SUMMARISED AUDITED RESULTS

FOR THE YEAR ENDED 28 FEBRUARY 2014

SacOil

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

Highlights:

- Board and subcommittees reconstituted
- Lifting of JSE and AIM suspension
- R336.6 million raised through Rights Issue
- R238.5 million Gairloch loans converted to equity
- Company is debt free
- New shareholder structure
- Acquisition of three exploration licences in Botswana
- Commencement of OPL 233 3D seismic survey
- Signing of OPL 281 Production-sharing Contract
- Signing of a Memorandum of Understanding to pursue gas opportunities in Mozambique
- Appointment of new Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2014 R	2013 R
Other income		47 350 527	123 222 360
Other operating costs		(100 247 072)	(175 626 093)
Loss from operations		(52 896 545)	(52 403 733)
Investment income		130 555 693	46 940 839
Finance costs		(12 931 875)	(23 837 213)
Profit/(loss) before taxation		64 727 273	(29 300 107)
Taxation		(55 212 656)	(40 785 309)
Profit/(loss) for the year		9 514 617	(70 085 416)
Discontinued operation			
Loss from discontinued operation		–	(1 526 959)
Profit/(loss) for the year		9 514 617	(71 612 375)
Other comprehensive loss:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Release of revaluation reserve on impairment of property, plant and equipment		–	(1 045 359)
Items that may be reclassified to profit or loss in subsequent periods:		–	–
Other comprehensive loss for the year, net of taxation		–	(1 045 359)
Total comprehensive income/(loss) for the year		9 514 617	(72 657 734)
Profit/(loss) attributable to:			
Equity holders of the parent		19 594 296	(55 627 404)
Non-controlling interest		(10 079 679)	(15 984 971)
Profit/(loss) for the year		9 514 617	(71 612 375)
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		19 594 296	(56 672 763)
Non-controlling interest		(10 079 679)	(15 984 971)
Total comprehensive income/(loss) for the year		9 514 617	(72 657 734)
Earnings/(loss) per share			
Basic (cents)	4	1.37	(6.10)
Diluted (cents)	4	1.36	(6.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2014 R	2013 R
ASSETS			
Non-current assets			
Property, plant and equipment		247 207	317 008
Exploration and evaluation assets		266 809 536	162 859 167
Other intangible assets		175 476	161 760
Other financial assets		433 344 048	371 719 195
Total non-current assets		700 576 267	535 057 130
Current assets			
Other financial assets		222 542 359	84 803 036
Trade and other receivables		649 764	3 665 149
Cash and cash equivalents		381 579 766	94 032 416
Total current assets		604 771 889	182 500 601
Total assets		1 305 348 156	717 557 731
EQUITY AND LIABILITIES			
Shareholders' equity			
Stated capital	6	1 109 977 054	534 172 123
Reserves		6 001 847	26 681 469
Accumulated loss		(179 426 156)	(219 700 074)
Equity attributable to equity holders of parent		936 552 745	341 153 518
Non-controlling interest		12 218 476	22 298 155
Total shareholders' equity		948 771 221	363 451 673
Liabilities			
Non-current liabilities			
Deferred tax liability		92 498 394	72 588 101
Total non-current liabilities		92 498 394	72 588 101
Current liabilities			
Other financial liabilities		74 167 311	175 574 827
Current tax payable		176 856 253	93 962 655
Trade and other payables		13 054 977	11 980 475
Total current liabilities		264 078 541	281 517 957
Total liabilities		356 576 935	354 106 058
Total equity and liabilities		1 305 348 156	717 557 731
Number of shares in issue		3 086 169 261	953 340 791
Net asset value per share (cents)		30.74	38.12
Net tangible asset value per share (cents)		22.10	21.04

CONSOLIDATED STATEMENT OF CASH FLOWS

	2014 R	2013 R
Cash flows from operating activities		
Cash used in operations	(39 133 285)	(24 692 023)
Interest income	889 724	843 988
Finance costs	(1 324 143)	–
Tax received/(paid)	32 404	(33 714)
Net cash used in operating activities	(39 535 300)	(23 881 749)
Cash flows from investing activities		
Purchase of property, plant and equipment	(71 426)	(8 200)
Purchase of exploration and evaluation assets	(63 026 602)	(8 478 078)
Purchase of other intangible assets	(86 956)	(184 869)
Sale of exploration and evaluation assets	–	75 997 000
Decrease/(increase) in loans and receivables	14 793 124	(68 190 699)
Net cash used in investing activities	(48 391 860)	(864 846)
Cash flows from financing activities		
Proceeds on share issue	337 273 662	–
Proceeds from other financial liabilities	18 670 494	150 617 203
Acquisition of non-controlling interest	–	(24 573 795)
Dividends paid to NCI	–	(24 573 794)
Net cash from financing activities	355 944 156	101 469 614
Total movement in cash and cash equivalents for the year	268 016 996	76 723 019
Foreign exchange gains on cash and cash equivalents	19 530 354	6 535 099
Cash and cash equivalents at the beginning of the year	94 032 416	10 774 298
Cash and cash equivalents at the end of the year	381 579 766	94 032 416

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital (Note 6) R	Revaluation reserve R	Share-based payment reserve R	Total reserves R	Accumulated loss R	Total equity attributable to equity holders of the parent R	Non-controlling interest ("NCI") R	Total equity R
Balance at 29 February 2012	486 184 423	1 810 947	27 932 584	29 743 531	(188 602 491)	327 325 463	109 943 833	437 269 296
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)
Total changes	47 987 700	(1 810 947)	(1 251 115)	(3 062 062)	(31 097 583)	13 828 055	(87 645 678)	(73 817 623)
Balance at 28 February 2013	534 172 123	–	26 681 469	26 681 469	(219 700 074)	341 153 518	22 298 155	363 451 673
Changes in equity:								
Profit/(loss) for the year	–	–	–	–	19 594 296	19 594 296	(10 079 679)	9 514 617
Total comprehensive income/(loss) for the year	–	–	–	–	19 594 296	19 594 296	(10 079 679)	9 514 617
Issue of shares	575 804 931	–	–	–	–	575 804 931	–	575 804 931
Share options lapsed	–	–	(20 679 622)	(20 679 622)	20 679 622	–	–	–
Total changes	575 804 931	–	(20 679 622)	(20 679 622)	40 273 918	595 399 227	(10 079 679)	585 319 548
Balance at 28 February 2014	1 109 977 054	–	6 001 847	6 001 847	(179 426 156)	936 552 745	12 218 476	948 771 221

OVERVIEW

The Group's income and financial assets are predominantly denominated in US Dollars. The weakening of the Rand, and the resulting increase in foreign exchange gains and foreign income receivable, significantly underpinned the financial results of the Group. In addition to the increase in income, the Group's operating costs decreased by 43% primarily due to a reduction in the impairment of the Group's financial assets. Consequently, for the year ended 28 February 2014, the Group reported a profit before taxation of R64.7 million (2013: loss of R29.3 million).

FINANCIAL PERFORMANCE

Other income

Other income comprises foreign exchange gains totalling R47.4 million (2013: R32.1 million) which arose on translation of the US Dollar denominated cash collateral, the contingent consideration receivable and loans advanced to Energy Equity Resources (Norway) Limited ("EERNL") and DIG Oil (Proprietary) Limited ("DIG").

In the prior financial year other income included profit of R71.7 million on disposal of exploration and evaluation assets, foreign exchange gains totalling R32.1 million, the break fee received from a third party of R7.9 million and various other income items totalling R11.5 million.

Other operating costs

The decrease in other operating costs is a combination of improved cost management given the liquidity challenges faced by the Group during the 2014 financial year and the reduction in the impairment of the Group's financial assets.

Investment income

Interest receivable from EERNL contributed R103.0 million (2013: R37.6 million) towards investment income. The Group's cash and cash equivalents generated interest income totalling R0.9 million (2013: R0.8 million). Interest accruing to the Group as a result of the unwinding of the time value discount applied to the Group's financial assets contributed a further R26.7 million (2013: R8.5 million). The Group's financial assets in this regard are the contingent consideration receivable, the advance payment against future services and the deferred consideration on disposal of the Greenhills Plant.

The increase in investment income is primarily attributable to the weakening of the Rand and default interest on the loan to EERNL at 2% per annum (compounded) from 1 June 2013, over and above the contractual interest rate of 30% per annum on loans advanced to EERNL. No additional loans were advanced to EERNL during the financial year under review.

Finance costs

The Group's finance costs for the year under review total R91.9 million (2013: R64.0 million). Finance costs totalling R40.9 million (2013: R35.1 million) incurred on specific borrowings from Gairloch Limited ("Gairloch") and the Public Investment Corporation (SOC) Limited ("PIC") have been capitalised to the OPL 233 exploration and evaluation ("E&E") asset, which is a qualifying asset in terms of IFRS. A further R38.1 million (2013: R5.1 million) is recoverable from EERNL under the terms of the loan agreement with EERNL and has been capitalised to the EERNL loan receivable. The remaining finance costs of R12.9 million (2013: R23.8 million) in the statement of comprehensive income include interest totalling R11.6 million (2013: R5.1 million) on Gairloch loans utilised for the Group's working capital requirements, and debt-raising fees and interest paid on the loan from the PIC totalling R0.8 million (2013: RNil). These loans were equity and cash settled in January 2014. Finance costs in the prior year also included R18.7 million relating to the discounting of financial assets.

The increase in finance costs is primarily attributable to the Gairloch loan which attracted interest for a period of seven months in the current year, relative to one month in the prior financial year. This loan was equity-settled in January 2014.

FINANCIAL POSITION

Exploration and evaluation assets

The Group invested R62.6 million (2013: R7.5 million) in OPL 233 for the seismic acquisition phase of the work programme. Furthermore, the Group capitalised R40.9 million (2013: R35.1 million) of borrowing costs attributable to specific Gairloch borrowings. The Group also acquired exploration licences in Botswana for R0.4 million (2013: R0.9 million acquisition of Malawi licence).

Other financial assets

The Group's other financial assets include the contingent consideration receivable from Total E&P RDC ("Total") pursuant to the farm-out of Block III, loans advanced to EERNL and DIG, the advance payment against future services and the deferred consideration on disposal of the Greenhills Plant.

Interest receivable for the year from EERNL increased other financial assets by R103.0 million (2013: R37.6 million). Interest on specific Gairloch borrowings also increased other financial assets by R38.1 million (2013: R5.1 million). This interest is recoverable from EERNL under the terms of the loan agreement. During the financial year under review, EERNL paid R13.8 million (2013: R25.8 million) towards the settlement of the loan outstanding. An impairment provision of R37.9 million (2013: RNil) relating to part of the short-term interest receivables off-sets these increases.

Foreign exchange gains contributed R105.4 million (2013: R25.1 million) to the increase in other financial assets. These gains arose on the translation of the US Dollar denominated contingent consideration receivable and the loans advanced to EERNL and DIG.

Interest arising from the unwinding of the time value discount applied to financial assets contributed R26.7 million (2013: R8.5 million) to the increase in other financial assets.

An impairment loss of R22.1 million (2013: R129.9 million) arising from the write-down of future expected cash flows from the contingent consideration receivable also off-set the increases noted above. The write-down was necessitated by a change in timelines affecting the receipt of the contingent consideration and is reflective of the time value of money.

Cash and cash equivalents

A Rights Offer that was undertaken to recapitalise the Company closed at the end of January 2014. Total cash of R336.6 million was raised representing 59% subscription to the Rights Offer. At 28 February 2014 cash and cash equivalents include R273.3 million of these funds after the settlement of the PIC loan (R47.9 million) and the Group's accumulated short-term liabilities (R15.4 million).

Cash and cash equivalents also include the historical OPL 233 performance bond cash collateral of R108.1 million (2013: R89.1 million) (US$10 million) which has been revalued by R19.0 million (2013: R6.5 million), net of interest income.

Total shareholders' equity

The Rights Offer proceeds noted above contributed R336.6 million towards the increase in equity. The equity settlement of the Gairloch loans contributed a further R238.5 million. SacOil also raised R0.7 million by way of a general issue for cash during the financial year under review.

The Group's profit for the year increased shareholders' equity by a further R9.5 million.

Deferred tax liability

Deferred tax arises from the estimated future contingent consideration receivable and various temporary differences on transactions of the Group. The increase in the contingent consideration by R40 million (2013: decrease of R81.8 million) resulted in a deferred tax change of R16 million (2013: credit of R32.7 million). A further charge of R3.9 million (2013: RNil) arose from the Group's transactions with connected parties and impairment provisions.

Other financial liabilities

The decrease in other financial liabilities reflects the equity settlement of the Gairloch loans totalling R238.5 million (2013: R129.0 million), off-set by increases in the amounts due to EERNL for its equivalent share of the cash collateral and Nigdel United Oil Company Limited ("Nigdel") for OPL 233 work programme costs. The amounts due to EERNL increased by foreign exchange losses totalling R9.7 million (2013: R3.3 million), reflective of the weakening of the Rand against the US Dollar. The amounts due to Nigdel increased by R17.9 million (2013: R2.4 million) representing SacOil's share of OPL 233 seismic costs at the reporting date.

Current tax payable

The Group experienced significant liquidity challenges during the 2014 financial year and was unable to settle foreign taxes payable. As a result taxes attributable to disposals by the Group of exploration and evaluation assets and the declaration of dividends in prior financial years remained outstanding and continued to accrue interest during the 2014 financial year. Interest on taxes outstanding amounts to R21.4 million (2013: R36.9 million). Foreign exchange losses total R47.5 million (2013: RNil). The foreign taxes are denominated in US Dollars.

The Group's current tax charge for the year is R14.0 million (2013: RNil). The Group's profit for the year was primarily driven by foreign exchange gains on transactions with non-connected parties and interest receivable from EERNL.

CASH FLOWS

Cash totalling R39.1 million (2013: R24.7 million) was used to fund the Group's working capital requirements, including but not limited to remuneration (R13.5 million), consulting fees (R2.1 million), legal fees (R1.9 million), corporate costs (R7.4 million), audit fees (R2.0 million), rentals (R1.1 million), travel and accommodation (R1.4 million), and broker fees (R0.9 million).

The Group's investment of R63.2 million in the Botswana licences, OPL 233 seismic costs, property, plant and equipment and intangible assets, off-set by the cash inflows from the Group's loans and receivables of R14.8 million (primarily the part payment of R13.8 million of the EERNL loan), resulted in net cash used in investing activities of R48.4 million (2013: R0.9 million).

The Rights Offer proceeds of R336.6 million, together with the increase in the amounts owed to Nigdel and EERNL, resulted in net cash from financial activities of R355.9 million (2013: R101.5 million).

CORPORATE INFORMATION

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Directors:
Roger Rees (Acting Chief Executive Officer), Tariro Mudzimuirema (Interim Finance Director), Tito Mboweni (Chairman)*, Mzuvukile Maqetuka*, Gontse Moseneke**, Stephanus Muller*, Vusumzi Pikoli*, Ignatius Sehoole**, Danladi Verheijen**, Titilola Akinleye**
* Independent Non-executive directors
** Non-executive directors

Advisers
Company Secretary:
Fusion Corporate Secretarial Services (Proprietary) Limited

Transfer Secretaries South Africa
Link Market Services South Africa (Proprietary) Limited

Transfer Secretaries United Kingdom
Computershare Investor Services (Jersey) Limited

Corporate Legal Advisers
Norton Rose Fullbright South Africa

Auditors
Ernst & Young Inc.

JSE Sponsor
Nedbank Capital, a division of Nedbank Limited

AIM Nominated Adviser
finnCap Limited

1 BASIS OF PREPARATION

The consolidated annual financial statements of the Group for the year ended 28 February 2014 have been prepared in accordance with the Group's accounting policies, which comply with the recognition and measurement criteria of International Financial Reporting Standards, and the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the Companies Act of South Africa (No. 71 of 2008, as amended). The accounting policies applied in the preparation of the results for the year ended 28 February 2014 are consistent with those adopted in the financial statements for the year ended 28 February 2013, except as noted below.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS – 12 Disclosure of Interests in Other Entities, IFRS 13 – Fair Value Measurement, and Presentation of other comprehensive income (Amendments to IAS 1). Application of these standards has not had a material impact on the measurement of assets and liabilities of the Group, but has resulted in additional disclosures.

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

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

2 AUDITOR'S REPORT

The Group annual financial statements are the responsibility of the directors of the Company. They have been prepared under the supervision of Tariro Mudzimuirema CA (SA). These financial statements have been audited by Ernst & Young Inc., the Group's auditors. The unqualified audit report includes an emphasis of matter paragraph, which refers to the directors' disclosure in note 9 which indicates conditions which give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The audit report is available for inspection at the Company's registered office and is available in the integrated annual report, which is available on the Company's website.

3 SEGMENTAL REPORTING

The Group operates in five 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, Botswana and Malawi. Operations in South Africa relate to the general management, financing and administration of the Group.

	Nigeria R	DRC R	Malawi R	Botswana R	South Africa R	Consolidated R
2014						
Other income	9 722 354	12 441 074	–	–	25 187 099	47 350 527
Investment income	872 310	20 499 497	–	–	109 183 886	130 555 693
Finance costs	–	–	–	–	(12 931 875)	(12 931 875)
Other operating expenses	(199 450)	(22 149 316)	–	(10 381)	(77 887 925)	(100 247 072)
Taxation	32 404	(37 378 904)	–	–	(17 866 156)	(55 212 656)
Profit/(loss) for the year	10 427 618	(26 587 649)	–	(10 381)	25 685 029	9 514 617
Segment assets						
– non-current	191 159 973	295 859 426	896 740	386 548	212 273 580	700 576 267
– current	108 144 436	38 929 675	–	–	457 697 778	604 771 889
Segment liabilities						
– non-current	–	(88 597 261)	–	–	(3 901 133)	(92 498 394)
– current	(53 973 973)	(136 593 804)	–	–	(73 510 764)	(264 078 541)
2013						
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)
Loss for the year	(868 525)	(66 901 445)	–	–	(2 315 446)	(70 085 416)
Loss from discontinued operation						(1 526 959)
Loss for the year						(71 612 375)
Segment assets						
– non-current	87 596 152	255 836 529	896 740	–	190 727 709	535 057 130
– current	89 139 856	58 510	–	–	93 302 235	182 500 601
Segment liabilities						
– non-current	–	(72 588 101)	–	–	–	(72 588 101)
– current	(44 199 000)	(75 592 235)	–	–	(161 726 722)	(281 517 957)

Business segments

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

4 EARNINGS/(LOSS) PER SHARE

	2014 R	2013 R
From continuing and discontinued operations		
Basic (cents)	1.37	(6.10)
Diluted (cents)	1.36	(6.09)
From discontinued operation		
Basic (cents)	–	(0.17)
Diluted (cents)	–	(0.17)
From continuing operations		
Basic (cents)	1.37	(5.93)
Diluted (cents)	1.36	(5.93)
Profit/(loss) for the year used in the calculation of the basic and diluted earnings/(loss) per share from continuing and discontinued operations	19 594 296	(55 627 404)
Loss from discontinued operation	–	1 526 959
Profit/(loss) used in the calculation of basic and diluted earnings/(loss) per share from continuing operations	19 594 296	(54 100 445)
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	1 435 074 830	912 157 573
Issued shares at the beginning of the reporting period	953 340 791	832 225 699
Effect of shares issued during the reporting period (weighted)	481 734 039	79 931 874
Add: Dilutive share options	1 618 673	540 006
Weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	1 436 693 503	912 697 579
Headline earnings/(loss) per share		
Basic (cents)	1.37	(8.10)
Diluted (cents)	1.36	(8.10)
Reconciliation of headline loss		
Profit/(loss) for the year from continuing and discontinued operations	19 594 296	(55 627 404)
Adjust for:		
Profit on sale of exploration and evaluation assets attributable to equity holders of the parent	–	(18 290 947)
Headline earnings/(loss)	19 594 296	(73 918 351)

5 FINANCIAL INSTRUMENTS BY CATEGORY

	Carrying value 2014 R	Carrying value 2013 R	Fair value 2014 R	Fair value 2013 R
Group				
Loans and receivables				
Other financial assets	655 886 407	456 522 231	589 512 367	456 522 231

6 STATED CAPITAL

Date	Issued to	Nature of issue	Number of shares	Stated capital
Balance at 1 March 2013			953 340 791	534 172 123
3 October 2013	N Gutta	General issue	2 777 777	691 244
29 January 2014	Various*	Specific issue	1 246 601 549	336 582 418
30 January 2014	Westglamry Limited	Specific issue	641 840 797	173 297 015
30 January 2014	Newdel Holdings Limited	Specific issue	241 608 347	65 234 254
Balance at 28 February 2014			3 086 169 261	1 109 977 054

** Shares issued to various shareholders under the terms of the Rights Offer that closed on 27 January 2014. 1 219 302 642 (98%) of these shares were issued to the Government Employees Pension Fund.*

7 COMMITMENTS AND CONTINGENT LIABILITIES

	R 2014	R 2013
Commitments		
Exploration and evaluation assets – work programme commitments – due within 12 months	130 425 256	221 242 262
Exploration and evaluation assets – work programme commitments – due within 13 to 48 months	642 206 667	243 379 394
	772 631 923	464 621 656
Exploration and evaluation commitments will be funded through a combination of debt and equity funding.		
Contingent liabilities		
Performance bond on OPL 233 issued by Ecobank in respect of OPL 233 exploration activities	161 841 000	132 597 000
Cost carry arrangement with Total	36 508 805	20 411 689
Farm-in and transaction fees on receipt of title to OPL 233	141 341 140	115 801 380
Farm-in and transaction fees on receipt of title to OPL 281	156 446 300	128 177 100
Total	496 137 245	396 987 169

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 cash collateral of R108.1 million (2013: R89.1 million) ($10 million). 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 production 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. At 28 February 2014 Total has incurred R36.5 million (2013: R20.4 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.

Farm-in and transaction fees

OPL 233

A farm-in fee of R114.3 million (2013: R93.7 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 OPL 233 to SacOil 233 Nigeria Limited. A transaction fee of R27.0 million (2013: R22.1 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 R129.4 million (2013: R106.1 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 OPL 281 to SacOil 281 Nigeria Limited. A transaction fee of R27.0 million (2013: R22.1 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.

8 DIVIDENDS

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

9 GOING CONCERN

The planned recapitalisation of the Company, as previously announced to shareholders, was completed in January 2014. The Company converted all the Gairloch loans into equity and is now debt free. Furthermore, the Company raised R336.6 million from the R570 million Rights Offer, which will enable the Group to fund its operations for the foreseeable future. Although the above transactions were a success a deficit of R90 million remains in the Group's projected cash flows to June 2015, which is indicative of part of the shortfall from the Rights Offer. To manage the Group's non-performance risk in funding its assets and commitments, management is in early-stage discussions with financial institutions regarding the raising of equity and debt funding to eliminate or manage the deficit. The likelihood of success of this initiative remains uncertain at this stage.

The cash flow projections to June 2015 also include cash inflows from EERNL totalling R189.8 million (US$17.9 million). The loan owed to SacOil remains overdue since 31 May 2013. EERNL has requested a further extension of the loan to July 2014 whilst it undergoes its own recapitalisation, which will enable it to settle in full the amounts owed to SacOil. It is difficult to determine with certainty the outcome of the planned recapitalisation and, consequently, the settlement of the loan owed to SacOil. The Board continues to assess the benefit of 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.

The above 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 Board remains reasonably confident that it will manage the material uncertainties that exist, as such the 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.

10 EVENTS AFTER THE REPORTING PERIOD

The following event took place from the period 1 March 2014 to the date of this report:

On 31 March 2014, the Company, the Public Investment Corporation (SOC) Limited ("PIC") and the Instituto De Gestão Das Participações Do Estado ("IGEPE") entered into a Memorandum of Understanding ("MoU") intended to regulate the relationship between the parties with regard to:

– assuring the supply of natural gas and energy security, and opening up and growing the industrial and domestic consumer market for natural gas across Mozambique;

– establishing joint venture companies to, inter alia, build an onshore natural gas central processing facility, a pipeline to link the gas fields in Mozambique with potential customers in southern Africa (referred to as the "African Renaissance Project" or "ARP") and to develop and grow the natural gas consumer market in South Africa and other Southern African Development Community member states for the supply and distribution of natural gas along the pipeline in Mozambique (referred to as "Gas for the People Project" or "GPP"); and

– establishing ancillary projects such as, but not limited to, a gas-to-liquid plant and a combined cycle gas power plant.

Importantly, both the ARP and GPP are long-term projects, and are subject to, amongst other matters, feasibility studies, front-end engineering design, detail engineering, market analysis, social impact studies, the conclusion of joint venture agreements by 30 July 2014 or such later date as agreed to in writing by the parties, and the raising of the funding required for the projects. The feasibility studies are subject to the approval of the Boards of directors of each of the PIC and SacOil and satisfaction of any other applicable approval processes of these parties.

On 10 March 2014, Transfer Holdings (Proprietary) Limited became a wholly-owned subsidiary of SacOil following the acquisition of a further thirty per cent (30%) interest.

On 2 May 2014 Transnational Corporation of Nigeria PLC ("Transcorp") and the Nigerian National Petroleum Corporation signed the Production-sharing Contract for OPL 281. Transcorp, as operator of OPL 281, will now proceed to prepare and lodge an application to seek the approval of the Nigerian Government for Transcorp to assign a 20% participating interest to SacOil's wholly-owned subsidiary, SacOil 281 Nigeria Limited.

By order of the Board

Roger Rees

Acting Chief Executive Officer

Johannesburg
28 May 2014