patrick Pikoli</b>
<b>Position</b>	Independent non-executive Director of SacOil
<b>Appointed</b>	12 July 2013
<b>Qualification</b>	Advocate
<b>Age</b>	55
<b>Nationality</b>	South African
<b>Business address</b>	438 Anton van Niekerk Street, Faerie Glen, Pretoria
<b>Experience and principal activities</b>	Mr Pikoli was previously the National Director of Public Prosecution, and was the head of the National Prosecuting Authority. Prior to that, he served as the Director-General of the Department of Justice and Constitutional Development. He is a former trustee of the Constitutional Court Trust, and a former member of the International Association of Anti-Corruption Authorities. Until February 2012, he was a director of the Forensics Investigation division of SizweNtsalubaGobodo. He previously also headed the forensic department of Gobodo Inc.
<b>Other directorships</b>	<ul style="list-style-type: none"> <li>• Cricket South Africa;</li> <li>• National Prosecution Authority;</li> <li>• Vee Pee Forensic Consultants (Proprietary) Ltd;</li> <li>• Department of Justice and Constitutional Development;</li> <li>• Rondolite (Proprietary) Ltd;</li> <li>• Bureau of Justice Assistance (Association Inc under section 21); and</li> <li>• SizweNtsalubaGobodo Advisory Limited.</li> </ul>

#### Senior Managers

<b>Name</b>	<b>Bradley Cerff</b>
<b>Position</b>	Vice President – Operations, and a director of the following subsidiaries of SacOil: <ul style="list-style-type: none"> <li>• Bushveld Pioneer (Proprietary) Limited;</li> <li>• Pioneer Coal (Proprietary) Limited; and</li> <li>• RDK Mining (Proprietary) Limited.</li> </ul>
<b>Appointed</b>	9 May 2011
<b>Qualifications</b>	Masters Degree in Science and Business Administration Member of the Society of Petroleum Engineers
<b>Age</b>	40
<b>Nationality</b>	South African
<b>Business address</b>	2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, 2021

<b>Name</b>	<b>Willem de Meyer</b>
<b>Position</b>	Vice President – Commercial
<b>Appointed</b>	10 January 2012
<b>Qualifications</b>	Bachelor of Science Degree in Geophysics Master of Commerce Degree in Mineral Economics Member of the South African Geophysical Association Registered as a Professional Natural Scientist with the South African Council for Natural Scientific Professions
<b>Age</b>	57
<b>Nationality</b>	South African
<b>Business address</b>	2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, 2021

<b>Name</b>	<b>Jordaan Fouche</b>
<b>Position</b>	Vice President – Technical and New Business
<b>Appointed</b>	10 January 2012
<b>Qualifications</b>	Honours Degree in Geology Master of Business Administration
<b>Age</b>	53
<b>Nationality</b>	South African
<b>Business address</b>	2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, 2021

## 8.2 Gairloch Nominated Directors

The name, position, qualifications, age, nationality, business address and experience of each of the Gairloch Nominated Directors is set out below:

<b>Name</b>	<b>Danladi Verheijen</b>
<b>Position</b>	Non-executive Director
<b>Qualifications</b>	Master of Business Administration (Harvard Business School); Master of Science in Engineering Economics Systems and Operations Research (Stanford University); and Bachelor of Science Electrical Engineering (Calvin College)
<b>Age</b>	37
<b>Nationality</b>	Nigerian
<b>Business address</b>	Rio Plaza, 2nd Floor, 235 Muri Okunola St. Victoria Island, Lagos, Nigeria
<b>Experience and principal activities</b>	Danladi Verheijen is the managing director of Verod Capital Management Limited ("Verod"), a West African focused investment firm, which he co-founded in 2008. Verod invests in high growth, medium-sized companies across several sectors, including consumer products, manufacturing, technology/media and real estate. He previously was a Vice President at Citibank Nigeria where he led corporate finance and investment banking transactions. He also had responsibility over Citibank's equity investment portfolio and represented the bank on the investment and advisory committee of Nigeria's largest private equity firm. Prior to that, he held roles at Ocean and Oil Holdings and at McKinsey & Company.
<b>Other directorships</b>	<ul style="list-style-type: none"> <li>• Verod;</li> <li>• Harvard Business School Association of Nigeria; and</li> <li>• Christian Care for Widows and the Aged.</li> </ul>



<b>Name</b>	<b>Lola Akinleye</b>
<b>Position</b>	Non-executive Director
<b>Qualifications</b>	Bachelor of Arts Economics (University of Nottingham) Master of Arts in Information Technology (University of Nottingham)
<b>Age</b>	41
<b>Nationality</b>	Nigerian
<b>Business address</b>	5 Imam Augusto Close, Victoria Island, Lagos, Nigeria
<b>Experience and principal activities</b>	Lola Akinleye has over 15 years' finance and investment banking experience with significant experience in corporate finance advisory, equity and debt capital raising, structured project finance and with public and private partnerships for development of infrastructure. She began her career at General Electric London and has held roles at JP Morgan, ARM Investment Managers and Zenith Capital.
<b>Other directorships</b>	<ul style="list-style-type: none"> <li>• SMARTT Futures Resources Limited;</li> <li>• VIDA Fashions Limited;</li> <li>• Tatin True Concepts Limited; and</li> <li>• SNL Internautical Limited.</li> </ul>

### 8.3 Directors' remuneration

There will be no variation in the remuneration receivable by any of the current Directors and new Directors to be appointed as a consequence of the Specific Issue or the Rights Offer.

### 8.4 Directors' interests in SacOil

8.4.1 The Directors' and Senior Managers' interests, including interests of Directors' associates and Directors that have resigned during the last 18 months, in the issued share capital of SacOil as at 28 February 2013 are as follows:

<b>Name</b>	<b>Direct beneficial</b>	<b>% Held<sup>1</sup></b>
B Cerff	110,000	0.01
C Bird <sup>2</sup>	7,852,610	0.82
R Vela <sup>3</sup>	11,939,196	1.25
<b>Total</b>	<b>19,901,806</b>	<b>2.08</b>

**Notes:**

1. Based on 953,340,791 SacOil Shares in issue as at 28 February 2013.
2. SacOil Shareholders are referred to the SENS announcement dated 11 April 2013, wherein it was announced that Mr C Bird resigned as a Director of the Company with immediate effect.
3. SacOil Shareholders are referred to the SENS announcement, dated 31 May 2013, wherein it was announced that Mr R Vela resigned as a Director of the Company with immediate effect.
4. The Directors do not have any other direct or indirect interest in the issued share capital, or in any other assets of the Company, either acquired, disposed of or leased to or leased by the Company, other than disclosed above.
5. All SacOil Shares are beneficially held.

8.4.2 The Directors' and Senior Managers' interests, including interests of Directors' associates and Directors that have resigned during the last 18 months, in the issued share capital of SacOil, at the Last Practicable Date and before and after the Specific Issue and Rights Offer, are set out below:

<b>Name</b>	<b>Before the Specific Issue and Rights Offer</b>		<b>After the Specific Issue and Rights Offer</b>	
	<b>Total</b>	<b>% held<sup>1</sup></b>	<b>Total</b>	<b>% held<sup>2</sup></b>
B Cerff	110,000	0.01	352,880	0.01
R Vela <sup>3</sup>	11,939,196	1.25	38,300,957	0.97
<b>Total</b>	<b>12,049,196</b>	<b>1.26</b>	<b>38,653,837</b>	<b>0.98</b>

**Notes:**

1. Based on 956,118,568 SacOil Shares in issue before the Specific Issue and Rights Offer.
2. Based on 3,947,901,046 SacOil Shares in issue, after taking into account the Specific Issue Shares and the maximum number of Rights Offer Shares.
3. SacOil Shareholders are referred to the SENS announcement dated 31 May 2013 wherein it was announced that Mr R Vela resigned as a Director of the Company with immediate effect.
4. The Directors do not have any other direct or indirect interest in the issued share capital of the Company other than disclosed above.
5. All SacOil Shares are beneficially held.

**8.5 Directors' interests in transactions**

None of the Directors, including Directors who have resigned during the last 18 months, had any beneficial interest, whether direct or indirect, 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.

**9. MARKET VALUE OF SACOIL SHARES**

The share price history of SacOil Shares as traded on the JSE is set out in Annexure 3 to this Circular.

**10. LITIGATION STATEMENT**

The Directors, whose names are set out in paragraph 8.1 of this Circular, are not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened), involving SacOil or any of its subsidiaries which may have or have in the 12 months preceding the date of the Circular, had a material effect on the Company's financial position or its rights to explore, save as disclosed below:

**10.1 Joseph Modibane**

The Company previously reported on two actions instituted by Joseph Modibane ("Mr Modibane") in the North Gauteng High Court.

In the first action, Mr Modibane alleged that he was entitled to receive 105,000,000 SacOil Shares at an issue price of 30 cents per SacOil share but that the Company unlawfully declined to deliver the SacOil Shares to him. Consequently Mr Modibane alleges that the Company's unlawful conduct entitled him to claim damages against the Company in the amount of R67.2 million plus interest at the rate of 15.5% per annum from 14 September 2010 to date of payment.

In a second action, Mr Modibane alleges that the content of the announcement made by the Company on 15 September 2010 in relation to the first action was defamatory to him and he claims payment from the Company of damages in the amount of R80 million, together with interest at the rate of 15.5% per annum from 22 September 2010 to date of payment.

Based on the information in the Board's possession, the Board is of the view that the claims have no substance and the Company's legal advisors are defending both actions. Pleadings have closed in both actions. Trial dates that were allocated were not convenient. The actions were therefore, by agreement, removed from the trial roll. A SENS announcement published on 28 February 2013 reported that Mr Modibane passed away on 23 February 2013. It remains to be seen whether an executor for Mr Modibane's estate elects to persist with the two actions.

Further, the Directors, whose names are set out in paragraph 8.1 of this Circular, are not aware of any legal proceedings that may have an influence on the Company's ability to pursue their principle business activity of exploration.

**11. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, whose names are set out in paragraph 8.1 of this Circular:

- have considered all statements of fact and opinion in this Circular;
- collectively and individually, accept full responsibility for the accuracy of the information given;
- certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading;
- have made all reasonable enquiries in this regard; and
- certify that, to the best of their knowledge and belief, the Circular contains all information required by law and the Listings Requirements.

## 12. GENERAL MEETING

### 12.1 Notice of General Meeting

A notice convening a General Meeting of SacOil Shareholders is attached to the Circular. The General Meeting will be held at the Registered Office at 10:00 on Friday, 6 December 2013 to consider and, if deemed fit, to pass the Resolutions.

#### **If you have Dematerialised Shares**

##### 12.1.1 *Own-name registration*

You are entitled to attend, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting but wish to be represented thereat, you must complete and return the attached form of proxy (*blue*), in accordance with the instructions contained therein, to be received by the Transfer Secretaries, Link Market Services, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Thursday, 5 December 2013.

If you are a registered shareholder on the Jersey register, refer to the information below pertaining to holders of Certificated Shares.

##### 12.1.2 *Other than own-name registration*

If your CSDP or broker does not contact you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

You are entitled to attend, or be represented by proxy, at the General Meeting. You must not, however complete the attached form of proxy (*blue*). You must advise your CSDP or broker timeously if you wish to attend, or be represented at the General Meeting.

If you do wish to attend or be represented at the General Meeting, your CSDP or broker will be required to issue the necessary letter of representation to you to enable you to attend or to be represented thereat.

#### **If you hold Certificated Shares**

You are entitled to attend, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached form of proxy (*blue*), in accordance with the instructions contained therein, to be received by the Transfer Secretaries, Link Market Services, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Thursday, 5 December 2013.

If you are a registered shareholder on the Jersey register, you must complete and return the enclosed proxy to Computershare Investor Services (Jersey) Limited c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 09h00 GMT on Thursday, 5 December 2013.

#### **If you hold Depository Interests**

Subject to and in accordance with the terms of the Deed Poll and any arrangements between you and your broker, you are entitled to attend, or be represented by proxy, at the General Meeting.

You must advise the Depository timeously if you wish to attend, or be represented at the General Meeting.

You must **not** complete the attached form of proxy.

If you do wish to attend or be represented at the General Meeting, the Depository will be required to issue the necessary letter of representation to you to enable you to attend or to be represented at the General Meeting.

If your broker does not contact you, you are advised to contact your broker and provide them with your voting instructions. If your broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

### 12.2 Shareholder approval

The authorisation and approval of SacOil Shareholders present or represented by proxy at the General Meeting and entitled to vote shall be required as follows:

- the issue of shares in terms of the Specific Issue and Rights Offer is subject to the approval of at least 75% of the voting rights of SacOil Shareholders exercised on the resolution in terms of the Companies Act;
- the Specific Issue is subject to the approval of more than 75% of the votes of SacOil Shareholders cast on the resolution in terms of the Listings Requirements;
- the Rights Offer is subject to the approval of more than 50% of the votes of SacOil Shareholders cast on the resolution in terms of the Memorandum of Incorporation;
- the appointment of each of the Gairloch Nominated Directors as non-executive Directors of the Company is subject to the approval of more than 50% of the voting rights of SacOil Shareholders exercised on each resolution;
- the Whitewash Resolution is subject to the approval of the independent holders of more than 50% of the general voting rights of all issued securities of SacOil, upon which the PIC shall be precluded from voting; and
- the Directors' authority to do all such things and to sign all documents including company forms and take all such actions as they consider necessary to give effect to and implement the aforementioned Resolutions, is subject to the approval of more than 50% of the voting rights of SacOil Shareholders exercised on the resolution.

### 12.3 Voting rights

All issued SacOil Shares rank *pari passu* with each other.

Every SacOil Shareholder present or represented by proxy shall have one vote on a show of hands, and on a poll, one vote for every SacOil Share held.

## 13. EXCHANGE CONTROL REGULATIONS AND DEPOSITORY INTERESTS

### 13.1 Gairloch Loans

SacOil has received two inward foreign loans from Gairloch pursuant to the Gairloch Loan Agreement 1 and the Gairloch Loan Agreement 2. A third loan, originally obtained from RenCap, has been novated to Gairloch in terms of the Gairloch Deed of Novation and the Gairloch Deed of Confirmation and Amendment. Consolidation of the loans contemplated in the Gairloch Loans (all three of which are now owed by SacOil to Gairloch) has received approval from FinSurv.

The settlement of the loans advanced under the Gairloch Loan Agreements by way of set off pursuant to the Specific Issue as contemplated in the Gairloch Subscription Agreement has received approval from FinSurv.

### 13.2 Certificated Shareholders

In the case of Certificated Shareholders whose registered addresses are outside the common monetary area or where the share certificates are restrictively endorsed in terms of the South African Exchange Control Regulations, the following will apply:

#### 13.2.1 *Non-residents who are emigrants from the common monetary area*

Share certificates will be restrictively endorsed "non-resident" in terms of the South African Exchange Control Regulations and will be sent to the Certificated Shareholder's authorised dealer in foreign exchange in South Africa controlling his blocked assets.

#### 13.2.2 *All other non-residents*

Share certificates will be restrictively endorsed "non-resident" in terms of the South African Exchange Control Regulations.

### 13.3 Dematerialised Shareholders

With regard to Dematerialised Shareholders whose registered addresses are outside the common monetary area, their shares will be annotated in the Company's relevant sub-register as non-resident and statements will be restrictively endorsed in terms of those regulations.

#### 13.4 Crest and Depository Interests

The securities of certain non-UK incorporated companies, such as the Company, cannot be held or transferred in CREST, a computerised paperless share transfer and settlement system. However, to enable investors to settle trades in such securities through CREST, a depository or custodian can hold the relevant securities of non-UK incorporated companies under a trust arrangement and issue depository interests representing the underlying securities. The Memorandum of Incorporation of the Company permits the operation of a Depository Interest facility. CREST is a voluntary system and persons who wish to hold SacOil Shares in registered form will be able to do so.

The Company, in conjunction with Computershare Investor Services PLC, has established a facility whereby Depository Interests representing SacOil Shares can be issued in an uncertificated form to persons who do not wish to hold SacOil Shares in certificated form.

The Depository Interests are already admitted to CREST and application will be made for any Depository Interests in respect of the Rights Offer Shares to be admitted to CREST. All such Depository Interests, when issued and fully paid, may be held and transferred by means of CREST.

If CREST members wish to avail themselves of the depository arrangements, they can do so by inputting a stock deposit in the usual way. The Company has informed Euroclear that (i) a CREST transfer form lodged as a stock deposit will be deemed to constitute a transfer of the SacOil Shares to the Depository who will issue corresponding Depository Interests in CREST to the depositing members/transferees and (ii) in a similar way, a stock withdrawal will be deemed to constitute an instruction to the Depository to cancel the Depository Interests and effect a transfer of the SacOil Shares to the person specified in the instruction. SacOil Shareholders who wish to do so may withdraw their shares into certificated form at any time using standard CREST messages.

Trading in Depository Interests on AIM requires SacOil Shareholders to deal through a stockbroker or other intermediary who is a member of LSE.

#### 14. CONSENTS

Each of the advisors whose names appear in the "Corporate information and advisors" section have consented in writing to act in the capacities stated and to their names being stated in this Circular and had not, prior to the Last Practicable Date, withdrawn their consents to the inclusion of their names.

#### 15. EXPENSES RELATING TO THE SPECIFIC ISSUE AND RIGHTS OFFER

The expenses, excluding VAT, relating to the Specific Issue and Rights Offer, payable by SacOil, are estimated at approximately R4,074,800 and comprise:

Description	Total (R)
JSE inspection fees	69,100
JSE listing fees	253,700
Takeover Regulation Panel fees	150,000
Nedbank Capital as Investment Bank, Corporate Adviser and Sponsor	3,000,000
Ernst & Young Incorporated as Independent Reporting Accountants	200,000
Norton Rose Fulbright as Legal Advisors	200,000
Ince Proprietary Limited for printing and posting costs	192,000
Link Market Services South Africa Proprietary Limited as Transfer Secretaries	10,000
<b>Total</b>	<b>4,074,800</b>

## 16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of this Circular will be available in English, along with the following documents, or copies thereof, which will be available for inspection, during normal business hours at the Registered Office of SacOil, from the date of this Circular up to and including the date of the General Meeting:

- the memorandum of incorporation of SacOil and its subsidiaries;
- the Gairloch Subscription Agreement;
- the Gairloch Subscription Agreement First Addendum;
- the PIC Undertaking;
- the Gairloch Loan Agreements;
- irrevocable undertakings received in favour of the Specific Issue and the Rights Offer;
- the TRP approval letter;
- copies of service agreements with Directors and Senior Managers;
- the unaudited *pro forma* financial information of SacOil;
- the Independent Reporting Accountants' report on the unaudited *pro forma* financial information of SacOil;
- the audited annual financial statements of SacOil for the three financial years ended 28 February 2011, 29 February 2012 and 28 February 2013;
- consent letters of the appointed professional advisors as set out in paragraph 14 of this Circular; and
- a signed copy of this Circular.

Signed at Bryanston on 7 November 2013 on behalf of all the Directors in terms of powers of attorney granted by such Directors.

**Roger Rees**

CEO

7 November 2013

### **Registered Office**

2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston, 2021  
(PostNet Suite 211, Private Bag X75  
Bryanston, 2021)

### **Transfer Secretaries**

Link Market Services South Africa Proprietary Limited  
13th Floor, Rennie House  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

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**PRO FORMA FINANCIAL INFORMATION OF SACOIL**


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Based on SacOil's published annual result for the year ended 28 February 2013, the *pro forma* financial information of the Rights Offer and the Specific Issue on SacOil's reported LPS, HLPS, NAV and TNAV is set out below. The Rights Offer will occur before the Specific Issue per paragraph 2.4.8 of the Circular.

The *pro forma* financial information is presented for illustrative purposes only, and, because of its nature, it may not fairly present SacOil's financial position, changes in equity, results of operations or cash flows. The financial information is the responsibility of the Board.

The Independent Reporting Accountants' report on the *pro forma* financial information on the statement of comprehensive income and statement of financial position is set in Annexure 2 to this Circular.

**PRO FORMA STATEMENT OF COMPREHENSIVE INCOME OF SACOIL AFTER THE SPECIFIC ISSUE AND RIGHTS OFFER**

Rands	Annual financial results	<i>Pro forma</i> adjustments – Rights Offer	After Rights Offer	<i>Pro forma</i> adjustment – Specific Issue	After the Transactions
<b>Continuing operations</b>					
Other income	123,222,360	–	123,222,360	9,867,125	133,089,485
Other operating costs	(175,626,093)	–	(175,626,093)	–	(175,626,093)
<b>Loss from operations</b>	(52,403,733)	–	(52,403,733)	9,867,125	(42,536,608)
Investment income	46,940,839	–	46,940,839	–	46,940,839
Finance costs	(23,837,213)	–	(23,837,213)	5,063,743	(18,773,470)
<b>Loss before taxation</b>	(29,300,107)	–	(29,300,107)	14,930,868	(14,369,239)
Taxation	(40,785,309)	–	(40,785,309)	(2,303,853)	(43,089,162)
<b>Loss for the period from continuing operations</b>	(70,085,416)	–	(70,085,416)	12,627,015	(57,458,401)
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	(1,526,959)	–	(1,526,959)	–	(1,526,959)
<b>Loss for the period</b>	(71,612,375)	–	(71,612,375)	12,627,015	(58,985,360)
<b>Other comprehensive loss</b>					
Release of revaluation reserve on impairment/depreciation of property, plant and equipment	(1,045,359)	–	(1,045,359)	–	(1,045,359)
<b>Total comprehensive loss for the period</b>	(72,657,734)	–	(72,657,734)	12,627,015	(60,030,719)
<b>Headline loss</b>	(73,918,350)	–	(73,918,350)	12,627,015	(61,291,335)
<b>Loss attributable to:</b>					
Owners of the parent	(55,627,404)	–	(55,627,404)	12,627,015	(43,000,389)
Non-controlling interest	(15,984,971)	–	(15,984,971)	–	(15,984,971)
<b>Loss for the period</b>	(71,612,375)	–	(71,612,375)	12,627,015	(58,985,360)
<b>Total comprehensive loss attributable to:</b>					
Owners of the parent	(56,672,763)	–	(56,672,763)	12,627,015	(44,045,748)
Non-controlling interest	(15,984,971)	–	(15,984,971)	–	(15,984,971)
<b>Total comprehensive loss</b>	(72,657,734)	–	(72,657,734)	12,627,015	(60,030,719)
<b>Loss per share from all operations</b>					
LPS (cents)	(6.10)	4.26	(1.84)	0.74	(1.10)

<b>Rands</b>	<b>Annual financial results</b>	<b>Pro forma adjustments – Rights Offer</b>	<b>After Rights Offer</b>	<b>Pro forma adjustment – Specific Issue</b>	<b>After the Transactions</b>
Diluted LPS (cents)	(6.09)	4.25	(1.84)	0.74	(1.10)
HLPS (cents)	(8.10)	5.66	(2.44)	0.87	(1.57)
Diluted HLPS (cents)	(8.10)	5.66	(2.44)	0.87	(1.57)
<b>Loss per share from continuing operations</b>					
LPS (cents)	(5.93)	4.14	(1.79)	0.73	(1.06)
Diluted LPS (cents)	(5.93)	4.14	(1.79)	0.73	(1.06)
Number of Shares in issue	953,340,791	2,111,111,111	3,064,451,902	883,449,144	3,947,901,046
Weighted average number of shares in issue	912,157,573	2,111,111,111	3,023,268,684	883,449,144	3,906,717,828
Weighted average number of shares in issue for dilution	912,697,579	2,111,111,111	3,023,808,690	883,449,144	3,907,257,834

**Notes:**

1. The "Annual financial results" column indicates the financial information which has been extracted from SacOil's historical audited financial results for the 12 months ended 28 February 2013.
2. The "Pro forma adjustments – Rights Offer" column takes into account the *pro forma* adjustments in respect of the Rights Offer, namely the issue of 2,111,111,111 SacOil shares ("Rights Offer Shares") for R570,000,000 at the Issue Price of R0.27 per ordinary share.
3. The *pro forma* statement of comprehensive income figures are based on the assumption that the Rights Offer was implemented on 1 March 2012, while the statement of financial position figures are based on the assumption that the Rights Offer was implemented on 28 February 2013.
4. The "After the Rights Offer" column indicates the *pro forma* financial results after taking into account note 1 to 3 above.
5. The "Pro forma adjustments – Specific Issue" column takes into account the adjustments in respect of the Specific Issue, namely the elimination of finance costs amounting to R5,063,743 and foreign exchange losses amounting to R9,867,125 in respect of the Gairloch Loans which were included in the statement of comprehensive income at 28 February 2013. The "Pro forma adjustments – Specific Issue" are expected to have a continuing effect on the Company.
6. The *pro forma* statement of comprehensive income figures are based on the assumption that the Specific Issue was implemented on 1 March 2012 while the statement of financial position figures are based on the assumption that the Specific Issue was implemented on 28 February 2013.
7. The "After the Transactions" column indicates the *pro forma* financial results after taking into account notes 1 to 6 above.
8. No interest on cash balances has been taken into account.
9. Proceeds from the Rights Offer will be used to fund working capital.



**PRO FORMA STATEMENT OF FINANCIAL POSITION OF SACOIL AFTER THE SPECIFIC ISSUE AND RIGHTS OFFER**

Rands	Annual financial results	Adjustments – Gairloch Loans	Before the Transactions	Pro forma adjustments – Rights Offer	After Rights Offer	Pro forma adjustment – Specific Issue	After the Transactions
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	317,008	–	317,008	–	317,008	–	317,008
Exploration and evaluation assets	162,859,167	38,169,189	201,028,356	–	201,028,356	–	201,028,356
Other intangible assets	161,760	–	161,760	–	161,760	–	161,760
Other financial assets	371,719,195	–	371,719,195	–	371,719,195	–	371,719,195
<b>Total non-current assets</b>	<b>535,057,130</b>	<b>38,169,189</b>	<b>573,226,319</b>	<b>–</b>	<b>573,226,319</b>	<b>–</b>	<b>573,226,319</b>
<b>Current assets</b>							
Other financial assets	84,803,036	38,169,189	122,972,225	–	122,972,225	–	122,972,225
Trade and other receivables	3,665,149	–	3,665,149	–	3,665,149	–	3,665,149
Cash and cash equivalents	94,032,416	3,657,880	97,690,296	567,127,339	664,817,635	(1,202,139)	663,615,496
<b>Total current assets</b>	<b>182,500,601</b>	<b>41,827,069</b>	<b>224,327,670</b>	<b>567,127,339</b>	<b>791,455,009</b>	<b>(1,202,139)</b>	<b>790,252,870</b>
<b>Total assets</b>	<b>717,557,731</b>	<b>79,996,258</b>	<b>797,553,989</b>	<b>567,127,339</b>	<b>1,364,681,328</b>	<b>(1,202,139)</b>	<b>1,363,479,189</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Shareholders' equity</b>							
Stated capital	534,172,123	–	534,172,123	567,127,339	1,101,299,462	237,329,130	1,338,628,592
Reserves	26,681,469	–	26,681,469	–	26,681,469	–	26,681,469
Accumulated loss	(219,700,074)	(29,556,993)	(249,257,067)	–	(249,257,067)	–	(249,257,067)
<b>Equity attributable to equity holders</b>	<b>341,153,518</b>	<b>(29,556,993)</b>	<b>311,596,525</b>	<b>567,127,339</b>	<b>878,723,864</b>	<b>237,329,130</b>	<b>1,116,052,994</b>
<b>Non-controlling interest</b>	<b>22,298,155</b>	<b>–</b>	<b>22,298,155</b>	<b>–</b>	<b>22,298,155</b>	<b>–</b>	<b>22,298,155</b>
<b>Total shareholders' equity</b>	<b>363,451,673</b>	<b>(29,556,993)</b>	<b>333,894,680</b>	<b>567,127,339</b>	<b>901,022,019</b>	<b>237,329,130</b>	<b>1,138,351,149</b>
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
Deferred tax liability	72,588,101	–	72,588,101	–	72,588,101	–	72,588,101
<b>Total non-current liabilities</b>	<b>72,588,101</b>	<b>–</b>	<b>72,588,101</b>	<b>–</b>	<b>72,588,101</b>	<b>–</b>	<b>72,588,101</b>

Rands	Annual financial results	Adjustments – Gairloch Loans	Before the Transactions	Pro forma adjustments – Rights Offer	After Rights Offer	Pro forma adjustment – Specific Issue	After the Transactions
<b>Current liabilities</b>							
Other financial liabilities	175,574,827	109,553,251	285,128,078	–	285,128,078	(238,531,269)	46,596,809
Current taxation payable	93,962,655	–	93,962,655	–	93,962,655	–	93,962,655
Trade and other payables	11,980,475	–	11,980,475	–	11,980,475	–	11,980,475
<b>Total current liabilities</b>	<b>281,517,957</b>	<b>109,553,251</b>	<b>391,071,208</b>	<b>–</b>	<b>391,071,208</b>	<b>(238,531,269)</b>	<b>152,539,939</b>
<b>Total liabilities</b>	<b>354,106,058</b>	<b>109,553,251</b>	<b>463,659,309</b>	<b>–</b>	<b>463,659,309</b>	<b>(238,531,269)</b>	<b>225,128,040</b>
<b>Total equity and liabilities</b>	<b>717,557,731</b>	<b>79,996,258</b>	<b>797,553,989</b>	<b>567,127,339</b>	<b>1,364,681,328</b>	<b>(1,202,139)</b>	<b>1,363,479,189</b>
NAV (cents)	38.12	(3.10)	35.02	(5.62)	29.40	(0.57)	28.83
TNAV (cents)	21.04	(7.10)	13.94	8.90	22.84	0.90	23.74
Number of shares in issue	953,340,791	–	953,340,791	2,111,111,111	3,064,451,902	883,449,144	3,947,901,046

**Notes:**

1. The "Annual financial results" column indicates the financial information which has been extracted from SacOil's historical audited financial results for the 12 months ended 28 February 2013.
2. The "Adjustments – Gairloch Loans" column indicates the adjustments in respect of the Gairloch Loans. Subsequent to 28 February 2013, the Gairloch Loans incurred further interest charges amounting to R87,963,810. R76,338,378 of this interest is attributable to the Gairloch Novated Loan Agreement and is split equally between SacOil's wholly-owned subsidiary, SacOil 233 Nigeria Limited and EER, and is capitalised to the OPL233 asset under "exploration and evaluation assets" and the EER loan under "other financial assets", respectively. The movement in Accumulated Loss is a result of the remaining interest of R11,625,432 and foreign exchange losses amounting to R17,931,561 on all the Gairloch Loans also incurred subsequent to 28 February 2013. Furthermore, a loan of R3,657,880 was obtained under the Gairloch Loan Agreement 2 resulting in an increase in "Cash and cash equivalents". These adjustments resulted in a total increase in "Other financial liabilities" of R109,553,251.
3. The "Before the Transactions" column indicates the impact of note 2 above on the "Annual financial results".
4. The "Pro forma adjustments – Rights Offer" column takes into account the *pro forma* adjustments in respect of the Rights Offer, namely the issue of 2,111,111,111 SacOil Shares ("Rights Offer Shares") for R570,000,000 at the Issue Price of R0.27 per ordinary share. In this respect, Rights Offer costs of R2,872,661 have been deducted from equity.
5. The *pro forma* statement of comprehensive income figures are based on the assumption that the Rights Offer was implemented on 1 March 2012 while the statement of financial position figures are based on the assumption that the Rights Offer was implemented on 28 February 2013.
6. The "After the Rights Offer" column indicates the *pro forma* financial results after taking into account notes 1 to 5 above.
7. The "Pro forma adjustments – Specific Issue" column takes into account the issue of 883,449,144 SacOil Shares to Gairloch Nominees for R238,531,269 at the Issue Price of R0.27 per ordinary share under the terms of the Gairloch Subscription Agreement. In this respect, Specific Issue costs of R1,202,139 have been deducted from equity.
8. The *pro forma* statement of comprehensive income figures are based on the assumption that the Specific Issue was implemented on 1 March 2012 while the statement of financial position figures are based on the assumption that the Specific Issue was implemented on 28 February 2013.
9. The "After the Transactions" column indicates the *pro forma* financial position after taking into account notes 1 to 8 above.

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF SACOIL

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"The Directors  
Sacoil Holdings Limited  
2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston  
2021

### **Independent Reporting Accountants' Assurance report on the compilation of the *pro forma* financial information included in a circular**

To the Directors of SacOil Holdings Limited

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of SacOil Holdings Limited by the directors. The *pro forma* financial information, as set out in Annexure 1 on pages 29 to 32 of the Circular relating to the specific issue of 883,449,144 SacOil shares to nominees of Gairloch for R238,531,269 at an issue price of R0.27 per SacOil share in settlement of the Gairloch Loans and a renounceable rights offer of up to 2,111,111,111 SacOil shares at an issue price of R0.27 per SacOil share in the ratio of 220.80013 rights offer shares for every 100 SacOil shares held, consists of the statement of comprehensive income and statement of financial position (collectively, the "*pro forma* financial information") and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("JSE") Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate actions or events, described in Paragraphs 2 and 3 on pages 10 to 13 of the Circular, on the Company's financial position as at 28 February 2013, and the company's financial performance for the year then ended, as if the corporate action or event had taken place at 28 February 2013 and for the year then ended. As part of this process, information about the company's financial position and financial performance has been extracted by the directors from the Company's consolidated annual financial statements for the year ended 28 February 2013, on which an auditor report was issued on 16 September 2013.

### **Directors' responsibility for the *pro forma* financial information**

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 11 on page 24 of the Circular.

### **Reporting accountants' responsibility**

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information Included in a Prospectus which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements. For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 28 February 2013 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable

criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the corporate actions or events in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

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

### **Opinion**

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Annexure 1 on page 29.

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**Ernst & Young Inc.**

*Director:* Iwan Hermanus Grobler  
Reporting Accountant Specialist  
Registered Auditor

1 November 2013"

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**MARKET VALUE OF SACOIL SHARES**


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The high, low and closing prices of SacOil's Shares on the JSE and the aggregated monthly volumes and value traded for each month over the 12 months prior to the date of issue of the Circular ("the twelve-month period") were as follows:

<b>Monthly</b>	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Close (cents)</b>	<b>Volume (shares)</b>	<b>Value (R)</b>
30 November 2012	36	30	31	28,738,895	9,479,077
31 December 2012	34	29	30	24,099,112	7,396,573
31 January 2013	35	29	33	25,524,236	8,019,420
28 February 2013	40	31	33	57,162,351	20,398,958
31 March 2013	34	28	32	49,783,934	15,474,469
30 April 2013	32	25	27	69,102,756	19,277,989
31 May 2013	35	24	27	59,842,912	17,316,829
30 June 2013	–	–	27	–	–
31 July 2013	–	–	27	–	–
31 August 2013	–	–	27	–	–
30 September 2013	–	–	27	–	–
31 October 2013	32	21	28	33,986,358	9,635,719

The high, low and closing prices of SacOil's Shares on the JSE and the aggregated quarterly volumes and values traded, for each quarter over the two years prior to the twelve-month period, were as follow:

<b>Quarterly</b>	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Close (cents)</b>	<b>Volume (shares)</b>	<b>Value (R)</b>
31 December 2010	202	85	149	90,745,366	146,425,231
31 March 2011	269	120	220	129,522,351	247,073,618
30 June 2011	224	58	87	180,551,823	215,271,076
30 September 2011	89	45	62	88,592,507	58,318,445
31 December 2011	65	38	51	71,391,831	36,756,152
31 March 2012	64	45	51	82,824,170	44,348,546
30 June 2012	70	35	44	105,831,119	49,897,731
30 September 2012	43	26	30	124,727,597	42,900,832

The high, low and closing prices of SacOil's Shares (SCL) on the JSE and the daily trading volumes and values for each trading day for each day over the 30 days preceding the Last Practicable Date prior to the date of issue of the Circular are as follows:

<b>Daily</b>	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Close (cents)</b>	<b>Volume (shares)</b>	<b>Value (R)</b>
19 September 2013	–	–	27	–	–
20 September 2013	–	–	27	–	–
23 September 2013	–	–	27	–	–
25 September 2013	–	–	27	–	–
26 September 2013	–	–	27	–	–
27 September 2013	–	–	27	–	–
30 September 2013	–	–	27	–	–
1 October 2013	–	–	27	–	–
2 October 2013	–	–	27	–	–
3 October 2013	–	–	27	–	–
4 October 2013	–	–	27	–	–
7 October 2013	–	–	27	–	–
8 October 2013	–	–	27	–	–
9 October 2013	–	–	27	–	–
10 October 2013	–	–	27	–	–
11 October 2013	–	–	27	–	–
14 October 2013	28	25	26	2,916,202	758,578
15 October 2013	31	21	31	10,575,371	2,894,615
16 October 2013	32	29	31	7,459,898	2,284,347
17 October 2013	30	29	30	1,555,447	460,183
18 October 2013	30	28	30	1,860,675	549,314
21 October 2013	30	28	30	1,738,994	503,468
22 October 2013	30	29	30	833,378	244,680
23 October 2013	29	27	29	2,790,184	773,337
24 October 2013	28	26	28	1,382,086	381,439
25 October 2013	28	26	28	332,851	92,269
28 October 2013	28	26	28	478,550	127,989
29 October 2013	28	26	28	893,494	245,205
30 October 2013	28	27	28	861,859	234,482
31 October 2013	28	27	28	307,369	85,813

Source: INET

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## CORPORATE GOVERNANCE

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### CORPORATE GOVERNANCE REPORT

The Board, its committees and our employees are committed to the principles of transparency, fairness, integrity and accountability in dealings with all stakeholders and shareholders.

#### Apply or explain principle of King III

The Board supports the Code of Corporate Practices and Conduct as recommended by the King Report on Governance for South Africa 2009 ("King III"). In this report the application of King III within the Group as required by the JSE Listings Requirements is explained, as well as the reasons for not applying certain principles set forth in King III. The Board endorses the fundamental principles of good financial, social, ethical and environmental practices as set out in King III, QCA Corporate Governance Guidelines for AIM companies and UK Corporate Governance Code.

The Group complies with the main provisions of the QCA Corporate Governance Guidelines for AIM Companies and the UK Corporate Governance Code insofar as they are appropriate given the Company's size and stage of development.

The Board continues to consider the recommendations of King III with reference to the Group's size and stage of development. An analysis of the application of the corporate governance principles as recommended in King III is set out below. Where the Company has adhered to the King III recommendations, the word "Applied" is used and where the Company has not adhered to the King III recommendation, an explanation is provided in the notes.

	King III principle	Status
	<b>Chapter 1: Ethical leadership and corporate citizenship</b>	
1.1	The board should provide effective leadership based on an ethical foundation	Applied
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied
1.3	The board should ensure that the company's ethics are managed effectively	Applied
	<b>Chapter 2: Board and directors</b>	
2.1	The board should act as the focal point for and custodian of corporate governance	Applied
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied
2.3	The board should provide effective leadership based on an ethical foundation	Applied
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied
2.5	The board should ensure that the company's ethics are managed effectively	Applied
2.6	The board should ensure that the company has an effective and independent audit committee	Applied
2.7	The board should be responsible for the governance of risk	Applied
2.8	The board should be responsible for information technology (IT) governance	Applied
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied
2.10	The board should ensure that there is an effective risk-based internal audit	Note 4
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied
2.12	The board should ensure the integrity of the company's integrated report	Applied
2.13	The board should report on the effectiveness of the company's system of internal controls	Applied
2.14	The board and its directors should act in the best interests of the company	Applied
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act	Applied
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfill the role of chairman of the board	Applied
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied
2.19	Directors should be appointed through a formal process	Applied
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	Applied

	<b>King III principle</b>	<b>Status</b>
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	Note 1
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied
2.24	A governance framework should be agreed between the group and its subsidiary boards	Applied
2.25	Companies should remunerate directors and executives fairly and responsibly	Applied
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	Applied
2.27	Shareholders should approve the company's remuneration policy	Applied
	<b>Chapter 3: Audit Committee</b>	
3.1	The board should ensure that the company has an effective and independent audit committee	Applied
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	Note 2
3.3	The audit committee should be chaired by an independent non-executive director	Applied
3.4	The audit committee should oversee integrated reporting	Applied
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Applied
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied
3.7	The audit committee should be responsible for overseeing of internal audit	Note 4
3.8	The audit committee should be an integral component of the risk management process	Applied
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	Applied
	<b>Chapter 4: The governance of risk</b>	
4.1	The board should be responsible for the governance of risk	Applied
4.2	The board should determine the levels of risk tolerance	Applied
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	Applied
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied
4.5	The board should ensure that risk assessments are performed on a continual basis	Applied
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied
4.7	The board should ensure that management considers and implements appropriate risk responses	Applied
4.8	The board should ensure continual risk monitoring by management	Applied
4.9	The board should receive assurance regarding the effectiveness of the risk management process	Applied
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied
	<b>Chapter 5: The governance of information technology</b>	
5.1	The board should be responsible for information technology (IT) governance	Applied
5.2	IT should be aligned with the performance and sustainability objectives of the company	Applied
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	Applied
5.4	The board should monitor and evaluate significant IT investments and expenditure	Applied
5.5	IT should form an integral part of the company's risk management	Applied
5.6	The board should ensure that information assets are managed effectively	Applied
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied
	<b>Chapter 6: Compliance with laws, codes, rules and standards</b>	
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied



	<b>King III principle</b>	<b>Status</b>
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	Applied
6.3	Compliance risk should form an integral part of the company's risk management process	Applied
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	Note 3
<b>Chapter 7: Internal audit</b>		
7.1	The board should ensure that there is an effective risk based internal audit	Note 4
7.2	Internal audit should follow a risk based approach to its plan	Note 4
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Note 4
7.4	The audit committee should be responsible for overseeing internal audit	Note 4
7.5	Internal audit should be strategically positioned to achieve its objectives	Note 4
<b>Chapter 8: Governing stakeholder relationships</b>		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	Applied
8.2	The board should delegate to management to proactively deal with stakeholder relationships	Applied
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Applied
8.4	Companies should ensure the equitable treatment of shareholders	Applied
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Applied
<b>Chapter 9: Integrated reporting and disclosure</b>		
9.1	The board should ensure the integrity of the company's integrated report	Applied
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied
9.3	Sustainability reporting and disclosure should be independently assured	Note 5

**Notes:**

1. A matrix for the evaluation and review of performance of Directors is in the process of being finalised for consideration and approval.
2. Ignatius Sehoole is a member of the audit committee although he is not an independent non-executive director. The Company is considering replacing Ignatius Sehoole with an independent non-executive director.
3. The Board with assistance of its sub-committees, is responsible for governance and compliance. There is no independent compliance position within the Group at present, but this will be considered by the Board.
4. The Group does not have an independent internal audit function. The Audit and Risk Committee together with the external auditors fulfils this function as the size of the Group does not justify the cost of developing and maintaining an internal audit function. The Board remains ultimately responsible to oversee internal financial processes.
5. There was no external assurance on the integrated report. The Board will consider the benefits of obtaining external assurance on the integrated report relative to the cost implications thereof going forward.

**Compliance Statement**

The Board is satisfied with the extent of the Group's compliance with King III, the JSE Listings Requirements and the AIM Rules for Companies ("AIM Rules"). The Directors are responsible for ensuring compliance by the Group with its obligations under the AIM Rules: "An AIM Company must ensure that each of its Directors accepts full responsibility, collectively and individually, for its compliance with the AIM Rules" (Rule 31 of the AIM Rules).

**Board of Directors**

The Board gives strategic direction to the Group under the chairmanship of Mr Tito Mboweni. The Board retains full and effective control over the Group and monitors executive management in implementing plans and strategies.

The Board recognises that it is responsible for implementing practices of good governance and that companies no longer act independently from the societies and the environment in which they operate.

The Board is committed to high standards of corporate governance in order to facilitate an environment where the Group's assets are safeguarded and the interests of all stakeholders and shareholders are protected.

## Board Charter

The scope of authority, responsibility, composition and functioning of the Board is contained in a formal charter which is reviewed regularly.

## Board composition

In line with the recommendations of King III, SacOil has a unitary Board structure consisting of six non-executive Directors (four of which are independent) and two executive Directors. Background information of Directors appears in paragraph 8.1 of the Circular.

A division of responsibilities ensures a balance of authority and power, with no one individual having unrestricted decision-making powers.

As at the date of this circular the composition of the Board was as follows:

- Tito Mboweni : Independent non-executive chairman;
- Roger Rees : CEO;
- Tariro Mudzimuirema : FD;
- Gontse Moseneke : Non-executive Director;
- Ignatius Sehoole : Non-executive Director;
- Mzuvukile Maqetuka : Independent non-executive Director;
- Stephanus Muller : Independent non-executive Director; and
- Vusumzi Pikoli : Independent non-executive Director.

The following appointments to the Board occurred subsequent to 28 February 2013:

<b>Director</b>	<b>Appointment date</b>
Tito Mboweni	10 June 2013
Mzuvukile Maqetuka	10 June 2013
Stephanus Muller	10 June 2013
Ignatius Sehoole	12 July 2013
Vusumzi Pikoli	12 July 2013
Roger Rees	25 July 2013
Tariro Mudzimuirema	25 July 2013

The Directors listed above are subject to shareholder approvals at the Annual General Meeting.

The following resignations from the Board occurred subsequent to 28 February 2013:

<b>Director</b>	<b>Resignation date</b>
Richard Linnell	11 April 2013
Colin Bird	11 April 2013
John Bentley	31 May 2013
Bill Guest	31 May 2013
Robin Vela	31 May 2013

## Board Meetings

A minimum of four Board meetings are scheduled per financial year and additional meetings can be convened to consider specific business issues which may arise between scheduled meetings.

In addition to the Board meetings, the Board annually convenes strategy meetings with executive management in order to determine strategic direction and to consider plans proposed by management for the achievement thereof. Progress against the strategic plan is monitored by the Board. Attendance of board and strategy meetings is available on page 49.

## Main duties and responsibilities of the Directors

Directors' duties and responsibilities are prescribed by law. The Board discharges the following duties and responsibilities which list is not limited, in the interests of good governance:

- acts as focal point for and custodian of corporate governance in line with the Board charter which sets out their responsibilities and monitors the relationship between management and the stakeholders of the Group;
- seeks the optimum balance for the Group between conformance with the dictates of good governance and performance;

- appreciates that strategy, risk, performance and sustainability are inseparable;
- informs and approves the strategy;
- ensures that the Group's strategic direction is in line with the Group's purpose, the value drivers of its business and legitimate interests and expectations of its shareholders;
- provides effective leadership based on an ethical foundation and by so doing actively promotes an ethical culture within the Group;
- ensures that the Group is seen to be a responsible corporate citizen;
- ensures that the Group's ethics are managed effectively;
- monitors the implementation of the strategy by management;
- ensures full, timely and transparent disclosure of all material matters;
- ensures that the Group has an effective and independent audit committee;
- reviews the size and composition of the Board in terms of the mix of skills-diversity and the requirements for the appropriate constitution of Board committees;
- agrees on the procedure to allow Directors to obtain independent professional advice, where necessary;
- always acts in the best interests of the Group;
- agrees upon procedures to manage conflicts of interest;
- delegates the necessary authority to management for the day-to-day operations of the Group;
- is responsible for the governance of risk;
- is responsible for IT governance;
- ensures that the solvency and liquidity of the Group are continuously monitored;
- ensures that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards;
- ensures that there is an effective risk-based internal audit;
- appreciates that stakeholders' perceptions affect the Group's reputation;
- ensures the integrity of the Group's integrated report; and
- reports on the effectiveness of the Group's system of internal controls.

### **The Chairman**

The Chairman, so elected by the Board is an independent non-executive Director. The roles of the Chairman and CEO remain separate. The Chairman's performance is evaluated annually.

The core functions of the Chairman are highlighted as follows:

- sets the ethical tone for the Board and the Company;
- provides overall leadership to the Board without limiting the principle of collective responsibility for Board decisions, considers and oversees a formal succession plan for the Board and CEO;
- identifies and participates in the selection of Board members;
- formulates with the CEO and Company Secretary, the yearly work plan for the Board against agreed objectives;
- plays an active part in setting the agenda for Board meetings and presides over Board meetings;
- acts as the link between the Board and management and particularly between the Board and the CEO;
- maintains an arm's length relationship with Board members and management;
- monitors how the Board works together and how individual Directors perform and interact at meetings;
- meets with individual Directors once a year to evaluate their performance;
- ensures that good relations are maintained with the Company's major shareholders and its strategic stakeholders; and
- presides over shareholders' meetings.

## **Non-executive Directors**

All the non-executive Directors are individuals of high calibre and credibility. They have the necessary skills and experience to bring judgment 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 are not involved in the day-to-day management of the business and not encumbered with specific management responsibility. They are not full-time salaried employees of the Company and/or any of its subsidiaries. None of the non-executive Directors have been employed by the Company and are accordingly not predisposed for or against some parts of the business. None of the non-executive Directors are retained professional advisors. The non-executive Directors have unfettered access to management.

All non-executive Directors' appointments are formalised through letters of appointment. The non-executive Directors enjoy benefits from the Group for their services as Directors. They receive fees for their services as Directors. They can also earn dividends on their interests in ordinary shares.

## **Independence of Directors**

No independent non-executive Director has served for a period of three years since his last election or appointment, as appropriate. The Board will measure their independence in line with the policy on measuring independence.

The Company Secretary confirms that, to the best of her knowledge and belief, the independent non-executive Directors:

- were not representatives of any shareholder who has the ability to control or materially influence management or the Board;
- were not employed by the Company or the Group in any executive capacity in the preceding three financial years;
- were 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;
- were not professional advisors to the Company or the Group, other than in the capacity as a Director;
- were not suppliers or material suppliers to the Company or Group, or to clients of the Group;
- had no material contractual relationship with the Company or Group; and
- were 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.

## **Executive Directors**

The Company currently has two executive Directors. All the executive Directors are involved in the day-to-day management of the Company. The executive Directors carefully manage the conflict between their management responsibilities and their fiduciary duties as Directors in the best interest of the Company.

All executive Directors have entered into service contracts with the Company which contracts are reviewed annually. The CEO's performance will be evaluated annually by the Chairman.

The Board determines the remuneration of executive Directors in accordance with the remuneration policy put to shareholders' vote.

The executive Directors are individually mandated and held accountable for:

- the implementation of the strategies and key policies determined by the Board;
- managing and monitoring the business and affairs of the Company in accordance with approved business plans and budgets;
- prioritising the allocation of capital and other resources; and
- establishing the best management and operating practices.

## **Chief Executive Officer and Delegation of Authority**

The ultimate responsibility for the Group rests with the Board. The Board retains effective control through a well-developed governance structure of Board committees. The role and function of the CEO is formalised and his performance is evaluated against a set criteria. Certain authorities have been delegated to the CEO to manage the day-to-day business affairs of the Company. However, in terms of statute and the Company's constitution, together with the revised delegation of authority, certain matters are still reserved for Board and/or shareholder approval.

The CEO is tasked with the running of the business and the implementation of the policies and strategies approved and adopted by the Board. The Board's governance and management functions are aligned through the CEO. All the authority conferred on management is delegated through the CEO. The accountability of management is considered to be the authority and the accountability of the CEO.

### **Board selection, appointment and rotation**

When determining the number of Directors to serve on the Board, the collective knowledge, skills, experience and resources required for conducting the business of the Board are considered.

Here are some of the factors that are considered by the Board:

- the evolving circumstances and needs of the Company;
- appropriate mix of executive and independent non-executive Directors;
- the need to have sufficient Directors to structure Board committees appropriately;
- the requirements for skills and knowledge to make business judgement calls on behalf of the Company; and
- regulatory requirements.

A formal and transparent procedure is in place for the appointment of new Directors. The Nominations and Remuneration Committees are responsible for selecting and recommending the appointment of competent, qualified and experienced Directors and handling the remuneration matters of the Group, respectively. The Board as a whole, after receiving recommendations from the Nominations Committee appoints Directors. All newly appointed Directors are subject to an induction programme.

Re-appointment to the Board is not automatic and Directors may offer themselves for re-election.

In terms of Article 6.2 of the Memorandum of Incorporation, at least one third of non-executive Directors must, on an annual basis, retire from the Board at the Company's Annual General Meeting or other general meeting, provided that such meeting is not conducted in terms of section 60 of the Companies Act. Retiring members of the Board may be re-elected, provided that they are eligible. The Board, through the Nominations Committee, should recommend eligibility, taking into account past performance and contribution.

### **Training and updating the knowledge of Directors**

The Board and each individual Director have a working understanding of the effect of the business, applicable laws, rules, codes and standards of the Company. Directors receive regular briefings on changes in risks, laws and the environment. The induction and ongoing training of Directors are conducted through a formal process.

The Company is committed to providing continuing professional development training opportunities to its Directors and officers.

### **Company Secretary**

All Directors have access to the advice and services of the Company Secretary. The Company Secretary is Fusion Corporate Secretarial Services Proprietary Limited, represented by Melinda Gous. The Company Secretary is responsible for the functions specified in the Companies Act. The appointment and removal of the Company Secretary is a matter dealt with by the Board.

The Board executed the responsibility in terms of paragraphs 3.84(i) and 7.F.6(i) of the JSE Listings Requirements and confirmed that they are satisfied with the appropriateness of the expertise and experience of the Company Secretary.

The Board empowers the Company Secretary to enable her to properly fulfil her duties.

The Company Secretary:

- has an arm's length relationship with the Board;
- is not a Director of the Company;
- assists with the nomination and appointment of Directors;
- provides guidance to the Board regarding the duties of the Directors and good governance;
- ensures that the Board and committee charters are kept up to date;
- elicits responses, input and feedback for Board and Board Committee meetings;

- prepares and circulates Board and committee papers;
- assists in drafting yearly plans;
- prepares and circulates minutes of Board and committee meetings; and
- assists with evaluating the Board, committees and individual Directors.

The Directors are of the opinion that there is an arm's length relationship with the Company Secretary due to Fusion Corporate Secretarial Services Proprietary Limited being a privately-owned, professional, company secretarial company that provides company secretarial services to SacOil as a service provider for a market-related fee. Fusion Corporate Secretarial Services Proprietary Limited bears no relation to any Director of the Company.

### **Committee structure**

The Directors have delegated specific functions to committees to assist the Board in meeting their overall responsibilities. The Board has established standing committees in this regard. The Board committees will be subject to regular evaluation by the Board to ascertain their level of performance and effectiveness.

The committees all act in accordance with approved terms of references which are reviewed annually. The Board as a whole has fulfilled the functions of the sub-committees for the period under review.

The Board has the following sub-committees:

- Audit Committee;
- Nominations Committee;
- Remuneration Committee;
- Social Ethics and Risk Committee;
- Investment Committee; and
- Technical Advisory Committee.

### **Audit Committee**

As detailed earlier in the Corporate Governance Report, the Audit Committee acts in accordance with approved terms of reference.

### **Audit Committee members and attendance at meetings**

Members:

- Stephanus Muller (*Chairman*)
- Ignatius Sehoole
- Mzuvukile Maqetuka

The independent external auditors attend the meetings as standing invitees.

The Chief Executive Officer and the Financial Director attend meetings by invitation.

### **Election of Audit Committee members**

In terms of the Companies Act, shareholders are required to elect the members of the Audit Committee at each Annual General Meeting. The Board confirms that the Audit Committee members are suitably skilled and experienced independent non-executive Directors, with the exception of Ignatius Sehoole who is a non-executive Director. The Board will in due course consider the replacement of Ignatius Sehoole by an independent non-executive director.

### **Meetings**

The committee will meet at least twice per annum. The Chairman of the committee will report to the Board after every committee meeting held. As previously stated, the Board as a whole acted on matters related to the Audit Committee for the period under review.

### **Role of the committee**

The Audit Committee is a statutory committee under the new Companies Act and in terms of the recommendations set out in King III. The committee has an independent role with accountability to the Board. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

## **External Auditor Independence**

The Audit Committee has to consider the independence of the external auditors and also has to nominate, for appointment such registered auditor of the Company.

The Board was satisfied with the independence of the external auditors and recommended the reappointment of Ernst & Young Inc. as the independent registered audit firm and the individual registered auditor, Iwan Hermanus Grobler. The audit firm and designated auditor are accredited to appear on the JSE List of Accredited Auditors.

## **Fees paid to external auditors and terms of engagement**

The committee determines the fees to be paid to the auditor and also the auditor's terms of engagement. The approved normal annual audit fee for the financial period ended 28 February 2013 amounted to R1,400,000 and was approved by the Board.

## **Non-Audit Services**

The committee determines the nature and extent of any non-audit services that the auditor may provide to the Company. The fees for non-audit services amounted to R910,500 for the year ended 28 February 2013.

## **Evaluation of the Annual Financial Statements**

The Board as a whole considered and commented on the audited annual financial statements, the accounting practices and the internal financial controls of the Group.

The Board considered, reviewed and discussed the audited annual Group financial statements with the independent external auditors and FD. The Board is satisfied that the audited annual Group financial statements comply with International Financial Reporting Standards.

The external auditor had unrestricted access to the Group's records and management. There were no limitations imposed on the scope of the external audit. The auditor furnished a written report to the Board on significant findings arising from the audit and raised the going concern matter noted on page 50.

After agreeing that the going concern premise was appropriate the Board approved the Group annual financial statements on 6 September 2013.

## **Expertise and experience of the Financial Director and finance function**

The Board executed the responsibility in terms of paragraph 3.84(h) of the JSE Listings Requirements and confirmed that they are satisfied with the appropriateness of the expertise and experience of the FD, Tariro Mudzimuirema.

Tariro Mudzimuirema was appointed FD following the resignation of Mr Rees as the full-time Financial Director.

## **Internal audit**

The primary goal of internal audit is to evaluate the Company's risk management, internal control and corporate governance processes and ensure that they are adequate and are functioning correctly. Given the size of the Group, the internal audit function is performed by the Group finance department for all Group companies. The Board as a whole is also considering the internal controls. While considering the information and explanations given by management plus discussions held with the external auditor on the results of their audit, the committee is of the opinion that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements.

## **Risk management**

The Board is responsible for the risk management process and management is accountable to the Board for designing, implementing and monitoring the process of risk management in the day-to-day activities of the Group.

The committee has a duty to:

- identify areas of governance non-compliance and propose remedial action;
- review risk management policies and processes, risk philosophy and strategies;

- ensure risk management is integrated into business operations and ensure that management implements the appropriate risk responses;
- overseeing integrated reporting;
- evaluate the basis and adequacy of insurance cover;
- ensure internal audit is aligned with risk management processes;
- identify emerging areas of risk; and
- ensure compliance with legislation, regulation and governance codes, including King III.

### **Social Ethics and Risk Committee**

#### **Social Ethics and Risk Committee members and attendance at meetings**

Members:

- Vusumzi Pikoli (*Chairman*)
- Ignatius Sehoole
- Mzuvukile Maqetuka
- Gontse Moseneke
- The independent external auditors attend the meetings as standing invitees.

The CEO attends meetings by invitation.

The Social Ethics and Risk Committee will meet at least twice a year. The Chairman of the Social Ethics and Risk Committee reports to the Board after every Committee meeting held and further attends Annual General Meetings to answer questions of shareholders.

The Social Ethics and Risk Committee will monitor the Company's activities, having regard for any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development, including the Company's standing in terms of goals and purposes of:
  - the 10 principles set out in the United Nations Global Compact Principles;
  - the OECD recommendations regarding corruption;
  - the Employment Equity Act; and
  - the Broad Based Black Economic Empowerment Act;
- Good corporate citizenship, including the Company's:
  - promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - record of sponsorships, donations and charitable giving;
- The environment, health and public safety, including the impact of the Company's activities and of its products or services;
- Consumer relationships including the Company's advertising, public relations and compliance with consumer protection laws; and
- Labour and employment, including:
  - the Company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions;
  - the Company's employment relationships, and its contribution toward the educational development of its employees;
  - to draw matters within its mandate to the attention of the Board as occasion requires; and
  - to report, through one of its members, to shareholders at the Company's Annual General Meeting on the matters within its mandate.



## **Nominations Committee**

Members:

- Tito Mboweni (*Chairman*)
- Stephanus Muller
- Mzuvukile Maqetuka

The CEO attends meetings by invitation.

The Nomination Committee will meet at least twice a year. The Chairman of the Nominations Committee reports to the Board after every Committee meeting held and further attends Annual General Meetings to answer questions of shareholders.

The Nominations Committee's roles and responsibilities include but are not limited to:

- identifying and evaluating suitable candidates for appointment to the Board and performing background checks on the identified individuals;
- in assessing new Directors, the committee assesses whether the basic requirements for directorship in the Companies Act are met;
- advises on the composition of the Board (structure, size and balance between non-executive and executive Directors);
- evaluation of the Directors and review the evaluation procedures and results;
- the Nomination Committee and the Board evaluate whether collectively (but not necessarily individually) the Audit Committee has the necessary skills to perform its function and responsibilities; and
- succession planning, particularly in respect of the CEO and executive management.

## **Remuneration Committee**

Members:

- Mzuvukile Maqetuka (*Chairman*)
- Tito Mboweni
- Vusumzi Pikoli

The CEO attends meetings by invitation.

The Remuneration Committee will meet at least twice a year. The Chairman of the Remuneration Committee reports to the Board after every Remuneration Committee meeting held and further attends Annual General Meetings to answer questions of shareholders.

No executive Director participates in discussions pertaining to his own remuneration and benefits and no executive Director has a vote at meetings of the Remuneration Committee.

## **Role of the Remuneration Committee**

The Remuneration Committee's roles and responsibilities include but are not limited to:

- determining, agreeing and developing the Group's competitive remuneration policy to retain and regard skilled and quality staff;
- ensuring that the remuneration policy is aligned with the Group strategy;
- determining and agreeing to the remuneration packages for the executive Directors, to ensure that Directors and senior executives are fairly rewarded for their individual contributions to the overall performance of the Company. The Remuneration Committee consults from time to time with the CEO where the remuneration of other executives is concerned;
- assessing and reviewing employee long-term incentive schemes and performance bonuses;
- determining and recommending to the Board the level of fees for non-executive Directors which are tabled for shareholder approval at the Annual General Meeting; and
- succession planning, particularly in respect of the CEO and executive management.

## Remuneration structure

The remuneration structure is delegated as follows:

- the Remuneration Committee approves executive Directors' remuneration;
- the Remuneration Committee approves executive committee members' remuneration as proposed by management; and
- management approves employees' remuneration.

## Remuneration philosophy

SacOil strives to create a performance-orientated remuneration philosophy which fairly rewards executives and employees for their respective contributions to achieving the Company's strategic, financial and operational objectives. The remuneration structures are to encourage sustainable, long-term wealth creation.

The following regarding the remuneration structures are highlighted:

- the remuneration philosophy is supportive of the Group's strategy;
- cost of employment is managed while employees, at the same time are rewarded in order to retain and motivate talented, skilled and high calibre executives and employees;
- the Company promotes a performance-based culture; and
- the Company strives to align executive rewards in the interest of shareholders.

The Board acknowledges the importance of motivating individual and team performances and therefore applies the remuneration philosophy equitably, fairly and consistently in relation to job responsibilities, the markets in which the Group operates and personal performance.

The Group rewards executive Directors and employees as follows:

- market-related fair annual packages (base salary and benefits), which are competitive owing to the portability of skills;
- market information is sourced from industry and executive remuneration surveys to benchmark executive remuneration in comparable positions;
- annual performance bonus; and
- participation in the SacOil Share Option Scheme.

## Share dealings

All Directors, officers and employees of the Company are advised of closed and prohibited periods in terms of the requirements of the JSE and the AIM Rules. Directors, employees, consultants and agents are prohibited from trading in the Group's securities during closed and prohibited periods.

Directors are required to obtain written clearance from the Chairman prior to dealing in the Company's shares. The Chairman is required to obtain approval from the Chairman of the Audit Committee and the Social Ethics and Risk Committee before undertaking any share dealings. It is also mandatory for Directors to notify the Company Secretary of any dealings in the Company's shares. This information is then disclosed on SENS as well as on the Regulatory News Service ("RNS") of the LSE within 48 hours of the trade being effected. The Company maintains a record of any share dealings throughout the year.

Directors' interests are disclosed in paragraph 8.4 of the Circular.

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## Summary of Meeting Attendances

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### Key:

Apology	A
Not applicable	n/a
Present	P
Present via telephone	Pt
Resigned	R
Prior to appointment	Pa

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<b>Board</b>	<b>26/3/12</b>	<b>23/5/12</b>	<b>01/8/12</b>	<b>30/10/12</b>	<b>12/11/12</b>	<b>19/12/12</b>	<b>23/1/13</b>	<b>07/2/13</b>	<b>12/2/13</b>
Tito Mboweni	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa
Mzuvukile Maqetuka	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa
Stephanus Muller	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa
Vusumzi Pikoli	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa
Ignatius Sehoole	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa
Richard Linnell	Pt	P	P	P	Pt	Pt	Pt	A	P
Colin Bird	Pt	P	P	A	Pt	Pt	Pt	A	A
Robin Vela	Pt	P	P	P	Pt	Pt	Pt	Pt	P
Gontse Moseneke	Pt	P	P	P	Pt	Pt	Pt	Pt	P
Carina de Beer	Pt	P	P	R	R	R	R	R	R
John Bentley	Pt	P	P	P	Pt	Pt	Pt	Pt	P
Bill Guest	Pt	P	P	P	Pt	Pt	Pt	Pt	P
Roger Rees	Pa	Pa	Pa	Pa	Pa	Pt	Pt	Pt	P
Tariro Mudzimuirema	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa	Pa
Company Secretary	Pt	P	P	P	Pt	Pt	Pt	Pt	P

<b>Strategy</b>	<b>31/7/12</b>	<b>11/2/13</b>
Tito Mboweni	Pa	Pa
Mzuvukile Maqetuka	Pa	Pa
Stephanus Muller	Pa	Pa
Vusumzi Pikoli	Pa	Pa
Ignatius Sehoole	Pa	Pa
Richard Linnell	P	P
Gontse Moseneke	P	P
Colin Bird	P	A
Robin Vela	P	P
Carina de Beer	P	R
John Bentley	P	P
Bill Guest	P	P
Tariro Mudzimuirema	Pa	Pa
Company Secretary	P	P

<b>Remco Committee</b>	<b>12/2/13</b>
Mzuvukile Maqetuka	Pa
Tito Mboweni	Pa
Vusumzi Pikoli	Pa
John Bentley	P
Bill Guest	P
Gontse Moseneke	P
Company Secretary	P

<b>Audit Committee</b>	<b>25/5/12</b>	<b>15/8/12</b>	<b>21/11/12</b>	<b>12/2/13</b>	<b>28/5/13</b>
Stephanus Muller	Pa	Pa	Pa	Pa	P
Ignatius Sehoole	Pa	Pa	Pa	Pa	P
Mzuvukile Maqetuka	Pa	Pa	Pa	Pa	A
John Bentley	P	Pt	Pt	P	R
Bill Guest	P	Pt	Pt	P	R
Richard Linnell	P	P	Pt	A	R
Company Secretary	P	P	Pt	P	P

## Going concern

SacOil incurred a total comprehensive loss for the year ended 28 February 2013 of R72.7 million (2012: R101.6 million). The Group continues to incur losses. The Company and Group are currently experiencing liquidity challenges.

The Board plans to recapitalise the Company by way of a renounceable rights offer for R570 million to be completed by 31 January 2014 ("the Rights Offer"). The Board also plans to equity settle the Gairloch Loans by 31 January 2014 under the terms of the Subscription and Settlement Agreement concluded with Gairloch dated 11 September 2013 ("the Specific Issue"). The completion of both transactions is dependent upon future material uncertain events which are discussed below. Furthermore, the Company's projected cash flows to 31 August 2014 include the following assumptions, some of which are subject to material uncertainties, as discussed in further detail below:

- a cash inflow from the loan receivable from Energy Equity Resources (Norway) Limited ("EERNL") of USD22.5 million;
- cash inflow arising from rights issue proceeds amounting to R570 million;
- cash outflows from farm-in fees payable to Nigdel and Transcorp totalling USD22.6 million the timing of which is uncertain;
- cash outflows from seismic and operating costs for OPL233 amounting to USD9.6 million; and
- settlement of the full debt payable to Gairloch Limited by means of a conversion to capital rather than a settlement in cash.

The features of these cash flows are further described below:

### **Rights offer and equity settlement of Gairloch Loans**

It is imperative that SacOil obtains shareholder approval for both the Rights Offer and Gairloch debt conversion to equity. In terms of section 41(3) of the Companies Act, as SacOil will be issuing shares with voting power exceeding 30% of the voting power of all the Company's shares immediately prior to both the Specific Issue and the Rights Offer, approval by way of a special resolution is also required from SacOil shareholders (the "Companies Act Resolution"). Both these transactions require at least a 75% vote in favour of the transactions. Management has engaged with some of the Company's shareholders to determine the levels of support and appetite for the Rights Offer. To date, the Company has obtained support for 23.90% of the Rights Offer value, representing an irrevocable undertaking by the Public Investment Corporation ("PIC") to support the Rights Offer to the extent of *circa* R329 million. Although the outcome of the shareholders' approval and the extent of the subscription to the Rights Offer cannot be determined with certainty at this stage, the Board is reasonably confident that the approval of the Rights Offer will be successful. The less certain element to this is the extent to which shareholders will follow their rights giving rise to the raising of the full R570 million worth of capital. Furthermore, on-going communications with various shareholders have demonstrated a general understanding of the immediate need to convert the Gairloch Loans which continue to accrue onerous finance charges. Again, the Board is reasonably confident that shareholders' approval for the equity settlement of the Gairloch Loans will be obtained because the Board believes that the key factors that have previously caused shareholders to vote against conversion have been addressed.

### **Loan receivable from EERNL**

EERNL has not met its repayment obligations on the short-term loan repayment, which became due and payable on 31 May 2013. The Company is in discussions with EERNL to renegotiate payment terms and is also considering its rights in terms of the default provisions underlying the loan agreement. It is uncertain at this stage whether EERNL will meet its repayment obligations on or before the proposed repayment date. Should non-payment of the short-term loan continue, SacOil will consider enforcing the security provided by EERNL, being EERNL's shares in its subsidiary EER 233 Nigeria Limited which owns a 20% interest in OPL233, through the disposal of this interest, to recover amounts owed.

### **Farm-in and transaction fees**

The payment of farm-in and transaction fees is dependent upon the receipt of title to OPL233 and OPL281. These fees are payable within 30 days of the receipt of title. As at the date of the release of this annual report, the Company has been unable to determine the likely timing of the receipt of title to both OPL233 and OPL281 as these are subject to regulatory approvals not within the control of the Company. The Board's current plan is to fund these fees from the proceeds of the Rights Offer. Should title be received prior to the completion of the Rights Offer, the Company would be unable to fund these fees in the ordinary course of business. It is management's intention to renegotiate the timing of settlement of the fees should title be received before funds are available.

### **OPL233 work programme costs**

The Company needs to fund USD9.6 million of seismic and operating costs up to 31 January 2014. The current arrangement is that EERNL will fund these costs on behalf of SacOil, as a repayment mechanism for the amounts owed to SacOil. It is

uncertain whether EERNL will honour these payment obligations given that EERNL did not meet its repayment obligations at 31 May 2013. Should EERNL continue to default, SacOil will consider enforcing the security provided by EERNL as noted above. SacOil would nevertheless be responsible to fund these costs in the event EERNL does not honour their commitment. SacOil currently does not have the funds available to make these payments.

The Board is however confident that the proposed conversion of the Gairloch debt to equity and the Rights Offer will be approved by the Shareholders, and that through this action SacOil will have appropriately addressed the material uncertainties with respect to going concern. It is on this basis that management has decided to prepare the financial statements on a going concern basis. SacOil needs to secure access to funding facilities to be able to pay for its daily operational costs. Management has sought to secure an overdraft facility with one of its financiers. A facility of R15 million has been approved subject to the following suspensive conditions:

1. the conclusion of the Gairloch Subscription Agreement confirming the conversion of the Gairloch debt to equity;
2. the PIC providing an irrevocable undertaking to support R329 million of the rights offer (a condition which has been met); and
3. the company obtaining irrevocable undertakings from the requisite number of shareholders to vote in favour of the resolutions to give effect to the full Gairloch loan conversion and Rights Offer, including the Whitewash Resolution in relation to the PIC's holding.

These conditions give rise to material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements for the year ended 28 February 2013 are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

#### **Investor relations and communication with stakeholders**

The Company is committed to an ongoing interactive relationship with shareholders, investors, analysts and regulators.

#### **Sponsor (South Africa)**

Nedbank Capital, a division of Nedbank Limited, is the appointed Sponsor of the Company.

#### **Nominated Advisor (London)**

finnCap Limited is the appointed Nominated Advisor. Their address is 60 New Broad Street, London, EC2M 1JJ, United Kingdom.

#### **Transfer Secretary**

Link Market Services South Africa Proprietary Limited is the appointed Transfer Secretary to the Group. They assist all SacOil Shareholders with enquiries pertaining to shareholdings. Shareholders can address shareholding related queries to PO Box 4844, Johannesburg, 2000 or can visit them at 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001.

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## EXTRACT OF THE SALIENT TERMS OF THE GAIRLOCH SUBSCRIPTION AGREEMENT

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### PARTIES

The parties to the Gairloch Subscription Agreement as amended by the Gairloch Subscription Agreement First Addendum (the "Agreement") are Gairloch and the Company (collectively "the Parties").

### DEFINITIONS

"Company"	means SacOil Holdings Limited (Registration number 1993/000460/06), a public company duly incorporated under the laws of South Africa and listed on the JSE and AIM;
"Company Rights Offer"	means a rights offer by the Company pursuant to which the Company shall make an offer to existing Shareholders to subscribe for Shares in proportion to their existing Shareholdings;
"Company Rights Offer Shares"	means the Shares that the Company offers to issue to existing Shareholders pursuant to the Company Rights Offer;
"Completion"	means completion of the allotment and issue of the Subscription Shares to the Nominees;
"Completion Date"	means the second business day after the date of satisfaction or waiver of the last of the Conditions Precedent or such later date as the Company and Gairloch may agree in writing, provided that in no event shall the Completion Date be extended beyond the Long Stop Date;
"Dollar" and "US\$"	means the United States Dollar;
"First Loan Agreement"	means the written loan agreement entered into by Gairloch and the Company, dated 10 September 2012;
"First Loan Agreement Capital Amount"	means the amount of US\$1 million;
"First Loan Agreement Repayment Amount"	means the amount of US\$1 988 932;
"First Nominee Subscription Shares"	means 641,840,797 ordinary no par value share in the share capital of the Company;
"Gairloch"	means Gairloch Limited (Registration number 352430), a limited liability company registered in the British Virgin Islands;
"Gairloch Deed of Confirmation and Amendment"	means the written deed of confirmation and amendment entered into by Gairloch and the Company, dated 28 December 2012;
"Gairloch Deed of Novation"	means the written deed of novation entered into by Gairloch, Rencap Securities (Pty) Ltd (South Africa) and the Company, dated 28 December 2012, in respect of the novation of the Rencap Loan;
"Gairloch Loans"	means the loans advanced to the Company in terms of the Gairloch Loan Agreements;
"Gairloch Loan Agreements"	means the First Loan Agreement, the Second Loan Agreement, and the Gairloch Novated Loan Agreement;
"Gairloch Novated Loan Agreement"	means collectively the Gairloch Deed of Novation, the Gairloch Deed of Confirmation and Amendment and the Rencap Loan Agreement;
"Gairloch Nominees"	means, collectively, Gairloch Nominee 1 and Gairloch Nominee 2 and "Gairloch Nominee" shall have a corresponding meaning;

"Gairloch Nominee 1"	means Westglamry Limited, a company registered and incorporated in the British Virgin Islands;
"Gairloch Nominee 2"	means Newdel Holdings Limited, a company registered and incorporated in the British Virgin Islands;
"Long Stop Date"	means 31 January 2014 or such later date as the Parties may agree in writing;
"Novated Loan Agreement Capital Amount"	means the amount of US\$11 249 000;
"Novated Loan Agreement Repayment Amount"	means the amount of US\$20 325 956;
"Outstanding Loan Amount"	means the Rand Equivalent of the aggregate Dollar amount of the First Loan Agreement Repayment Amount, the Second Loan Agreement Repayment Amount and the Novated Loan Agreement Repayment Amount, which aggregate Dollar amount constitutes, for avoidance of doubt: (i) the First Loan Agreement Capital Amount, the Second Loan Agreement Capital Amount and the Novated Loan Agreement Capital Amount); (ii) interest on the First Loan Agreement Capital Amount calculated in accordance with the provisions of the First Loan Agreement to 30 September 2013; (iii) interest on the Second Loan Agreement Capital Amount calculated in accordance with the provisions of the Second Loan Agreement to 30 September 2013; and iv) interest on the Novated Loan Agreement Capital Amount calculated in accordance with the provisions of the Gairloch Novated Loan Agreement to 30 September 2013;
"Rand Equivalent"	means the Rand equivalent of a US\$ amount calculated with reference to an agreed Rand-Dollar rate of exchange of US\$1 = R9.8946;
"Second Nominee Subscription Shares"	means 241,608,347 ordinary no par value share in the share capital of the Company;
"Second Loan Agreement"	means the written agreement, dated 30 October 2012, concluded between Gairloch and the Company pursuant to which Gairloch lent and advanced the Second Loan Agreement Capital Amount to the Company;
"Second Loan Agreement Capital Amount"	means the amount of US\$1 million;
"Second Loan Repayment Amount"	means the amount of US\$1,792,329;
"Shareholders"	means a shareholder of Shares from time to time;
"Shares"	means ordinary no par value shares in the share capital of the Company;
"Signature Date"	means the date of the Agreement as stated on the cover page (being 11 September 2013);
"Specific Issue"	means the specific issue of the Specific Issue Shares to the Gairloch Nominees in whole or partial settlement of the Company's indebtedness under the Gairloch Loans;
"Specific Issue Shares"	means 883,449,144 Shares to be issued to the Gairloch Nominees, being the nominees of Gairloch, for R238,531,269 in terms of the Agreement;
"Subscription Price"	means an aggregate Rand amount of R238,531,269 (being the Rand Equivalent of US\$24 107 217) equating to an individual subscription price for each Subscription Share of the Rand amount of R0.27 (being the Rand Equivalent of US\$0.0272876); and
"Subscription Shares"	means, collectively, the First Nominee Subscription Shares and the Second Nominee Subscription Shares.



## INTRODUCTION

In terms of the First Loan Agreement Gairloch has loaned and advanced the First Loan Agreement Capital Amount to the Company and, as at the Completion Date, the Parties agree that the First Loan Agreement Repayment Amount shall be due by the Company to Gairloch.

In terms of the Second Loan Agreement Gairloch has loaned and advanced the Second Loan Agreement Capital Amount to the Company and, as at the Completion Date, the Parties agree that the Second Loan Agreement Repayment Amount shall be due by the Company to Gairloch.

In terms of the Gairloch Novated Loan Agreement the Novated Loan Agreement Capital Amount was advanced to the Company and, as at the Completion Date, the Parties agree that the Novated Loan Agreement Repayment Amount shall be due by the Company to Gairloch.

Subject to the fulfilment of the Conditions Precedent, the Gairloch Nominees (being nominees of Gairloch) shall subscribe for ordinary no par value shares in the Company as follows: (i) in respect of Gairloch Nominee 1, the First Nominee Subscription Shares and (ii) in respect of Gairloch Nominee 2, the Second Nominee Subscription Shares, constituting an aggregate of 883,449,144 new Shares, or such other number of Shares calculated in accordance with clause 4 of the Agreement (as described below) on the basis that, on the Completion Date, Gairloch's obligation to effect payment of the Subscription Price to the Company shall be set off wholly or partially against the Company's obligation to effect repayment of the Outstanding Loan Amount to Gairloch.

## CONDITIONS PRECEDENT

The operative provisions of the Agreement are subject to the fulfilment of the following Conditions Precedent by no later than the Long Stop Date:

- (1) the Company shall have delivered to Gairloch a copy of an ordinary resolution of the Shareholders approving the issue of the Subscription Shares to the Nominees for the Subscription Price as a specific issue for cash in accordance with the provisions of the JSE Listings Requirements;
- (2) the Company shall have delivered to Gairloch proof to the reasonable satisfaction of Gairloch that the Subscription Shares and the Company Rights Offer Shares shall have been admitted to trading on the JSE and AIM under the JSE Listings Requirements and the AIM Rules, respectively (the "Admission");
- (3) all regulatory consents and approvals (including, without limitation, the approval of the Financial Surveillance Department of the South African Reserve Bank) required for the implementation of the transactions contemplated in this Agreement shall have been granted either unconditionally or subject to such conditions as are acceptable to the Parties (as confirmed in writing) and, where required, such conditions have been satisfied;
- (4) the Company shall have delivered to Gairloch a copy of a special resolution of the Shareholders approving the issue of the Company Rights Offer Shares and the Subscription Shares in accordance with the provisions of the Companies Act;
- (5) that pursuant to the Company Rights Offer either: (i) the Shareholders shall have elected to subscribe for Company Rights Offer Shares for aggregate subscription consideration of not less than R570,000,000 or (ii) the PIC shall have elected to subscribe for Company Rights Offer Shares for an aggregate subscription consideration of not less than R329,000,000 and the Company shall have received such subscription consideration;
- (6) the Company shall have issued Company Rights Offer Shares to all existing Shareholders that have elected to subscribe for Company Rights Offer Shares pursuant to the Rights Offer; and
- (7) the Company shall have delivered to Gairloch a copy of an ordinary resolution of the Shareholders approving the appointment of Gairloch's nominated directors.

Notwithstanding anything else in the Agreement, if the Condition Precedent in paragraph (5) above is not satisfied, and Gairloch in its sole discretion decides to waive that Condition Precedent, Gairloch shall be entitled to elect to decrease the number of Subscription Shares which are to be issued under the Agreement, provided that the issue of those Subscription Shares is in compliance with all laws. If such election is made, then:

- (1) the decreased number of Subscription Shares shall be issued by the Company to each Nominee as directed by Gairloch to the Company in writing;
- (2) the Subscription Price shall be amended *pro rata* downwards exactly in accordance with the decrease in number of Subscription Shares ("Amended Subscription Shares"); and
- (3) the difference between the Subscription Price and the Amended Subscription Price will remain outstanding and will become immediately due and payable by the Company to Gairloch under the Loan Agreements (the difference will be allocated to the First Loan Agreement, the Second Loan Agreement and the Novated Loan Agreement in proportion to the amounts outstanding under such agreements).



## SUBSCRIPTION

Gairloch shall, on or before the Completion Date, deliver to the Company a copy of a resolution of the board of directors of each Gairloch Nominee authorising the subscription by such Gairloch Nominee for its Subscription Shares.

Gairloch shall, within five business days of the Signature Date, deliver to the Company a copy of a resolution of its board of directors authorising the execution of the Agreement on the terms and conditions set out therein.

The Company shall, within five business days of the Signature Date, deliver to Gairloch a copy of a resolution of the board of directors of the Company authorising the issue of the Subscription Shares to the Gairloch Nominees and the execution of the Agreement on the terms and conditions set out therein.

Gairloch shall at its cost, on receipt of written request from the Company, forthwith furnish to the Company all such information and documentation in regard to a Gairloch Nominee as may be required in order for the Company to comply with all applicable law in relation to the subscription by such Gairloch Nominee for its Subscription Shares.

On the Completion Date Gairloch shall procure that each Gairloch Nominee shall subscribe for its Subscription Shares.

The Subscription Price shall be due by Gairloch to the Company on the Completion Date and shall be settled in accordance with the provisions of clause 5 of the Agreement.

The Company shall, at the relevant general meeting of the Shareholders, propose to the Shareholders for election as non-executive directors of the Company two persons nominated in writing by Gairloch provided that such persons: (i) are eligible for election under law and the Memorandum of Incorporation of the Company and (ii) comply with all procedural requirements for appointment stipulated in law and the Memorandum of Incorporation of the Company. The appointment of the aforesaid persons as non-executive directors of the Company shall be conditional upon Completion occurring prior to the Long Stop Date.

The Company shall, against settlement of the Subscription Price, on the Completion Date:

- (a) allot and issue all the Subscription Shares (and not part only) to the Gairloch Nominees being fully paid and free from all encumbrances;
- (b) cause the appropriate entries in the Company's register of members maintained in terms of the Companies Act to be made by the relevant Central Securities Depository Participant, reflecting each Gairloch Nominee as the holder(s) of its Subscription Shares.

In the event that this issue price of the Company Rights Offer Shares is less than R0.27 per SacOil share, then the definitions of "Subscriptions Price", "Subscription Shares", "First Nominee Subscription Shares" and "Second Nominee Subscription Shares" shall be amended accordingly.

## SETTLEMENT OF THE SUBSCRIPTION PRICE

Gairloch's obligation to effect payment of the Subscription Price to the Company on the Completion Date shall be discharged by way of set-off against the Company's obligation to effect payment of the Outstanding Loan Amount to Gairloch.

## SETTLEMENT AND TERMINATION OF THE LOAN AGREEMENTS

The Parties agree that with effect from the Signature Date:

- (a) notwithstanding the terms of the Gairloch Loan Agreements, no interest shall be payable provided that, if Completion does not occur prior to the Long Stop Date, interest shall be payable in accordance with the terms of the relevant Gairloch Loan Agreement (and the Parties agree that the interest rate applicable under the Novated Loan Agreement is 10% per calendar month as from and including 30 January 2013);
- (b) subject to (a) and (c), each Gairloch Loan Agreement shall continue in force and effect in accordance with its terms, notwithstanding the execution of the Agreement and the Company agrees that each covenant and representation set out in the Novated Loan Agreement shall apply *mutatis mutandis* to the Agreement;
- (c) neither Party shall have any rights or obligations under the conversion notices issued by Gairloch to the Company under the Loan Agreements from the Signature Date to the Long Stop Date provided that, if Completion does not occur prior to the Long Stop Date, such conversion notice shall be deemed to have been issued as at the Long Stop Date; and
- (d) notwithstanding the terms of the Gairloch Loan Agreements, the Company shall be entitled during the period commencing on the Signature Date and ending on the earlier of the Completion Date and the Long Stop Date to prepay to Gairloch in cash the outstanding amount of principal (together with all accrued and unpaid interest) due by the Company to Gairloch under the Gairloch Loan Agreements. In the event that the Company should prepay to Gairloch the outstanding amount of principal together with accrued and unpaid interest due by the Company to

Gairloch under the Gairloch Loan Agreements as contemplated in this clause then the provisions of the Gairloch Subscription Agreement, other than clauses 1, 3.1, 6.1, 7 and 9 to 14 (inclusive) which shall remain of force and effect, shall cease to be of force and effect immediately upon such prepayment and Gairloch shall not be entitled to exercise any rights under clause 4 of the Gairloch Subscription Agreement.

The Parties agree that, provided that Completion occurs, with effect from the Completion Date and issue of the Subscription Shares:

- (a) the Company shall irrevocably be deemed to have fulfilled all and any obligations to Gairloch under the Gairloch Loan Agreements (including, without limitation, the full and final settlement of all payment obligations) and Gairloch waives all and any claims arising out of the Gairloch Loan Agreements; and
- (b) the Gairloch Loan Agreements and any document, agreement or correspondence related to the terms of the Gairloch Loan Agreements shall be irrevocably terminated and shall be of no further force or effect.

The Parties agree that as at the Signature Date has no outstanding obligations of any nature whatsoever to Gairloch under the written transaction deed dated 28 December 2012 entered into between the Parties and such transaction deed will be irrevocably terminated and of no further force and effect.

#### **EXPENSES**

Each of the Parties shall bear its own costs and expenses incurred in relation to the negotiation, preparation and execution of the Agreement and the subscription for, and issue of, the Subscription Shares provided that, the Company shall bear all costs associated with the Admission.

#### **WARRANTIES AND REPRESENTATIONS**

The Company, *inter alia*, warrants and represents to Gairloch on the Signature Date and (if Completion occurs) the Completion Date that on the Completion Date the Company will have all required board and shareholder authority to issue the Subscription Shares and neither Gairloch nor either Gairloch Nominee shall be required to make a mandatory offer to the other Shareholders as a consequence of the subscription.

Gairloch, *inter alia*, warrants and represents to the Company on the Signature Date and (if Completion occurs) on the Completion Date that neither Gairloch Nominee is the registered holder of any Shares (other than, for avoidance of doubt, the Subscription Shares) or is a Related Party (as defined in paragraph 10.1(b) of the JSE Listings Requirements) of the Company.

#### **LIMITATION OF LIABILITY**

Liability for special, indirect or consequential loss or damage arising out of or in any way connected with the Agreement is excluded.

#### **LAW AND JURISDICTION**

The Agreement and any non-contractual obligations connected with it shall be governed by English law and all disputes arising under, or in connection with the Agreement shall be exclusively governed by and determined only in accordance with English law.

Any legal action in relation to the Agreement or any agreement or document executed or effected under the Agreement by a Party against the other Party or its property may be brought in any court of competent jurisdiction in England. Each Party irrevocably, generally and unconditionally submits to the non-exclusive jurisdiction of any court of competent jurisdiction in England in relation to both itself and its property.

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## IRREVOCABLE UNDERTAKINGS RECEIVED IN FAVOUR OF THE SPECIFIC ISSUE AND THE RIGHTS OFFER

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SacOil has received irrevocable undertakings from the following SacOil Shareholders who have indicated that they will vote in favour of all the Resolutions required to give effect to the Specific Issue and the Rights Offer:

	<b>Beneficial Shareholder</b>	<b>Percentage SacOil Shareholding<sup>1</sup></b>
1.	Metc Metlife Main Account	8.16
2.	Mr Nassar Gutta	2.76
3.	SA Stockbrokers Nominees	2.59
4.	Mr Brian Hunter Christie	1.52
5.	Discount Toy Cash & Carry CC	1.29
6.	Mr Francois Basson	1.29
7.	Lonsa Capital (Pty) Ltd	1.25
8.	Trademar Trust	1.05
9.	Mrs Firoza Gutta	0.71
10.	Trademar Trading (Pty) Ltd	0.62
11.	Maglox Investments CC	0.54
12.	Discount Toy Cash & Carry C.C	0.44
13.	Metropolitan Life Ltd (Momam)	0.33
14.	Mr Gutta Nassar	0.29
15.	Master Muhammed Gutta	0.22
16.	Miss Naadhira Gutta	0.22
17.	Miss Zakkiyya Gutta	0.22
18.	Miss Faadhila Gutta	0.22
19.	Mr Gutta Nassar	0.21
		<b>23.90</b>

<sup>1</sup> Based on 956,118,568 SacOil shares in issue.



# SacOil

## SACOIL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1993/000460/06)

JSE share code: SCL ISIN: ZAE000127460

AIM share code: SAC

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## REVISED LISTING PARTICULARS

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The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, throughout this document, including on this cover page.

These Revised Listing Particulars are not an invitation to the public to subscribe for SacOil Shares, but are issued in compliance with the Listings Requirements, for the purpose of providing information to SacOil Shareholders regarding SacOil after the Specific Issue and Rights Offer.

These Revised Listing Particulars have been prepared on the assumption that the relevant Resolutions proposed in the notice of General Meeting forming part of the Circular will be passed at the General Meeting of SacOil Shareholders to be held at 10:00 on Friday, 6 December 2013 and, where applicable, registered by the Companies Registry.

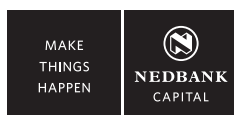
At the Last Practicable Date, the authorised share capital of SacOil comprised 10,000,000,000 shares of no par value. 956,118,568 SacOil Shares with a total value of R534,863,367 were in issue. No SacOil Shares are held in treasury.

The Directors, whose names are provided in paragraph 8.1 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 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 that the Circular contains all information required by law and the Listings Requirements.

The Investment Bank and Corporate Advisor and Sponsor, Legal Advisors, Independent Reporting Accountants, Nominated Advisor and the Transfer Secretaries have consented in writing to act in the capacities stated and to their names and reports (where appropriate) being included in these Revised Listing Particulars and have not withdrawn their consents prior to the publication of these Revised Listing Particulars.

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**Investment Bank, Corporate  
Advisor and Sponsor**



**Legal Advisor:  
South African Law**



**Independent Reporting Accountants**



**Nominated Advisor**



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Date of issue: Thursday, 7 November 2013

*This document is available in English only.*

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## **SACOIL HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1993/000460/06)

JSE share code: SCL ISIN: ZAE000127460

AIM share code: SAC

("SacOil" or the "Company")

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### REVISED LISTING PARTICULARS

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#### **1. INCORPORATION AND HISTORY**

SacOil is listed on the "Mining – Integrated Oil and Gas" sector of the Main Board of the JSE. SacOil was incorporated on 1 February 1993 under the name Manga-Chem Products (Proprietary) Limited. The Company was listed on the venture capital sector of the securities exchange operated by the JSE on 19 October 1994. It was incorporated for the purpose of establishing a manganese sulphate manufacturing and marketing business.

On 6 December 1996, the Company's name was changed to SA Mineral Resources Corporation Limited. During 2008, SA Mineral Resources Corporation Limited acquired an interest in Block III, an oil concession located in the Albertine Graben Area of the DRC. On 1 December 2008, the Company's name was changed to SacOil Holdings Limited ("SacOil") to better reflect the Company's new corporate identity. On 12 December 2008, the Company transferred its listing from the venture capital sector of the securities exchange operated by the JSE to the "Mining – Integrated Oil and Gas" sector of the Main Board of the securities exchange operated by the JSE.

On 12 October 2010, SacOil announced that it had formed a joint venture with an established oil and gas company, Energy Equity Resources (Norway) Limited, to acquire and/or develop oil and gas assets in Nigeria. SacOil's Nigerian subsidiary companies have since entered into farm-in agreements in relation to OPL 281 and OPL 233 in Nigeria and, through these subsidiaries, SacOil owns a 20% equity interest in both of these blocks, subject to government consent.

On 8 April 2011, SacOil obtained a secondary listing on AIM.

To date SacOil has acquired further interests in Southern Africa. During December 2012, SacOil was awarded 100% equity interest and operator status in Block 1, an onshore petroleum prospecting license in Malawi. Furthermore, SacOil's Botswana subsidiary, Transfer Holdings (Proprietary) Limited, was awarded three petroleum prospecting licenses by the Botswana Department of Mines on 29 April 2013.

SacOil continues to seek value enhancing opportunities on the African continent.

#### **2. NATURE OF BUSINESS**

The nature of SacOil's business is fully disclosed in paragraph 6.1 of the Circular, and information pertaining to the Specific Issue and Rights Offer is contained in paragraphs 2 and 3 of the Circular.

The Revised Listings Particulars relate to both the Circular and the Rights Offer Circular.

#### **3. PROSPECTS**

Prospects for the Company are fully disclosed in paragraph 6.2 of the Circular.

#### **4. DIRECTORS AND MANAGEMENT**

Information on the Directors and senior managers is contained in paragraph 8 of the Circular.

##### **4.1 Directors' remuneration**

Directors' remuneration was as follows for the year ended 28 February 2013:

<b>Executive</b>	<b>Salary R</b>	<b>Bonus R</b>	<b>Payment in terms of mutual agreement R</b>	<b>Total R</b>
<b>2013</b>				
Robin Vela	2,350,000	–	–	2,350,000
Carina de Beer	1,075,000	–	250,000	1,325,000
<b>Total</b>	<b>3,425,000</b>	<b>–</b>	<b>250,000</b>	<b>3,675,000</b>
				<b>Total R</b>
<b>Non-executive</b>				
				<b>Fees</b>
<b>2013</b>				
Richard Linnell				262,500
John Bentley				300,639
Bill Guest				300,355
Colin Bird				360,425
Gontse Moseneke				112,500
<b>Total</b>				<b>1,336,419</b>

4.2 No fees were paid or are payable to third parties *in lieu* of directors' fees.

## 5. SHARE CAPITAL

### 5.1 Authorised and issued share capital

Details of the authorised and issued share capital of SacOil are contained in paragraph 5 of the Circular.

### 5.2 Issues of SacOil Shares during the preceding three years

The Company has issued the following Shares in the three years preceding the Last Practicable Date:

<b>Date</b>	<b>Beneficial shareholder</b>	<b>Number of shares</b>	<b>Price (Rands per share)</b>	<b>Reason for issue of SacOil shares</b>
02/10/2013	N Gutta	2,777,777	0.27	Specific issue for cash
13/11/2012	YA Global Masters SPV Ltd	35,072,412	0.32	Specific issue for cash
09/07/2012	YA Global Masters SPV Ltd	24,578,863	0.34	Specific issue for cash
03/05/2012	YA Global Masters SPV Ltd	32,135,560	0.49	Specific issue for cash
23/03/2012	YA Global Masters SPV Ltd	29,328,257	0.43	Specific issue for cash
08/02/2012	YA Global Masters SPV Ltd	10,926,906	0.44	Specific issue for cash
16/01/2012	Peregrine Securities Proprietary Limited	11,111,112	0.45	General issue for cash
13/12/2011	Yorkville Advisers UK LLP	14,318,181	0.44	Specific issue for cash
22/11/2011	Timtex Investments (Proprietary) Limited	111,940,298	0.67	Specific issue for cash
08/05/2011	Robin Vela	6,489,605	2.14	AIM admission bonus
08/05/2011	Colin Bird	2,552,610	2.14	AIM admission bonus
04/04/2011	Rencap	796,577	2.16	Specific issue <i>in lieu</i> of fee
17/02/2011	Public Investment Corporation	46,666,666	1.50	General issue of shares for cash
15/02/2011	Carina de Beer	632,916	0.29	Share options exercised
09/11/2010	Stanlib Asset Managers Limited	8,000,000	1.70	General issue of shares for cash

### 5.3 Commissions

No commissions, including underwriting commissions, discounts, brokerages or other special terms have been granted by the Company in the preceding three years and since the Last Practicable Date, in connection with the issue or sale of any SacOil Shares, where this has not been disclosed in any audited annual financial statements.

### 5.4 Promoters

During 2011, a promoters' fee of R1,500,000 (inclusive of VAT) was paid by SacOil to Encha in terms of a letter of agreement entered into between SacOil and Encha which entitled Encha to a promoters' fee equal to 2% (inclusive of VAT) of gross equity raised through the introduction by Encha of Timtex Investment (Proprietary) Limited.

### 5.5 Royalties

No royalties have been paid, or are payable, by the SacOil Group during the preceding three years.

### 5.6 Rights attaching to Shares and power to issue Shares

All of the issued SacOil Shares rank *pari passu* in every respect and have equal rights to participate in the capital of the Company.

The provisions of the Memorandum of Incorporation relating to the voting rights, rights to dividends, redemption rights, rights on liquidation and variation of rights attaching to Shares are set out in Annexure A to these Revised Listings Particulars.

The variation of rights attaching to SacOil Shares requires the consent in writing of the holders of not less than three quarters of the issued SacOil Shares of that class, or the passing of a special resolution at a general meeting of the holders of the SacOil Shares of that class.

There are currently no preferential conversion or exchange rights to any of the Shares.

As at the Last Practicable Date, the authorised but unissued share capital of the Company was placed under the control of the Directors. The Directors are authorised to allot and issue such Shares to such person or persons and on such terms and conditions as they deem fit, subject to the Companies Act, the Memorandum of Incorporation, the Listings Requirements, when applicable, and the limitations upon which such authority was provided at the general meeting held on 30 May 2013.

### 5.7 SacOil Share Options

As at 28 February 2013, being SacOil's financial year-end, the following SacOil Share Options had been issued:

Date granted	Number of options	Option exercise price (cents)	Exercise period
8 July 2010	7,331,530 <sup>1</sup>	29.00	10 years
21 November 2008	41,986,136 <sup>2</sup>	82.15	10 years

**Notes:**

- 4,198,614 share options lapsed following the resignation of Robin Vela on 31 May 2013.
- 33,588,909 share options lapsed following the resignations of Richard Linnell and Colin Bird on 11 April 2013 and Robin Vela on 31 May.

Other than the SacOil Share Options referred to above, there are no other contracts or arrangements, 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 SacOil Shares.

## 6. MAJOR SHAREHOLDERS

Information on the major Shareholders is contained in paragraph 6.3 of the Circular.

## 7. FINANCIAL INFORMATION

### 7.1 Historical financial information of SacOil

The historical financial information of the SacOil Group is set out in Annexure B to the Revised Listing Particulars and comprises the audited historical financial information for the years ended 28 February 2011, 29 February 2012 and 28 February 2013.



## 7.2 **Pro forma financial information**

Details of the unaudited *pro forma* financial effects of the Specific Issue and the Rights Offer on the statement of comprehensive income and statement of financial position are contained in Annexure 1 to the Circular.

The Independent Reporting Accountants' report on the above unaudited *pro forma* financial effects and on the statement of comprehensive income and statement of financial position is set in Annexure 2 to the Circular.

## 8. **LOANS AND BORROWING POWERS**

### 8.1 **Material Loans**

Details of material loans of the SacOil Group, as at the Last Practicable Date, are set out in Annexure D to the Revised Listing Particulars.

No debentures have ever been issued by the SacOil Group.

### 8.2 **Loans receivable**

#### **Loans to EER**

##### **Acquisition Costs (Long-term loan)**

Under the terms of the Master Joint Venture Agreement ("MJVA") entered into between EER and SacOil on 10 September 2010, with respect to oil concession blocks OPL 281 and OPL 233 in Nigeria, all acquisition costs paid by SacOil on behalf of EER bear interest at 25% per annum compounded, calculated from the date of incurring such costs to the date of recovery. As at 30 September 2013, an amount of USD12.2 million (R123.1 million) was owed by EER to SacOil. The loan is repayable in three equal annual instalments, the first such instalment becoming due 60 Business Days after first oil production by taking that proportion of EER's entitlement to petroleum that equals one third of the outstanding capital plus interest accrued. The second and third instalments will become payable on the same principle from EER's subsequent entitlement to petroleum.

##### **Performance bond and related costs (Short-term loan)**

SacOil and EER entered into a short-term loan agreement on 3 October 2011, under the terms of which SacOil agreed to finance EER's 50% share of the cash collateral of USD10 million required to post the performance bond on OPL233, and EER's 50% share of all costs associated with the posting of the performance bond. The loan bears interest at 30% per annum compounded, calculated from the date the performance bond was posted and the date of incurring the performance bond related costs, to the date of repayment. This loan became due and payable on 31 May 2013. EER has not fulfilled its repayment obligation. Discussions are in progress to agree a repayment schedule for this overdue amount. The Company is also considering its position in respect of the default provisions of the loan agreement underlying this receivable. The loan is secured by a cession and pledge over EER's shares in its subsidiary EER 233 Nigeria Limited which holds a 20% interest in OPL 233, subject to government consent. As at 30 September 2013, an amount of USD15.2 million (R152.9 million) is owed by EER under the short-term loan agreement.

#### **Loans to Directors**

No loans have been granted or security furnished by the SacOil Group to any of their directors or Senior Managers or any associate of any Director or Senior Manager.

### 8.3 **Borrowing powers**

The borrowing powers of the Company exercisable by the Directors, which are set out in Annexure A to these Revised Listing Particulars, may only be varied by special resolution and have not been exceeded during the previous three years.

### 8.4 **Material inter-company loans and transactions**

The following loans were due from/(owed to) SacOil's subsidiaries as at 28 February 2013:

Subsidiary name	R
SacOil 141 Nigeria Limited <sup>3</sup>	933,776
SacOil 233 Nigeria Limited <sup>1</sup>	97,088,867
SacOil 281 Nigeria Limited <sup>1</sup>	59,946,235
Semliki Energy SPRL <sup>2</sup>	22,099,499
Bushveld Pioneer Proprietary Limited <sup>4</sup>	450
Baltimore Manganese Mine Proprietary Limited <sup>4</sup>	450
Pioneer Coal Proprietary Limited <sup>4</sup>	(318,292)

**Notes:**

1. Under the terms of the MJVA entered into between SacOil and EER, SacOil shall raise the finance for all acquisition costs. 50% of these costs represent loans to SacOil's wholly-owned Nigerian subsidiaries. These loans bear interest at 5.25% per annum on a compound basis, are unsecured and have no fixed repayment terms. The loans are denominated in US dollars.
  2. The loan owed to Semliki Energy SPRL bears no interest and has no repayment terms. The loan is denominated in USD.
  3. The loan is interest free, unsecured and has no fixed repayment terms. The loan is denominated in USD.
  4. These loans are interest free, unsecured and have no fixed repayment terms. The loans are denominated in Rands.
- All inter-company loans are eliminated at a Group level on consolidation.

## 9. MATERIAL CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND LEASE PAYMENTS

### 9.1 Material commitments and contingent liabilities

Details of all material commitments and contingent liabilities are detailed in note 34 of the SacOil Group consolidated audited financial results, as disclosed in Annexure B.

### 9.2 Lease payments

SacOil leases its premises under an operating lease. Details of all lease payments have been disclosed in Annexure B to these Revised Listing Particulars.

There have been no material changes to the capital commitments, lease payments or contingent liabilities between 28 February 2013 and the Last Practicable Date.

## 10. DIVIDENDS AND DIVIDEND POLICY

No dividends have been declared or paid by the Company in the past four years. The Directors do not have any current intention of paying dividends or buying back SacOil Shares.

## 11. MATERIAL CHANGES

There have been no material changes in the affairs or financial position of SacOil, save as disclosed in the Circular, between the year ended 28 February 2013 and the Last Practicable Date.

## 12. ADEQUACY OF CAPITAL

The directors are of the opinion that the working capital available to SacOil Group is adequate for the requirements of the Group for a period of at least 12 months from the date of issue of these Revised Listing Particulars.

The Directors are of the opinion that:

- the SacOil will be able, in the ordinary course of business, to pay its debts for a period of 12 months from the date of the issue of the Revised Listing Particulars;
- the assets of SacOil will be in excess of the liabilities of the Company for a period of 12 months after the date of issue of these Revised Listing Particulars;
- the share capital and reserves of SacOil will be adequate for ordinary business purposes for a period of 12 months after the date of the issue of these Revised Listing Particulars; and
- the working capital of Sacoil will be adequate for ordinary business purposes for a period of 12 months after date of issue of these Revised Listing Particulars.

SacOil has prepared its working capital forecast on the basis that the Specific Issue and Rights Offer are approved by Shareholders, and that the Rights Offer is fully subscribed for. To the extent that the Specific Issue and Rights Offer are not approved by Shareholders and implemented as envisaged, the Company will be required to explore alternative mechanisms to satisfy the group's working capital requirements.

### 13. IMMOVABLE PROPERTY AND SUBSIDIARY COMPANIES

#### 13.1 Immovable property

The SacOil Group leases its premises under an operating lease. Details of all lease payments have been disclosed in Annexure B to these Revised Listing Particulars.

#### 13.2 Subsidiary companies

Details of SacOil's material subsidiary companies are set out in Annexure C to these Revised Listing Particulars.

#### 13.3 Material acquisitions

The following material acquisitions of property by the SacOil Group have occurred during the last three years preceding the date of the Revised Listing Particulars:

Date	Property acquired	USD million
12 December 2012	Block 1 prospecting licence <sup>1</sup>	0.1
29 April 2013	Botswana exploration licences <sup>2</sup>	0.04

**Notes:**

1. SacOil was awarded a 100% interest and operator status in Block 1, an onshore petroleum prospecting license in Malawi. At 12,265 square kilometres, Block 1 is the second largest petroleum exploration license demarcated in Malawi by the government. Block 1 is located in the North Western part of Malawi bordering Tanzania to the north and Zambia to the west. The licence is located on trend with the East African rift system which is a proven exploration province with prolific oil discoveries in Sudan, Chad, Kenya and Uganda. Through initial work completed, the SacOil technical team anticipates that the same Tertiary rift system will be present in Malawi.
2. SacOil's Botswana subsidiary, Transfer Holdings (Proprietary) Limited, was awarded three petroleum exploration licences in Botswana by the government. The three petroleum exploration licences 123/2013, 124/2013 and 125/2013 were awarded on 29 April 2013.
3. Consideration paid for the major acquisitions was or will be settled in cash.

#### 13.4 Material disposals

The following material disposals have occurred during the last three years preceding the date of the Revised listing Particulars:

Date	Property disposed	USD million
16 March 2011	Disposal of a 60% interest in Block III, details provided in the circular dated 16 March 2011 <sup>1</sup>	21.0
1 March 2012	Disposal of a 6.67% interest in Block III, details are provided in Annexure B of the Revised Listing Particulars <sup>1</sup>	10.0
1 October 2012	Greenhills manganese processing plant <sup>2</sup>	0.8

**Notes:**

1. Block III is an exploration licence located in the eastern part of the DRC, alongside the border with Uganda. The licence encompasses an area of approximately 3,177 square kilometres, much of which is located in the highly prospective Albertine Graben.
2. The Greenhills Manganese Processing Plant located in South Africa was a non-core legacy asset of SacOil, which was sold to a company representing the management and employees of the Plant.
3. Cash consideration was received on disposals.

### 14. MATERIAL CONTRACTS

Details of all material contracts that have been entered into by SacOil within the two years immediately preceding the date of these Revised Listing Particulars, other than in the ordinary course of business, which are, or may be, material to the SacOil Group at the date of these Revised Listing Particulars are set out in paragraph 2 and Annexure 5 of the Circular.

### 15. LITIGATION STATEMENT

Details of all material litigation are contained in paragraph 10 of the Circular.

16. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, whose names are given in paragraph 8.1 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 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 that these Revised Listing Particulars contain all information required by law and the Listings Requirements.

17. **CORPORATE GOVERNANCE**

Extracts of the corporate governance policies adopted by SacOil are set out in Annexure 4 to the Circular.

18. **CONSENTS**

Each of the advisors, whose names appear in the "Corporate information and advisors" section of the Circular have consented in writing to act in the capacities stated and to their names being stated in these Revised Listing Particulars and have not withdrawn their consent prior to the publication of these Revised Listing Particulars.

19. **DOCUMENTS AVAILABLE FOR INSPECTION**

Details on the documents available for inspection are set out in paragraph 16 of the Circular.

Signed at Bryanston on 7 November 2013 on behalf of all the Directors in terms of powers of attorney granted by such Directors.

**Roger Rees**

*Chief Executive Officer*

7 November 2013

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## EXTRACTS FROM THE MEMORANDUM OF INCORPORATION

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### I. INCORPORATION AND NATURE OF THE COMPANY

#### I.1 Incorporation

1. The Company was incorporated on 1 February 1993 as a public company and is a profit company.
2. The Company is constituted subject to:
  - a. the unalterable provisions of the Companies Act, 2008, as amended ("**Act**");
  - b. any provisions imposing on the Company a higher standard, greater restriction, longer period of time or any similar more onerous requirement, than would otherwise apply to the Company in terms of an unalterable provision of the Act;
  - c. the alterable provisions of the Act, subject to the limitations, extensions, restrictions, variations or substitutions set out in this Memorandum of Incorporation; and
  - d. the provisions of this Memorandum of Incorporation.

#### I.2 Powers of the Company

1. This Memorandum of Incorporation does not:
  - a. contain any restrictive conditions applicable to the Company and any requirement, in addition to the requirements set out in clause •••, for the amendment of any such conditions; and
  - b. prohibit the amendment of any particular provision hereof.
2. The Company has all of the legal powers and capacity of an individual, to the extent possible, subject to any restrictions, limitations or qualifications arising from this Memorandum of Incorporation.

#### I.3 Memorandum of Incorporation and Company rules

1. This Memorandum of Incorporation of the Company may be altered or amended:
  - a. in compliance with a court order effected by a resolution of the Company's Board; and
  - b. by a special resolution of the holder of a share issued by the Company and who is registered as such in the Company's share register ("**Shareholders**") but subject to that special resolution having been proposed by:
    - i. the Board; or
    - ii. Shareholders entitled to exercise at least 10% of the voting rights that may be exercised on such resolution.
2. Despite clause 1.3(1) if any amendment relates to the variation of any preferences, rights, limitation and other share terms attaching to any class of one of the units into which the proprietary interests of the Company is divided as contemplated in clause 2.1 ("**Shares**") (other than the ordinary shares) already in issue (**Other Shares**), that amendment must not be implemented without:
  - a. firstly, a special resolution, taken by the holders of the Other Shares at a separate meeting; and
  - b. secondly, a special resolution taken at a meeting of ordinary Shareholders at which the proposed variation is considered, at which meeting the holders of the Other Shares will be allowed to vote, provided:
    - (i) their votes may not carry any special rights or privileges;
    - (ii) they shall be entitled to one vote for each share that they hold; and
    - (iii) their total voting right at such a general or annual general meeting may never be more than 24.99% of the total voting rights of all Shareholders at such a meeting.

3. An amendment contemplated in clause 1.3(1)(b) or 1.3(2) may take the form of:
  - a. a new Memorandum of Incorporation in substitution for the existing Memorandum of Incorporation; or
  - b. one or more alterations to the existing Memorandum of Incorporation by:
    - (i) changing the name of the Company;
    - (ii) deleting, altering or replacing any of its provisions; or
    - (iii) inserting any new provisions.
4. Amendments to this Memorandum of Incorporation include, but are not limited to:
  - a. the creation of any class of shares;
  - b. the variation of any preferences, rights, limitation and other share terms attaching to any other class of shares;
  - c. the conversion of one class of shares into one or more other classes;
  - d. the increase of number of Securities;
  - e. consolidation of Securities;
  - f. sub-division of Securities;
  - g. conversion of shares from par value to no par value; and
  - h. making any combination of such alterations.
5. After amending its Memorandum of Incorporation, the Company must file a Notice of Amendment with the Commission in accordance with the requirements contemplated in sections 16(7) and (8).
6. An amendment to this Memorandum of Incorporation takes effect:
  - a. in the case of an amendment that changes the name of the Company, on the date set out in the amended registration certificate issued by the Commission; or
  - b. in any other case, on the later of:
    - (i) the date on, and time at, which the Commission accepts the filing of the Notice of Amendment; or
    - (ii) the date, if any, set out in the Notice of Amendment.
7. Preferences, rights, limitations or other terms of any class of Shares of the Company may not be varied and no resolution may be proposed to Shareholders for rights to include such variation in response to any ascertainable external fact or facts as provided for in sections 37(6) and (7) of the Act.
8. The Board does not have authority to make, amend or repeal any rules relating to the governance of the Company in terms of section 15(3) of the Act.

#### 1.4 Public company provisions

1. The Company is a public company listed on the JSE Limited (Registration number 2005/022939/06), a company duly registered and incorporated with limited liability under the company laws of the Republic of South Africa ("JSE"); and
  - a. Shares for which listing is sought must be fully paid up and freely transferable, unless otherwise required by statute;
  - b. there is no restriction on the transferability of any Securities of the Company; and
  - c. it is not prohibited from offering any Securities to the public.
2. The Company, being a public company:
  - a. must comply with all of the extended accountability requirements contained in Chapter 3 of the Act; and
  - b. will be and have its Securities subject to Part B and Part C of the Act, including the Takeover Regulations.

## 2. SECURITIES OF THE COMPANY

### 2.1 Shares

1. The Company is authorised to issue the following Shares:

Number	Class
10,000,000,000	Ordinary Shares

2. Each Share entitles the holder to the rights attaching to the particular class of Share set out in this clause 2.1(2).
  - a. Each ordinary Share shall rank *pari passu* and entitles the holder to:
    - (i) vote on any matter to be decided by a vote of the ordinary Shareholders on the basis contemplated in clause 3.3(1);
    - (ii) participate in any distribution to the ordinary Shareholders; and
    - (iii) participate in the distribution of the residual value of the Company upon its dissolution.
3. Subject always to the prior approval of the Shareholders of the Company in general meeting and the JSE, the Company's Board is authorised to issue Shares and/or grant options to subscribe for unissued Shares in accordance with the JSE listings Requirements ("**Listings Requirements**") at any time, but only within the classes, and only to the extent that the Shares have been authorised by or in terms of this Memorandum of Incorporation. Any such approval may be in the form of a general authority to the members of the Board of the Company and the alternate Directors ("**Directors**"), whether conditional or unconditional, to allot or issue any Shares or grant options in their discretion, or in the form of a specific authority in respect of any particular allotment or issue of Shares or grant of options. If any such approval is given in the form of a general authority to the Directors, it shall be valid only until the next annual General Meeting but it may be varied or revoked by any general meeting of the Company prior to the holding of the next annual general meeting.
4. Notwithstanding clause 2.1(3), any issue of shares or any Securities convertible into shares, or grant of options contemplated in terms of section 42, or a grant of any other rights exercisable for Securities, must be approved by a special resolution of the Shareholders, if the shares, Securities or options are issued to a:
  - a. Director, future Director, prescribed officer, or a future prescribed officer of the Company;
  - b. person related or inter-related to the Company, or to a Director or prescribed officer of the Company; or
  - c. nominee of a person contemplated in clause 2.1(4)(a) and 2.1(4)(b).
5. Subject always to the prior approval of the Shareholders by ordinary resolution at a Shareholders' meeting and the JSE, the Board is authorised to offer shares to existing Shareholders at any time, but such offer shall be *pro rata* to their existing shareholding, and on the same terms and conditions as have been offered to all Shareholders of the Company or to all Shareholders of the class or classes of shares being issued, unless issued for the acquisition of assets.
6. The authority of the Board to increase or decrease the number of authorised Shares of any class, to reclassify any classified Shares that have been authorised but not issued, to classify any unclassified Shares that have been authorised but not issued, or to determine the preferences, rights, limitations or other terms of any class of Shares, is restricted or varied in the manner contemplated in clauses 1.3(1)(b) and 1.3(2) and must be exercised in accordance with the Listings Requirements.
7. The authority of the Board to authorise the Company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person in relation to the purchase of any Securities or the subscription of any option or security of the Company or a related or inter-related company, subject to the provisions of section 44(3), is not restricted or varied by this Memorandum of Incorporation.
8. Subject to clauses 2.1(3) and 2.1(4), and the provisions of section 47, the Board may approve the issuing of any authorised Shares of the Company as capitalisation Shares or the issuing of Shares of one class as capitalisation Shares in respect of Shares of another class and may permit Shareholders to elect to receive a cash payment in lieu of a capitalisation share.
9. Subject to the provisions of sections 46 and 48 and the Listings Requirements, the Board may determine that the Company will acquire a number of its own shares provided that such resolution by the Board:

- a. is approved by a special resolution of the Shareholders, if any shares are to be acquired by the Company from a Director or prescribed officer of the Company, or a person related to a Director or prescribed officer of the Company; and
  - b. is subject to the requirements of sections 114 and 115 if, considered alone, or together with other transactions in an integrated series of transactions, it involves the acquisition by the Company of more than 5% of the issued shares of any particular class of the Company's shares.
10. Subject to the provisions of sections 46 and 48 the Company may determine that it will acquire shares in its holding company provided that:
- a. not more than 10%, in aggregate, of the number of issued shares of any class of shares of the holding company may be held by, or for the benefit of, all of the subsidiaries of the holding company, taken together; and
  - b. no voting rights attached to those shares may be exercised while the shares are held by the Company, and it remains a subsidiary of the holding company whose shares it holds.
11. The Company may not pay commission exceeding 10% to any person in consideration for their subscribing or agreeing to subscribe, whether absolutely or conditionally, for any Securities of the Company.
12. Securities of the Company are to be issued in either certificated or uncertificated form.
13. A certificate evidencing any certificated Securities of the Company:
- a. must state on its face:
    - (i) the name of the Company;
    - (ii) the name of the person to whom the Securities were issued;
    - (iii) the number and class of Shares and the designation of the series, if any, evidenced by that certificate;
    - (iv) a number distinctive for each certificate; and
    - (v) any restriction on the transfer of the Securities evidenced by that certificate,
 provided that any certificate issued by the Company as a pre-existing company will not be invalidated solely by reason of it failing to comply with these requirements;
  - b. must be signed by two persons authorised by the Board; and
  - c. is proof that the named security holder owns the Securities, in the absence of evidence to the contrary.
14. A signature contemplated in clause 2.1(13)(b) may be affixed to or placed on the certificate by autographic, mechanical or electronic means.
15. Every person who holds Securities in certificated form and whose name is entered as a Securities holder in the register is entitled, without payment, to receive one certificate for all their Securities of any one class, but the Directors are entitled to charge for the reasonable costs of every subsequent certificate issued in respect of a withdrawal requested in terms of clause 2.1(22). A Securities holder who has transferred a part of his holding of Securities of any class, they is entitled to receive a certificate free of charge for the balance of their Securities holding.
16. If a securities certificate is defaced, lost or destroyed, it may be replaced on payment of any duty payable on the new certificate and on such terms (if any) as to evidence, indemnity and payment of the out-of-pocket expenses of the Company of investigating such evidence and, in the case of loss or destruction, of advertising the same, as the Board may think fit and, in the case of defacement, on delivery of the old certificate to the Company.
17. Subject to clause 2.1(8), the Company must enter in its Securities register every transfer of certificated Securities, including in the entry:
- a. the name and address of the transferee;
  - b. the description of the Securities or interest transferred;
  - c. the date of the transfer; and
  - d. the value of any consideration still to be received by the Company on each Security or interest, in the case of a transfer of Securities contemplated in sections 40(5) and (6).



18. The Company may make an entry contemplated in clause 2.1(17) only if the transfer:
  - a. is evidenced by a proper instrument of transfer in a form and substance satisfactory to the Board that has been delivered to the Company; or
  - b. was effected by operation of law.
19. The provisions of the Act will apply in respect of the issuance and transfer of uncertificated Securities. In particular:
  - a. the holders of uncertificated Securities in the Company shall not be entitled to Securities certificates and the Company shall not issue certificates evidencing or purporting to evidence title to uncertificated Securities of the Company, subject to clause 2.1(22);
  - b. in the event of a withdrawal referred to in clause 2.1(22), Securities certificates shall be issued in terms of the provisions of this clause 2.1;
  - c. upon entry of the name of a person into the sub-register, that person shall become a Securities holder and will be recognised as such in respect of the uncertificated Securities registered in their name;
  - d. transfer of ownership and Securities holding in accordance with clauses 2.1(19)(b) and 2.1(19)(c) will occur notwithstanding any fraud or illegality which may affect the uncertificated Securities in respect of which the transfer was effected or which may have resulted in the transfer being effected provided that a transferee who was party to or had notice of such fraud or illegality may not rely on the provisions of this clause 2.1(19)(d);
  - e. the Company shall be liable to the a person that has been accepted by a central securities depository as defined in section 1 of the *Securities Services Act, 2004*, as amended as a participant in that CSD ("**Participant**") for the fee prescribed from time to time in terms of the provisions of the Act in respect of the transfer of ownership in uncertificated Securities;
20. The Company shall be entitled to allow the dematerialisation of any of its Securities. Once such dematerialisation has been allowed:
  - a. any new Securities that are issued may be issued in uncertificated form if so requested by the subscriber to those Securities; or
  - b. Securities holders may dematerialise Securities already issued into uncertificated Securities, in such manner as may be decided by the Directors from time to time.
21. Securities that are dematerialised as contemplated in clause 2.1(20) will have the same rights as attached to such Securities prior to their dematerialisation.
22. If a Securities holder wishes to rematerialise all or part of his uncertificated Securities held by the Participant and to obtain a certificate in respect of such uncertificated Securities they should notify the Participant accordingly.
23. The Participant shall, within seven days of receipt of the notification referred to in clause 2.1(22) notify the Company to provide a certificate and shall remove the uncertificated Securities so rematerialised from the sub-register.
24. The Company shall immediately upon receipt of the notification from the Participant, enter the necessary details of the Securities holders and their Securities holding into the register and indicate in the register that the uncertificated Securities so rematerialised are no longer held in uncertificated form.
25. The Company will within, 10 days if the relevant Securities holder is a resident of the Republic and 20 days if the relevant Securities holder is not a resident of the Republic, of receipt of the notification from the Participant, prepare and deliver to the relevant Securities holder a certificate and notify the Participant that those Securities are no longer held in uncertificated form.
26. Where two or more persons are registered as the holders of any Securities, in either certificated or uncertificated form, they shall be deemed to hold those Securities jointly, and:
  - a. notwithstanding anything to the contrary in this Memorandum of Incorporation, on the death, sequestration, liquidation or legal disability of any one of such joint holders, the remaining joint holder(s) may be recognised, at the discretion of the Directors, as the only person(s) having title to such Securities;

- b. any one of such joint holders may give effectual receipts for any distributions, bonuses or returns of capital or other accruals payable to such joint holders;
  - c. only the joint holder whose names stands first in the register shall be entitled to delivery of the certificate relating to those Securities, or to receive notices from the Company. In case of the legal incapacity of any one or more of the joint registered holders of any Security, the survivor then named first in the register will be the only person recognised by the Company as being entitled to such certificate, or any new certificate which may be issued in its place. Any notice given to such joint holder shall be deemed to be notice to all the joint holders;
  - d. any one of the joint holders of any Securities conferring a right to vote may vote either personally or by proxy at any meeting in respect of such Securities as if he were solely entitled thereto, and if more than one of such joint holders is present at any meeting, either personally or by proxy, the joint holder who tenders a vote and whose name stands in the register before the other holders who are present in person or by proxy, shall be entitled to vote in respect of those Securities; and
  - e. the Company shall be entitled but not obliged to refuse to register more than two persons as the joint holders of a Securities.
27. All authorities to sign transfer deeds granted by holders of Securities in the Company for the purpose of transferring Securities that may be lodged, produced or exhibited with or to the Company at any of its transfer offices shall as between the Company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the Company may allow the same to be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the Company's transfer office at which the authority was lodged, produced or exhibited. Even after the giving and lodging of such notice the Company will be entitled to give effect to any instruments signed under the authority to sign, and certified by any officer of the Company, as being in order before the giving and lodging of such notice.
28. Shareholders may provide the Company with an address either in the Republic of South Africa or elsewhere to be inserted in the Securities register.
29. The Company is prohibited from claiming a lien on any Securities issued by the Company.

## 2.2 Debt Instruments

- 1. The authority of the Company's Board to authorise the Company to issue secured or unsecured debt instruments at any time, is not restricted or varied by this Memorandum of Incorporation.
- 2. The Board will not grant special rights to holders of debt instruments relating to attending and voting at general meetings and the appointment of Directors or any rights of a similar nature.

## 2.3 Registration of Beneficial Interests

The authority of the Company's Board to allow the Company's issued Securities to be held by, and registered in the name of, one person for the beneficial interest of another person, is not restricted or varied by this Memorandum of Incorporation.

## 3. SHAREHOLDERS

### 3.1 Shareholders' right to information

Other than the rights to access information set out in section 26, a Shareholder has no additional rights to information pertaining to the Company.

### 3.2 Shareholders' authority to act

- 1. Shareholders' resolutions may not be voted on in writing by Shareholders entitled to exercise voting rights as contemplated in section 60 of the Act.

### 3.3 Votes of Shareholders

- 1. Subject to the Act and subject to any special terms as to voting upon which any share may be issued or may for the time being be held, if voting on a particular matter is:
  - a. by a show of hands, any person present and entitled to exercise voting rights has one vote, irrespective of the number of voting rights that person would otherwise be entitled to exercise; and

- b. by polling, any person who is present at the meeting, whether in person or by proxy, and is entitled to exercise voting rights has one vote per ordinary share.
2. The holders of any other Securities other than ordinary Shares or any special shares created for the purposes of Black Economic Empowerment shall not be entitled to vote on any resolution taken by the Company save as expressly provided for in clauses 1.3(2) and 2.1. In such instances, their votes may not carry any special rights or privileges and they shall be entitled to one vote for each share that they hold, provided that their total voting right at such a general or annual general meeting, may never be more than 24.99% of the total voting rights of all Shareholders at such a meeting.
3. A polled vote must be held on any particular matter to be voted on at a meeting if a demand for such a vote is made by:
  - a. at least five persons having the right to vote on that matter, either as a Shareholder or a proxy;
  - b. a person who is, or persons who together are, entitled, as a Shareholder or proxy, to exercise at least 10% of the voting rights entitled to be voted on that matter; or
  - c. the chairperson of the meeting.
4. In the case of joint holders of a share, only the vote of the senior holder shall be accepted, whether in person or by proxy. For the purpose of this clause, seniority shall be determined by the order in which the names appear in the register or, in the case of persons entitled to a share by transmission, the order in which their names were given in the notice to the Company of that transmission.
5. Any entity holding Shares conferring the right to vote may, by resolution of the Directors or other governing body of that entity, authorise one person to act as its representative at any Shareholders' meeting. The representative shall be entitled to exercise the same powers as that entity could exercise if it were an individual Shareholder. The Board may require proof to their satisfaction of the appointment or authority of a representative to act.

#### 3.4 Proxies and voting under power of attorney

1. A Shareholder may, at any time, appoint any individual, including an individual who is not a Shareholder, as a proxy to:
  - a. participate in, and speak and vote at, a Shareholders' meeting on behalf of the Shareholder; or
  - b. give or withhold written consent on behalf of the Shareholder to a decision by Shareholders acting other than at a meeting.
2. the instrument that appoints a proxy must:
  - a. be in writing, dated and signed by the Shareholder;
  - b. be given by the person appointing such proxy or by their attorney duly authorised in writing or, if the appointor is a corporation, given by a representative so authorised.
3. The holder of a power of attorney from a Shareholder may, if so authorised by the power of attorney, vote for and represent such Shareholder at any meeting of the Company.

#### 3.5 Record date for exercise of Shareholder rights

Subject to the Listings Requirements, if, at any time, the Company's Board fails to determine a record date for any action or event, the record date for the relevant matter is:

1. in the case of a meeting, the latest date by which the Company is required to give Shareholders notice of that meeting; or
2. in any other case, the date of the action or event.

### 4. SHAREHOLDERS' MEETINGS

#### 4.1 Requirement to hold meetings

The Company is not required to hold any Shareholders' meetings other than those specifically required by section 61 and this clause 1), but may do so.

#### 4.2 Shareholders' right to requisition a meeting

1. The right of Shareholders to requisition the Company's Board to call a Shareholders' meeting may be exercised if, in aggregate, written and signed demands for a meeting with substantially the same purpose are made by the holders of at least 10% of the voting rights entitled to be exercised in relation to the matter to be considered at the meeting, provided that each such demand describes the specific purpose for which the meeting is proposed.

2. In addition, any general meeting may be called by two or more Shareholders holding not less than 20% of the Company's issued Shares.

#### 4.3 **Location of Shareholders' meetings**

The authority of the Company's Board to determine the location of any Shareholders' meeting and the authority of the Company to hold any such meeting in the Republic or in any foreign country, is not restricted or varied by this Memorandum of Incorporation.

#### 4.4 **Calling a Shareholders' meeting**

If the Company is unable to convene a Shareholders' meeting because it has no Directors or because all of its Directors are incapacitated, any Shareholder may convene a meeting.

#### 4.5 **Notice of Shareholders' meetings**

1. The minimum number of days for the Company to deliver a notice of a Shareholders' meeting to the Shareholders who are entitled to vote is
  - a. 15 business days before the meeting is to begin if it is proposed that a special resolution be passed at such meeting; and
  - b. 15 business days before the meeting is to begin if it is proposed that an ordinary resolution be passed at such meeting.
2. A notice of a meeting must be in writing and include the information set out in sections 62(3) and 63(3).
3. All notices of meetings of Shareholders issued by the Company must simultaneously be sent to the JSE and announced on the official news service of the JSE.

#### 4.6 **Electronic participation in Shareholders' meeting**

1. Every Shareholders' meeting of the Company must be reasonably accessible within the Republic for electronic participation by Shareholders, irrespective of whether the meeting is held in the Republic or elsewhere.
2. The authority of the Company to conduct a Shareholders' meeting entirely by electronic communication is not restricted or varied by this Memorandum of Incorporation.
3. The electronic communication employed at a Shareholders' meeting shall ordinarily enable all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the meeting.

#### 4.7 **Quorum for Shareholders' meetings**

1. Subject to the provisions of clause 4.7(2) to clause 4.7(6), (both inclusive), the quorum for:
  - a. a Shareholders' meeting to begin is sufficient persons present at the meeting to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
  - b. a matter to begin to be considered at the meeting is sufficient persons present at the meeting to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda.
2. Notwithstanding clause 4.7(1), a meeting may not begin, or a matter begin to be considered, unless at least three Shareholders are present at the meeting and the requirements of clause 4.7(1) are satisfied.
3. If, within one hour after the appointed time for a meeting to begin, the requirements of clauses 4.7(1) and 4.7(2):
  - a. for that meeting to begin have not been satisfied, the meeting is postponed without motion, vote or further notice, for one week; and
  - b. for consideration of a particular matter to begin have not been satisfied:
    - (i) if there is other business on the agenda of the meeting, consideration of that matter may be postponed to a later time in the meeting without motion or vote; or
    - (ii) if there is no other business on the agenda of the meeting, the meeting is adjourned for one week, without motion or vote.

4. The person intended to preside at a meeting, where the quorum requirements in clause 4.7(1) and clause 4.7(2) are not satisfied, may extend the 30 minute limit allowed for a reasonable period on the grounds that:
  - a. exceptional circumstances affecting weather, transportation or electronic communication have impeded, or are impeding, the ability of Shareholders to be present at the meeting; or
  - b. one or more delayed Shareholders have communicated an intention to attend the meeting, and those Shareholders, together with others in attendance, would satisfy the quorum requirements; or
  - c. any other reason such person considers appropriate.
5. After a quorum has been established for a meeting, Shareholders constituting the quorum must remain present at the meeting for all matters that must be considered at the meeting.
6. If the quorum requirements in clause 4.7(1) and clause 4.7(2) have not been satisfied at the time appointed for a postponed meeting to begin, or for an adjourned meeting to resume, the Shareholders present in person or by proxy will be deemed to constitute a quorum.

#### 4.8 **Adjournment of Shareholders' meetings**

1. Subject to clauses 4.7, 4.8(2) and 4.8(3) (above), a Shareholders' meeting or the consideration of any matter at the meeting, may be adjourned from time to time, on a motion supported by persons entitled to exercise, in aggregate, a majority of the voting rights held by all of the persons who are present at the meeting at the time and that are entitled to be exercised on at least one matter remaining on the agenda of the meeting, or on the matter under consideration, as the case may be.
2. An adjournment of a meeting, or the consideration of a matter at the meeting, in terms clause 4.8(1), may be either to a fixed time and place or until further notice, as agreed at the meeting.
3. A meeting may not be adjourned beyond the earlier of:
  - a. 120 business days after the record date determined in accordance with clause 0; or
  - b. 60 business days after the date on which the adjournment occurred.

#### 4.9 **Shareholders' resolutions**

1. For an ordinary resolution to be approved by Shareholders, it must be supported by the holders of more than 50% of the voting rights exercised on that resolution.
2. For a special resolution to be approved by Shareholders, it must be supported by the holders of at least 75% of the voting rights exercised on that resolution.

#### 4.10 **Ratification of *ultra vires* acts**

Unless otherwise approved by the JSE, no resolution may be proposed to Shareholders in terms of section 20(2) or section 20(6) of the Act if the adoption of any such resolution would lead to the ratification of an action that is in contravention of the Listings Requirements.

#### 4.11 **Annual General Meeting**

1. The Company must hold an annual general meeting:
  - a. initially, no more than 18 months after its date of incorporation; and
  - b. thereafter, once in every calendar year, but no more than 15 months after the date of the previous annual general meeting.
2. In addition to the requirements of clause 4.5, the notice calling an annual general meeting must include:
  - a. the financial statements to be presented, or a summarised form thereof; and
  - b. directions for obtaining a copy of the complete annual financial statements for the preceding financial year.
3. The agenda at an annual general meeting shall include but shall not be limited to:
  - a. presentation of the Directors' report, audited financial statements for the immediately preceding financial year and, if required, an audit committee report;
  - b. election of Directors, to the extent required by the Act or this Memorandum of Incorporation;
  - c. appointment of an auditor for the ensuing financial year, and, if required, an audit committee; and
  - d. any matters raised by Shareholders, with or without advance notice to the Company.

## 5. DIRECTORS AND OFFICERS

### 5.1 Composition of the Board

1. The Company's Board must comprise not less than five Directors, elected by the Shareholders, provided that any Shareholder may nominate any Director for the purposes of such election.
2. Subject to clause 5.1(6), each Director, other than the first Directors and any Directors appointed in this Memorandum of Incorporation, must be elected by the persons entitled to exercise voting rights in such an election, provided that no director may be appointed for life or for an indefinite period.
3. In any election of Directors, the election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy.
4. In each vote to fill a vacancy, each voting right entitled to be exercised may be exercised once and the vacancy is filled only if a majority of the voting rights exercised support the candidate.
5. There are no *ex officio* Directors in addition to any Directors appointed in terms of this Memorandum of Incorporation and the elected Directors.
6. The authority of the Board to fill any vacancy on the Board on a temporary basis is not restricted or varied by this Memorandum of Incorporation. A Director appointed on a temporary basis must be a person who satisfies the requirements for election as a Director and has all the powers, functions and duties, and is subject to all the liabilities, of any other Director.
7. The appointment of a Director, whether to fill a casual vacancy, or as an addition to the Board (or otherwise), must be confirmed by Shareholders at the annual general meeting following such appointment.
8. If the number of Directors falls below the minimum provided in clause 5.1(i), the remaining Directors must as soon as possible and, in any event not later than three months from the date that the number of Directors falls below the minimum, fill the vacancies or call a general meeting for the purpose of filling the vacancies, provided that the failure by the Company to have the minimum number of Directors during the three-month period does not limit or negate the authority of the Board of Directors or invalidate anything done by the Board of Directors or the Company. After the expiry of the three-month period the remaining Directors shall only be permitted to act for the purpose of filling vacancies or calling general meetings of Shareholders.
9. To become or to continue to act as a Director or a prescribed officer of the Company, a person must not be:
  - a. a juristic person;
  - b. an unemancipated minor, or a person under a similar legal disability;
  - c. a person who has been declared a delinquent or placed under probation by a court in terms of section 162 or section 47 of the Close Corporations Act, 1984, except to the extent permitted by the order of probation;
  - d. an unrehabilitated insolvent;
  - e. prohibited in terms of any public regulation to be a Director;
  - f. removed from an office of trust, on the grounds of misconduct involving dishonesty;
  - g. a person who has been convicted, in the Republic or elsewhere, and imprisoned without the option of a fine, or fined more than the prescribed amount, for theft, fraud, forgery, perjury or an offence:
    - (i) involving fraud, misrepresentation or dishonesty;
    - (ii) in connection with the promotion, formation or management of a company;
    - (iii) in connection with having been appointed or elected as a Director or acting as a Director whilst ineligible or disqualified, or whilst having been placed under probation by a court; or
    - (iv) under the Act, the *Insolvency Act, 1936*, the *Close Corporations Act, 1984*, the *Competition Act, 1998*, the *Financial Intelligence Centre Act, 2001*, the *Securities Services Act, 2004*, or Chapter 2 of the *Prevention and Combating of Corruption Activities Act, 2004*.
10. A person need not satisfy any further eligibility requirements or qualifications.

## 5.2 **Rotation of Directors**

At least one third of non-executive Directors must retire at the Company's annual general meetings or other general meetings on an annual basis, provided the meeting is not conducted in terms of section 60 of the Act. These retiring members of the Board of Directors may be re-elected, provided they are eligible. The Board of Directors through the nomination committee, should recommend eligibility, taking into account past performance and contribution.

## 5.3 **Alternate Directors**

1. Each director may, subject to Shareholder approval in accordance with the Act, appoint and remove any person, including another director, to act as an alternate director in such director's place and during their absence, provide that such person has been approved for that purpose by a resolution of the Company's Board. Any appointment or removal of an alternate director shall be effected by written notice to the Company signed by the person appointing or removing that alternative.
2. An alternate Director shall, except as regards the power to appoint an alternate (if applicable) and to receive remuneration, be subject in all respects to the terms and conditions applicable to the Director appointing them.
3. An alternate Director shall cease to be an alternate Director if the alternate's appointor ceases for any reason to be a Director, but if any Director retires and is re-elected at the same meeting, any appointment made by such Director shall remain in force as though the Director had not retired.

## 5.4 **Authority of the Board**

1. The authority of the Company's Board to exercise all of the powers and perform any of the functions of the Company and to manage and direct the business and affairs of the Company, is not restricted or varied by this Memorandum of Incorporation.
2. If, at any time, the Company has only one Director, the authority of that Director to act without notice or compliance with any other internal formalities, is not restricted or varied by this Memorandum of Incorporation.

## 5.5 **Directors' meetings**

1. A Director authorised by the Board of the Company:
  - a. may call a meeting of the Board at any time; and
  - b. must call such a meeting if required to do so by at least:
    - (i) 25% of the Directors, in the case of a Board that has at least 12 members; or
    - (ii) two Directors, in any other case.
2. Notwithstanding clause 5.5(1), any Director may call a meeting of Directors if such Director considers there is good reason to do so.
3. The authority of the Board to conduct a meeting entirely by electronic communication, or to provide for participation in a meeting by electronic communication, so long as the electronic communication facility employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate effectively in the meeting, is not restricted or varied by this Memorandum of Incorporation.
4. The authority of the Board to adopt a decision, that could be voted on at a Board meeting, by way of written consent of a majority of the Directors, given in person or by electronic communication, provided that each Director has received notice of the matter to be decided, is not restricted or varied by this Memorandum of Incorporation. Any decision made in the manner contemplated in this clause 5.5(4):
  - a. has the same effect as if it had been approved by voting at a meeting;
  - b. must be inserted into the minute book of the Company; and
  - c. may consist of several documents and will be deemed to have been passed on the date on which it was signed by the last director who signed it (unless otherwise stated in the resolution).
5. The Board may determine the form and time for giving notice of its meetings but such a determination must comply with any requirements set out in this Memorandum of Incorporation, provided that no meeting of the Board shall be convened without notice to all of the Directors subject, however, to the provisions of clause 5.5(6).



6. The authority of the Board to proceed with a meeting even if there was a failure to give the required notice or there was a defect in the giving of such notice, provided that all of the Directors acknowledge actual receipt of the notice or are present at the meeting or waive notice of the meeting, is not restricted or varied by this Memorandum of Incorporation.
7. The quorum requirement for a meeting is a majority of Directors.
8. Each Director has one vote on a matter and a majority of votes cast on a resolution is sufficient to approve that resolution.
9. The Board is entitled to elect a chairman, deputy chairman and/or any vice-chairman from one of its number and may determine the period for which such persons will hold office. In the case of a tied vote the chairman or vice-chairman will not have a deciding vote and the resolution will fail.

#### 5.6 **Directors' power to affect borrowing**

The Company's Board may raise or borrow from time to time for the purposes of the Company, or secure the payment, of such sums as they think fit and may secure the repayment or payment of any such sums by guarantee, bond or mortgage upon all or any of the property or assets of the Company or by the issue of debt instruments or otherwise as they may think fit.

#### 5.7 **Directors' compensation**

1. The authority of the Company to pay remuneration to the Directors, in accordance with a special resolution approved by the Shareholders within the previous two years, is not restricted or varied by this Memorandum of Incorporation.
2. A Director may be employed in any other capacity in the Company or as a director or employee of a company controlled by, or itself a subsidiary of, this Company, provided that their appointment and remuneration in respect of such other office is determined by:
  - a. a disinterested quorum of Directors in the case of executive Directors; and
  - b. the Shareholders, within the previous two years, in the case of non-executive Directors.
3. The Directors may 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. If any Director is required to perform extra services or to reside abroad or will be specifically occupied about the Company's business, they shall be entitled to receive such remuneration as is determined in accordance with clause 5.7(2).

#### 5.8 **Financial assistance**

1. The authority of the Company's Board to authorise the Company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any Securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any Securities of the Company or a related or inter-related company, subject to the provisions of sections 44(3) and 44(4), is not restricted or varied by this Memorandum of Incorporation.
2. The authority of the Company's Board to authorise the Company to provide financial assistance to a Director or prescribed officer of the Company or a related or inter-related company, or to a related or inter-related company or corporation or to a member of a related or inter-related company or corporation, or to a person related to any such person or entity, subject to the provisions of sections 45(3) and 45(4), is not restricted or varied by this Memorandum of Incorporation.

#### 5.9 **Committees of the Board**

1. The authority of the Company's Board to appoint any number of committees of Directors for managing any of the affairs of the Company and to delegate to any such committee any authority of the Board, is not restricted or varied by this Memorandum of Incorporation.
2. Subject to the powers and authorities granted by the Board to any such committee, the authority of:
  - a. the Board to include persons who are not Directors of the Company, provided that such persons are not ineligible or disqualified from being a Director as contemplated in clause 5.1(9) and the Act and that no such person shall vote on a matter to be decided by the committee;



- b. the committee to consult with or receive advice from any other person; and
- c. the committee to exercise the full authority of the Board in respect of a matter referred to it, is not restricted or varied by this Memorandum of Incorporation.

#### 5.10 **Audit committee**

1. If required in terms of the Act, the Company must, at each annual general meeting of the Company, elect an audit committee comprising at least three members, each of which member must:
  - a. be a director of the Company, who satisfies any applicable requirements prescribed in terms of section 94(5) of the Act;
  - b. not be:
    - (i) involved in the day-to-day management of the Company's business or have been so involved at any time during the previous financial year;
    - (ii) a prescribed officer, or full-time employee, of the Company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years; or
    - (iii) a material supplier or customer of the Company, such that a reasonable and informed third party would conclude in the circumstances that the integrity, impartiality or objectivity of that director is compromised by that relationship; and
  - c. not be related to any person who falls within any of the criteria set out in clause 5.10(1)(b).
2. The audit committee shall be appointed in accordance with, and its duties regulated by, section 94.

#### 5.11 **Social and Ethics Committee**

1. If required in terms of the Act, the Company must, at each annual general meeting of the Company, elect a social and ethics committee comprising at least three directors or prescribed officers of the Company, at least one of whom must be a director who is not involved in the day-to-day management of the Company's business, and must not have been so involved within the previous three financial years.

#### 5.12 **Company secretary**

1. The Board shall appoint a company secretary in accordance with sections 86 and 87 of the Act.
2. Should any vacancy arise in the office of company secretary, the Board shall, within 60 business days after a vacancy arises, fill such vacancy.

### 6. **GENERAL PROVISIONS**

#### 6.1 **Distributions**

1. Subject to the provisions of the Listings Requirements and the Act, and particularly section 46, the Company may from time to time make a proposed distribution if that distribution is:
  - a. pursuant to an existing legal obligation of the Company, or a court order; or
  - b. authorised by a resolution of the Company's Boardand the solvency and liquidity test is complied with in the manner contemplated in the Act.
2. Distributions that are dividends must be paid to the Shareholders according to their respective rights and interest in proportion to the number of Shares held by them in each class in respect of which the dividend is payable. If any share is issued on terms providing that it shall rank for dividends as from a particular date or for all dividends declared after a particular date, such share shall rank for dividends accordingly.
3. Dividends are payable to Shareholders that are registered as at a date subsequent to the date of declaration of the dividend or the date of confirmation of the dividend, whichever is the later.
4. A dividend may be declared out of the profits or reserves of the Company, whether realised or unrealised, whether of a revenue or a capital nature and whether designated distributions or not, and no dividend carries interest as against the Company, except as otherwise provided under the conditions of issue of the Shares in respect of which such dividend is payable. Dividends may be declared either free of or subject to the deduction of income tax and any other tax or duty for which the Company may be charged.

5. Subject to the laws of prescription, unclaimed distributions (including dividends) must be settled by the Company upon trustees to be held in trust for a period of three years for the benefit of the relevant Shareholders, whereupon the liability of the Company in relation thereto shall be extinguished.
6. Any distribution may be paid and satisfied, either wholly or in part, by the distribution of specific assets, or in Shares or debt instruments of the Company or of any other company, or in cash, or in any one or more of such ways as the Board or Company in general meeting may at the time of declaring the dividend determine and direct, provided that the right of election to receive either scrip dividends or cash dividends (as contemplated in the Listings Requirements) is not prohibited in any way.
7. The Board may before authorising any dividend whether preferential or otherwise, set aside out of the profits of the Company whether realised or unrealised and whether of a revenue or of a capital nature such sum as they think proper as reserves which shall, at the discretion of the Board, be applied for any purpose to which the profits of the Company may be properly applied and pending such application may, at the Board's discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve, carry forward any profits of the Company which they may think prudent not to declare as a dividend.
8. Subject to the provisions of section 47 and any other requirements imposed by the Act, the Shareholders may (if authorised by the Board) and the Board may resolve that it is desirable to capitalise all or any part of the amount standing to the credit of any of the Company's reserves or of any share premium account or capital redemption reserve fund or to the credit of the income statement or otherwise available for distribution and not required for the payment of the fixed dividends on any preference Shares of the Company, and accordingly that such amount be set free for distribution among the Shareholders or any class of Shareholders who would be entitled thereto if distributed by way of dividend and in the same proportions on the footing that the same be not paid in cash but be applied in paying up unissued Shares of the Company to be issued to such Shareholders as fully paid capitalisation Shares.
9. Without derogating from the provisions of this clause 0 and subject to any requirements which may be imposed by the Act and the Listings Requirements, the Shareholders may, upon the authorisation of the Board, resolve to distribute or deal with, in any way authorised by the Act, all or any part of the amount standing to the credit of any of the Company's reserves or any share capital of the Company.

## 6.2 Accounts

1. The Company's Board must keep accurate and complete accounting records required or prescribed by the Act.
2. The accounting records must be kept at the registered office of the Company or (subject to the provisions of section 25 of the Act) at such other location within the Republic as the Board think fit, and shall at all times be accessible and open to inspection by the Board. Except as provided by the Act or the authority of the Board, no Shareholder (other than a Shareholder who happens to be a Director) has any right to inspect any accounting record or document of the Company.
3. The Board must, in accordance with sections 30 and 31 of the Act, cause to be prepared and laid before the Company at its annual general meeting those annual financial statements and reports and group annual financial statements and reports, if any.
4. Subject to the provisions of the Act, a copy of the annual financial statements and reports referred to in clause 6.2(3) must be delivered or sent by post to the registered address of each Shareholder and debt instrument holder at least 15 business days before the annual general meeting. A Shareholder or debt instrument holder may give the Company an address for the purposes of receiving electronic communications, in which case a copy of such documents may be delivered electronically to that Shareholder or debt instrument holder at that address. This clause 6.2(4) does not require the Company to send or deliver a copy of such documents to any person who is not entitled to receive notice of general meetings of the Company or whose address the Company is not aware of, or to more than any one of the joint holders of any Securities.

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**SACOIL GROUP CONSOLIDATED AUDITED FINANCIAL RESULTS**


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**FINANCIAL STATEMENTS FOR THE YEARS ENDED 28 FEBRUARY 2013, 29 FEBRUARY 2012 AND 28 FEBRUARY 2011**

The financial information presented in this annexure has been extracted from SacOil's statutory annual financial statements which were reported on without qualification by BDO South Africa Incorporated for the financial year ended 28 February 2011 and Ernst and Young Incorporated for the financial years ended 29 February 2012 and 28 February 2013.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

for the years ended 28 February 2013, 29 February 2012 and 28 February 2011

	Notes	Ernst & Young Incorporated Audited 2013 R	Ernst & Young Incorporated Audited and Restated* 2012 R	BDO South Africa Incorporated Audited 2011 R
Revenue		–	–	35,143,119
Cost of sales		–	–	(23,615,391)
<b>Gross profit</b>		–	–	11,527,728
Other income		123,222,360	248,612,642	–
Other operating costs		(175,626,093)	(161,990,719)	(36,028,644)
<b>(Loss)/profit from operations</b>		<b>(52,403,733)</b>	86,621,923	(24,500,916)
Share-based payment expense		–	(8,891,216)	(4,178,928)
<b>Operating (loss)/profit</b>	7	<b>(52,403,733)</b>	77,730,707	(28,679,844)
Investment income	8	46,940,839	29,455,933	1,271,134
Finance costs	9	(23,837,213)	(44,402,672)	(17,309)
Fair value adjustments		–	–	(2,228,776)
<b>(Loss)/profit before taxation</b>		<b>(29,300,107)</b>	62,783,968	(29,654,795)
Taxation	10	(40,785,309)	(166,884,559)	(95,200)
<b>Loss for the year from continuing operations</b>		<b>(70,085,416)</b>	(104,100,591)	(29,749,995)
<b>Discontinued operation</b>				
(Loss)/profit for the year from discontinued operation	12	(1,526,959)	2,791,163	–
<b>Loss for the year</b>		<b>(71,612,375)</b>	(101,309,428)	(29,749,995)
<b>Other comprehensive loss:</b>				
Release of depreciation on property revaluation/ depreciation of property, plant and equipment		(1,045,359)	(340,000)	(340,000)
Taxation related to components of other comprehensive income	10	–	95,200	95,200
<b>Other comprehensive loss for the year net of taxation</b>	13	<b>(1,045,359)</b>	(244,800)	(244,800)
<b>Total comprehensive loss for the year</b>		<b>(72,657,734)</b>	(101,554,228)	(29,994,795)
<b>Loss attributable to:</b>				
Equity holders of the parent		(55,627,404)	(101,294,322)	(29,749,995)
Non-controlling interest		(15,984,971)	(15,106)	–
		<b>(71,612,375)</b>	(101,309,428)	(29,749,995)

		Ernst & Young Incorporated Audited 2013 R	Ernst & Young Incorporated Audited and Restated* 2012 R	BDO South Africa Incorporated Audited 2011 R
	Notes			
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the parent		(56,672,763)	(101,539,122)	(29,994,795)
Non-controlling interest		(15,984,971)	(15,106)	–
		<b>(72,657,734)</b>	<b>(101,554,228)</b>	<b>(29,994,795)</b>
<b>Loss per share from continuing operations</b>				
Basic (cents)	28	<b>(5.93)</b>	(14.51)	(6.67)
Diluted (cents)	28	<b>(5.93)</b>	(14.43)	(6.21)
<b>Loss per share from continuing and discontinued operations</b>				
Basic (cents)	28	<b>(6.10)</b>	(14.12)	(6.67)
Diluted (cents)	28	<b>(6.09)</b>	(14.04)	(6.21)

\*Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made as detailed on note 3.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

at 28 February 2013, 29 February 2012 and 28 February 2011

	Notes	Audited 2013 R	Audited and Restated* 2012 R	Audited 2011 R
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15a	317,008	6,148,362	6,644,269
Exploration and evaluation assets	16	162,859,167	153,056,333	394,641,967
Other intangible assets	15b	161,760	–	–
Deferred tax asset		–	–	799,457
Other financial assets	19	371,719,195	331,430,863	45,086,969
<b>Total non-current assets</b>		<b>535,057,130</b>	<b>490,635,558</b>	<b>447,172,662</b>
<b>Current assets</b>				
Inventories	20	–	2,540,131	2,408,476
Other financial assets	19	84,803,036	–	11,413,375
Trade and other receivables	21	3,665,149	85,219,043	6,317,846
Cash and cash equivalents	22	94,032,416	10,774,298	17,898,834
<b>Total current assets</b>		<b>182,500,601</b>	<b>98,533,472</b>	<b>38,038,531</b>
<b>Total assets</b>		<b>717,557,731</b>	<b>589,169,030</b>	<b>485,211,193</b>
<b>Equity and liabilities</b>				
<b>Shareholders' equity</b>				
Stated capital	23	534,172,123	486,184,423	374,029,488
Reserves	23	26,681,469	29,743,531	29,988,331
Accumulated loss		(219,700,074)	(188,602,491)	(96,199,385)
Equity attributable to equity holders of parent		341,153,518	327,325,463	307,818,434
Non-controlling interest		22,298,155	109,943,833	161,760,089
<b>Total shareholders' equity</b>		<b>363,451,673</b>	<b>437,269,296</b>	<b>469,578,523</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liability	24	72,588,101	105,304,059	799,457
Provisions	25	–	1,065,972	945,972
<b>Total non-current liabilities</b>		<b>72,588,101</b>	<b>106,370,031</b>	<b>1,745,429</b>
<b>Current liabilities</b>				
Finance lease obligation		–	–	90,508
Other financial liabilities	26	175,574,827	12,496,195	–
Current tax payable		93,962,655	20,495,100	–
Trade and other payables	27	11,980,475	12,538,408	13,796,733
<b>Total current liabilities</b>		<b>281,517,957</b>	<b>45,529,703</b>	<b>13,887,241</b>
<b>Total liabilities</b>		<b>354,106,058</b>	<b>151,899,734</b>	<b>15,632,670</b>
<b>Total equity and liabilities</b>		<b>717,557,731</b>	<b>589,169,030</b>	<b>485,211,193</b>
Number of shares in issue	23	953,340,791	832,225,699	674,090,410
Net asset value per share (cents)		38.12	52.54	69.57
Net tangible asset value per share (cents)		21.04	34.15	11.03

\*Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made as detailed on note 3.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

for the years ended 28 February 2013, 29 February 2012 and 28 February 2011

	Stated capital (Note 23) R	Revaluation reserve (Note 23) R	Share-based payment reserve (Note 23) R	Total reserves R	Restated* Accumulated loss R	Total equity attributable to equity holders of the parent R	Non-controlling interest (NCI) R	Total equity R
<b>Balance at 1 March 2010</b>	<b>83,725,538</b>	<b>2,300,547</b>	<b>23,753,656</b>	<b>26,054,203</b>	<b>(66,449,390)</b>	<b>43,330,351</b>	<b>-</b>	<b>43,330,351</b>
Changes in equity:								
Loss for the year	-	-	-	-	(29,749,995)	(29,749,995)	-	(29,749,995)
Other comprehensive loss for the year	-	(244,800)	-	(244,800)	-	(244,800)	-	(244,800)
Total comprehensive loss for the year	-	(244,800)	-	(244,800)	(29,749,995)	(29,994,795)	-	(29,994,795)
Issues of shares	290,303,950	-	-	-	-	290,303,950	-	290,303,950
Share options issued	-	-	4,178,928	4,178,928	-	4,178,928	-	4,178,928
Business combinations	-	-	-	-	-	-	161,760,088	161,760,088
<b>Total changes</b>	<b>290,303,950</b>	<b>(244,800)</b>	<b>4,178,928</b>	<b>3,934,128</b>	<b>(29,749,995)</b>	<b>264,488,083</b>	<b>161,760,088</b>	<b>426,248,171</b>
<b>Balance at 28 February 2011</b>	<b>374,029,488</b>	<b>2,055,747</b>	<b>27,932,584</b>	<b>29,988,331</b>	<b>(96,199,385)</b>	<b>307,818,434</b>	<b>161,760,088</b>	<b>469,578,522</b>
Changes in equity:								
Loss for the year	-	-	-	-	(101,294,322)	(101,294,322)	(15,106)	(101,309,428)
Other comprehensive loss for the year	-	(244,800)	-	(244,800)	-	(244,800)	-	(244,800)
Total comprehensive loss for the year	-	(244,800)	-	(244,800)	(101,294,322)	(101,539,122)	(15,106)	(101,554,228)
Issue of shares	112,154,935	-	-	-	-	112,154,935	-	112,154,935
Share options issued	-	-	8,891,216	8,891,216	-	8,891,216	-	8,891,216
Share options lapsed	-	-	(8,891,216)	(8,891,216)	8,891,216	-	-	-
Dividends	-	-	-	-	-	-	(51,801,149)	(51,801,149)
<b>Total changes</b>	<b>112,154,935</b>	<b>(244,800)</b>	<b>-</b>	<b>(244,800)</b>	<b>(92,403,106)</b>	<b>19,507,029</b>	<b>(51,816,255)</b>	<b>(32,309,226)</b>
<b>Balance at 29 February 2012</b>	<b>486,184,423</b>	<b>1,810,947</b>	<b>27,932,584</b>	<b>29,743,531</b>	<b>(188,602,491)</b>	<b>327,325,463</b>	<b>109,943,833</b>	<b>437,269,296</b>
Changes in equity:								
Loss for the year	-	-	-	-	(55,627,404)	(55,627,404)	(15,984,971)	(71,612,375)
Other comprehensive loss for the year	-	(1,045,359)	-	(1,045,359)	-	(1,045,359)	-	(1,045,359)
Total comprehensive loss for the year	-	(1,045,359)	-	(1,045,359)	(55,627,404)	(56,672,763)	(15,984,971)	(72,657,734)
Issue of shares	47,987,700	-	-	-	-	47,987,700	-	47,987,700
Share options lapsed	-	-	(1,251,115)	(1,251,115)	1,251,115	-	-	-
Acquisition of non-controlling interest	-	-	-	-	22,513,118	22,513,118	(47,086,913)	(24,573,795)
Transfer on disposal of assets	-	(765,588)	-	(765,588)	765,588	-	-	-
Dividends	-	-	-	-	-	-	(24,573,794)	(24,573,794)
<b>Total changes</b>	<b>47,987,700</b>	<b>(1,810,947)</b>	<b>(1,251,115)</b>	<b>(3,062,062)</b>	<b>(31,097,582)</b>	<b>13,828,055</b>	<b>(87,645,678)</b>	<b>(73,817,623)</b>
<b>Balance at 28 February 2013</b>	<b>534,172,123</b>	<b>-</b>	<b>26,681,469</b>	<b>(26,681,469)</b>	<b>(219,700,074)</b>	<b>341,153,518</b>	<b>22,298,155</b>	<b>363,451,673</b>

## CONSOLIDATED CASH FLOW STATEMENTS

for the years ended 28 February 2013, 29 February 2012 and 28 February 2011

	Notes	Audited 2013 R	Audited and Restated* 2012 R	Audited 2011 R
<b>Cash flows from operating activities</b>				
Cash used in operations	29	<b>(18,156,924)</b>	(133,918,365)	(23,049,439)
Interest income		<b>843,988</b>	(1,447,623)	1,271,134
Finance costs		–	(44,402,672)	(17,309)
Tax paid		<b>(33,714)</b>	(40,990,200)	–
<b>Net cash used in operating activities</b>		<b>(17,346,650)</b>	(220,758,860)	(21,795,614)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	15a	<b>(8,200)</b>	(504,209)	–
Purchase of exploration and evaluation assets		<b>(8,478,078)</b>	(508,907)	(54,474,700)
Purchase of other intangible assets	15b	<b>(184,869)</b>	–	–
Sale of exploration and evaluation assets		<b>75,997,000</b>	143,465,700	–
(Increase)/decrease in loans and receivables		<b>(68,190,699)</b>	19,493,215	–
<b>Net cash (used in)/from investing activities</b>		<b>(864,846)</b>	161,945,799	(54,474,700)
<b>Cash flows from financing activities</b>				
Proceeds on share issue	23	–	80,000,000	132,803,546
Proceeds from other financial liabilities		<b>150,617,203</b>	23,580,182	–
Finance lease payments		–	(90,508)	(154,980)
Acquisition of non-controlling interest		<b>(24,573,795)</b>	–	–
Increase in loans receivables		–	–	(45,477,281)
Dividends paid to NCI		<b>(24,573,794)</b>	(51,801,149)	–
<b>Net cash from/(used in) financing activities</b>		<b>101,469,614</b>	51,688,525	(87,171,285)
<b>Total movement in cash and cash equivalents for the year</b>				
		<b>83,258,118</b>	(7,124,536)	10,900,971
Cash and cash equivalents at the beginning of the year		<b>10,774,298</b>	17,898,834	6,997,863
<b>Cash and cash equivalents at the end of the year</b>				
	22	<b>94,032,416</b>	10,774,298	17,898,834

\* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made as detailed on note 3.



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## FINANCIAL REVIEW

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### OVERVIEW

For the year ended 28 February 2013 the Group reported a reduction in the loss from continuing operations to R70.1 million (2012: R104.1 million). Contributing towards this positive trend were the disposal of the loss-making Greenhills Manganese plant, the farm-out profit on the Block III exploration and evaluation asset, an increase in investment income by 59%, a 76% reduction in taxation and a 46% reduction in finance costs. For a more comprehensive account of the Group's financial position and performance, this review should be read in conjunction with the annual financial statements set out on pages 44 to 80 of the integrated annual report.

Although the Group's audit report contains an emphasis of matter with regard to the Group's ability to continue as a going concern, the Directors are confident that, upon completion of the proposed recapitalisation of the Company via the planned Rights Offer and the equity settlement of the Gairloch loans, the Group will be able to continue its operations for the foreseeable future, that is for the next 12 months.

### FINANCIAL PERFORMANCE

The key financial indicators underpinning financial performance during the past year were:

Rand	2013	2012	% change
Other income	123,222,360	248,612,642	(50)
Other operating costs	(175,626,093)	(161,990,719)	8
Investment income	46,940,839	29,455,933	59
Finance costs	(23,837,213)	(44,402,672)	(46)
(Loss)/profit before taxation*	(29,300,107)	62,783,968	(147)
Taxation	(40,785,309)	(166,884,559)	(76)
Loss for the year*	(70,085,416)	(104,100,591)	(33)
Basic loss per share (cents)*	(5.93)	(14.51)	(59)
Diluted loss per share (cents)*	(5.93)	(14.43)	(59)

\* From continuing operations.

### Other income

During the period under review the Group generated other income of R123.2 million (2012: R248.6 million) comprising:

- a profit of R71.1 million (2012: loss of R83.4 million included under "other operating costs") realised by Semliki Energy SPRL ("Semliki") on disposal of a 6.67% (2012: 60%) interest in Block III to Total RDC ("Total") in March 2012 (2012: March 2011) for a cash consideration of R76.0 million (USD10 million) (2012: R143.5 million (USD15 million)) and a future contingent consideration of R26.8 million (2012: R219.1 million). The transaction was initiated by and benefited SacOil's partner in Semliki. SacOil's effective interest in Block III has remained unchanged at 12.5%;
- foreign exchange gains totalling R32.1 million (2012: R6.2 million). The Group's foreign exchange gains arise on translation of US dollar denominated loans receivable from Energy Equity Resources (Norway) Limited ("EERNL"), as well as on the cash that is collateralised as security on the performance OPL 233; and
- a transaction break fee of R7.9 million (2012: nil) received from a third party and various other income items totalling R12.1 million (2012: nil).

The decrease in other income primarily reflects a decrease in the Group's farm-out activity offset by increases in foreign exchange gains.

### Other operating costs

Other operating costs totalled R175.6 million (2012: R162.0 million) for the year under review. These costs primarily include:

- the write-down of R129.9 million (2012: nil) of future expected cash flows from the contingent consideration for the Block III farm-outs in March 2011 and March 2012. The writedown was necessitated by the change in timelines impacting the receipt of the contingent consideration and is reflective of the time value of money;



- remuneration costs of R15.9 million (2012: R13.4 million);
- audit fees of R4.0 million (2012: R0.3 million);
- consulting fees totalling R3.7 million (2012: R11.0 million);
- legal fees of R4.1 million (2012: R9.3 million); and
- corporate costs totalling R4.6 million (2012: R8.6 million).

Included in the 2012 other operating costs were the loss of R83.4 million on the farm-out of Block III in March 2011 and the once-off AIM listing costs of R21.9 million.

### **Investment income**

During the reporting period the Group generated investment income of R46.9 million (2012: R29.5 million) primarily comprising:

- interest income of R37.6 million (2012: R15.6 million) earned on the loans receivable from EERNL. These loans increased to R177.4 million (2012: R66.2 million) in the current year due to EERNL's share of the performance bond cash collateral and related costs, interest and foreign exchange gains; and
- interest income of R8.5 million (2012: R13.4 million) accruing to the Group as a result of the unwinding of the time value discount applied to the contingent consideration for Block III pursuant to the farm-outs in March 2011 and March 2012.

The unwinding of the discount applied to the contingent consideration resulted in the recognition of interest income of R8.5 million (2012: R13.4 million).

### **Finance costs**

In order to fund the cash collateral of R79.4 million (USD10 million) required to post the performance bond on OPL 233, the Group secured borrowings from Renaissance BJM Securities (Proprietary) Limited ("Rencap") and Yorkville Advisors LLP ("Yorkville"). This additional funding requirement increased finance costs to R58.9 million (2012: R44.4 million). Of these costs, finance costs amounting to R35.1 million (2012: nil) have been capitalised to the OPL 233 asset under exploration and evaluation assets, as they are directly attributable to the acquisition of a qualifying asset (2012: nil)

### **Taxation**

The Group achieved a 76% reduction in taxation.

Taxation was significantly higher in 2012 as a result of deferred tax of R105.3 million on the initial recognition of the contingent consideration and capital gains tax of R41.0 million, on the farm-out of Block III in March 2011. The farm-out in the current year resulted in capital gains tax of R28.5 million (2012: R41.0 million). The current year net deferred tax credit was R32.7 million (2012: charge of R105.3 million) which comprised the following:

- recognition of a deferred tax charge of R10.7 million (2012: R105.3 million) associated with the current contingent consideration;
- recognition of a deferred tax credit of R67.3 million corresponding to the write-down of the prior contingent consideration; and
- recognition of a deferred tax charge of R23.9 million associated with the unwinding of the discount and foreign exchange gains on the contingent consideration.

Other tax charges included withholding tax on foreign dividends of R8.1 million (2012: R10.2 million) and foreign taxes amounting to R36.9 million (2012: R10.2 million).

## **FINANCIAL POSITION**

### **Non-current assets**

Non-current assets increased by 9% as a result of increases in other financial assets and exploration and evaluation assets, offset by a decrease in property, plant and equipment. The USD-based long-term loan due from EER, included in other financial assets, increased to R93.5 million (2012: R66.2 million) in the current year due to the weakening of the Rand and accumulated interest. The Group also re-classified as long term, under other financial assets, a receivable of R56.7 million, following the re-negotiation of the terms of settlement of this financial asset during February 2013. This receivable which is due for settlement by February 2016 has been discounted to reflect the present value of the future receivable of R75.5 million. Refer to note 19 for details relating to this asset. Other loans due from operating partners also increased to R35.3 million (2012: R1.9 million) due to increases in activity in our operations.

The contingent consideration, under other financial assets, decreased to R181.5 million (2012: R263.3 million) as a result of the write down outlined above offset by the contingent consideration from the farm-out of Block III in March 2012 of R26.8 million (2012: R219.1 million) and interest income and foreign exchange gains amounting to R21.3 million.

The farm-out of Block III in March 2012 resulted in the derecognition of a portion of exploration and evaluation assets amounting to R27.0 million (2012: R242.1 million). This decrease was offset by the capitalisation of borrowing costs amounting to R35.1 million to exploration and evaluation assets, in respect of the OPL 233 asset.

The disposal of the Greenhills plant resulted in the recognition of an impairment loss of R1.0 million (2012: nil) on the remeasurement of property, plant and equipment to fair value less costs to sell, and the de-recognition of R4.3 million of buildings, plant and equipment.

### **Current assets**

Current assets increased by 85% as a result of increases in other financial assets and cash and cash equivalents, offset by decreases in inventory and trade and other receivables. Cash and cash equivalents as at 28 February 2013 included the revalued cash collateral of R89.1 million (US\$10 million) (2012: nil) held as security for the performance bond on OPL 233. Other financial assets included the short-term loan due from EERNL of R83.8 million (2012: nil) which relates to EERNL's 50% share of costs relating to the cash collateral. The re-classification of a receivable of R75.5 million follows the re-negotiation of the settlement of this financial asset as outlined in note 19. The disposal of the Greenhills Manganese plant in September 2012 eliminated inventories (2012: R2.5 million) and trade receivables (2012: R3.6 million).

### **Non-current liabilities**

Non-current liabilities decreased by 32% reflective of the decrease in deferred tax on the contingent consideration which decreased to R181.5 million (2012: R263.3 million).

### **Current liabilities**

In order to fund the cash collateral of R79.4 million (USD10 million) required to post the performance bond on OPL 233, the Group secured borrowings from Rencap and Yorkville during April 2012. The Yorkville loan was settled in November 2012 through the issue of equity in SacOil Holdings Limited and a cash payment of USD1.0 million.

As announced on 31 December 2013, the Rencap loan was novated to Gairloch in December 2012. The loans due to Gairloch at 28 February 2013 were R129 million (2012: nil). On 12 September 2013, the Company concluded an agreement with Gairloch for the settlement of the loan through an issue of equity in SacOil, subject to shareholders approval. The loans continue to incur interest at 8% and 10% per month, respectively, until 30 September 2013, being the calculation date agreed with Gairloch under the Subscription and Settlement Agreement. A circular providing details of the loan conversion, incorporating a Notice of General Meeting, will be issued as soon as practicable.

The Group is also indebted to Nigdel for operating costs of R2.4 million on OPL 233 (2012: nil).

Taxes payable increased to R94.0 million (2012: R20.5 million) as a result of the capital gains tax on the 6.67% farm-out of Block III of R28.5 million, withholding tax on foreign dividends of R8.1 million and foreign taxes amounting to R36.9 million (2012: R20.5 million).

### **Financing of the Group's activities**

Total cash generated during the year was R83.3 million (2012: utilisation of R7.1 million) resulting in a year-end balance of R94.0 million (2012: R10.8 million). This cash is currently held as collateral for the performance bond on OPL 233 and will be utilised to fund future exploration activities of the Group.

Net cash from financing activities of R101.5 million (2012: R51.7 million) is reflective of the loans acquired by the Group to fund the R79.4 million (USD10 million) cash collateral required to post the performance bond on OPL 233. Further loans were also acquired to fund the working capital requirements of the Group. These loans were acquired as follows:

- R63.5 million (USD8 million) was acquired from Renaissance BJM Securities (Proprietary) Limited ("Rencap") in April 2012 to part fund the cash collateral;
- the Rencap loan was novated to Gairloch on 28 December 2012. The novated loan was R96 million (USD11.25 million).
- R30 million (USD3.4 million) was acquired from Yorkville Advisors LLP in April 2012 to part fund the cash collateral. This loan was repaid in November 2012;
- R8.2 million (USD1 million) was acquired from Gairloch in September 2012 to fund working capital requirements;
- R8.8 million (USD1 million) was acquired from Gairloch in October 2012 to part fund work programme commitments and working capital requirements;

### **OUTLOOK**

The successful completion of the Transactions, as detailed on paragraph 2 and 3 of the Circular, will see the Company recapitalised and able to fund its existing assets to June 2015.

The Group's underlying assets remain attractive. The proceeds of the Rights Offer will be applied to moving these assets up the value curve. Our stronger balance sheet will further allow us to pursue value enhancing opportunities on the African continent.

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## ACCOUNTING POLICIES

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### 1. GENERAL INFORMATION

SacOil (together with its subsidiaries) is a company incorporated in South Africa and is listed on both the JSE and AIM Markets. General Company information is included in paragraph 6 of the Circular. SacOil focuses on opportunities within proven hydrocarbon basins across the exploration and production spectrum. SacOil's interests include exploration assets in Nigeria, Malawi and the DRC.

### 2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The consolidated and separate annual financial statements of SacOil Holdings Limited and all of its subsidiaries for the year ended 28 February 2013 have been prepared in accordance with the Group's accounting policies, which comply with International Financial Reporting Standards, as well as the Financial Reporting Guides as issued by SAICA, the Listings Requirements of the JSE Limited and the Companies Act of South Africa, and are consistent with those of the previous year, except for the change in accounting policy as detailed in note 3. These financial statements have been prepared under the historical cost convention and are presented in Rand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### Going concern

The consolidated and separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

#### 2.2 Basis of consolidation

Subsidiaries are those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights or has *de facto* control over operations. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest, even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### 2.3 Transactions with non-controlling interests

Non-controlling shareholders are treated as equity participants. Acquisitions and disposals of additional interests in the Group's subsidiaries are accounted for as equity transactions and the excess of the purchase consideration over the carrying value of net assets acquired is recognised directly in equity. Profits or losses arising on transactions with non-controlling interests where control is maintained subsequent to the disposal are recognised directly in equity. Any dilution gains or losses are also recognised directly in equity.

### 2.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39: *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### 2.5 Investments in subsidiaries

Investments in subsidiaries held by the Company are stated at cost less any provision for impairment.

### 2.6 Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-maker is the Strategy Committee.

### 2.7 Foreign currency translation

#### 2.7.1 *Functional and presentation currency*

Items included in the consolidated and separate annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated and separate annual financial statements are presented in South African Rands ("Rand") which is the Group's functional and presentation currency. The functional currency of all subsidiaries is also the Rand.

## 2.7.2 **Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

## 2.8 **Property, plant and equipment**

Buildings comprised plant buildings at the Greenhills plant, which was disposed of during the year. Buildings were shown at fair value, based on valuations by external independent valuers, less subsequent depreciation and impairment losses. Valuations were performed with sufficient regularity to ensure that the fair value of a revalued asset did not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation was eliminated against the gross carrying amount of the asset and the net amount was restated to the revalued amount of the asset.

All other property, plant and equipment (excluding mining claims) is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of comprehensive income, under operating expenses, during the financial period in which they are incurred.

Mining claims held prior to the disposal of the Greenhills plant were not exploited and were therefore not depreciated. Buildings were depreciated over eight years. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and fittings	6 years
Motor vehicles	5 years
Computer equipment	3 – 5 years
Buildings*	8 years
Plant and equipment*	8 years

*\*Assets belong to the Greenhills plant which was disposed of during the year.*

Depreciation is charged to the statement of comprehensive income under operating expenses in the year in which it occurs.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are assessed annually for impairment. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

## 2.9 **Exploration and evaluation assets**

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

### (i) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

### (ii) Exploration and evaluation costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until

the drilling of the well is complete and the results have been evaluated. These costs include directly attributable fees, employee remuneration, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through profit or loss as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g. the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This review includes confirming that exploration drilling is still underway or firmly planned, or that it has been determined, or work is underway to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through profit or loss.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

For exchanges or parts of exchanges that involve only exploration and evaluation assets, the exchange is accounted for at the carrying value of the asset given up and no gain or loss is recognised.

(iii) Farm-outs – in the exploration and evaluation phase

In accounting for farm-outs, the Group:

- Derecognises the portion of the asset sold to the farmee;
- Recognises the consideration received or receivable from the farmee, which represents the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor;
- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed. A gain is only recognised when the value of the consideration can be determined reliably. If not, the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets;
- Tests the retained interest for impairment if the terms of the arrangement indicate that the retained interest may be impaired.

The consideration receivable on disposal of an item of exploration and evaluation assets is recognised as a financial asset initially at fair value and subsequently in line with 2.11.1 below.

Costs incurred on behalf of the Group under cost carry arrangements are not capitalised pending the outcome of exploration activities and are considered to be dependent on uncertain events within the scope of IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Should a liability be possible a contingent liability is disclosed. Should the liability be probable a provision is recognised. Should an asset be probable a contingent asset is recognised. An asset is capitalised to exploration and evaluation assets when it is virtually certain that future economic benefits will be received.

## 2.10 Other intangible assets

Other intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.



Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

The useful life of the Group's computer software is three years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

## 2.11 Financial instruments

### 2.11.1 *Financial assets*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *Loans and receivables*

##### (i) Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

The loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "loans to Group companies", "other financial assets", "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (notes 18, 19, 21 and 22).

##### (ii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2.11.2 **Financial liabilities**

The Group classifies its financial liabilities as loans and borrowings. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial assets at initial recognition.

### *Loans and borrowings*

#### (i) Recognition and measurement

Loans and borrowings are recognised initially at fair value.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income.

Loans and borrowings are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities. The Group's loans and borrowings comprise "loans from group companies", "other financial liabilities" and "trade payables" in the statement of financial position (notes 18, 26 and 27).

#### (ii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss in the statement of comprehensive income.

## 2.11.3 **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 2.11.4 **Fair value of financial instruments**

The Group does not hold financial instruments traded in an active market. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; or
- a discounted cash flow analysis or other valuation models.

## 2.12 **Impairment of assets**

### 2.12.1 **Impairment of financial assets**

#### **Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with default.



For the loans and receivables category, 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

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 reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

#### 2.12.1 **Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### 2.13 **Inventories**

The Group disposed of the Greenhills plant during the year and no longer holds inventories. Inventories were stated at the lower of cost and net realisable value. Cost was determined using the first-in, first-out (FIFO) method. The cost of finished goods comprised raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excluded borrowing costs. Net realisable value was the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 2.14 **Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented under non-current assets as other financial assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## 2.15 **Cash and cash equivalents**

Cash and cash equivalents are recognised initially at fair value and subsequently at amortised cost using the effective interest method. In the consolidated and separate statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

## 2.16 **Stated capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.17 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs (under debt-raising fees) of the loan to the extent that it is probable that all of the facility will be drawn down.

## 2.18 **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 amount of the obligation. The Group does not expect reimbursements on any of its provisions. The expense relating to a provision is presented in the statement of comprehensive income.

### **Decommissioning liability**

The provision for decommissioning represented the cost that was expected to be incurred to rectify environmental damage at the Greenhills plant. Accordingly, an asset was recognised and included in property, plant and equipment. Decommissioning costs were provided at the present value of the costs estimated to settle the obligation. Expert evaluation was used to estimate the quantum of such costs. Estimated future costs of decommissioning were reviewed regularly and adjusted as appropriate for new evidence or changes in legislation or technology. Changes in estimates were capitalised or reversed against the relevant assets. Gains or losses on the expected disposal of mining assets were not taken into account when estimating the costs. The costs for the restoration of site damage, which arose during production, were provided at their net present values and charged against operating profits as extraction progressed. Changes in the measurement of a liability which arose during production were charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflected the current market assessment of the time value of money and the risks specific to the obligation.

## 2.19 **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

## 2.20 **Revenue – sale of goods**

The Group disposed of the Greenhills plant during the year and no longer generates revenue. Revenue was measured at the fair value of the consideration received or receivable, and represented amounts receivable for goods supplied, stated net of discounts, returns and value-added taxes. The Group recognised revenue when the amount of revenue could be reliably measured and when it was probable that future economic benefits would flow to the entity.

## 2.21 Interest income

Interest income is recognised using the effective interest method. When a loan receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate. Interest income is included under "investment income" in the statement of comprehensive income.

## 2.22 Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included under "investment income" in the statement of comprehensive income.

## 2.23 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

### ***Deferred tax***

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax assets and liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### ***Offsetting***

Deferred and current income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.24 Share-based payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payment transactions whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The Group has no cash-settled share-based payment transactions.

### ***Equity-settled transactions***

Equity-settled transactions include share options granted to directors and also include transactions that are equity-settled by the Group. The cost of equity-settled transactions is recognised on the grant date, together with a corresponding increase in other capital reserves in equity, over the period during which the performance and/or services are fulfilled. The cumulative expense recognised in employee benefit expenses for equity-settled transactions at each reporting period, reflects the extent to which the vesting period has expired, and the Group's best estimate of the number of equity instruments that will ultimately vest. The initial valuation of the expense at the grant date is not revalued and is credited to equity through profit or loss.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the grant date. In estimating fair value, the Group uses the most appropriate valuation model which is dependent on the terms and conditions of each grant. The estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings and headline earnings per share. Equity-settled transactions are detailed in note 14.

The Company also enters into equity-settled share-based payment arrangements with non-employees for services received. The cost of these transactions is recognised on the effective date of the transaction, with a corresponding increase in equity (stated capital). The cost is measured by reference to the value of the services received unless this cannot be determined reliably, in which case it is measured as the fair value of the equity instruments given up. Refer to note 23 for details on these transactions.

## 2.25 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 2.26 Employee benefits

### *Defined contribution plan*

The Group made contributions to a provident fund in respect of employees at the Greenhills plant which was disposed of during the year. Provident fund payments were charged as an expense as they fell due. The Group no longer makes contributions to pension schemes.

### *Short-term employee benefits*

The cost of short-term employee benefits (those payable within 12 months after the service is rendered), is recognised in the period in which the service is rendered and is not discounted.

## 2.27 Leases

### *Operating leases – lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

## 3. CHANGE IN ACCOUNTING POLICY

In the prior financial period the Group capitalised costs paid by Total on behalf of Semliki Energy SPRL, a subsidiary within the Group, in terms of a cost carry arrangement under the farm-in agreement for Block III. These costs increased the Block III exploration and evaluation asset resulting in a corresponding increase in liabilities representing the amounts owed to Total. To align its accounting practices with comparable companies in the industry, the Group has decided not to capitalise these costs but rather to use the requirements of IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, and only recognise the liability and corresponding asset on the occurrence of the contingent event (refer to note 34.) Comparative figures have been restated to reflect the change in accounting policy. As a result of the change in accounting policy, the following adjustments were made to the Group financial statements:

<b>As of and for the year ended 29 February 2012</b>	<b>Adjustment R</b>
Decrease in exploration and evaluation assets	(28,939,490)
Decrease in long-term borrowings	(28,939,490)
Increase in deferred tax liability	11,575,796
Decrease in non-controlling interest	(5,787,898)
Increase in taxation	11,575,796
Increase in loss for the year	11,575,796
Increase in loss per share (cents)	0.81
Increase in diluted loss per share (cents)	0.80

There were no adjustments required for the 2011 financial year-end as the cost carry arrangement only commenced during the 2012 financial year. The reversal of the cost carry in the 2012 financial year results in the elimination of all costs capitalised by the Group in terms of the old accounting policy. No adjustments are therefore necessary in the current financial year.

#### 4. **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets or 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. The following are the critical judgements, key assumptions and other key sources of estimation uncertainty at 28 February 2013 that may have a significant effect on the amounts recognised in the financial statements:

##### 4.1 **Exploration and evaluation expenditures**

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact on whether the Group capitalises exploration and evaluation expenditure. The capitalisation policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is impaired in profit or loss in the period when the new information becomes available. Exploration and evaluation assets are detailed in note 16.

##### 4.2 **Fair value of financial instruments and re-estimation of cash flows on financial instruments**

Where the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including a discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is applied in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, volatility, commodity prices and foreign currency risk.

Estimates and assumptions are taken into account in the re-estimation of cash flows relating to financial instruments, including the determination of geological chances of success to make a commercial discovery, existing information on resources as well as success rates of discoveries in the vicinity of the location of the Group's assets. Changes in these judgements, estimates and assumptions as a result of further production history and additional information could materially affect the reported fair value of financial assets and liabilities. Refer to note 19.

The Group makes use of independent competent persons to evaluate and value its existing resources and reserves. Reports are prepared in accordance with standard geological and engineering methods generally accepted by the oil and gas industry, in particular the 2007 SPE Petroleum Resource Management System Guide.

##### 4.3 **Contingencies**

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. Contingencies are disclosed in note 34.

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## NOTES TO THE FINANCIAL STATEMENTS OF SACOIL HOLDINGS LIMITED

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### 5. ADOPTION OF NEW AND REVISED STANDARDS

#### (a) Standards, amendments and interpretations effective in 2012

The following amendments became effective in 2012 but are not applicable to the Group:

Amendments to IFRS 1 – First-time Adoption on Hyperinflation and Fixed Dates

Amendment to IFRS 7 – Financial Instruments: Disclosures – Transfer of Financial Assets

Amendment to IAS 12 – Deferred Taxes: Recovery of Underlying Assets

#### (b) Standards and amendments issued but not yet effective

The following standards and amendments are not yet effective and will not have an impact on the Group:

Amendments to IAS 19 – Employee Benefits

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards

Amendment to IFRS 7 – Financial Instruments: Disclosures

Amendment to IAS 12 – Income Taxes

Amendment to IAS 1 – Presentation of Financial Statements

Amendments to IAS 32 – Financial Instruments: Presentation

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The following standards and amendments are not yet effective. Management is considering the effect of the changes:

#### **IFRS 9 – Financial Instruments (effective 1 January 2015)**

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard also includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39: Financial Instruments, Recognition and Measurement, without change, except for financial liabilities that are designated at fair value through profit or loss.

#### **IFRS 10 – Consolidated Financial Statements (effective 1 January 2013)**

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

#### **IFRS 11 – Joint Arrangements (effective 1 January 2013)**

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

#### **IFRS 12 – Disclosure of Interests in Other Entities (effective 1 January 2013)**

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

#### **IFRS 13 – Fair Value Measurement (effective 1 January 2013)**

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.



### IAS 27 – Separate Financial Statements (effective 1 January 2013)

IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor.

### IAS 28 – Associates and Joint Ventures (effective 1 January 2013)

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

## 6. SEGMENTAL REPORTING

The Group operates in four geographical locations which form the basis of the information evaluated by the Group's chief decision-maker. For management purposes the Group is organised and analysed by these locations. These locations are: South Africa, Nigeria, DRC and Malawi. Operations in South Africa relate to the general management, financing and administration of the Group.

2013	Nigeria R	DRC R	Malawi R	South Africa R	Consolidated R
Other income	–	87,537,316	–	35,685,044	123,222,360
Investment income	742,237	8,510,118	–	37,688,484	46,940,839
Finance costs	–	–	–	(23,837,213)	(23,837,213)
Other operating expenses	(1,577,049)	(130,320,152)	–	(43,728,892)	(175,626,093)
Taxation	(33,713)	(32,628,727)	–	(8,122,869)	(40,785,309)
<b>Loss for the year from continuing operations</b>	<b>(868,525)</b>	<b>(66,901,445)</b>	<b>–</b>	<b>(2,315,446)</b>	<b>(70,085,416)</b>
Loss from discontinued operation (note 12)	–	–	–	–	(1,526,959)
<b>Loss for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(71,612,375)</b>
Segment assets – non-current	87,596,152	255,836,529	896,740	190,727,709	535,057,130
Segment assets – current	89,139,856	58,510	–	93,302,235	182,500,601
Segment liabilities – non-current	–	(72,588,101)	–	–	(72,588,101)
Segment liabilities – current	(44,199,000)	(75,592,235)	–	(161,726,722)	(281,517,957)

2012	Nigeria R	DRC R	Malawi R	Unallocated R	Consolidated R
Other income	–	235,131,603	–	13,481,039	248,612,642
Investment income	–	13,411,635	–	16,044,298	29,455,933
Finance costs	–	–	–	(44,402,672)	(44,402,672)
Share-based payment expense	–	–	–	(8,891,216)	(8,891,216)
Other operating expenses	(5,983,357)	(124,436,680)	–	(31,570,682)	(161,990,719)
Taxation	–	(156,541,809)	–	(10,342,750)	(166,884,559)
<b>Loss for the year from continuing operations</b>	<b>(5,983,357)</b>	<b>(32,435,251)</b>	<b>–</b>	<b>(65,681,983)</b>	<b>(104,100,591)</b>
Profit from discontinued operation	–	–	–	–	2,791,163
<b>Loss for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(101,309,428)</b>
Segment assets – non-current	51,674,701	364,641,781	–	74,319,076	490,635,558
Segment assets – current	–	66,902	–	98,466,570	98,533,472
Segment liabilities – non-current	–	(105,304,059)	–	(1,065,972)	(106,370,031)
Segment liabilities – current	–	(10,247,550)	–	(35,282,153)	(45,529,703)

### Business segments

The operations of the Group comprise of one class of business, being oil and gas exploration and development.

Segmental report was not produced for the 2011 financial year-end.

	Notes	2013 R	2012 R	2011 R
<b>7. OPERATING (LOSS)/PROFIT</b>				
Operating (loss)/profit for the year is stated after accounting for the following income and (expense) items:				
Profit/(loss) on the sale of exploration and evaluation assets		71,693,375	(83,446,480)	–
Provision for impairment	18, 21	4,695,905	–	–
(Losses)/gains on remeasurement of financial assets		(129,912,403)	219,138,297	(104,516)
Foreign exchange gains/(losses)		32,124,253	6,179,190	(2,124,260)
Break fee received		7,772,999	–	–
Share-based payment expense	14	–	(8,891,216)	–
Corporate costs		(4,620,289)	(8,629,246)	–
Auditors' remuneration		(4,022,695)	(290,000)	(190,000)
Audit fees – current reporting period		(1,400,000)	(244,400)	–
Audit fees – prior year underprovision		(1,712,189)	(45,600)	–
Other services		(910,506)	–	–
Employee benefit expense	11	(15,874,546)	(13,376,296)	4,813,140
Accounting fees		(605,725)	(260,000)	–
Consulting fees		(3,734,259)	(10,971,691)	–
Legal fees		(4,125,246)	(9,309,148)	–
Travel and accommodation		(3,019,724)	(3,381,041)	–
Bad debts written off		(1,092,344)	–	–
Depreciation		(481,841)	(1,000,116)	655,778
Property, plant and equipment		(458,732)	(1,000,116)	–
Other intangible assets		(23,109)	–	–
Rentals – premises		(1,103,621)	(564,101)	–
Broker fees		(1,205,393)	(89,552)	–
<b>8. INVESTMENT INCOME</b>				
<b>Interest income</b>				
Interest received – loans		37,586,732	15,574,822	–
Interest received – cash and cash equivalents		843,989	455,975	1,271,134
Imputed interest on financial assets		8,510,118	13,425,136	–
		<b>46,940,839</b>	<b>29,455,933</b>	<b>1,271,134</b>
<b>9. FINANCE COSTS</b>				
Cash and cash equivalents		–	2,837	–
South African Revenue Services		–	279,041	–
Finance leases		–	3,008	16,695
Cash settlement of equity conversion		–	44,025,981	–
Discounting of financial assets	19	18,773,246	–	460
Debt raising fees		–	–	–
Interest payable to financial institutions		5,063,967	91,805	154
		<b>23,837,213</b>	<b>44,402,672</b>	<b>17,309</b>



	Note	2013 R	2012 R	2011 R
<b>10. TAXATION</b>				
<b>Major components of the tax expense are detailed below:</b>				
<b>Current:</b>				
Foreign taxes		(8,122,869)	(10,247,550)	–
Foreign estimated penalties		(36,891,180)	(10,247,550)	–
Foreign capital gains tax		(28,487,218)	(40,990,200)	–
		(73,501,267)	(61,485,300)	–
<b>Deferred:</b>				
Arising from the estimated future contingent consideration receivable	24	32,715,958	(105,304,059)	–
Arising from the revaluation of property, plant and equipment		–	(95,200)	(95,200)
		(40,785,309)	(166,884,559)	(95,200)
<b>Reconciliation of the tax expense:</b>				
Reconciliation between applicable tax rate and average effective tax rate		%	%	%
Applicable tax rate		28.00	28.00	28.00
Permanent differences		(9.34)	(5.73)	(14.08)
Capital gains tax		(4.07)	–	–
Foreign taxes – subsidiaries		(238.43)	–	–
Deferred tax asset not recognised		91.54	(23.53)	(13.92)
<b>Average effective tax rate</b>		<b>(132.30)</b>	<b>(1.26)</b>	<b>–</b>
Tax losses for which no deferred tax asset has been recognised		6,702,822	81,009,937	43,481,893
<b>11. EMPLOYEE BENEFIT EXPENSE</b>				
Salaries and wages		15,744,367	13,175,389	4,813,140
Pension costs – defined contribution plans		130,178	200,907	–
<b>Total</b>		<b>15,874,545</b>	<b>13,376,296</b>	<b>4,813,140</b>

## 12. DISCONTINUED OPERATION

The Greenhills manganese processing plant ("the Plant") was sold on 1 October 2012 and met the criteria for a discontinued operation in terms of IFRS 5.32. The Plant was not a discontinued operation or classified as held for sale at 29 February 2012 as management had not committed to a plan to dispose of the Plant. The comparative statements of comprehensive income have been represented to show the discontinued operation separately from continuing operations. The Board committed to a plan to sell the Plant early in 2012 following a strategic decision to focus the Group's efforts and resources on the core oil and gas business.

The present value of these future cash receipts is R5,647,200 and is included under other financial assets (note 19).

Group	Notes	2013 R	2012 R	2011 R
<b>Results of discontinued operation</b>				
Revenue		9,882,587	37,172,586	
Cost of sales		(7,261,686)	(26,569,161)	–
Gross profit		2,620,901	10,603,425	–
Operating expenses		(4,147,860)	(7,812,262)	–
(Loss)/profit for the year		(1,526,959)	2,791,163	–
Basic (loss)/earnings per share (cents)	28	(0.17)	0.39	–
Diluted (loss)/earnings per share (cents)	28	(0.17)	0.39	–
<b>Cash flows used in discontinued operations</b>				
Net cash used in operating activities		(322,989)	(1,015,228)	–
The Plant was sold for R7 million payable as follows:				
1 October 2013		1,000,000	–	–
1 October 2014		2,000,000	–	–
1 October 2015		2,000,000	–	–
1 October 2016		2,000,000	–	–
<b>Total consideration</b>		<b>7,000,000</b>	<b>–</b>	<b>–</b>

The present value of these future cash receipts is R5,647,200 and is included under other financial assets (note 19).

	Gross R	Tax R	Net R
<b>13. OTHER COMPREHENSIVE LOSS</b>			
<b>2013</b>			
<b>Group</b>			
<b>Components of other comprehensive loss</b>			
<b>Movements on revaluation</b>			
Release of revaluation reserve on impairment of property, plant and equipment	(1,045,359)	–	(1,045,359)
<b>2012</b>			
<b>Group</b>			
<b>Components of other comprehensive loss</b>			
<b>Movements on revaluation</b>			
Release of revaluation reserve on depreciation of property, plant and equipment	(340,000)	95,200	(244,800)
<b>2011</b>			
<b>Group</b>			
<b>Components of other comprehensive loss</b>			
<b>Movements on revaluation</b>			
Release of revaluation reserve on depreciation of property, plant and equipment	(340,000)	95,200	(244,800)

#### 14. SHARE-BASED PAYMENTS

The Group operates a share option scheme for directors and employees of the Group. Options are granted at the discretion of the Nomination and Remuneration Committee taking into account various factors that promote improved performance within the Group. Options are issued at the 15-day volume weighted average price per share on the JSE on the grant date. The options expire after 10 years if they remain unexercised and are forfeited if the Director or employee leaves the Group, except at the discretion of the Board. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Details of share options outstanding during the year are as follows:

Group	2013		2012		2011	
	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
At 1 March	51,817,666	0.72	51,817,666	0.72	41,986,136	0.72
Granted during the year	–	–	–	–	10,464,446	0.40
Forfeited during the year	(2,500,000)	0.40	–	–	(632,916)	0.40
At 28/29 February	49,317,666	0.74	51,817,666	0.72	51,817,666	0.72
Exercisable at 28/29 February	49,317,666		49,201,455		46,585,443	

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price (cents)	Number of share options		
			2013	2012	2011
28 November 2008	27 November 2018	0.82	41,986,136	41,986,136	41,986,136
8 July 2010	7 July 2020	0.29	7,331,530	9,831,530	9,831,530
			49,317,666	51,817,666	51,817,666

No share options were granted during the year (2012: R8,891,216). The Group uses the traditional Black-Scholes model for valuing share options.

Equity settled transactions that occurred during the year are detailed below:

Date	Nature of transaction	Number of shares issued	Issue price Rand	Fair value Rand
<b>2012</b>				
1 March 2012	Call options issued to Rencap in terms of facility agreement	12,021,122	0.74	8,891,216
4 April 2012	Shares issued <i>in lieu</i> of fees paid to Rencap	796,577	2.16	1,720,606
8 May 2012	Shares issued to Directors for the successful admission of the Company to AIM	9,042,215	2.14	19,350,340
		21,859,914		29,962,162
<b>2011</b>				
8 July 2010	Share options issued to Directors of the Company	10,464,446	0.40	4,178,928

Group	Buildings R	Plant and equipment R	Furniture and fittings R	Motor vehicles R	Computer equipment R	Mining claims R	Total R
<b>15a PROPERTY, PLANT AND EQUIPMENT</b>							
<b>Cost</b>							
As at 1 March 2010	5,369,960	1,892,737	–	340,000	19,350	18,000	7,640,047
At 28 February 2011	5,369,960	1,892,737	–	340,000	19,350	18,000	7,640,047
As at 1 March 2011	5,369,960	1,892,737	–	340,000	19,350	18,000	7,640,047
Additions	–	–	129,867	119,219	255,123	–	504,209
At 29 February 2012	5,369,960	1,892,737	129,867	459,219	274,473	18,000	8,144,256
At 1 March 2012	<b>5,369,960</b>	<b>1,892,737</b>	<b>129,867</b>	<b>459,219</b>	<b>274,473</b>	<b>18,000</b>	<b>8,144,256</b>
Additions	–	–	8,200	–	–	–	8,200
Disposals	<b>(5,369,960)</b>	<b>(1,892,737)</b>	–	<b>(340,000)</b>	–	<b>(18,000)</b>	<b>(7,620,697)</b>
At 28 February 2013	–	–	<b>138,067</b>	<b>119,219</b>	<b>274,473</b>	–	<b>531,759</b>
<b>Accumulated depreciation and impairment</b>							
As at 1 March 2010							
Additions	671,185	250,144	–	68,000	6,449	–	995,778
At 28 February 2011	671,185	250,144	–	68,000	6,449	–	995,778
At 1 March 2011	671,185	250,144	–	68,000	6,449	–	995,778
Depreciation	643,194	227,315	11,650	74,324	43,633	–	1,000,116
At 29 February 2012	1,314,379	477,459	11,650	142,324	50,082	–	1,995,894
At 1 March 2012	<b>1,314,379</b>	<b>477,459</b>	<b>11,650</b>	<b>142,324</b>	<b>50,082</b>	–	<b>1,995,894</b>
Depreciation	<b>228,039</b>	<b>74,442</b>	<b>21,758</b>	<b>47,939</b>	<b>86,554</b>	–	<b>458,732</b>
Impairment	<b>493,458</b>	<b>551,901</b>	–	–	–	–	<b>1,045,359</b>
Disposals	<b>(2,035,876)</b>	<b>(1,103,802)</b>	–	<b>(145,556)</b>	–	–	<b>(3,285,234)</b>
At 28 February 2013	–	–	<b>33,408</b>	<b>44,707</b>	<b>136,636</b>	–	<b>214,751</b>
<b>Net book value</b>							
At 1 March 2010	4,968,775	1,642,593	–	272,000	12,901	18,000	6,644,269
At 28 February 2011	4,698,775	1,642,593	–	272,000	12,901	18,000	6,644,269
At 29 February 2012	4,055,581	1,415,278	118,217	316,895	224,391	18,000	6,148,362
At 28 February 2013	–	–	<b>104,659</b>	<b>74,512</b>	<b>137,837</b>	–	<b>317,008</b>

Based on the assessment done at 28 February 2013, there is no change in the useful lives of the assets above. No assets are held as security for the Group's borrowings.

Property, plant and equipment was impaired during the year to write down the carrying value of buildings and plant and equipment on disposal, to fair value less costs to sell. The impairment loss was recognised in other comprehensive income as a reduction in the revaluation reserve.

		Computer software
15b	<b>OTHER INTANGIBLE ASSETS</b>	
	<b>Cost</b>	
	At 1 March 2012	–
	Additions	184,869
	At 28 February 2013	<b>184,869</b>
	<b>Accumulated amortisation</b>	
	At 1 March 2012	–
	Amortisation	(23,109)
	At 28 February 2013	(23,109)
	At 28 February 2013	<b>161,760</b>

There were no intangible assets in 2011.

Group	2013			2012			2011		
	Cost R	Accumulated amortisation R	Carrying value R	Cost R	Accumulated amortisation R	Carrying value R	Cost R	Accumulated amortisation R	Carrying value R
16. EXPLORATION AND EVALUATION ASSETS									
Exploration and evaluation assets	162,859,167	– 162,859,167	153,056,333	– 153,056,333	394,641,967	– 394,641,967			

	Opening balance R	Additions R	Adjustments R	Disposals R	Total R
<b>Reconciliation of exploration and evaluation assets – 2013</b>					
Block III DRC	101,381,633	–	–	(27,015,358)	74,366,275
OPL 281 Nigeria	47,712,172	–	(3,639,250)	–	44,072,922
OPL 233 Nigeria	3,962,528	42,642,598	(3,081,896)	–	43,523,230
Other	–	896,740	–	–	896,740
	<b>153,056,333</b>	<b>43,539,338</b>	<b>(6,721,146)</b>	<b>(27,015,358)</b>	<b>162,859,167</b>
<b>Reconciliation of exploration and evaluation assets – 2012*</b>					
Block III DRC	342,967,267	508,907	–	(242,094,541)	101,381,633
OPL 281 Nigeria	47,712,172	–	–	–	47,712,172
OPL 233 Nigeria	3,962,528	–	–	–	3,962,528
	394,641,967	508,907	–	(242,094,541)	153,056,333
<b>Reconciliation of exploration and evaluation assets – 2011</b>					
Block III DRC	–	– 342,967,267	–	–	342,967,267
OPL 281 Nigeria	–	47,712,172	–	–	47,712,172
OPL 233 Nigeria	–	3,962,528	–	–	3,962,528
	–	51,674,700	342,967,267	–	394,641,967

\* Restated as disclosed in note 3.

As at 28 February 2013, R7.56 million of exploration expenditures have been capitalised in respect of OPL 233. These expenditures relate to the Group's share of costs under the Production Sharing Agreement with respective partners and general and administrative costs related to exploration activities. Additions also include R0.9 million (US\$100 000) in respect of the Malawi Block t1 licence. During the year, the Group capitalised borrowing costs amounting to R35.1 million (2012: nil) on qualifying assets. Specific borrowing were acquired to fund the qualifying assets at an interest rate of 21% per annum (compounded), and were subsequently refinanced at an interest rate of 10% per month (refer to note 26).

On 12 March 2012, Semliki disposed of a 6.66% (2012: 60%) interest in Block III for a cash consideration of R76.0 million (2012: R103.2 million) and a future contingent consideration amounting to R85.0 million (2012: R545.0 million). This resulted in the derecognition of a portion of the exploration and evaluation asset with a carrying value of R31.0 million (R2012: R242.1 million) and the recognition of a profit on disposal of R40.9 million (2012: loss of R83.4 million). Refer to note 19 for details on the contingent consideration.

Adjustments to the OPL 233 and OPL 281 assets relate to promote fees. These fees will now be recovered from EER and are included in amounts due from EER in other financial assets (note 19)

The effect of the change in accounting policy on exploration and evaluation assets is given in note 3.

## 17. INVESTMENTS IN SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, percentage interest and country of registration, is given below:

Name of company	Country of registration	% holding 2013	% holding 2012	% holding 2011	Carrying amount 2013	Carrying amount 2012	% holding 2011
<b>Directly held:</b>							
SacOil (Proprietary) Limited	RSA	50	50	50	19,818,125	19,818,125	50
Pioneer Coal (Proprietary) Limited	RSA	100	100	100	318,292	318,292	318,292
Baltimore Manganese Mine (Proprietary) Limited	RSA	100	100	100	1	100	1
RDK Mining (Proprietary) Limited	RSA	100	100	100	24,591,370	100	100
Bushveld Pioneer (Proprietary) Limited	RSA	100	100	100	100	100	100
Semliki SPRL	DRC	–	50	50	–	17,476	160,598,340
SacOil 141 Nigeria Limited	Nigeria	100	100	100	561	561	561
SacOil 233 Nigeria Limited	Nigeria	100	100	100	561	561	561
SacOil 281 Nigeria Limited	Nigeria	100	100	100	561	561	561
					<b>44,729,571</b>	20,155,777	160,918,566
<b>Indirectly held:</b>							
Semliki SPRL	DRC	68	–	–	24,591,270	–	–

## 18. LOANS TO GROUP COMPANIES

Loans to group companies are provided at the company level. The carrying amounts of loans to/from Group companies are equal to their fair values. All loans are not expected to be repaid within 12 months.

The intercompany loans are eliminated on consolidation.

	Notes	2013 R	2012 R	2011 R
<b>19. OTHER FINANCIAL ASSETS</b>				
<b>Non-current</b>				
Contingent consideration <sup>4</sup>		181,470,254	263,260,148	–
Deferred consideration on disposal of Greenhills plant <sup>5</sup>	12	4,701,795	–	–
Loan due from DIG <sup>1</sup>		35,315,725	1,929,982	–
Advance payment against future services <sup>2</sup>		56,716,754	–	–
Loan due from EER <sup>3</sup>		93,514,667	66,240,733	45,086,969
		<b>371,719,195</b>	<b>331,430,863</b>	<b>45,086,969</b>
<b>Current</b>				
Loan due from EER <sup>3</sup>		83,857,631	–	–
Loan due from DIG		–	–	11,413,375
Deferred consideration on disposal of Greenhills Plant	12	945,405	–	–
		<b>84,803,036</b>	<b>–</b>	<b>–</b>
		<b>456,522,231</b>	<b>331,430,863</b>	<b>56,500,344</b>

<sup>1</sup> The loan is interest-free, unsecured and has no fixed repayment terms. The loan is denominated in Rands. This loan is not expected to be repaid in the next 12 months. The carrying value of the loan is equal to its fair value. The increase in the DIG loan reflects the taxes recoverable from DIG in respect of the capital gains tax payable by Semliki on the farm-out of the 6.67% interest in Block III, which transaction was initiated by and solely benefited DIG.

<sup>2</sup> Included in trade and other receivables at 29 February 2012 was an amount of R75.5 million relating to an advance against asset negotiation rights (note 21). During the current financial year the Company renegotiated the settlement of this advance and concluded an Acknowledgment of Debt agreement with Encha Energy, on 28 February 2013, in terms of which Encha Energy acknowledged its indebtedness to SacOil in the amount of R75.5 million.

Encha Energy's acknowledgement of indebtedness is secured by a deed of suretyship (the "Suretyship") executed by Encha Group Limited ("Encha") in favour of SacOil, on 28 February 2013, in terms of which Encha binds itself as surety for, and co-principal debtor with, Encha Energy for the payment obligations of Encha Energy to SacOil under the Acknowledgement of Debt agreement. Encha Energy has undertaken to effect repayment of the debt to SacOil by no later than 28 February 2016. This has resulted in the reclassification of the financial asset as a long-term asset at 28 February 2013. As the future value of this asset is R75.5 million, the financial asset recognised at 28 February 2013 is R56.7 million, representing the present value of this future receivable. The discount amounting to R18.8 million has been included in finance costs (note 9). The carrying value of the advance is equal to its fair value.

<sup>3</sup> The long-term loan bears interest at 25% per annum (on a compound basis) and is repayable in three equal annual instalments, the first such instalment becoming due 60 business days after first oil production by taking that proportion of EER's entitlement to petroleum that equals one-third of the outstanding capital plus interest accrued. The second and third instalments will become payable on the same principle from EER's subsequent entitlement to petroleum. The loan is secured by a cession and pledge over EER's equity interests in both OPL 281 and OPL 233 in favour of SacOil.

The short-term loan bears interest at 30% per annum (on a compound basis) and was repayable by 31 May 2013. The loan is secured by a cession and pledge over Energy Equity Resources (Norway) Limited's shares in its subsidiary EER 233 Nigeria Limited which owns a 20% interest in OPL 233, subject to government consent. Refer to note 33 for events that occurred after the reporting period in relation to the loan. The carrying values of the loans approximate their fair values.

<sup>4</sup> The farm-in agreement between Semliki and Total provides for a cash payment by Total to Semliki upon the occurrence of certain future events ("contingent consideration"). As there is a contractual right to receive cash from Total, Semliki has recognised a financial asset in its statement of financial position. The asset was initially recognised at its fair value. Subsequently, the financial asset meets the definition of a loan and receivable, and is accounted for at amortised cost taking into account interest revenue and currency movements. At each reporting period SacOil revises its estimate of receipts from the financial asset in line with the requirements of IAS 39. Included in the statement of comprehensive income is a remeasurement loss of R103.2 million (2012: gain of R219 million). At 28 February 2013 the fair value of the financial asset is R181.5 million (2012: R263.3 million). A deferred tax on the credit amounting to R32.7 million (2012: charge of R105.3 million) was recognised in the statement of comprehensive income. The assumptions used to measure the contingent consideration are detailed below:

Probability of exploration success (single well)	26%
Probability of at least one success from two wells	45%
Probability of successful completion given exploration success	89%
Discount rate	10%
First investment date ("FID")	28 February 2018
First oil date ("FOD")	28 February 2022
Valuation date	28 February 2013
First contingent consideration	
FID	USD42 549 000
FOD	USD36 680 000
Second contingent consideration	
FID	USD4 635 000
FOD	USD6 660 000

Should the probability factors applied to the valuation model be increased or decreased by 10%, all other variables held constant, post-tax loss would have been R69,819,423 lower and R42,131,103 higher, respectively.

The carrying value of the contingent consideration is equal to its fair value.

None of the above financial assets are past due.

	2013	2012	2011
	R	R	R
<b>20. INVENTORIES</b>			
Raw materials	–	472,117	457,447
Product in process	–	352,531	321,825
Engineering stock	–	1,129,899	1,111,841
Finished product	–	585,584	517,363
	–	2,540,131	2,408,476
<b>21. TRADE AND OTHER RECEIVABLES</b>			
Trade receivables	–	3,646,478	5,037,955
Other financial assets <sup>2</sup>	–	75,490,000	–
Value added tax	<b>3,488,394</b>	1,611,041	1,279,891
Other receivables <sup>1</sup>	<b>4,872,660</b>	4,471,524	–
	<b>8,361,054</b>	85,219,043	6,317,846
Less: Provision for impairment <sup>1</sup>	<b>(4,695,905)</b>	–	–
	<b>3,665,149</b>	85,219,043	6,317,846

<sup>1</sup> At 28 February 2013, other receivables included an amount of R4.4 million relating to employee taxes recoverable from employees of the Company. An administrative oversight was reported and rectified in the prior year in respect of the non-payment of these taxes to SARS.

<sup>2</sup> Details relating to the reclassification of this financial asset are included in note 19.

The carrying amounts of all trade and other receivables are equal to their fair values. All trade and other receivables are denominated in South African Rands.

All classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables mentioned above. The Group does not hold collateral as security for receivables.

	2013	2012	2011
	R	R	R
<b>22. CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of:			
Bank balances	<b>4,677,192</b>	3,137,098	846,719
Short-term deposits	<b>215,368</b>	7,637,200	17,052,115
	<b>4,892,560</b>	10,774,298	17,898,834
Restricted cash	<b>89,139,856</b>	–	–
	<b>94,032,416</b>	10,774,298	17,898,834

Restricted cash comprises the cash collateral of US\$10 million (2012: nil) paid to Ecobank to secure the performance bond on OPL 233. The cash is held in the bank account of SacOil's wholly owned subsidiary, SacOil 233 Nigeria Limited. The remainder of the performance bond is secured by a first ranking legal charge over SacOil's investment in SacOil 233 Nigeria Limited.



	2013 R	2012 R	2011 R
<b>23. STATED CAPITAL AND RESERVES</b>			
<b>Group</b>			
<b>Stated capital</b>			
<b>Authorised:</b>			
Number of ordinary shares with no par value	10,000,000,000	10,000,000,000	10,000,000,000
<b>Allotted equity share capital:</b>			
As at 1 March	486,184,423	374,029,488	83,725,538
Issued during the year for cash	–	80,000,000	132,803,546
Non-cash shares issued	47,987,700	32,154,935	157,500,404
As at 28/29 February	534,172,123	486,184,423	374,029,488
<b>Reconciliation of number of shares issued:</b>			
Reported as at 1 March	832,225,699	674,090,410	313,291,614
Issued during the year for cash	–	123,051,410	142,999,580
Non-cash shares issued	121,115,092	35,083,879	217,799,216
As at 28/29 February	953,340,791	832,225,699	674,090,410
Non-cash shares issued in the current year comprise:			
<b>2013</b>			
<b>Date</b>	<b>Nature of transaction</b>	<b>Number of shares issued</b>	<b>Issue price Rand</b>
23 March 2012	Equity settlement of Yorkville loan	29,328,257	0.43
4 May 2012	Equity settlement of Yorkville loan	32,135,560	0.49
9 July 2012	Equity settlement of Yorkville loan	24,578,863	0.34
13 November 2012	Equity settlement of Yorkville loan	35,072,412	0.32
		121,115,092	47,987,700
<b>2012</b>			
<b>Date</b>	<b>Nature of transaction</b>	<b>Number of shares issued</b>	<b>Issue price Rand</b>
4 April 2011	Shares issued <i>in lieu</i> of fees paid to Rencap	796,577	2.16
8 May 2011	Shares issued to Directors for the successful admission of the Company to AIM	9,042,215	2.14
13 December 2011	Equity settlement of Yorkville loan	14,318,181	0.44
9 February 2012	Equity settlement of Yorkville loan	10,926,906	0.44
		35,083,879	32,154,935
<b>Revaluation reserve</b>		<b>2013</b>	<b>2012</b>
At 1 March		1,810,947	2,055,747
Release of revaluation reserve on impairment/depreciation of property, plant and equipment		(1,045,359)	(244,800)
Discontinued operation		(765,588)	–
At 28/29 February		–	1,810,947
<b>Share-based payments reserve</b>			
At 1 March		27,932,584	27,932,584
Options issued		–	4,178,928
Options lapsed		(1,251,115)	(8,891,216)
At 28/29 February		26,681,469	27,932,584
<b>Total reserves</b>		26,681,469	29,743,531
			29,988,331

## Nature and purpose of reserves

### Revaluation reserve

The revaluation reserve was used to record increases in fair value of plant and equipment and decreases relating to the depreciation of the fair value gain. Plant and equipment associated with this reserve was disposed of during the year resulting in the transfer of the reserve to accumulated loss.

### Share-based payment reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. This reserve is also used to recognise the value of equity-settled share-based payment transactions with third parties. These transactions are disclosed in note 14.

	2013 R	2012 R	2011 R
<b>24. DEFERRED TAX</b>			
<b>Deferred liability:</b>			
Contingent consideration relating to the sale of exploration and evaluation assets	(72,588,101)	(105,304,059)	–
The gross movement on the deferred income tax account is as follows:			
At 1 March	(105,304,059)	–	–
Contingent consideration relating to the sale of exploration and evaluation assets	32,715,958	(105,304,059)	–
At 28/29 February	(72,588,101)	(105,304,059)	–
<b>Unrecognised deferred tax asset:</b>			
Unused tax losses not recognised as deferred tax assets	6,702,822	81,009,937	43,481,893

## 25. PROVISIONS

### Group

Reconciliation of provisions – 2013	Opening balance	Additions	Disposals	Total
Provision for decommissioning	1,065,972	60,000	(1,125,972)	–
<b>Reconciliation of provisions – 2012</b>				
Provision for decommissioning	945,972	120,000	–	1,065,972
<b>Reconciliation of provisions – 2011</b>				
	825,972	120,000	–	945,972

The provision for decommissioning represented the estimated cost of restoring site damage after the commencement of mining activities at the Greenhills plant. The plant was disposed of on 1 October 2012 as detailed in note 12. Decommissioning costs in an amount of R60,000, representing an increase in the provision, were charged to operating expenses prior to this disposal. In terms of an environmental evaluation conducted the restoration liability was estimated at R1.6 million.

	Notes	2013 R	2012 R	2011 R
<b>26. OTHER FINANCIAL LIABILITIES</b>				
Yorkville Advisors LLP		–	12,496,195	–
Gairloch Limited <sup>1</sup>		<b>128,978,015</b>	–	–
Energy Equity Resources (Norway) Limited <sup>2</sup>		<b>44,199,000</b>	–	–
Nigdel United Oil Company Limited <sup>3</sup>		<b>2,397,813</b>	–	–
		<b>175,574,827</b>	12,496,195	–

\* Restated as disclosed in note 3.

<sup>1</sup> On 28 December 2012, the Company entered into a series of agreements that novated the loan from Renaissance BJM Securities (Proprietary) Limited ("Rencap") to Gairloch Limited ("Gairloch"). The Rencap loan was raised during April 2012 to part fund the US\$10 million cash collateral requirement for posting the performance bond on OPL233. The loan novated to Gairloch was US\$11.25 million (R96 million) and bears interest at 10% per month. The loan is denominated in US dollars, is repayable by 31 May 2013 and is secured by SacOil's shares in its subsidiary RDK Mining which owns a 68% interest in Semliki SPRL, the holder of an 18.34% interest in Block III. Refer to note 33 for events that occurred after the reporting period in relation to this loan.

Other loans obtained from Gairloch amounting to US\$1.6 million bear interest at 8% and 10% per month respectively, are unsecured and are repayable by 31 May 2013.]

<sup>2</sup> The EER liability relates to EER's 50% share of the US\$10 million cash collateral held in the bank account of SacOil's wholly owned subsidiary SacOil 233 Nigeria Limited, as disclosed in note 22. There are no repayment terms for this liability as the cash collateral will be utilised to fund the work programme on OPL233.

<sup>3</sup> Amounts payable to Nigdel United Oil Company Limited comprise the Group's share of general and administrative costs related to exploration activities covered by the Production Sharing Agreement.

## 27. TRADE AND OTHER PAYABLES

Trade payables	<b>4,397,613</b>	1,871,313	5,833,181
Accruals	<b>2,722,655</b>	5,488,599	–
Other payables	<b>4,860,207</b>	5,178,496	7,963,552
	<b>11,980,475</b>	12,538,408	13,796,733

Trade payables are non-interest-bearing and are normally settled on 30 day terms.

	2013 R	2012 R	2011 R
<b>28. LOSS PER SHARE</b>			
<b>Group</b>			
<b>From continuing and discontinued operations</b>			
Basic (cents)	<b>(6.10)</b>	(14.12)	(6.67)
Diluted (cents)	<b>(6.09)</b>	(14.04)	(6.21)
<b>From discontinued operation</b>			
Basic (cents)	<b>(0.17)</b>	0.39	–
Diluted (cents)	<b>(0.17)</b>	0.39	–
<b>From continuing operations</b>			
Basic (cents)	<b>(5.93)</b>	(14.51)	(6.67)
Diluted (cents)	<b>(5.93)</b>	(14.43)	(6.21)
Loss for the year used in the calculation of the basic and diluted loss per share from continuing and discontinued operations	<b>(55,627,404)</b>	(101,294,322)	(29,749,995)
Loss/(profit) for the year from discontinued operations	<b>1,526,959</b>	(2,791,163)	–
Loss used in the calculation of basic and diluted loss per share from continuing operations	<b>(54,100,445)</b>	(104,085,485)	(29,749,995)

	2013 R	2012 R	2011 R
Weighted average number of ordinary shares used in the calculation of basic loss per share	912,157,573	717,411,053	449,628,622
Add: Dilutive share options	540,006	4,142,477	33,304,511
Weighted average number of ordinary shares used in the calculation of diluted loss per share	912,697,579	721,553,530	482,933,133
<b>Headline loss per share</b>			
Basic (cents)	(8.10)	(5.02)	(6.62)
Diluted (cents)	(8.10)	(4.99)	(6.16)
<b>Reconciliation of headline loss</b>			
Loss for the year from continuing and discontinued operations	(55,627,404)	(101,294,322)	(29,749,995)
Adjust for:			
(Profit)/loss on sale of exploration and evaluation assets attributable to equity holders of the parent	(18,290,947)	65,254,812	–
	(73,918,351)	(36,039,510)	(29,749,995)
<b>29. CASH USED IN OPERATIONS</b>			
(Loss)/profit before taxation	(30,827,065)	65,575,131	(29,654,795)
<b>Adjustments for:</b>			
Depreciation	481,841	660,117	655,778
(Profit)/loss on sale of assets	(71,693,375)	83,446,480	–
Provision for impairment	4,695,904	–	–
Foreign exchange gains and losses	(26,084,808)	–	–
Financial asset at amortised cost	129,912,403	(246,688,928)	–
Interest received	8 (46,940,839)	(29,455,933)	(1,271,134)
Finance costs	9 23,837,213	44,402,672	17,309
Bad debts	1,092,344	–	–
Other non-cash items	(9,101,278)	(1,648,888)	2,124,260
Movements in provisions	25 (1,065,972)	120,000	120,000
Share-based payment expense	14 –	8,891,216	4,175,928
Equity-settled expenses	14 –	21,070,948	–
<b>Changes in working capital:</b>			
Decrease/(increase) in inventories	2,540,131	(131,655)	(103,706)
Decrease/(increase) in trade and other receivables	4,994,415	(78,901,197)	(2,547,282)
Increase/(decrease) in trade and other payables	2,161	(1,258,328)	3,434,203
	(18,156,924)	(133,918,365)	(23,049,439)

	Notes	2013 R	2012 R	2011 R
<b>30. RELATED PARTIES</b>				
Related parties of the Group include entities detailed in note 18, joint operating partners, entities in which the Company Directors hold directorships and key management. Key management include Directors (executive and non-executive) and members of the executive committee.				
The following transactions were carried out with related parties:				
(a) Transactions with entities in which the Company Directors hold directorships				
Lonsa (Proprietary) Limited – fees for services by Robin Vela as executive director				
		–	7,254,166	1,695,000
Johannes de Beer Incorporated – fees for services by Carina de Beer as executive director				
		–	2,912,500	–
		–	10,166,666	1,695,000
(b) Transactions with Group companies are eliminated on consolidation				
		–	–	–
(c) Transactions with joint venture partners and other related parties				
Fees and interest				
		<b>61,123,320</b>	274,930,519	–
Encha Group Limited				
		–	–	179,553
		<b>61,123,320</b>	274,930,519	179,553
(d) Key management compensation				
<b>Non-executive directors:</b>				
Fees				
		<b>1,336,419</b>	1,159,846	471,667
<b>Executive directors:</b>				
Salaries				
		<b>3,675,000</b>	4,066,726	2,408,749
Bonuses				
		–	3,850,000	–
Share-based payments				
		–	21,850,340	–
		<b>3,675,000</b>	29,767,066	2,880,416
Other key management:				
Salaries				
		<b>5,057,500</b>	1,016,651	–
Bonuses				
		<b>675,000</b>	–	–
		<b>5,732,500</b>	1,016,651	–
Key management's interests in the issued share capital of the Company are detailed on pages 23 to 24 of the Circular.				
(e) Year balances				
Loans and receivables from joint operating partners*				
		<b>450,875,030</b>	406,920,863	–

\*Reflects the contingent consideration due from Total, the advance payment from Encha Energy and loans due from EER and DIG as disclosed in notes 19 and 21.

	2013 R	2012 R	2011 R
<b>31. FINANCIAL INSTRUMENTS BY CATEGORY</b>			
Group			
Other financial assets	456,522,231	331,430,863	56,500,344
Trade receivables	–	79,136,478	5,037,955
Cash and cash equivalents	94,032,416	10,774,298	17,898,834
<b>Total</b>	<b>550,554,647</b>	<b>421,341,639</b>	<b>79,437,133</b>
Other financial liabilities	175,574,827	12,496,195	13,796,783
Trade payables	7,120,268	7,359,912	90,508
<b>Total</b>	<b>182,695,095</b>	<b>19,856,107</b>	<b>13,887,241</b>

The carrying values of the above financial instruments are equal to their fair values.

## 32. FINANCIAL RISK MANAGEMENT

### 32.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### (i) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Group's foreign currency exposures are managed by group finance. Management is looking into the implementation of foreign currency hedging to manage foreign currency exposures within the Group.

At 28 February 2013, if the South African Rand had weakened or strengthened by 11% against the US dollar with all other variables held constant, Group post-tax profit for the year would have been R30.0 million (2012: R19.4 million) higher and R30.0 million (R17.6 million) lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets (note 19), cash and cash equivalents (note 22) and borrowings (note 26).

At 28 February 2013, if the South African Rand had weakened or strengthened by 11% against the US dollar with all other variables held constant, Company post-tax profit for the year would have been R28.4 million (2012: R19.4 million) higher and R28.4 million (R17.6 million) lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets (note 19), cash and cash equivalents (note 22) and borrowings (note 26).

Included in the statement of financial position are the following amounts denominated in currencies other than the Rand:

	2013	2012	2011
<b>Group</b>			
<b>US dollars</b>			
Financial assets	447,982,409	404,990,881	79,437,133
Financial liabilities	(175,574,827)	(12,496,195)	(13,887,241)

#### (ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from short-term borrowings and cash and cash equivalents. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate

risk. The Group policy is to source all borrowings at fixed interest rates, thereby eliminating cash flow interest rate risk. The Group analyses its interest rate exposure on an ongoing basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. The scenarios are run only for liabilities that represent the major interest-bearing positions. Variations in interest rate have a minimal impact on the Group's cash and cash equivalents.

At 28 February 2013, if interest rates had strengthened or weakened by 10%, post tax profit for the year would have been R1.5 million (2012: R54 739) lower and R1.5 million higher, mainly as a result of the Group's short-term borrowings included under other financial liabilities (note 26).

(iii) Price risk

The Group has no financial instruments exposed to price risk.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, including deposits with banks and financial institutions, the contingent and deferred considerations and loans to operating partners. For banks and financial institutions, only independently rated parties with high credit ratings are accepted. The Group obtains security for all loans advanced to operating partners. The Group trades only with recognised and creditworthy third parties to minimise the risk of default on the contingent and deferred considerations.

As at 28 February 2013, management does not expect any losses from non-performance by counterparties. The Group's maximum exposure to credit risk at 28 February 2013 was R548.9 million (2012: R8 345.9 million).

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasting is performed for the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<b>Group</b>	<b>R &lt; 1 year</b>
<b>At 28 February 2013</b>	
Short term borrowings (note 26)	203,195,102
Trade and other payables (note 27)	7,120,268
<b>Total</b>	<b>210,315,370</b>
<b>At 29 February 2012</b>	
Short term borrowings (note 26)	12,496,195
Trade and other payables (note 27)	7,359,912
<b>Total</b>	<b>19,856,107</b>
<b>At 29 February 2011</b>	
Short term borrowings	
Trade and other payables	13,796,733
<b>Total</b>	<b>13,796,733</b>

### 32.2 Capital management

The Group manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Group's funding needs are met through a combination of debt and equity.

The capital structure of the Group consists of net debt, which includes financial liabilities-after deducting cash and cash equivalents, and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and accumulated losses as disclosed in the statement of changes in equity.

The Group monitors capital on the basis of the net debt ratio, that is, the ratio of net debt to net debt plus equity. The net debt ratios at 28 February 2013 and 29 February 2012 were as follows:

	2013	2012	2011
Short and long term financial liabilities (note 26)	175,574,827	12,496,195	–
Less: Cash and cash equivalents (note 22)	(94,032,416)	(10,774,298)	(17,898,834)
Net debt	81,542,411	1,721,897	(17,898,834)
Total equity	363,451,673	437,269,296	469,578,523
Total capital	444,994,084	438,991,193	451,679,689
<b>Gearing ratio</b>	<b>18%</b>	0%	(N/A)

The increase in net debt ratio during the current reporting period resulted primarily from the borrowings sourced to fund the cash collateral requirement for posting the performance bond on OPL 233.

### 33. EVENTS AFTER THE REPORTING PERIOD

The following events took place from the period 1 March 2013 to the date of this report.

The following event took place from the period 1 March 2013 to the date of this report:

#### Equity settlement of the Gairloch loans

Subsequent to the year-end, Gairloch Limited ("Gairloch") exercised its rights under the three loans agreements, to require SacOil to equity settle loans owed to Gairloch. On 12 September 2013 SacOil concluded an agreement with Gairloch for the conversion of debt to equity in SacOil. Under terms of this agreement debt totalling R238.5 million (US\$24.1 million) will be converted into 883,449,144 new SacOil ordinary shares at R0.27 (US\$0.0272876) per share. The share issue price represents a 4.6% discount to the volume weighted average traded price of the SacOil shares on the JSE over the 30 business days prior to the date of the suspension. Shareholders are referred to the announcement dated 12 September 2013 issued on SENS and RNS for further details on the loan conversion.

#### Rights Offer

Shareholders are advised that the Company intends to raise additional capital of up to R570 million by way of a renounceable rights offer of 2,111,111,111 SacOil shares at an issue price of R0.27 per share (the "Rights Offer"). The Rights Offer will be supported by one of the Company's largest shareholders, the Public Investment Corporation (SOC) Limited ("PIC"), to the extent of *circa* R329 million. The ratio of rights offered for existing SacOil shares will be in proportion to each shareholder's respective shareholding in the Company. Shareholders are referred to the announcement dated 12 September 2013 issued on SENS and RNS for further details on the Rights Offer.

#### Loan advanced to EERNL

The short-term loan due from EERNL, as disclosed in note 19, became due and payable on 31 May 2013. As at the date of this integrated annual report EERNL has not fulfilled its repayment obligations in respect of this loan. Discussions are in progress to agree a repayment schedule for this overdue amount. The Company is also considering its position in respect of the default provisions of the loan agreement underlying this receivable. The loan has not been impaired as the value of the security exceeds the carrying value of the loan. Refer to note 19 for details of the security provided by EERNL.

#### Acquisition of exploration licences

The Company announced on 9 May 2013 that its Botswana subsidiary, Transfer Holdings (Proprietary) Limited, had been advised by the Botswana Department of Mines that these exploration licences were duly approved and ready for collection. The petroleum exploration licences numbers 123/2013, 124/2013 and 125/2013 were awarded to Transfer Holdings (Proprietary) Limited on 29 April 2013. A further announcement in relation to these licences will be released in due course.

#### Suspension of trade in the Company's shares on the JSE and AIM

An application was made to the JSE and AIM for the trading of the Company's shares to be suspended on both exchanges following the resignations from the Board of two non-executive directors and the Chief Executive Officer as announced on SENS and RNS on 31 May 2013, at which point the Company did not have a fully constituted Board. Shareholders are further referred to the announcement issued on SENS and RNS on 12 September 2013, regarding the progress made in obtaining a lifting of the suspension on both the JSE and AIM.



### 34. COMMITMENTS AND CONTINGENT LIABILITIES

<b>Commitments – Group</b>	<b>R 2013</b>	<b>R 2012</b>	<b>R 2011</b>
Exploration and evaluation assets – work programme commitments – due within 12 months	221,242,262	–	
Exploration and evaluation assets – work programme commitments – due within 13 – 28 months	243,379,394	–	–
<b>Total</b>	<b>464,621,656</b>	–	–
Exploration and evaluation commitments will be funded through a combination of debt and equity funding.			
<b>Contingent liabilities – Group</b>			
Performance bond on OPL 233 issued by Ecobank in respect of OPL 233 exploration activities	132,597,000	–	
Cost carry arrangement with Total	20,411,689	28,939,490	
Farm-in and transaction fees on receipt of title on OPL 233	115,801,380	98,695,400	
Farm-in and transaction fees on receipt of title on OPL 281	128,177,100	109,243,000	
<b>Total</b>	<b>396,987,169</b>	236,877,890	

#### Performance bond

In April 2012, the Group posted a \$25 million performance bond to support the work programme on OPL 233. This performance bond is secured by a R89.1 million (\$10 million) cash collateral as disclosed in note 22. The remainder of the performance bond, disclosed as a contingent liability, is secured by a first ranking legal charge over SacOil's investment in SacOil 233 Nigeria Limited.

#### Cost carry arrangement

The farm-in agreement between Semliki and Total provides for a carry of costs by Total on behalf of Semliki. Total will be entitled to recover these costs, being Semliki's share of the costs on Block III, plus interest, from future oil revenues. The contingency becomes probable when production of oil commences and will be raised in full at that point. Only at 28 February 2013 Total has incurred R20.4 million (2012: R28.9 million) of costs on behalf of Semliki. Should this liability be recognised, a corresponding increase in assets will be recognised, which, together with existing exploration and evaluation assets, will be recognised as development infrastructure assets (refer to note 3)

#### Farm-in and transaction fees OPL 233

A farm-in fee of R93.7 million (2012: R79.9 million) (US\$10.6 million) is due to Nigdel United Oil Company Limited upon the formal approval by the Nigerian government of the assignment of title to SacOil 233 Nigeria Limited in relation to OPL 233. A transaction fee of R22.1 million (2012: R18.8 million) (US\$2.5 million) is due to Energy Equity Resources (Norway) Limited upon the receipt of title to OPL 233, pursuant to the provisions of the Master Joint Venture Agreement.

#### OPL 281

A farm-in fee of R106.1 million (2012: R90.4 million) (US\$12 million) is due to Transnational Corporation of Nigeria Limited upon the formal approval by the Nigerian government of the assignment of title to SacOil 281 Nigeria Limited in relation to OPL 281. A transaction fee of R22.1 million (2012: R18.8 million) (US\$2.5 million) is due to Energy Equity Resources (Norway) Limited upon the receipt of title to OPL 281, pursuant to the provisions of the Master Joint Venture Agreement.

### 35. GOING CONCERN

SacOil incurred a total comprehensive loss for the year ended 28 February 2013 of R72.7 million (2012: R101.6 million). The group continues to incur losses. The Company and Group are currently experiencing liquidity challenges. As indicated in the Statement from the Board of Directors, on page 22 of the integrated annual report, the Board plans to recapitalise the Company by way of a renounceable rights offer for R570 million to be completed by 31 January 2014 ("the Rights Offer"). The Board also plans to equity settle the Gairloch Loans by 31 January 2014 under the terms of the Subscription and Settlement Agreement concluded with Gairloch on 12 September 2013 ("the Specific Issue"). The completion of both transactions is dependent upon future material uncertain events which are discussed below. Furthermore, the Company's projected cash flows to 31 August 2014 include the following assumptions some of which are subject to material uncertainties as discussed in further detail below:

- a cash inflow from the loan receivable from Energy Equity Resources (Norway) Limited ("EERNL") of \$22.5 million;
- cash inflow arising from rights issue proceeds amounting to R570 million;
- cash outflows from farm-in fees payable to Nigdel and Transcorp totalling \$22.6 million the timing of which is uncertain;
- Cash outflows from seismic and operating costs for OPL 233 amounting to \$9.6 million; and
- settlement of the full debt payable to Gairloch Limited by means of a conversion to capital rather than a settlement in cash.

The features of these cash flows are further described below:

#### **Rights Offer and equity settlement of Gairloch loans**

It is imperative that SacOil obtains shareholder approval for both the Rights Offer and Gairloch debt conversion to equity. In terms of section 41(3) of the Companies Act, as SacOil will be issuing shares with voting power exceeding 30% of the voting power of all the Company's shares immediately prior to both the Specific Issue and the Rights Offer, approval by way of a special resolution is also required from SacOil shareholders (the "Companies Act Resolution"). Both these transactions require at least a 75% vote in favour of the transactions.

Management has engaged with some of the Company's shareholders to determine the levels of support and appetite for the Rights Offer. To date, the Company has obtained support for 58% of the Rights Offer value, representing an irrevocable undertaking by the Public Investment Corporation ("PIC") to support the Rights Offer to the extent of circa R329 million. Although the outcome of the shareholders' approval and the extent of the subscription to the Rights Offer cannot be determined with certainty at this stage, the Board is reasonably confident that the approval of the Rights Offer will be successful. The less certain element to this is the extent to which shareholders will follow their rights giving rise to the raising of the full R570 million worth of capital.

Furthermore, ongoing communications with various shareholders have demonstrated a general understanding of the immediate need to convert the Gairloch Loans which continue to accrue onerous finance charges. Again, the Board is reasonably confident that shareholders' approval for the equity settlement of the Gairloch Loans will be obtained because the Board believes that the key factors that have previously caused shareholders to vote against conversion have been addressed.

#### **Loan receivable from EERNL**

As noted in note 33, EERNL has not met its repayment obligations on the short-term loan repayment, which became due and payable on 31 May 2013. The Company is in discussions with EERNL to renegotiate payment terms and is also considering its rights in terms of the default provisions underlying the loan agreement. It is uncertain at this stage whether EERNL will meet its repayment obligations on or before the proposed repayment date. Should non-payment of the short-term loan continue, SacOil will consider enforcing the security provided by EERNL, being EERNL's shares in its subsidiary EER 233 Nigeria Limited which owns a 20% interest in OPL 233, through the disposal of this interest, to recover amounts owed.

#### **Farm-in and transaction fees**

The payment of farm-in and transaction fees is dependent upon the receipt of title to OPL 233 and OPL 281. These fees are payable within 30 days of the receipt of title. As at the date of the release of this annual report, the Company has been unable to determine the likely timing of the receipt of title to both OPL 233 and OPL 281 as these are subject to regulatory approvals not within the control of the company. The Board's current plan is to fund these fees from the proceeds of the Rights Offer. Should title be received prior to the completion of the Rights Offer, the Company would be unable to fund these fees in the ordinary course of business. It is management's intention to renegotiate the timing of settlement of the fees should title be received before funds are available.

#### **OPL 233 work programme costs**

The Company needs to fund \$9.6 million of seismic and operating costs up to 31 January 2014. The current arrangement is that EERNL will fund these costs on behalf of SacOil, as a repayment mechanism for the amounts owed to SacOil. It is uncertain whether EERNL will honour these payment obligations given that EERNL did not meet its repayment obligations at 31 May 2013. Should EERNL continue to default, SacOil will consider enforcing the security provided by EERNL as noted above. SacOil would nevertheless in the interim be responsible to fund these costs in the event EERNL does not honour their commitment. SacOil currently does not have the funds available to make these payments.

The Board is however confident that the proposed conversion of the Gairloch debt to equity and the Rights issue will be approved by the shareholders, and that through this action SacOil will have appropriately addressed the material uncertainties with respect to going concern. It is on this basis that management have decided to prepare the financial statements on a going concern basis. In the interim SacOil needs to secure access to interim funding facilities to be able to pay for its daily operational costs. Management have sought to secure an interim overdraft facility with one of its Financiers. A facility of R6 million has been approved subject to the following suspensive conditions:

1. the conclusion of the Gairloch Subscription and Settlement Agreement confirming the conversion of the Gairloch debt to equity;
2. the PIC providing an irrevocable undertaking to support R329 million of the rights offer (a condition which has been met); and
3. the company obtaining irrevocable undertakings from the requisite number of shareholders to vote in favour of the resolutions to give effect to the full Gairloch loan conversion and rights offer, including the whitewash resolution in relation to the PIC's holding.

These conditions give rise to material uncertainties which may cast significant doubt about the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## MAJOR SUBSIDIARY COMPANIES

Company (Proprietary) Limited unless otherwise indicated	Registration number	Nature of business	Country of incorporation	Date of incorporation	Number of ordinary shares in issue	Shareholding (%)	Share of net profits/(losses) attributable to SacOil 28 February 2013 (R'000)	Carrying amount 2013 R	Effective date of becoming a subsidiary
SacOil Proprietary Limited	2007/024617/07	Oil & Gas Dormant	South Africa	30/08/2007	100	50	-	19,818,125	20/09/2010
Pioneer Coal Proprietary Limited	2008/002294/06	Oil & Gas Dormant	South Africa	31/01/2008	318 292	100	-	318 292	31/01/2008
Baltimore Manganese Mine Proprietary Limited	1995/000129/07	Oil & Gas Dormant	South Africa	06/01/1995	1	100	-	1	06/01/1995
RDK Mining Proprietary Limited	1953/0023101/07	Oil & Gas	South Africa	30/10/1953	100	100	-	24,591,370	30/10/1953
Bushveld Pioneer Proprietary Limited	1975/001561/07	Minerals Dormant	South Africa	21/05/1975	100	100	-	100	21/05/1975
Semliki Energy SPRL*	KG 8779 M	Oil & Gas	DRC	19/11/2010	5	50	(30,429,539)	24,591,270	19/11/2010
SacOil 141 Nigeria Limited	RC 916 086	Oil & Gas Dormant	Nigeria	13/10/2010	5 000 000	100	(140,732)	561	13/10/2010
SacOil 281 Nigeria Limited	RC 906 717	Oil & Gas	Nigeria	17/12/2010	5 000 000	100	(27,252,285)	561	17/12/2010
SacOil 233 Nigeria Limited	RC 927 421	Oil & Gas	Nigeria	16/12/2010	5 000 000	100	(24,143,231)	561	16/12/2010
Transfer Holding Proprietary Limited	CO2012/13432	Oil & Gas	Botswana	12/11/2012	3 000	70	-	3,345	12/11/2012
							<b>(81,965,787)</b>	<b>160 918 566</b>	

\*Indirectly held through RDK Mining.

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**MATERIAL BORROWINGS**


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**Other financial liabilities**


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	Group 2013 R	2012* R
Yorkville Advisors LLP	–	12,496,195
Gairloch Limited	<b>128,978,015</b>	–
Energy Equity Resources (Norway) Limited <sup>2</sup>	<b>44,199,000</b>	–
Nigdel United Oil Company Limited <sup>3</sup>	<b>2,397,812</b>	–
	<b>175,574,827</b>	12,496,195

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\*Restated as detailed in note 3.

- On 28 December 2012, the Company entered into a series of agreements that novated the loan from Renaissance BJM Securities (Proprietary) Limited ("Rencap") to Gairloch Limited ("Gairloch"). The Rencap loan was raised during April 2012 to part fund the R79.4 million (US\$10 million) cash collateral requirement for posting the performance bond on OPL 233. The loan novated to Gairloch was R96.0 million (US\$11.25 million) and bears interest at 10% per month. The loan is denominated in US dollars, is repayable by 31 December 2013 and is secured by SacOil's shares in its subsidiary RDK Mining which owns a 68% interest in Semliki Energy SPRL, the holder of an 18.34% interest in Block III. Other loans obtained from Gairloch amounting to R13.4 million (US\$1.6 million) bear interest at 8% and 10% per month, respectively, and are unsecured. The loans were repayable on 9 March 2013 and 28 April 2013. Refer to note 33 for events that occurred after the reporting period in relation to these loans.
- The EER liability relates to EER's 50% share of the R89.1 million (US\$10 million) cash collateral, exclusive of interest, held in the bank account of SacOil's wholly-owned subsidiary, SacOil 233 Nigeria Limited, as disclosed in note 22. There are no repayment terms for this liability as the cash collateral will be utilised to fund the work programme on OPL 233.
- Amounts payable to Nigdel United Oil Company Limited comprise the Group's share of costs related to exploration activities covered by the Production Sharing Agreement.



## SACOIL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1993/000460/06)

JSE share code: SCL ISIN: ZAE000127460

AIM share code: SAC

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### NOTICE OF A GENERAL MEETING OF SACOIL SHAREHOLDERS

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In this notice, unless the contrary appears from the context, words and phrases used shall have the defined meanings given thereto in the Circular of which this notice forms part.

Notice is hereby given that a General Meeting of SacOil Shareholders will be held at the Registered Office on Friday, 6 December 2013, commencing at 10:00 for the purpose of considering and, if deemed fit, passing with or without modification, the following Special and Ordinary Resolutions:

#### **SPECIAL RESOLUTION NUMBER 1 – APPROVAL IN TERMS OF SECTION 41(3) OF THE COMPANIES ACT FOR THE ISSUE OF THE SPECIFIC ISSUE SHARES AND THE RIGHTS OFFER SHARES**

**“RESOLVED THAT**, subject to the approval of Ordinary Resolution Number 1, Ordinary Resolution Number 2, Ordinary Resolution Number 3, Ordinary Resolution Number 4 and Ordinary Resolution Number 5 and subject to the fulfilment or waiver of the conditions precedent to the Gairloch Subscription Agreement within the time period stipulated in the Gairloch Subscription Agreement, the authorised but unissued ordinary shares of the Company be and are hereby placed under the control of the Directors (to the extent that this is necessary in terms of the Memorandum of Incorporation of the Company) and the Directors be and are hereby authorised, to the extent required in terms of the provisions of section 41(3) of the Companies Act, to allot and issue such number of ordinary shares in the authorised but unissued share capital of the Company as are required pursuant to and for the purposes of the Specific Issue and the Rights Offer, even if such number of ordinary shares have voting power equal to or in excess of 30% of the voting rights of all SacOil Shares immediately prior to such Specific Issue and/or Rights Offer. Such authority will include the authority to allot and issue any ordinary shares in the authorised but unissued share capital of the Company to any underwriter(s) of the Rights Offer (whether or not any such underwriter is a related party to SacOil (as defined for the purposes of the Listings Requirements) and/or person falling within the ambit of section 41(1) of the Companies Act, being Director, future director, prescribed officer or future prescribed officer of the Company, or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company or a nominee of any of the foregoing persons).”

#### **NOTE TO SPECIAL RESOLUTION NUMBER 1**

In terms of the Companies Act, this resolution must be supported by at least 75% of the voting rights exercised on the resolution for it to be approved.

Special Resolution Number 1 is conditional upon the approval of Ordinary Resolution Number 1, Ordinary Resolution Number 2, Ordinary Resolution Number 3, Ordinary Resolution Number 4 and Ordinary Resolution Number 5.

#### **EXPLANATORY NOTE TO SPECIAL RESOLUTION NUMBER 1**

Section 41(3) of the Companies Act requires a special resolution to approve the issue of shares in a transaction, or a series of integrated transactions, if the voting power of the class of shares that are issued or issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% of the voting power of all the shares of that class held by shareholders immediately before the transaction or series of transactions.

#### **ORDINARY RESOLUTION NUMBER 1 – THE SPECIFIC ISSUE OF THE SPECIFIC ISSUE SHARES**

**“RESOLVED THAT**, subject to the approval of Special Resolution Number 1, Ordinary Resolution Number 2, Ordinary Resolution Number 3, Ordinary Resolution Number 4 and Ordinary Resolution Number 5, in terms of the JSE Limited

Listings Requirements, the Company is authorised to issue 641,840,797 SacOil Shares of no par value in the Company to Westglamry Limited (as a nominee of Gairloch Limited) at a price of R0.27 per share and 241,608,347 SacOil Shares of no par value in the Company to Newdel Holdings Limited (as a nominee of Gairloch Limited) at a price of R0.27 per SacOil share, as envisaged in the Gairloch Subscription Agreement.”

#### **NOTE TO ORDINARY RESOLUTION NUMBER 1**

In terms of the JSE Limited Listings Requirements, this resolution must be supported by more than 75% of the voting rights exercised on the resolution for it to be approved.

Ordinary Resolution Number 1 is conditional upon the approval of Special Resolution Number 1, Ordinary Resolution Number 2, Ordinary Resolution Number 3, Ordinary Resolution Number 4 and Ordinary Resolution Number 5.

#### **EXPLANATORY NOTE TO ORDINARY RESOLUTION NUMBER 1**

The adoption of this ordinary resolution will authorise the Company to issue 641,840,797 SacOil Shares to Westglamry Limited (as a nominee of Gairloch Limited) for R173,297,015 at the issue price of R0.27 per SacOil Share and 241,608,347 SacOil Shares to Newdel Holdings Limited (as a nominee of Gairloch Limited) for R65,234,254 at the Issue Price of R0.27 per SacOil Share in settlement of the Gairloch Loans.

#### **ORDINARY RESOLUTION NUMBER 2 – THE ISSUE OF THE RIGHTS OFFER SHARES**

“**RESOLVED THAT**, subject to the approval of Special Resolution Number 1, Ordinary Resolution Number 1, Ordinary Resolution Number 3, Ordinary Resolution Number 4 and Ordinary Resolution Number 5, and subject to the fulfilment or waiver of the conditions precedent to the Gairloch Subscription Agreement within the time period stipulated in the Gairloch Subscription Agreement, the authorised but unissued ordinary shares of the Company be and are hereby placed under the control of the Directors (to the extent that this is necessary in terms of the Memorandum of Incorporation of the Company) and the Directors be and are hereby authorised to allot and issue such number of ordinary shares in the authorised but unissued share capital of the Company as are required pursuant to and for the purposes of the Rights Offer. Such authority will include the authority to allot and issue any ordinary shares in the authorised but unissued share capital of the Company to any underwriter(s) of the Rights Offer (whether or not any such underwriter is a related party to SacOil (as defined for the purposes of the Listings Requirements) and/or person falling within the ambit of section 41(1) of the Companies Act, being a director, future director, prescribed officer or future prescribed officer of the Company, or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company or a nominee of any of the foregoing persons).”

#### **NOTE TO ORDINARY RESOLUTION NUMBER 2**

In terms of clause 3.1(5) of the Memorandum of Incorporation the issue of the Rights Offer Shares is subject to the prior approval of the SacOil Shareholders by ordinary resolution.

In terms of the Companies Act, this resolution must be supported by more than 50% of the voting rights exercised on the resolution for it to be approved.

Ordinary Resolution Number 2 is conditional upon the approval of Special Resolution Number 1, Ordinary Resolution Number 1, Ordinary Resolution Number 3, Ordinary Resolution Number 4 and Ordinary Resolution Number 5.

#### **EXPLANATORY NOTE TO ORDINARY RESOLUTION NUMBER 2**

The adoption of this ordinary resolution will authorise the Company to issue the Rights Offer Shares to the SacOil Shareholders pursuant to the Rights Offer.

#### **ORDINARY RESOLUTION NUMBER 3 – THE APPOINTMENT OF MR DANLADI VERHEIJEN AS A NON-EXECUTIVE DIRECTOR OF SACOIL**

“**RESOLVED THAT**, subject to the approval of Special Resolution Number 1, Ordinary Resolution Number 1, Ordinary Resolution Number 2, Ordinary Resolution Number 4 and Ordinary Resolution Number 5, subject to the Specific Issue occurring prior to the Long-Stop Date, in terms of section 68 of the Companies Act, Mr Danladi Verheijen is hereby appointed as a Director of the Company with effect from the date of the Specific Issue.”

#### **NOTE TO ORDINARY RESOLUTION NUMBER 3**

As part of the conditions precedent to the Gairloch Subscription Agreement detailed in paragraph 2.3 of this Circular, SacOil Shareholders are required to approve the appointment of each of the Gairloch Nominated Directors as Directors of the Company.



The adoption of this ordinary resolution and Ordinary Resolution Number 4 will allow SacOil to satisfy one of the conditions precedent of the Gairloch Subscription Agreement.

In terms of the Companies Act, this resolution must be supported by more than 50% of the voting rights exercised on the resolution for it to be approved.

Ordinary Resolution Number 3 is conditional upon the approval of Special Resolution Number 1, Ordinary Resolution Number 1, Ordinary Resolution Number 2, Ordinary Resolution Number 4 and Ordinary Resolution Number 5.

#### **EXPLANATORY NOTE TO ORDINARY RESOLUTION NUMBER 3**

The adoption of this ordinary resolution will result in the appointment of Mr Danladi Verheijen as a director of the Company.

#### **ORDINARY RESOLUTION NUMBER 4 – THE APPOINTMENT OF MS LOLA AKINLEYE AS A NON-EXECUTIVE DIRECTOR OF SACOIL**

**“RESOLVED THAT**, subject to the approval of Special Resolution Number 1, Ordinary Resolution Number 1, Ordinary Resolution Number 2, Ordinary Resolution Number 3 and Ordinary Resolution Number 5 and subject to the Specific Issue occurring prior to the Long-Stop Date, in terms of section 68 of the Companies Act, Ms Lola Akinleye is hereby appointed as a director of the Company with effect from the date of the Specific Issue.”

#### **NOTE TO ORDINARY RESOLUTION NUMBER 4**

As part of the conditions precedent to the Gairloch Subscription Agreement detailed in paragraph 2.3 of this Circular, SacOil Shareholders are required to approve the appointment of each of the Gairloch Nominated Directors as a director of the Company.

The adoption of this ordinary resolution and Ordinary Resolution Number 3 will allow SacOil to satisfy one of the conditions precedent of the Gairloch Subscription Agreement.

In terms of the Companies Act, this resolution must be supported by more than 50% of the voting rights exercised on the resolution for it to be approved.

Ordinary Resolution Number 4 is conditional upon the approval of Special Resolution Number 1, Ordinary Resolution Number 1, Ordinary Resolution Number 2, Ordinary Resolution Number 3 and Ordinary Resolution Number 5.

#### **EXPLANATORY NOTE TO ORDINARY RESOLUTION NUMBER 4**

The adoption of this ordinary resolution will result in the appointment of Ms Lola Akinleye as a director of the Company.

#### **ORDINARY RESOLUTION NUMBER 5 – THE WHITEWASH RESOLUTION**

**“RESOLVED THAT**, in the event that pursuant to the Specific Issue and the Rights Offer, PIC is able to exercise at least 35% of all of the voting rights attached to securities of SacOil, the benefit of a mandatory offer from PIC in terms of section 123(3) of the Companies Act to acquire any remaining securities of SacOil on terms determined in accordance with the Act and the Takeover Regulations, be and is hereby irrevocably waived as contemplated in the Regulation 86(4) of the Companies Regulations.”

#### **NOTE TO ORDINARY RESOLUTION NUMBER 5**

In terms of the Companies Act and the Companies Regulations, this resolution must be supported by the independent holders of more than 50% of the general voting rights of all issued securities of SacOil for it to be approved, PIC will not be permitted to vote on the resolution.

#### **EXPLANATORY NOTE TO ORDINARY RESOLUTION NUMBER 5**

Section 123(3) of the Companies Act provides that, in the event that pursuant to the acquisition of a beneficial interest in voting rights attached to securities of a company, a person is able to exercise at least 35% of all of the voting rights attached to securities of that company, the person is required to offer to acquire any remaining securities of that company on terms determined in accordance with the Act and the Takeover Regulations. Regulation 86(4) provides that a transaction is exempt from the obligation to make a mandatory offer if the independent holders of more than 50% of the general voting rights of all issued securities of the company have agreed to waive the benefit of such a mandatory offer. The adoption of this resolution will give effect to a waiver of the right to receive a mandatory offer from PIC in the event that, pursuant to the Specific Issue and the Rights Offer, PIC is able to exercise at least 35% of all of the voting rights attached to securities of SacOil.



## **ORDINARY RESOLUTION NUMBER 6 – DIRECTORS’ AUTHORITY TO SIGN AND DO ALL SUCH THINGS AND TAKE SUCH FURTHER STEPS**

“**RESOLVED THAT**, subject to the passing of the aforementioned special and ordinary resolutions, any Director of the Company be and is hereby authorised and empowered to do all such things and to sign all documents including company forms and take all such actions as he/she considers necessary to give effect to and implement the aforementioned Resolutions which are proposed and passed at the General Meeting at which these Resolutions are proposed.”

### **NOTE TO ORDINARY RESOLUTION NUMBER 6**

In terms of the JSE Limited Listings Requirements and the Companies Act, this resolution must be supported by more than 50% of the voting rights exercised on the resolution for it to be approved.

### **EXPLANATORY NOTE TO ORDINARY RESOLUTION NUMBER 6**

The adoption of this ordinary resolution will authorise the Directors to sign and do all such things and to sign all documents including company forms and take all such actions as they consider necessary to give effect to and implement the aforementioned Resolutions.

### **Voting, proxies and electronic information**

- A SacOil Shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a Shareholder of the Company. For the convenience of Certificated Shareholders or SacOil Shareholders who have dematerialised their SacOil Shares with own-name registration, a form of proxy (*blue*) is attached hereto. Duly completed forms of proxy must be lodged at the Transfer Secretaries at the address below by no later than 10:00 on Thursday, 5 December 2013 (or 24 hours before any adjourned General Meeting which date, if necessary, will be notified in the press and on SENS).
- SacOil Shareholders who have dematerialised their SacOil Shares and have not selected own-name registration must advise their CSDP or broker of their voting instructions should they be unable to attend the General Meeting but wish to be represented thereat. Dematerialised Shareholders without own-name registration should contact their CSDP or broker with regard to the cut-off time for their voting instructions. If, however, such members wish to attend the General Meeting in person, then they will need to request their CSDP or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between the Dematerialised Shareholder and their CSDP or broker.
- In terms of section 61(10) of the Companies Act, every shareholders’ meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders.
- SacOil Shareholders wishing to participate electronically in the General Meeting are required to deliver written notice to Fusion Corporate Secretarial Services Proprietary Limited by no later than 09:00 on Thursday, 5 December 2013 (marked for the attention of the company secretary, Melinda Gous) stating that they wish to participate via electronic communication at the General Meeting (“**Electronic Notice**”). In order for the Electronic Notice to be valid it must contain: (a) if the SacOil Shareholder is a natural person, a certified copy of their identity document, drivers licence and/or passport; (b) if the SacOil Shareholder is not a natural person, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents, drivers licences and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the General Meeting via electronic communication; (c) a valid email address and/or facsimile number (the “**Contact Address/Number**”) and (d) if the SacOil Shareholder wishes to vote via electronic communication, set out that the SacOil Shareholder wishes to vote via electronic communication. By no later than 24 hours prior to the General Meeting, the Company shall use its reasonable endeavours to notify a SacOil Shareholder at their Contact Address/Number who has delivered a valid Electronic Notice of the relevant details through which the SacOil Shareholder can participate via electronic communication.

#### **Hand deliveries of proxy forms to:**

Link Market Services South Africa Proprietary Limited  
13th Floor, Rennie House  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001

#### **Postal deliveries of proxy forms to:**

Link Market Services South Africa Proprietary Limited  
PO Box 4844  
Johannesburg, 2000

- The record date for the purpose of determining which SacOil Shareholders are entitled to participate in and vote at the General Meeting shall be Friday, 29 November 2013.
- Forms of proxy are to be received by no later than 10:00 on Thursday, 5 December 2013 (or 24 hours before any adjourned General Meeting which date, if necessary, will be notified on SENS and in the press).

By order of the Board

7 November 2013

**Registered office**

2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston, 2021  
(PostNet Suite 211, Private Bag X75, Bryanston, 2021)



## SACOIL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1993/000460/06)

JSE share code: SCL ISIN: ZAE000127460

AIM share code: SAC

### FORM OF PROXY

This form of proxy is for the use by SacOil Shareholders who hold Certificated SacOil Shares or who are registered as own-name in dematerialised form, only. SacOil Shareholders who have Dematerialised their SacOil Shares, other than with own-name registration, are requested to refer to the "Action required by SacOil Shareholders" provided on page 2 of this Circular to which this form of proxy is attached, for a full understanding of the action required by them.

For use by Certificated SacOil Shareholders and own-name dematerialised SacOil Shareholders, only, at the General Meeting of the Company to be held at 2nd Floor, the Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg on Friday, 6 December 2013, commencing at 10:00, or at any adjournment thereof.

Any SacOil Shareholders entitled to vote at the General Meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company.

I/we (full names in BLOCK LETTERS please)

of (address)

being the holder(s) of  SacOil Shares, do hereby appoint (see note 2):

1. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her,

3. the Chairman of the General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, Special Resolution Number 1 and Ordinary Resolution Numbers 1, 2, 3, 4, 5 and 6 to be proposed thereat and at any adjournment thereof; and to vote for and/or against Special Resolution Number 1 and Ordinary Resolution Numbers 1, 2, 3, 4, 5 and 6 and/or abstain from voting in respect of the SacOil Shares registered in my/our name(s), in accordance with the following instructions (see note 3):

Resolution	Number of SacOil Shares		
	For	Against	Abstain
<b>Special Resolution Number 1</b> Approval in terms of section 41(3) of the Companies Act for the issue of the Specific Issue Shares and the Rights Offer Shares			
<b>Ordinary Resolution Number 1</b> Approval in terms of the Listings Requirements for the Specific Issue of the Specific Issue Shares			
<b>Ordinary Resolution Number 2</b> Approval in terms of the Memorandum of Incorporation for the issue of the Rights Offer Shares			
<b>Ordinary Resolution Number 3</b> Approval of the appointment of Mr Danladi Verheijen as a non-executive Director of SacOil			
<b>Ordinary Resolution Number 4</b> Approval of the appointment of Ms Lola Akinyele as a non-executive Director of SacOil			
<b>Ordinary Resolution Number 5</b> Approval of the Whitewash Resolution			
<b>Ordinary Resolution Number 6</b> Approval of Directors' authority to sign and do all such things and take such further steps in order to give effect to the preceding Resolutions			

\*Note: Please indicate with an "X" or the number of SacOil Shares in the spaces above how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain in his/her discretion.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2013

Signature/s \_\_\_\_\_

Name in BLOCK LETTERS (full name if signing in a representative capacity) \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

Please read the notes on the reverse side hereof.

**Notes:**

1. A SacOil Shareholder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the General Meeting". A proxy need not be a Shareholder of the Company. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A SacOil Shareholder is entitled to one vote on a show of hands and on a poll, a SacOil Shareholder is entitled to one vote for each SacOil Share held. A SacOil Shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the SacOil Shareholder in the appropriate box. Failure to comply with this 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 SacOil Shareholders' votes.
3. A vote given in terms of an instrument of proxy shall be valid in relation to the General Meeting notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the SacOil Shares in respect of which the vote is given, unless notice in writing of such death, revocation or transfer is received by the Transfer Secretaries, not less than 24 hours before the commencement of the General Meeting.
4. If a SacOil Shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any Resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the General Meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
5. 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.
6. The completion and lodging of this form of proxy will not preclude the relevant SacOil Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such SacOil Shareholder wish to do so.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company or unless this requirement is waived by the Chairman of the General Meeting.
8. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.
9. Where there are joint holders of SacOil Shares:
  - 9.1 any one holder may sign this form of proxy; or
  - 9.2 the vote(s) of the senior Shareholder (for that purpose seniority will be determined by the order in which the names of SacOil Shareholders appear in the Company's register of SacOil Shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint SacOil Shareholder(s).
10. Forms of proxy should be lodged with or mailed to Link Market Services:

<b>Hand deliveries of forms of proxy to:</b> Link Market Services South Africa Proprietary Limited 13th Floor, Rennie House 19 Ameshoff Street Braamfontein Johannesburg, 2001	<b>Postal deliveries of forms of proxy to:</b> Link Market Services South Africa Proprietary Limited PO Box 4844 Johannesburg, 2000
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to be received by no later than 10:00 on Thursday, 5 December 2013 (or 24 hours before any adjourned General Meeting which date, if necessary, will be notified in the press and on SENS).
11. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory/ies.



