About this report

The integrated report of SacOil Holdings Limited (“SacOil” or “the Company”, together with its subsidiaries, “the Group”) aims to provide a comprehensive view of the business of the Group, for its stakeholders, giving a balanced and accurate assessment of the Group’s performance and prospects with reference to material financial, operational, strategic, social, governance, economic and environmental issues. This integrated report covers the financial year ended 28 February 2015.

The content of this integrated report is scoped and designed to be useful and relevant to our stakeholders, enabling them to evaluate the ability of SacOil to create and sustain stakeholder value. The reviews by the Chairman, Chief Executive Officer (“CEO”), Finance Director (“FD”) and Group Executive: Operations contained in this report offer a comprehensive, integrated and high-level overview of the Group’s performance and outlook.

Reporting principles and frameworks


Non-financial information: We consider international guidelines in compiling non-financial information, making reference to the JSE Listings Requirements, the Companies Act, King III and the IIRC’s International <IR> Framework. The Company’s listing on AIM consequently requires SacOil to also comply with the QCA Corporate Governance guidelines for AIM companies and the UK Corporate Governance Code.

Capitals of value creation

The International <IR> Framework has introduced the concept of reporting in the integrated report the six forms of capital of value creation for a company. These are classified as financial, manufactured, intellectual, human, social and relationship, and natural capitals. These capitals are underlying drivers of value for a business that can either increase, decrease or be transformed through the business activities of the Group. The Group’s reporting on these capitals is provided on pages 24 and 25 of this report.

Approval of the report by the Board of directors

This report was approved by the Board of directors of the Group and authorised for release on 11 August 2015. The Board and the Audit Committee, in its advisory capacity to the Board, have applied their minds to the report and believe that it addresses all material issues and presents fairly the integrated performance of the Group and the Company. The Board has considered and evaluated the material issues that would impact the preparation and presentation of this report and acknowledges its responsibility to ensure the integrity of the report, which it considers to be presented in accordance with the International <IR> Framework.

Content of the report and how we determine materiality

The content of the report is based on the Group’s assessment of materiality that has been determined on both a qualitative and quantitative basis. Material items are those which the Group considers to significantly impact its stakeholders in South Africa and the UK, and the countries in which it operates, and with the potential to significantly affect the Group’s ability to create sustainable stakeholder value.

The Group’s consultative process to identify and assess the materiality levels of its business, both from within the organisation and applicable to its external environment, is an ongoing process. The process will continue to evolve and develop as consultations continue and the nature of our business changes in line with our strategy. This will have a significant impact on the content of future integrated reports. Material issues identified so far from initial engagement with stakeholders are covered on page 33.
Improvements to the integrated report in 2015

In line with our strategy to ensure relevant and useful information is available to stakeholders, this report contains a number of enhancements when compared to previous reports.

The key changes are:

- a clearer definition of the Group’s strategy (page 20);
- the inclusion of our business model that better explains how the Group will operate and create stakeholder value (page 22);
- the addition of information on how the industry in which we operate works, including details on macroeconomic factors that impact our business (page 6);
- the inclusion of a section on how we measure the success of the Group (page 35);
- improved disclosure of the significant risks facing the Group (pages 27 to 29);
- the improvement of the stakeholder section of the report and the inclusion of material issues affecting our stakeholders (pages 30 to 33); and
- the enhancement of the governance section of the report (pages 60 to 70).

We hope that these improvements will aid our stakeholders in better understanding our performance for the year under review.

Combined assurance

The Board seeks to implement a combined assurance model with the aim of introducing an assurance process that aligns the assurance provided by management, the internal auditors, Grant Thornton, and external auditors, Ernst & Young Inc. (“EY”).

The Audit Committee, in terms of King III, is responsible for ensuring that the necessary assurance obtained by the Group is adequate and co-ordinated to address the necessary significant strategic risks faced by the Group.

The various assurance providers, including management, are functioning effectively to provide the necessary assurance. The combined assurance model to be implemented in the next financial year is intended to further improve and optimise the combined assurance obtained by the Group.

Feedback

We welcome any feedback on this report, as we strive to provide our stakeholders with better information. Please provide your feedback to investorrelations@sacoilholdings.com and we will consider this in our future integrated reports and communications with our stakeholders. You can also provide feedback on this report on our website, www.sacoilholdings.com, where you can also track the developments within the Group.

Forward-looking statement

The integrated report contains forward-looking statements that, unless otherwise indicated, reflect the Group’s expectations as at 28 February 2015. Actual results may differ materially from the Group’s expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason.

This report may contain forward-looking statements, including, but not limited to, statements as to the Group’s business, financial condition, liquidity, performance and prospects, and trends and developments in the markets in which the Group operates. Forward-looking statements include all statements other than statements of historical fact and in some cases may be identified by terms such as “targets”, “believes”, “expects”, “anticipates”, “estimates”, “aims”, “intends”, “will”, “may”, “would”, “could” or, in each case, their negative or comparable terms. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. A number of factors, which may be beyond the control of the Group, its affiliates, agents and advisers, could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements.
“With a strong financial position, experienced management team and no debt we have a competitive advantage in navigating our way towards profitability – even in a low oil price environment.”

Dr Thabo Kgogo, CEO
What was achieved in the current year

Our operations

- New strategy and business model aimed at expediting growth of the Group
- Acquisition of Lagia, a low-cost producing and development asset in Egypt
- Progress on the Mozambican pipeline project
- Further rationalisation of the Group’s portfolio of assets through the exit from OPL 233 and OPL 281 in Nigeria

Our financial performance

- Loss after tax of R277.0 million (2014: profit after tax of R9.5 million) due to the restructuring of the Group’s portfolio of assets and loans owed to the Group
- Cash balance of R229.4 million (2014: R381.6 million) and no debt (2014: RNil)
- Capital commitments reduced by R1.2 billion to ensure a sustainable business
- Going concern uncertainty resolved

Resource and reserves

<table>
<thead>
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Portfolio of assets

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</table>

Ratio of capital commitments covered by cash

- Cash balances
- Capital commitments
- Percentage of capital commitment covered by cash balances

Our governance and sustainability

- Policies, procedures and systems in place to create a foundation for growth
- Sustainability systems and processes further developed
- Enterprise Risk Management system being developed

Our people

- Operational staff added to the Group in Egypt
- Staff increased from 10 to 36 located in two countries
- New CEO, FD and Group Executive: Operations appointed during the year
- Strong Board of directors in place to guide the growth of the Group
- Employee value proposition improved
About our business

Who we are

SacOil is a South African based independent African oil and gas company and its shares are dual listed on the JSE and AIM. Our focus as a Group is on delivering energy for the African continent by using Africa’s own resources to meet the significant growth in demand expected over the next decade.

Our overarching focus is on ensuring that we operate in a safe and sustainable manner for the benefit of our stakeholders. Our approach is built on respect for the environment and society as a whole, whilst collaborating with our stakeholders. We depend upon deploying innovative technology and operational processes to ensure excellence in our expanding operations. Our values underpin everything we do and ensure that we grow our business in a responsible and sustainable manner into the future.

Our values

Respect
We respect all our stakeholders and value their contribution to our continued business success. We will at all times act with the necessary integrity and remain respectful of the interests of others. As a Group we recognise and respect the rights of individuals and communities to live free from social, economic and political discrimination.

Empowerment
We are committed to the empowerment of our people through our investment in their ongoing development as well as ensuring broad-based socio-economic progress and transformation through our business activities.

Collaboration
We are committed to building collaborative relationships that are mutually beneficial to all our stakeholders. We will therefore engage in partnerships that constructively advance the interests of our stakeholders which include our shareholders, employees, government and the communities in which we operate.
“Our values are the foundation of how we do business and interact with others. We will vigorously guard against any actions that could compromise our agreed values.”

Advocate Vusumzi Pikoli, Chairman: Social, Ethics and Risk Committee
What we do

The Group historically focused on exploration and appraisal opportunities only. The Group is committed to playing a leading role in securing Africa’s energy needs to meet the growing demand expected on the continent over the next decades. The Group has therefore expanded its focus to include development and production activities, energy infrastructure and selected downstream opportunities that will meet the demand for products to support the proliferating needs of the continent. The oil and gas sector is expected to play a significant role in meeting the energy needs of Africa.

The Group is committed to investing in the potential of Africa’s indigenous assets and presents an excellent investment vehicle for both private and institutional investors whose interests are aligned with the Group’s vision and mission.

Overview of the upstream process
The international best practice of a staged development process applicable to oil and gas exploration and development is endorsed and applied by the Group. At the end of each stage in the process, the Board is required to assess the viability of the asset and whether there is significant economic benefit to the Group to justify continuing to the next stage of the project. In the event that the size and quality of the hydrocarbons at any stage are not adequate to be commercially viable, then the installed facilities will be decommissioned and the wells abandoned.

**Exploration**
Prior to any activities commencing on a project the Group will firstly be required to secure an exploration licence from the government or regulatory body to commence exploration activities. The licence conditions will include a workplan as agreed with government for the exploration phase.

During this stage of the upstream activities the aim is to discover commercial hydrocarbons in prospective subsurface structures in order to demonstrate the viability of the asset. Exploration activities include:

- acquiring seismic and other geophysical data to image the subsurface;
- developing and understanding the subsurface geology;
- using this understanding to predict where oil and gas might be trapped; and
- identifying targets for exploration and then drilling one or more exploration wells to determine the presence of hydrocarbons.

**Exploration tools used:**
- Satellite, gravity – magnetic and seismic data acquisition
- Processing and interpretation
- Geological evaluation and modelling
- Well data evaluation, including petrophysics and core studies
- Expert knowledge and integration

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**Oil and gas upstream process**

<table>
<thead>
<tr>
<th>Exploration</th>
<th>Appraisal and Development</th>
<th>Production</th>
<th>Decommissioning and Abandonment</th>
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<td>Exploration</td>
<td>Appraisal</td>
<td>Production profile</td>
<td>Field abandonment</td>
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<tr>
<td></td>
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<td>Restored site</td>
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</tbody>
</table>
Appraisal and development

**Appraisal**

Following the decision by a company to progress to the appraisal stage, the post-exploration processing, analysis and interpretation will be undertaken and applied in static and dynamic models. One or more appraisal wells might be required to firm up the discovery of hydrocarbons.

During this stage, the production and facility plans will be prepared before starting the development stage of the field development.

**Development**

Pre-production development activities include drilling development wells, constructing facilities, and commissioning and preparing for production.

Typical processes during the appraisal and development stage are outlined below:

- once a discovery is made the field size is defined;
- the reservoir is characterised to optimise the development plan;
- a plan of how to best get oil and gas out of the reservoir is defined; and
- a field development plan is prepared for approval.

The development plan will be subject to government approval. During this process a company will assess the impact of the development plans on the environment and communities to ensure a sustainable development plan.

**Production**

The production phase is when the field development has been completed and the “first oil” is produced from the field. The operator of the field will assess various production technologies and processes to recover the oil and gas that could optimise the recovery rates from the field and thereby increase production. This includes enhanced methods to recover the hydrocarbons.

Decommissioning and abandonment

Decommissioning of the field to its natural state is the final process in the life of a field and marks the end of commercial production. The site restoration is intended to remove the wells and installed facilities safely and economically in order to comply with local laws, international conventions and Group policy. This ensures that there is no harm to the environment after the production phase.

**Cash flow profile for upstream developments**

Upstream project development is a costly process required to produce hydrocarbons to meet the world’s energy demands. The cash flows during the exploration phase are significant and increase exponentially when the appraisal and development phases are undertaken on a project. The process to achieve production and thereby generate revenue on a project can take over 10 years. In order to go into production there needs to be commercially viable quantities and production volumes of hydrocarbons from the field to generate a sufficient return from a project.

Upstream developments can take place either onshore or offshore; however, offshore fields tend to be more costly due to the drilling rigs and facilities that will be required to exploit the hydrocarbons. International oil majors have in more recent times focused on offshore fields, where the improvements in technology have made it easier to exploit these vast resources.

The mapping of our existing portfolio of assets on the project stage life cycle is shown in the African Footprint section on page 8. Due to the long time period required to advance to production, the Group in terms of its new strategy, is focused on fast tracking its portfolio to secure low-cost, near-term production assets or producing assets. This will enhance the Group’s ability to generate revenue that could be used to develop existing and new exploration and appraisal assets.

**Cash flow and production profile of upstream assets**

![Cash flow and production profile of upstream assets](image-url)
What is happening in the industry

Economic overview
The global economic recovery continued to be fragile in 2014, with mixed signals that make growth uncertain in 2015/2016. The upturn in the global economy in 2014 was driven predominantly by the US where a strong boost in gross domestic product ("GDP") was achieved (2.5% year on year). The impact on overall growth was moderated by the weaknesses in the European economies which continued to struggle to gain meaningful momentum due to certain key sectors stalling. In addition, the Chinese economy saw its growth rates coming under pressure, thereby requiring the central government to make some significant interventions to support its economy. It could take some time before the effects thereof are visible in the economic growth measures.

In Africa, countries continue to show strong growth, with the International Monetary Fund ("IMF") expecting Africa’s economy to appreciate by 5.8% in 2015 – which should be supported by infrastructure investments and better efficiency in the service and agriculture sectors. This upsurge will remain fragile due to significant challenges that need to be addressed to ensure that economic progress continues in 2016. The recovery of the Chinese and other developed economies, which are critical destinations for African commodities, remains crucial for African economic growth. The largest oil-producing countries in Africa, Angola and Nigeria, will see expansion strained due to the significant drop in oil and gas prices. The strength of the US Dollar will continue to put pressure on growth rates of African countries, as this has resulted in the significant depreciation of these currencies. The fiscal policies and interventions from African governments required to support economic growth will have to be balanced against social agendas to ensure the upliftment of populations and the enhancement of political stability.

South Africa has seen the return of loadshedding, which has placed significant strain on economic advancement. The need for independent power producers to help Eskom meet the country’s energy requirements is now more critical to avoid stalling the economy and hindering the government’s objective to strengthen the economy to aid transformation of society and maintain political stability.

Geopolitical overview
Global geopolitical issues experienced during the past year will continue to challenge the world community, especially the continuation of the Russian-Ukrainian conflict and continued tension in the Middle East – which is the world’s largest oil and gas-producing region. Conflict in Yemen, Syria, Gaza and the re-emergence of the Iraq/Iran struggle are also matters of concern.

Africa has seen a peaceful election in Nigeria, Africa’s largest economy, which should support a positive global view of Africa, whilst in Egypt the new government has shown a strong commitment to attracting foreign investment to support economic development. Mozambique has also seen the completion of its election during the financial year and a strong government was appointed to support the growth of the economy. These developments enhance the perception of geopolitical stability within the continent and indicate that the continent is moving in the right direction. There, however, still remain some existing threats to the continent’s progress in various regions.

Oil prices
The unexpected drop in Brent crude prices has created a major setback for the oil and gas industry. Prices in the first half of the financial year were between $99 and $115 per barrel, whilst the second half of the year saw a substantial decline, dragging the oil price to its lowest level since 2009 of $48 per barrel in January 2015. The oil price rebounded to $61 per barrel at 28 February 2015. The unexpected slump since June 2014 can be attributed to sluggish global demand, rising production from the US and OPEC’s strategy to maintain prices at lower levels by not reducing its global production levels to enable it to compete for market share. Sluggish growth, as explained in the economic overview, has also driven the oil prices lower due to decreased demand. It should also be noted that the decline in prices was against the backdrop of the significant geopolitical tension that exists in the world, which would normally have driven prices higher.

The consensus is that it will take some time before the oil price reaches the $100/bbl mark seen before the decline in prices.

Crude oil price history

Oil prices have recently recovered some of the lost ground. However, the consensus is that it will take some time before the oil price reaches the $100/bbl mark seen before the decline in prices. Consensus is that an oil price of $80/bbl is expected to be the future trading price at the end of the next 18 months. The turmoil created by the price decrease within the industry could therefore continue to hamper industry investment. One thing that is certain from the unexpected oil price drop, is that predicting the future oil price is now more difficult than ever before.
Competitive landscape of the oil and gas industry

The sharp fall in oil prices saw many oil companies reviewing their portfolios and cutting capital expenditure, particularly in exploration. The M&A market was also very quiet throughout the year. Slight recovery is expected in this market due to certain companies coming under pressure to exit marginal fields and to withdraw from certain licences.

SacOil has managed to restructure its portfolio of assets and accordingly exited its interests in OPL 281 and OPL 233 in Nigeria. The Egyptian acquisition was a new country of entry for the Group in 2014, where it acquired a producing and development asset with development opportunity to increase the reserves and production from the existing acreage.

Management continues to evaluate other low-cost producing and development opportunities across the continent that could be added to the existing portfolio of assets.

African upstream potential

The past decade has seen a surge in interest by investors in relatively underexplored oil and gas opportunities in Africa. This increased interest has been stimulated by significant frontier discoveries ranging across west, east and sub-Saharan Africa. BP envisages that Africa will experience the world’s fastest regional energy demand growth – driven by urbanisation, rising populations and strong GDP growth.

Africa also remains a significant exporter of energy. Growth projections of production and demand over the next 20 years are illustrated in the two graphs below:

**African oil and gas production**

- Energy production is expected to grow by 46% and will remain dominated by oil. Oil’s share, however, is expected to shrink from 54% today to 38% in 2035, with natural gas rising to 35% from 24% today.
- The increase in combined oil and gas production in Africa between today and 2035 is expected to be greater than in any of the BRIC countries.
- Africa currently exports a significant amount of its energy production (48%), but growing domestic demand is expected to reduce this ratio to 33% by 2035.
- Nevertheless, the region remains an important source of global oil and natural gas supply, and is expected to account for 9% of global oil and 9% of natural gas production in 2035 based on current projections.
- Africa is expected to remain an important exporter of natural gas, responsible for 23% of interregional exports in 2035. Projections also indicate that Africa will account for 8% of interregional oil exports as well.

**African demand by sector**

- By 2035 Africa is expected to account for 21% (1.8 billion) of the world’s population compared to 16% today. The region also accounts for 44% of the current increase in the global population.
- Africa’s energy demand is projected to grow by 88% between today and 2035, much faster than the global average of 37%. However, African demand accounts for just 4% of the global total.
- Fossil fuels account for 87% of the projected demand in 2035, with natural gas (+101%), oil (+66%) and coal (+64%) all expanding.
- Oil remains the dominant fuel accounting for 37% of energy demand, followed by gas (29%) and coal (20%).
- By sector, ongoing urbanisation and electrification means energy demand in power generation is expected to grow the fastest, expanding by a projected 115% and accounting for 46% of the energy demand in 2035.

Source: BP Energy Outlook 2035.

* Million Tonnes of Oil Equivalent.
Our African footprint
as at 28 February 2015

The Group holds a portfolio of assets in the oil and gas industry which includes interests in Egypt, Malawi, the DRC and Botswana, and is committed to building a balanced portfolio of upstream assets in Africa. Prior to its exit from OPL 281 and OPL 233 the Group also held interests in Nigeria. The Group is also partnering with the Public Investment Corporation SOC Limited (“PIC”) and the Instituto de Gestão das Participações do Estado (“IGEPE”) on a project that entails the construction of a gas pipeline from Mozambique to South Africa and the distribution and marketing of gas in southern Africa.

SacOil, given its strategic focus, is ideally positioned to unlock identified opportunities and to deliver value to its stakeholders given management’s intimate knowledge and experience of doing business in Africa. SacOil’s experienced Board and the executive management team have proven expertise in African oil and gas exploration, development and production, project management and finance.

“There are significant opportunities across the African continent that we will vigorously pursue to extend our footprint into some of the continent’s most prolific basins.”

Willem de Meyer, Group Executive: Strategy and Business Development

* The Group terminated its participation in OPL 233 on 19 May 2015.
Overview
- Operator: PetroSinai
- Group company holding interest: Mena International Petroleum Company Limited (“Mena”) – 100%
- Size: 32 square kilometres
- Partners: None

1 PetroSinai is a company established by Mena and the Egyptian General Petroleum Corporation (“EGPC”) to operate the Lagia Oil Field, in accordance with Egyptian Law 11 of 1997.

Location
Onshore block located on the Sinai Peninsula, Egypt, directly adjacent to the Gulf of Suez.

Nearest town: Ras Sudr

Geological features: Extensional rift system. The Gulf of Suez is a Tertiary graben separating the central Sinai massif from the Eastern Desert. The basin is dominated by northwest-southeast trending faults. The producing Nukhul formation is lower Miocene in age and unconformably overlies the Eocene Thebes formation. In the Lagia Oil Field, the Nukhul formation consists of five sandstone lobs interbedded with mudstones. These zones are typically fine to medium grained and cemented with calcareous cement.

Rights
The Lagia Development Lease was granted to Mena in 2010. Mena became a wholly-owned subsidiary of SacOil on 22 October 2014 (“Acquisition Date") through the acquisition of all outstanding shares.

Licence period: 2010 to June 2020, with a renewal option until 2025.

Environmental management
Permits were obtained from EGPC for drilling all existing production wells. There is a reasonable basis to believe that all permits required to drill future wells will be obtained.

Material environmental risk factors
- Uncontrolled release of well fluids (mixture of oil and water)
- Release of natural gas into the atmosphere
- Produced oil contains no dissolved gas and there is currently no associated gas production

Primary activity
Development of the Lagia Oil Field and production of oil from the field.

Studies undertaken: Interpretation of existing 2D seismic data and analysis of all geophysical well log data.

Expenditure to date: R7.3 million (since Acquisition Date)

Resource overview
A number of wells have been drilled between the years 1949 to 2012 that have identified the Lagia heavy oil. Three producing oil fields, Sudr, Matarma and Asl are located as close as 26 km to the north of the Lagia Oil Field.

Production sharing for the Lagia Development Lease is governed by the terms of the Lagia Concession whereby 35% of net production is treated as cost oil or cost gas, as applicable, and is available to be used by Mena for the recovery of qualified costs, expenses and expenditures incurred in respect of exploration, development and related operations. If the proportion of net production allocated for cost recovery exceeds costs available for recovery, EGPC is entitled to receive a proportion of this excess cost oil or cost gas in accordance with the share allocated for profit oil or profit gas outlined in the paragraph below.

Of the net production from the Lagia Development Lease 65% must be shared between Mena and EGPC as profit oil or profit gas, as applicable. EGPC must pay Mena’s share of income taxes out of its share of profit oil and profit gas. With respect to oil, net production must be shared according to a sliding scale based on average daily production. Mena is entitled to receive:
- 26% of profit oil up to 5 000 bbl/d;
- 24% of profit oil between 5 000 bbl/d and 10 000 bbl/d;
• 22% of profit oil between 10 000 bbl/d and 20 000 bbl/d;
• 19% of profit oil between 20 000 bbl/d and 40 000 bbl/d;
• 17% of profit oil between 40 000 bbl/d and 50 000 bbl/d;
• 15% of profit oil in excess of 50 000 bbl/d.

With respect to natural gas, Mena is entitled to receive 25% of profit gas regardless of the level of production.

Currently, all oil sales are made to EGPC at a discount which varies depending on the quality of the oil. Mena is, however, permitted to negotiate sales contracts for its share of production directly with purchasers, subject to the preferential right of EGPC to purchase all or a portion of Mena’s share of production for domestic use. In the event that EGPC elects to exercise such right, the price of any oil production purchased for domestic use will be determined by the weighted average arm’s length price for production received by Mena and EGPC during the previous quarter. For natural gas the price is determined by a formula based on the monthly average spot price for the Gulf of Suez crude oil blend, adjusted for natural gas.

Portions of the land covered by the Lagia Development Lease are assessed every two years to relinquish non-productive or non-participating blocks.

**Summary of oil reserves**

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<tr>
<td>Total Proven plus</td>
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<td>Probable plus</td>
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<tr>
<td>Possible (3P)</td>
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</tbody>
</table>

*Gross is before production share taken by EGPC and net is the total due to the subsidiary, Mena.

**Development status**

PetroSinai successfully started production operations in the Lagia Oil Field in 2012, with the following results to date:

• Lagia 6 – drilled in 2000, was re-entered and perforated in the Nukhul formation
• Lagia 7 – drilled in 2000, was re-entered and perforated in the Nukhul formation
• Lagia 8 – the first in a three-well drilling programme in 2012, was successfully drilled to a depth of 396 metres
• Lagia 9 – successfully drilled to a depth of 370 metres and hydraulically stimulated
• Lagia 10 – completed to a depth of 422 metres

These latter three wells were also placed on test production.

Subsequent to SacOil’s acquisition of Lagia we successfully performed a hydraulic stimulation project on all five wells and placed all five wells on test production. The wells have been prepared for thermal recovery and are awaiting the delivery and installation of steam facilities later in 2015.

We intend to drill five more wells in the field in 2015. The long-term development plan calls for up to 35 wells for full development of this current fault block. We believe adjacent fault blocks may also be oil bearing.

The produced oil is transported by road tankers to the nearby General Petroleum Company (“GPC”) production facility at Ras Gharib. GPC is owned by EGPC. First sales production occurred in the second quarter of 2013 and commercial production, as defined in the Lagia Concession, has been achieved.

**Directors’ statement**

The Group has the legal entitlement to the minerals and asset being reported on and there are no legal proceedings or other material conditions that may impact the Group’s ability to continue operations.
**Overview**
- Operator: Total E&P RDC ("Total")
- Group company holding interest: Semliki SARL ("Semliki") – 18.3%. Semliki is owned by SacOil (68%) and DIG (32%). SacOil’s effective interest in the asset is therefore 12.5%
- Size: 3 177 square kilometres
- Partners: Total (66.7%) and the DRC Government (15%)

**Location**
Located in the north-eastern part of the country, bordering Uganda. The block is on the DRC side of the Albertine Graben Basin, which is part of the East African Rift System.
Nearest towns: Bunia, Beni, Butembo

Geological features: The Albertine Graben is a Tertiary intracontinental rift that developed on the Precambrian orogenic belt of the African Craton. It forms the northern termination of the western arm of the East African Rift System. The available geological and geophysical data indicates that rifting could have been initiated during Early Miocene with the accumulation of thick sediments in asymmetric basins along the strike of the rift system.

**Rights**
Licence period: Awarded in 2010 and expires in January 2016. Additional extension periods are possible.

**Environmental management**
Permits: Total as the operator and the associated service providers have obtained all the necessary permits to complete the approved exploration programme.

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Material environmental risk factors
- Lake Albert
- The Virunga National Park
- Indigenous fauna and flora
- Environmentally sensitive areas outside national parks
- Human settlements
- Topography

Stakeholder consultation and engagement was completed. Mitigation plans have been developed and implemented to address the potential environmental and social impact of the exploration activities on the block.

**Primary activity**
Exploration for hydrocarbons with the aim of proving the presence of a working petroleum system.

Studies undertaken:
- Regional geological and geophysical studies
- Satellite screen study
- Environmental and social risk screening
- Social and labour plans
- Workshops and engagements with related parties and stakeholders
- Environmental and Social Impact Assessments
- Gravity and magnetic survey

Expenditure to date: R74.4 million

Resources: Prospective resources have been certified by Bayphase Limited as detailed in the competent person’s report completed in May 2012. No changes to the unrisked Prospective resource estimates have been made since 2012 due to the delay in the execution of the exploration programme.

**Resource overview**
The Albertine Graben has been the subject of sporadic interest for petroleum exploration since the early 1920s following the identification of a number of oil seeps in the area.

In 1938 the first petroleum exploration well in East Africa, Waki-1, was drilled near Butiaba on an anticline defined by correlations between a series of 20 shallow surface boreholes. The well encountered basement at 1 221 metres but, more significantly, “oil shales” were found and an “asphaltic oil” show was discovered close to basement.
The next significant activity was an aeromagnetic survey acquired over the Albertine Graben in 1983 – 1984. Subsequent gravity and magnetic surveys by the government were added to the database. In the early 1990s Fina held an exploration licence over the entire graben, but relinquished the licence before any significant work was done. Recent exploration commenced in 1997 when Hardman Resources and Heritage Oil and Gas were respectively awarded Exploration Areas 2 and 3. Heritage acquired 181 kilometres of onshore seismic in the Semliki area in 1998.

Commercial hydrocarbon quantities have now been established in the Ugandan part of the Albertine Graben. Discovered reserves are estimated at approximately 1 billion barrels of oil equivalent.

Summary of resources:

<table>
<thead>
<tr>
<th>Resource category</th>
<th>28 February 2014 Risked net resource (MMBOE)</th>
<th>28 February 2015 Risked net resource (MMBOE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low estimate</td>
<td>7.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Best estimate</td>
<td>16.8</td>
<td>16.1</td>
</tr>
<tr>
<td>High estimate</td>
<td>32.3</td>
<td>31.2</td>
</tr>
</tbody>
</table>

The change in the numbers reported reflects management’s view of the geological risk following the interpretation of the gravity magnetic data and other analogues and offset wells in the graben.

Directors’ statement

The Group has the legal entitlement to the minerals and asset being reported on and there are no legal proceedings or other material conditions that may impact the Group’s ability to continue operations.

Overview

- Operator: SacOil
- Group company holding interest: SacOil – 100%
- Size: 12 265 square kilometres, Block 1 is the second-largest petroleum exploration block demarcated in Malawi
- Partners: None

Location

Located on the north-western part of Malawi bordering Tanzania to the north and Zambia to the west.

Nearest towns: Karango, Chitipa, Rumphi

Geological features: The block is located on-trend with the East African Rift System which is a proven exploration province and has resulted in prolific oil discoveries in Sudan, Chad, Kenya and Uganda.

Rights

The Petroleum Prospecting Licence was awarded by the Malawian Government in 2012.

Licence period: 2012 to December 2016 with two additional three-year extension periods.

Environmental management

Permits: All necessary permits have been obtained and are in the process of being renewed to complete the environmental and social impact assessments. There is a reasonable basis to believe that all permits required for the project can be obtained.
Material environmental risk factors
- Lake Malawi
- Nyika National Park and the Vwaza Marsh Wildlife Reserve
- Fauna and flora
- Environmentally sensitive areas outside national parks
- Human settlements
- Topography

Stakeholder consultation and engagement was completed. Mitigation plans have been developed and implemented to address the potential environmental and social impact of the exploration activities on the block.

Primary activity
Exploration for hydrocarbons with the aim of proving the presence of a working petroleum system.

Studies undertaken:
- Regional geological and geophysical studies
- Satellite screen study
- Environmental and social risk screening
- Social and labour plans
- Workshops and engagements with related parties and stakeholders

Expenditure to date: R1.2 million

Resource overview
Exploration activity has primarily been restricted to gravity and magnetic surveys during the late 1960s and early 1970s.

To the east and southeast of Block 1, Surestream Petroleum acquired Blocks 2 and 3 in 2011, which have a combined area of 20 000 square kilometres and are located on Lake Malawi. Petroleum exploration over the lake has been more detailed in the past with a number of 2D seismic surveys of various vintages being acquired.

The analysis of historical exploration results indicates the presence of various sub-basins with sediment cover, which could prove to be prospective. To date no petroleum resource have been assessed and quantified over Block 1 in Malawi.

Directors’ statement
The Group has the legal entitlement to the minerals and asset being reported on and there are no legal proceedings or other material conditions that may impact the Group’s ability to continue operations.
Environmental management
Permits: All necessary permits have been obtained to complete the Environmental and Social Impact Assessments. There is a reasonable basis to believe that all permits required for the project can be obtained.

Material environmental risk factors
• Okavango Delta, Moremi Game Reserve, Central Kalahari Game Reserve
• Indigenous fauna and flora
• Environmentally sensitive areas outside game reserves
• Human settlements
• Topography

Stakeholder consultation and engagement was completed. Mitigation plans have been developed and implemented to address the potential environmental and social impact of the exploration activities on the licence areas.

Primary activity
Exploration for hydrocarbons with the aim of proving the presence of a working petroleum system.

Studies completed to date include:
• Regional geological and geophysical studies
• Satellite screen study
• Environmental and social risk screening
• Social and labour plans
• Workshops and engagements with related parties and stakeholders

Expenditure to date: R0.4 million

Resource overview
To date very limited to no petroleum exploration activity has occurred in country and over the licence areas. The exploration activity has primarily been restricted to gravity and magnetic surveys associated with mineral exploration in Botswana.

Directors’ statement
The Group has the legal entitlement to the minerals and asset being reported on and there are no legal proceedings or other material conditions that may impact the Group’s ability to continue operations.

Overview
Location: 2 600 kilometres main pipeline from northern Mozambique to South Africa

Estimated construction cost: US$6 billion

Partners: Public Investment Corporation SOC Limited (“PIC”) and The Instituto de Gestão das Participações do Estado (“IGEPE”)

Current phase of project
SacOil, PIC and IGEPE (collectively “the JDA Partners”) have signed a Joint Development Agreement (“JDA”) dated 3 December 2014 to evaluate the technical and commercial feasibility of a transnational terrestrial gas pipeline and distribution facility that will carry natural gas from Mozambique’s Rovuma fields into South Africa, with offtakes to other neighbouring Southern African Development Community (“SADC”) countries.

Potential
The Southern African energy market has been constrained by shortages for many years. Natural gas accounts for a very small portion of the energy demand in South Africa (3% versus 21% globally). The South African Government has stated its objective to reduce CO2 emission levels and to increase the use of natural gas (PwC 2012, The Gas Equation Report). The demand for natural gas is also expected to grow in Botswana, Malawi, Mozambique, Zambia, Zimbabwe and Africa in general. The main driver of this demand for gas is expected to be from gas-fired power stations, vehicle and related downstream industries, and domestic consumption (International Energy Agency, World Energy Outlook Report 2011).

The gas market in South Africa, which is the industrial powerhouse of Africa, is driven by demand from the Saldanha Industrial Development Zone, the Mossel Bay gas-to-liquid plant, the Mossel Bay and Atlantis diesel-fired power stations, an array of ageing coal-fired power stations which could be converted to gas, as well as possible new power stations in Coega and Richards Bay.

Qualified person review
The operational information contained in the African Footprint section and operational reviews has been reviewed by Bradley Cerff. Group Executive: Operations, who is a member of the Society of Petroleum Engineers with more than 19 years’ experience in petroleum exploration and management.
“As an independent, we are in a position to move swiftly on potentially rewarding prospects and our experience working with African governments stands us in good stead, as it has done in Lagia.”

Jordaan Fouché, Vice President: Technical and New Business
Regional feature: realising the potential of our Egyptian business

The addition of Lagia on 22 October 2014 has improved our portfolio of assets which now includes a producing and development asset. This addition is consistent with the Group’s short-term strategic focus on near-term production assets and contributes to the balancing of the Group’s portfolio of assets.

Key facts of the field
• Lagia Oil Field is on the Sinai Peninsula in Egypt
• Proved plus Probable plus Possible (3P) reserves of 9.7 million barrels
• Installed facilities include in-field flow lines and storage tanks for 3 000 barrels of oil

Asset acquired at attractive prices
• Total consideration of $14.1 million – $10.0 million in SacOil shares and $4.1 million in cash
• 100% interest
• Effective price per Proven plus Probable barrels of $2.28 based on independently assessed 2P oil reserves of 6.2 million barrels

Reserves (9.7 MMbbl)

“The Group continues to evaluate other low-cost producing and development opportunities across the continent that could be added to the existing portfolio of assets.”

Damain Matroos, Finance Director
Egypt – a land of opportunity

- Fifth-largest oil reserves and oil producer in Africa, representing 3% of total African reserves.
- Between October 2013 and January 2015, 53 agreements were signed, with minimum investments of roughly $2.9 billion and a total of $432 million in signing bonuses for the drilling of 228 wells.

Economic highlights

- Currency: Egyptian pound, LE ($1:LE7.15)
- Real GDP growth rate: 2.2% (2014)
- Share of oil and gas in real GDP: 47.2% (2014)
- Unemployment rate: 12.9% (early 2015)
- Mineral resources: Natural gas, oil, gold, iron ore and phosphates
- Gas reserves: 1.8 tcm (63.6 tcf) (end 2013)
- Oil reserves: 3.9 billion barrels (end 2013)
- Oil and condensate production: 700 000 barrels of oil equivalent per day

Sources: EIA, CIA World Factbook 2014, BP 2014 Statistical Review.

The Ministry of Petroleum and Mineral Resources is implementing a package of ambitious projects to develop infrastructure.

Sherif Ismail, Minister of Petroleum and Mineral Resources
Development activities
The Group has embarked on a development plan to increase production of the Lagia Oil Field that is split into two phases:

- **Phase 1** was intended to stimulate and recomplete the five existing production wells at the Lagia Oil Field in order to increase production. Phase 1 commenced on 4 January 2015 and was completed on 28 January 2015. During this phase the Group’s production peaked at 404 bbl/day as a result of field interventions conducted. Production has since declined due to a lack of thermal stimulation which will be addressed by phase 2 of the development plan.

- **Phase 2** is focused on field development and production optimisation and commenced in June 2015. The timeline for the development activities is outlined on page 56 of this report. The development plan includes the installation of steam injection facilities on the existing production wells for a thermal recovery process and the drilling of up to five additional thermal wells – with the intention to further enhance production and the recovery of oil at the oilfield. The Group anticipates increasing production to at least 1 000 barrels of oil per day by the end of 2015. The steam injection process is outlined in the diagram provided on page 19 of this report.

Route to market
All production from Lagia is currently sold to the Egyptian General Petroleum Corporation (“EGPC”) which is responsible for marketing the products. The oil produced from the Lagia Oil Field is trucked to the General Petroleum Company (“GPC”) facilities, approximately 300 km from the field. GPC is owned by the EGPC.

Employees
With the acquisition of the business the Group added 22 employees based at the Lagia Oil Field and a country office in Cairo. All employees are Egyptians and have been involved in the operations for a number of years. Since the acquisition date the Group has retained all the employees and will be looking to attract additional skills and expertise to support the growth in activities in the country.

Security
Egypt’s 2015 Investors Index rating, published in February 2015, shows that investors are becoming increasingly confident that political stability is returning to Egypt after four years of political instability. The election of President Abdel Fattah El Sisi in 2014 and upcoming parliamentary elections should further contribute to the increasingly stable political and economic climate in the country.

The Lagia asset is located on the south-western part of the Sinai Peninsula and is far removed from the conflict that frequently occurs in the northern part of the Sinai Peninsula. In addition, the Egyptian Government provides protection for the oil and gas installations in the country, due to the significance of oil and gas to the GDP of the country.

HSE
The Lagia operations have a HSE policy in place that is in accordance with Egyptian laws and regulations and that has been approved by the EGPC. We are happy to report that there were no incidents at the site since we acquired the asset, which is testament to the excellent work our team is doing in the country.

Geological potential
In the Lagia Oil Field area, the Nukhul Formation can be subdivided into four units of which the Nukhul Zone 3 is the most prolific producer of all the reservoir units and forms the main target for the Phase 2 drilling campaign. These sub-units are interpreted to be fairly uniform in thickness and are typically fine to medium grained and well cemented with calcareous cement. The Nukhul Formation contains biodegraded heavy oil with gravity between 10˚API – 19˚API. From previous drilling it appears that deeper oil-bearing sandstones in the upper and lower Thebes Formation has been intersected. Reinterpretation of these sandstones indicates that they could have production potential and that a lighter oil of better quality in the range of 36˚API may be present. This will have to be confirmed through further drilling.

A complete reinterpretation of the Lagia Oil Field data is currently under way to determine the reserves and resources of the field as well as the optimal locations for the new development wells. The study is also focusing on the further prospectivity in the field.
Steam injected into reservoir
Steam & condensed water heat the viscous oil
Heated oil & water are pumped to the surface

“Lagia represents an excellent opportunity for the Group to apply its expertise to grow and develop its resource base and production levels. We will continue to look at other investment opportunities in Egypt which will grow our presence in the country.”

Dr Thabo Kgogo, CEO
Where we are headed in the long term

During the year the SacOil Board and executive management, after taking into account the changes in the industry (pages 6 to 7), undertook a detailed evaluation of how the Group could be repositioned to take advantage of the significant opportunities that exist in Africa. The result of the strategic review was the formulation of a new strategy aimed at charting a more sustainable growth path for the Group.

Vision
Our vision is to become a leading sustainable, profitable and independent pan-African oil and gas company.

Mission
Our mission is to explore, develop, produce and sell oil and gas and associated products to international markets and in South Africa – and to participate in upstream and midstream oil and gas projects that create value for all our stakeholders, while observing the principles of good corporate, social and environmental responsibility.

Strategy
We have revised our strategy in 2015 to deliver a more sustainable business that will drive stakeholder value. Our strategy focuses on a number of strategic initiatives centred on balancing the portfolio and growing and delivering a sustainable business.

The strategy is intended to drive a new growth cycle in the business activities of the Group that should see the expansion of the Group’s geographical reach in Africa. The strategy is also aimed at developing the great potential that exists for the oil and gas industry on the African continent. The main focus of the strategy is on cash generation and expanding the Group’s offering across the oil and gas value chain.

In the short term our strategy is aimed at balancing the portfolio and focusing on the strength of management to effectively execute a more growth-orientated path for the business. Many initiatives have already been undertaken to support the revised strategy. In May 2015 SacOil completed the rationalisation of the Group’s portfolio of assets. The Group has acquired the Lagia Oil Field in Egypt, which is a low-cost, underdeveloped oil-producing asset, and has also terminated its participation in OPL 233 and OPL 281 in Nigeria. OPL 233 and OPL 281 represented opportunities that the Group was unable to develop effectively due to a number of constraints.

SacOil is now planning to expand the geographic locations in which it owns income-producing assets through a proactive acquisition and investment strategy supported by strong relationships across the African continent.

Balancing our portfolio signals a change in the portfolio mix with a shift towards producing or near-producing assets. Our approach towards growing our business will be measured and focused on enhancing current resources and reserves through our technical expertise and new business development. The strategic theme of “building a sustainable business” is indicative of our efforts to pursue operational excellence and to execute midstream projects whilst upholding high standards of corporate governance throughout the business.

The Group has set itself realistic goals and targets with regard to its business strategy that take cognisance of the current economic realities and resource capabilities whilst balancing its risks and appetite with good governance. The strategic priorities for the next financial year to further progress the execution of this strategy are set out on page 37.
“Executing our new strategy should deliver sustainable growth for our shareholders and it sets SacOil on the path to becoming a significant African-based energy player.”

Dr Thabo Kgogo, CEO
How we create sustainable value

The new strategy and direction of the business required a reconsideration of how we do business on the African continent to create sustainable value for our stakeholders. The new business model centres on the core activity of an upstream business and how we maximise the return generated from the oil and gas produced by the Group’s upstream activities.

Due to the current lack of infrastructure and markets in most African countries, it becomes imperative for us to develop or facilitate the development of these markets to use our oil and gas and deliver value-added products that could be utilised in the African markets and possibly internationally. This amends the previous business model of the Group that was focused on exploration, by moving its activities down the value chain to strengthen the Group’s value proposition. The consequence of this change is a clearer business model that works across an integrated value chain.

Business model

Finding oil and gas resources
Activities of the Group to explore, develop and produce oil and gas by using internal expertise supplemented by external experts and service providers

Moving oil and gas
Activities undertaken to move the oil and gas to where it will be utilised

Adding value to oil and gas
Activities undertaken to use oil and gas to produce derivative products that use oil and gas as feedstock

End user market
International oil and gas markets
Fuels and related products
Chemical commodity products
Gas users
Power users

UPSTREAM
CURRENT COUNTRIES:
- Egypt
- DRC
- Malawi
- Botswana
- Other African countries to be added on an opportunistic basis

MIDSTREAM
CURRENT COUNTRIES:
- Mozambique
- Other countries to be added on an opportunistic basis

DOWNSTREAM
CURRENT COUNTRIES:
- To be added on an opportunistic basis

AFRICA AND INTERNATIONAL

Current countries:
- Egypt
- DRC
- Malawi
- Botswana
- Other African countries to be added on an opportunistic basis

Current countries:
- Mozambique
- Other countries to be added on an opportunistic basis

Current countries:
- To be added on an opportunistic basis

International oil and gas markets
Fuels and related products
Chemical commodity products
Gas users
Power users

Onshore

Offshore

Developing and producing from oil and gas fields
Trading
Pipelines
Chemical plants
Gas to power

Offshore

Onshore

Developing and producing from oil and gas fields
Trading
Pipelines
Chemical plants
Gas to power

Offshore

Onshore

Developing and producing from oil and gas fields
Trading
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Chemical plants
Gas to power

Offshore

Onshore

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Offshore

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Offshore

Onshore

Developing and producing from oil and gas fields
Trading
Pipelines
Chemical plants
Gas to power
SacOil offers investors the opportunity to invest in an oil and gas company that provides exposure to the oil and gas sector in Africa. The significant opportunities that exist in the sector in Africa will be further supported by the benefits expected from the significant growth in energy consumption on the continent.

The Group’s revised strategy which now focuses on opportunities across the integrated energy value chain will ensure that the investors benefit from:

- oil and gas exploration and production activities;
- energy infrastructure to meet the growing demand in Africa; and
- the downstream markets where the Group is planning to invest in selected opportunities to meet demand for value-added products.

The overall aim of the activities undertaken by the Group will be to invest in opportunities that will generate a sustainable competitive return to our shareholders and create sustainable value for our other stakeholders.

The Group is an African-based entity with strong management experience of doing business in Africa, especially the oil and gas sector, and management understands the complexities of doing business in Africa. This will prove to be a competitive advantage for the Group as it is looking to expand across the continent.

Our investment case

Being active in these segments will ensure that we maximise the return we can achieve from our upstream products and thereby achieve a sustainable business for our shareholders. We will also leverage our considerable technical and commercial expertise to pursue opportunistic downstream activity that has synergistic and strategic value for our business.

The Group has made progress in adding a significant regional midstream project with the initiation of the Mozambican pipeline project in partnership with the PIC and the IGEPE – two strong regional partners who are committed to the development of Africa.

“Our investment strategy has always been underpinned by strong relationships in the countries where we operate.”

Ignatius Simon Sehoole, Chairman: Investment Committee
Our performance against our capitals

The current focus of the Board and management is to oversee the growth of the Group with a new corporate strategy and business model, which is aimed at consolidating a vibrant corporate culture that will perpetuate the Group’s values. The application of the six capitals in driving the future growth of the Group is as follows:

<table>
<thead>
<tr>
<th>Capitals</th>
<th>Stock of capital</th>
<th>Our main activities</th>
<th>Value created for the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Capital structure</td>
<td>Cash flows from operations</td>
<td>Going concern of the Company</td>
</tr>
<tr>
<td></td>
<td>Liquidity of the Group</td>
<td>Gearing of the Group</td>
<td>Reduction in working capital</td>
</tr>
<tr>
<td></td>
<td>Profitability</td>
<td>Working capital optimisation</td>
<td>requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fundraising</td>
<td>M&amp;A opportunities</td>
</tr>
<tr>
<td>Natural</td>
<td>Oil and gas resources and reserves</td>
<td>Exploration, appraisal, development and production of hydrocarbons</td>
<td>New resources or reserves added</td>
</tr>
<tr>
<td></td>
<td>Water, soil and air</td>
<td>Use of world-class experts and service providers to execute work programmes</td>
<td>Minimisation of reputational risk to the Group</td>
</tr>
<tr>
<td></td>
<td>Biodiversity and ecosystems</td>
<td>Environmental impact assessments are conducted at the commencement of activities</td>
<td>Licences to operate across jurisdictions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HSE policy is in place to minimise the impact on the environment</td>
<td>Minimisation of remediation costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Avoidance of penalties and costs associated with irresponsible operations</td>
</tr>
<tr>
<td>Human</td>
<td>Health and safety of our employees</td>
<td>Strong commitment to health and safety in all our operations</td>
<td>Operational excellence</td>
</tr>
<tr>
<td></td>
<td>Expertise and knowledge development</td>
<td>Recruitment focused on right skills and expertise to support growth</td>
<td>Committed workforce</td>
</tr>
<tr>
<td></td>
<td>Diversity</td>
<td>Strong Business Code of Conduct</td>
<td>Competitiveness of the Group</td>
</tr>
<tr>
<td></td>
<td>Culture in line with our values</td>
<td>Promotion of diversity and use of local employees in countries where we operate</td>
<td>by leveraging employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Retention and attraction of the required talent</td>
</tr>
<tr>
<td>Manufactured</td>
<td>Onshore and offshore assets</td>
<td>Development of existing infrastructure and production equipment for portfolio of assets</td>
<td>Additional income-producing assets</td>
</tr>
<tr>
<td></td>
<td>Infrastructure used by the business</td>
<td>Investment in new countries</td>
<td>Improvement in operations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Upgrade of processes and systems</td>
<td>and production rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Use of latest technology in operations</td>
<td>Reduction of operational risks of the business</td>
</tr>
<tr>
<td>Social and Relationship</td>
<td>Relationships with key stakeholders</td>
<td>Stakeholder engagement</td>
<td>Licences to operate</td>
</tr>
<tr>
<td></td>
<td>Focus on reputation of SacOil</td>
<td>Licence agreements with governments and regulators</td>
<td>Country risk reduction</td>
</tr>
<tr>
<td></td>
<td>Contribution to local communities and use of local suppliers</td>
<td>Working with key partners in the industry</td>
<td>Ability to secure future opportunities</td>
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<tr>
<td></td>
<td></td>
<td>Reputation management</td>
<td>Competitive advantage in country</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of social plans in countries in which we operate</td>
<td></td>
</tr>
<tr>
<td>Intellectual</td>
<td>Expertise and knowledge of employees</td>
<td>Share knowledge and expertise on projects</td>
<td>Risk mitigation of activities</td>
</tr>
<tr>
<td></td>
<td>Strong corporate governance</td>
<td>Focus on compliance with laws and regulations in the countries in which we operate</td>
<td>Transparency of our activities</td>
</tr>
<tr>
<td></td>
<td>Internal procedures and policies</td>
<td>Management focused on mitigating risks</td>
<td>Licences to operate</td>
</tr>
<tr>
<td></td>
<td>Enterprise risk management</td>
<td>Ensuring that the Group can take advantage of opportunities without risking business sustainability</td>
<td>Competitive advantage over peer group</td>
</tr>
<tr>
<td>Value created for stakeholders</td>
<td>Our performance</td>
<td>Additional information</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Share appreciation</td>
<td>Loss for the year of R277.0 million</td>
<td>See the Finance Director's Review (page 50) and the audited Annual Financial Statements (pages 79 to 137).</td>
<td></td>
</tr>
<tr>
<td>Increase in the size and income potential of the Group</td>
<td>Cash resources of R229.4 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future dividends</td>
<td>Fully funded capital commitments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to meet ongoing commitments</td>
<td>No gearing for the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction of pollution at our operating sites</td>
<td>Environmental incidents: zero</td>
<td>See the Social, Ethics and Risk Committee Report (page 72), Stakeholder Engagement and Management Process section (page 30), Our African Footprint section (page 8) and our Regional Feature of the Lagia operations (page 16).</td>
<td></td>
</tr>
<tr>
<td>Preservation of ecosystems and biodiversity</td>
<td>Environmental impact assessments are in progress for Botswana and Malawi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimisation of the impact on the surrounding environment</td>
<td>Development activities at Lagia have been approved by regulatory body and EGPC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability of the Group to continue operations sustainably</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation of jobs and economic benefits for employees</td>
<td>Increase in headcount from 10 to 36</td>
<td>See the Board of Directors (page 40), Executive Management (page 42), the Remuneration Report (page 74) and the Social, Ethics and Risk Committee Report (page 72).</td>
<td></td>
</tr>
<tr>
<td>Focused and committed workforce</td>
<td>New CEO, FD and petrochemical engineer at head office with extensive oil and gas experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Learning from diversity of workforce</td>
<td>The acquisition of Mena also added field operators and field engineers to the Group’s skills set</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in the Group’s contribution to government taxes</td>
<td>No injuries reported at our sites</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved opportunities for employment</td>
<td>New Group values adopted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved opportunities to add additional services to the Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in greenhouse gases related to operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in Capex for the year of R76.4 million (2014: R63.0 million)</td>
<td>Contingent and prospective resources reduced from 26.3 MMBOE to 16.8 MMBOE due to the exit from OPL 281 and OPL 233</td>
<td>See our African Footprint section (page 8), the Group Executive: Operations’ Review (page 56) and the Regional Feature of our Lagia operations (page 16).</td>
<td></td>
</tr>
<tr>
<td>Malawi licence in the process of review with all other licences in place</td>
<td>Additions and field operators to our skills set for Botswana and Malawi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total procurement in the countries where we operate R7.3 million (2014: R0.2 million)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government taxes zero; no income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries paid to employees total R26.5 million</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social and relationship capital in terms of stakeholder engagement is covered in the Social, Ethics and Risk Committee Report (page 72) and the Stakeholder Engagement and Management Process section (page 30).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee job satisfaction and ability to learn from other employees</td>
<td>Appointments of Internal Audit</td>
<td>See the Business Model and Strategy sections (pages 20 and 22), as well as the Investment Case section (page 23), Assessment of Material Issues section (page 33) and the Group Executive: Operations’ Review (page 56).</td>
<td></td>
</tr>
<tr>
<td>Good corporate citizenship with strong ethics and culture</td>
<td>Compliance with laws and regulations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Attracted talent from other African-based oil and gas competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduction of non-compliance issues</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>New management team</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
How we structure our business for success

The success of the Group is dependent on the structure deployed to execute the new strategy and support the activities undertaken by it. The Group employs an asset management model, where assets are managed on a country basis. The Group leverages the centralised expertise located in South Africa, where it has recruited experienced and skilled staff to provide technical and functional expertise to support the activities at the individual asset level. This ensures that the Group maintains a low cost base where skills are shared across multiple assets and geographies. Operational staff are based in-country to operate the assets and resolve issues that arise on a day-to-day basis.
Our key strategic risks and uncertainties and how we manage risks

SacOil has a risk management approach in place for the management of Group risks which could have an adverse impact on our business and stakeholders. The Board focuses on mitigating these risks to minimise the impact on our activities.

In addition, the Board recently approved a project to implement a robust process of Enterprise Risk Management that seeks to ensure that critical risks impacting the Group’s strategic objectives are adequately identified, assessed and mitigated. The result will be a robust system that is consistent with best practice. The Enterprise Risk Management project will be fully aligned to the requirements of ISO 31000 and King III. Implementation of the Enterprise Risk Management process will be rolled out in phases with full implementation completed before the end of the next financial year.

Strategic risks and link to strategy

- Poor social, community and employee relations
- Environmental, health and safety risks
- Commodity price, exchange rate and interest rate risks
- Liquidity risk
- Political risk: Adverse changes to statutory or contractual terms, loss of title, political instability or nationalisation
- Development and production risks
- Inability to attract and retain critical staff
- Failure to add new reserves/resources or to progress projects through the value chain

Key strategic risks impacting our business

In analysing and assessing the strategic risks facing the organisation during the year under review, SacOil has graphically depicted its three central strategic themes of “Balancing Our Portfolio”, “Delivering a Sustainable Business” and “Growing Our Portfolio” to show the alignment between strategic themes and key strategic business risks.

The table below provides further detail in respect of identified risks:
Our key strategic risks and uncertainties and how we manage risks (continued)

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Potential impact</th>
<th>Mitigation</th>
<th>Risk owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity price, exchange rate and interest rate risks</td>
<td>Fluctuations in commodity (in particular oil and gas) prices, currency exchange rates and interest rates could have a negative impact on future cash flows, profitability and return on investment.</td>
<td>The Lagia Oil Field is in development stage. Management will put in place a hedging strategy for oil prices and currency exposure as the production from the field increases, the Group acquires more producing assets and the Group's funding commitments and currency exposure increase. The Group currently has no debt. Management has put in place a finance strategy that will ensure an appropriate balance between debt and equity as the Group's funding requirements increase.</td>
<td>D Matroos Finance Director</td>
</tr>
<tr>
<td>Liquidity risk</td>
<td>The inability to maintain adequate cash through proper cash management and planning could, in the extreme, threaten the Group's ability to continue operations.</td>
<td>A formal budgeting and forecasting process is in place and monthly cash forecasts are used to identify cash requirements and liquidity threats. Shortfalls are addressed in terms of the Group's financing plan. Cash deposits are held with reputable financial institutions.</td>
<td>D Matroos Finance Director</td>
</tr>
<tr>
<td>Failure to add new reserves/resources or to progress projects through the value chain</td>
<td>Decrease in the Group's intrinsic value and poor return on investment. The Group could stagnate or become overly reliant on a single country or asset.</td>
<td>The Group strives to build a geographically and life cycle diverse portfolio of assets in order to diversify exposure. The management team is technically highly-experienced with a proven track record of success. Management continuously applies their expertise to assess potential investment opportunities. All opportunities are rigorously evaluated before approval. All assets in the portfolio are continuously monitored.</td>
<td>B Cerff Group Executive: Operations</td>
</tr>
<tr>
<td>Risk description</td>
<td>Potential impact</td>
<td>Mitigation</td>
<td>Risk owner</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
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<td>------------</td>
</tr>
<tr>
<td>Development and production risks</td>
<td>Failure to execute projects could have a negative impact on financial results or could result in the loss of a licence to operate.</td>
<td>Development and production plans are closely monitored on a monthly basis by the Executive Committee, with more regular monitoring by the Group Executive: Operations. Interventions are made if there are significant delays on projects.</td>
<td>B Cerff</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Group Executive: Operations</td>
</tr>
<tr>
<td>Environmental, health and safety risks</td>
<td>Damage to the environment, people and the Group’s assets, which could have serious health and safety consequences including potential loss of life.</td>
<td>Adherence to environmental, health and safety standards. The management of health and safety risks is a key feature of the operating standards of the Group and of our operating partners.</td>
<td>B Cerff</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Group Executive: Operations</td>
</tr>
<tr>
<td>Inability to attract and retain critical staff</td>
<td>Short-term to medium-term disruption in the operations of the Group due to the loss of key personnel, the inability to attract critical skills and poor organisational performance, all of which negatively impact investor confidence.</td>
<td>The Group has in place a remuneration policy that ensures that fixed and variable components of remuneration are regularly benchmarked, thereby ensuring the Group provides competitive remuneration.</td>
<td>Dr Kgogo</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Bribery and corruption risks</td>
<td>Bribery and corruption represent ongoing risks given the countries in which the Group operates. Failure to mitigate these risks could lead to reputational damage and non-compliance with laws and regulations.</td>
<td>The Group is in the process of rolling out the revised Code of Business Conduct. An independent whistle-blowing hotline has recently been set up to enable concerns about poor practice to be raised without fear of reprisal. Quarterly updates to the Audit Committee will be provided going forward.</td>
<td>Dr Kgogo</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Geo-Political: Adverse changes to statutory or contractual terms, loss of title, political instability or nationalisation</td>
<td>Deterioration of the Group’s intrinsic value and a decrease in its return on investment; at worst, a total loss of an asset/investment.</td>
<td>The Group maintains a geographically diverse asset portfolio. It strives to maintain positive and transparent relationships with host governments and regulatory bodies, applying the highest industry standards in its conduct, and in compliance with its licence and contractual obligations. The Group strives to operate in terms of transparent and robust host government agreements and build strong relationships with key decision-makers across the political spectrum.</td>
<td>Dr Kgogo</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Poor social, community and employee relations</td>
<td>Damage to the Group’s reputation and/or property, which could affect its licence to operate and its ability to attract local talent, and integrate with local businesses.</td>
<td>Facilitation and execution of social labour plans and adherence to fair and equitable labour practices.</td>
<td>Dr Kgogo</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chief Executive Officer</td>
</tr>
</tbody>
</table>

1. Financial
2. Operational
3. Socio-political
Stakeholder engagement and management process

We are committed to building collaborative relationships that are mutually beneficial to all our stakeholders and have engaged in partnerships that constructively advance the interests of our stakeholders. Our stakeholders include our shareholders, employees, partners, governments and communities in countries where we operate, regulatory authorities, the media, funders, and groups and individuals who may be affected by our operations.

Stakeholder engagement process
Management has identified the need for more active stakeholder engagement to better understand expectations and to address the concerns of our stakeholders to ensure that the Group builds strong relationships in an honest and transparent manner. This process of engagement across all stakeholder groups is planned for the current financial year and the Group has appointed Grant Thornton to assist it to undertake these engagements. Our key stakeholders and the proposed engagement process are set out below:

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Why we engage</th>
<th>How we engage</th>
<th>What we engage on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners</td>
<td>To forge mutually beneficial relationships in the oil and gas sector</td>
<td>Meetings and presentations</td>
<td>Strategy, Business model, Progress</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>against operational and finance targets</td>
</tr>
<tr>
<td>Funders/Lenders</td>
<td>To create confidence through an informed understanding of who we are</td>
<td>Presentations and roadshows One-on-one</td>
<td>Financial results, Operational updates</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Strategy and business model, Risks and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>management thereof, Corporate governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Capital Raising</td>
</tr>
<tr>
<td>Shareholders/Investors</td>
<td>To provide balanced and understandable information about the Group and</td>
<td>Annual general meeting Interim and</td>
<td>Financial results, Operational results</td>
</tr>
<tr>
<td></td>
<td>corporate proposals</td>
<td>final results presentations Investor</td>
<td>Strategy and business model, Risks and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>relations interaction</td>
<td>management thereof, Corporate governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stock exchange regulatory announcements</td>
<td>Capital Raising</td>
</tr>
<tr>
<td>Employees</td>
<td>To create a work environment that fosters a high performance culture and</td>
<td>One-on-one consultations</td>
<td>Employee benefits, Health and safety</td>
</tr>
<tr>
<td></td>
<td>promotes fair and equal opportunities for all employees</td>
<td></td>
<td>policy and procedures, Work-life balance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Training and development, Diversity</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>Why we engage</td>
<td>How we engage</td>
<td>What we engage on</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Governments and regulatory authorities</td>
<td>To maintain mutually beneficial relationships to maintain our licences to operate</td>
<td>Meetings, Presentations, Submission of regulatory documents, Board meetings, where the government has an equity stake in the asset</td>
<td>Business performance in line with licensing conditions, Compliance with laws and regulations, Contributions to the local economy, Taxation and other charges due by the Group</td>
</tr>
<tr>
<td>Media</td>
<td>To promote and enhance the Group’s reputation positively</td>
<td>Interviews, Press releases, Regulatory announcements</td>
<td>Business and operational performance, Key business changes</td>
</tr>
<tr>
<td>Non-governmental organisations/ Lobby groups</td>
<td>To discuss issues of mutual concern</td>
<td>One-on-one consultations</td>
<td>Commitment of the Group Strategy</td>
</tr>
<tr>
<td>Suppliers</td>
<td>To ensure that consistent quality is maintained</td>
<td>Strict adherence to the Group’s procurement policy, Ensure that at least three bids on any procurement requirement</td>
<td>Delivery of quality products, Payment of services, Supplier credentials, Tender process, Empowerment and indigenisation requirements</td>
</tr>
<tr>
<td>Communities</td>
<td>To improve the lives of the local communities impacted by our operations</td>
<td>Environmental and social impact assessments, Social and labour plan frameworks</td>
<td>Corporate social responsibility initiatives, Environmental issues, Health and safety, Skills development</td>
</tr>
</tbody>
</table>

The importance of the above engagements with our key stakeholders is reflected in our understanding of our stakeholders’ expectations.
Stakeholder engagement and management process (continued)

Partners
The sustainability of SacOil is inextricably linked to forging mutually beneficial partnerships with other oil and gas companies. In fact, it is a fundamental component of our business strategy and business model. The Group has successfully forged key partnerships with Total and EGPC, straddling various geographies where it believes significant returns on investment will be realised in line with its return on capital programme. The Company is committed to identifying and collaborating with other industry players that advances the development of Africa’s vast resources.

Funders/Lenders
The Group recognises that the generation of sustainable financial results is key to establishing confidence from the financial community of funders. Sound financial and asset management therefore remain key priorities of the Group.

Shareholders/Investors
Sacoil continues to strengthen its relationship with its shareholders and views shareholder dialogue and activism as key components of a successful organisation. The Group is committed to open and transparent dialogue with shareholders and potential investors.

Institutional and private investors are informed of SacOil’s financial performance and shifts in its strategy through appropriate and regular stock exchange announcements and circulated information. Key engagements have included meetings with both private and institutional investors, as well as market analysts, where required and these may yield positive outcomes that could translate into increased levels of investment in the Group over the next financial year.

Sacoil held its Annual General Meeting on 12 September 2014 where it shared its integrated annual report with shareholders and where shareholders had an opportunity to engage with the Board.

Shareholders can view all of the Group’s financial results and announcements on our website and also through the SENS and RNS services. Regular updates on our activities and operations are also available on our website, www.sacoilholdings.com, and social media platforms. We facilitate a shareholder communications service that keeps our shareholders updated by providing them the option to register on our website for automatic updates via e-mail.

Employees
Our human resource capability remains key to delivering on the mandate from shareholders and in this regard the Group remains committed to creating a work environment that promotes fair and equal opportunities for all its employees. To this extent our commitment is captured in our code of business conduct and ethics. The code captures our commitment to adhere to fair labour practices and decent work ethics as enshrined in the conventions of the International Labour Organisation to which South Africa is a signatory.

Employees are encouraged to develop their skills further, which are also employed to the benefit of the Group and countries where we operate. The skills transfer to locals through our partnership arrangements with operators are key instruments in this regard.

Performance of employees is regularly reviewed by management and is regulated by employment and performance contracts in place. Structures are also in place to facilitate the reporting of legitimate grievances or concerns that employees may have without fear of victimisation or reprisal.

Government and regulatory authorities
Our relations with governments and the regulatory authorities in all the geographies where we operate remain sound and are not taken for granted. Indeed, the Group operates on the premise that these relations must be mutually beneficial to each country where we operate and to the Group itself. This ethos is central to maintaining our licences to operate. To this extent we have held regular engagements with the representative national and provincial governments and representatives of industry bodies.

<table>
<thead>
<tr>
<th>Shareholder engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGM:</td>
</tr>
<tr>
<td>31 August 2015 interim results:</td>
</tr>
<tr>
<td>29 February 2016 year-end results:</td>
</tr>
<tr>
<td>2016 Integrated annual report:</td>
</tr>
</tbody>
</table>
Communities
SacOil requires that, wherever possible, people from local communities participate and are employed in its operations.

Through the conclusion of social and labour plans the Group will seek to improve the lives of the local communities impacted by its operations. The key focus areas of these plans we envisage will be on education, health and skills development to ensure sustainable communities, but will further be informed by proper consultation with the recognised authorities and leaders of these communities. These endeavours are of course dependent on the successful development of these operations.

Media
Media exposure remains positive and the Group has derived benefit from media exposure through regular updates and press releases. Management will continue to promote the Group’s reputation in a positive manner through the judicious use of electronic and print media both locally and internationally.

Non-governmental organisations (“NGOs”) and lobby groups
The Group engages with NGOs and lobby groups on issues of mutual concern. A key priority in the long term is to grow these relations as the Group expands its corporate social investment initiatives.

Material issues | Stakeholders | Opportunities
--- | --- | ---
Balancing the portfolio | - Unfunded capital commitments of the Group | - Shareholders<br> - Employees<br> - Partners<br> - Government<br> - Suppliers<br> - Funds | - Funded capital commitments allow the Group to identify M&A opportunities to add to the portfolio<br> - Can add reserves/resources close to production<br> - Payment of suppliers on time will enable the retention of quality suppliers
Growing the portfolio | - Adding resources and reserves to ensure the business can grow | - Shareholders<br> - Employees<br> - Government<br> - Funders/Lenders<br> - Suppliers<br> - Partners | - Leverage expertise of management and employees to identify and develop opportunities<br> - Low cost operator to generate greater value from reserves
Delivering a sustainable business | - Strong and transparent governance process and procedures | - Shareholders<br> - Employees<br> - Partners<br> - Funders/Lenders<br> - Suppliers<br> - Suppliers | - Competitive advantage to improve the Group’s reputation and interaction with stakeholders<br> - Partner of choice

Assessment of material issues affecting the Group
In order to establish the material issues affecting the Group and our stakeholders, management has assessed identified issues and how these impact our stakeholders. This assessment was based on our limited engagement with stakeholders. Management will undertake a more comprehensive engagement process in the next year to confirm this assessment.

Suppliers
The Group’s procurement policy ensures the establishment of relationships which drive efficiency and facilitate a smooth-running supply chain. Continuous engagement with suppliers, adherence to procurement terms and local business development will ensure the Group is well placed to achieve its long-term business objectives. These relationships will remain a priority in all countries where we operate as the Group expands its operations in line with the revised strategy.
How we manage the health, safety and environmental issues faced by the Group

Health and safety
The Group and its contractors will conduct safety training programmes immediately after engagement and before commencement of work. This will be followed up by refresher courses to maintain acceptable levels of safety. All teaching is based on the premise that every person is responsible for his/her own safety and awareness of potential danger is stressed.

Accident monitoring and prevention programmes will be implemented and statistics regularly produced. The intention of management is that all exploration, development or production sites have a nil accident frequency rate. However, close surveillance will be maintained to ensure that, should accidents occur, the accident frequency rates compare favourably with international oil and gas accident statistics.

The health and safety of the communities are also fundamental to the sustainability of our operations and therefore adherence to health and safety standards is non-negotiable. Non-adherence is subject to appropriate measures of consequence management. All employees of the Group undergo safety training and regular refresher programmes are conducted. The same obligations rest with our contractors who conduct safety training upon engagement and before the commencement of operations.

As previously reported, accident and incident monitoring mechanisms are in place. There are no injuries or fatalities to report for the year under review. The Group has achieved its performance standard in this regard.

The implementation of ISO 31000 by the Group in the next financial cycle will further enhance its total quality management approach.

Environment
The very nature of the oil and gas industry demands a heightened awareness of our impact on the environments where we operate and in this regard the Group is committed to minimising its impact on the environment. The Group can report that there were no significant breaches of environmental standards to report for the past financial year. The protection of limited water resources, pollution and the natural aesthetics of the environment through rehabilitation programmes remain key commitments.

Management ensures compliance with local environmental laws and regulations in the countries in which the Group operates, but will also ensure that the Group complies with global best practice where such practice requires compliance with a higher standard.

The Group is currently undertaking or is in the process of commencing the environmental and social impact assessments (“ESIA”) on its Botswanan and Malawian assets in the current financial year to ensure that the exploration activities planned by the Group are undertaken in an environmentally and socially acceptable manner.
How we measure the success of the Group

The Board is committed to ensuring that the Group is focused on delivering sustainable stakeholder value for the Group. The Board has developed a set of key performance indicators that will be used to measure the performance of the restructured business and report the outcome each year in the integrated report for the Group. These performance indicators were approved by the Board on 19 May 2015.

Although the revised measures were not in place for the current year, the measures used by the Board to assess management’s performance are intended to ensure the success of the business. The measures applicable to the year under review and the assessment of the Group’s performance are set out below:

**Financial**

<table>
<thead>
<tr>
<th>Strategic KPI</th>
<th>Measurement</th>
<th>Target</th>
<th>Risk management</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to fund capital commitments</td>
<td>Cash resources available to meet capital commitments in the next 12 months.</td>
<td>Cash resources at each year-end should be sufficient to meet 100% of the non-discretionary capital commitments in the next financial year.</td>
<td>The Board and Audit Committee approve the budgets of the Group and monitor the commitments of the Group against available funding alternatives.</td>
<td>Cash balance of R229.4 million that fully covers the capital commitments of R88.1 million 2.6 times, compared to cash balances only covering 50% of capital commitments in 2014.</td>
</tr>
<tr>
<td>Control of cash costs</td>
<td>Increases in costs in line with CPI, adjusted for changes in unplanned growth.</td>
<td>Increase of costs in line with the weighted CPI, excluding corporate actions that change the nature of the Group.</td>
<td>The Board and Audit Committee approve the budgets in line with the CPI forecast for the next financial year and manage the performance of the Group on a quarterly basis. Management is requested to take corrective action if required.</td>
<td>The Group has expanded its activities and added additional capacity in the organisation. Employee salaries, that represent the largest share of the head office costs, were increased by a 6% average for the year.</td>
</tr>
</tbody>
</table>
How we measure the success of the Group

(continued)

Operational

<table>
<thead>
<tr>
<th>Strategic KPI</th>
<th>Measurement</th>
<th>Target</th>
<th>Risk management</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addition of reserves and resources</td>
<td>Measures the success attained in adding reserves and resources to the Group’s portfolio of assets through the exploration, appraisal, development and production activities of the Group.</td>
<td>Increase reserves and resources each year through investment in existing assets or by acquiring assets in the market.</td>
<td>The Board oversees the approval of all capital expenditure and investments. In addition, the Investment Committee focuses on the evaluation of individual investment opportunities to ensure that value is added to the Group.</td>
<td>Lagia total reserves of 9.7 MMbbl added in the year. OPL 281 exit removed 8.4 MMbbl of contingent resources. Total resources and reserves increased from 26.6 MMbbl at 28 February 2014 to 28.0 MMbbl at 28 February 2015. Following the exit from OPL 233 in May 2015, total resources and reserves decreased to 26.6 MMbbl.</td>
</tr>
</tbody>
</table>

Safety

<table>
<thead>
<tr>
<th>Strategic KPI</th>
<th>Measurement</th>
<th>Target</th>
<th>Risk management</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of incidents at the various locations</td>
<td>Number of recordable cases per 200,000 hours during the financial year.</td>
<td>Zero incidents.</td>
<td>HSE data is monitored by the Social, Ethics and Risk Committee. The acquisition of Lagia has added operations to the business and there is a HSE policy in place approved by EGPC. The Group will start adopting the principles of the UN Global Compact to ensure that it maintains global safety standards.</td>
<td>No incidents during the year.</td>
</tr>
</tbody>
</table>

Strategic achievements in the year

The process to reposition the Group in accordance with the new strategy and business model is ongoing, with the key focus in the short term being to balance our portfolio within the next two years. A number of initiatives have been approved by the Board for execution by management to accomplish this goal. These, and the successes achieved to date, are:

- acquisition of a producing and development field, namely Lagia, in Egypt;
- exit from OPL 281 in Nigeria;
- commencement of exit from OPL 233 in Nigeria;
- phase 1 of development activities completed at Lagia to increase production;
- appointment of a new management team to drive growth; and
- amendments to the organisational structure to ensure that we can recruit the right talent to support growth.

A number of additional initiatives and priorities for the Group over the next financial year are set out on page 37.
Our key strategic priorities for 2015/2016

The priorities for the next financial year are focused on progressing the execution of the strategy of the Group. These are underpinned by ensuring robust health, safety and environmental principles and strong governance policies and procedures. The key strategic priorities for the Group are:

**Financial**
- Cost control within budget
- Fully funded short-term to medium-term capital commitments
- Consolidation of the share capital of the Company
- Prudent management of the cash balances available to the Group

**Operational**
- Increasing the resources and reserves from existing assets, especially progressing the development of the Lagia Oil Field
- Completing the work programmes for the Group’s exploration assets
- Increasing production at Lagia to 1 000 bbl/d by year-end
- Progressing the Mozambican pipeline project by completing the pre-feasibility and feasibility stages of the project

**Corporate activity**
- Targeting acquisitions that will contribute low-cost producing assets to the Group’s existing asset portfolio
- Selected farm-in or licensing of new assets that offer good and low cost exploration opportunities
- Increasing the Group’s presence in Egypt and adding additional assets in other prolific oil and gas prospecting countries

**People**
- Attracting additional expertise and skills to the Group that will support the execution of its new strategy and growth
- Improving the employee value proposition of the Group to offer a competitive proposition to attract the necessary skill

We will update the market on a regular basis, including in the various results announcements, on the progress made on these priorities.
About our leadership
Who runs the business  Board of directors

**Tito Titus Mboweni (56)**  Independent Non-executive Chairman
Appointed 10 June 2013
Mr Mboweni is the non-executive chairman of Nampak Limited, Accelerate Property Fund and the African Centre for Economic Transformation and a non-executive director of Discovery Limited and PPC. He is South Africa’s representative on the board of directors of the BRICS New Development Bank. Mr Mboweni is an international adviser to Goldman Sachs International and a member of the Strategic Consultative Committee of Total Oil Marketing (Africa and Middle East), the National Executive Committee of the African National Congress and the Thabo Mbeki Foundation Council of Advisors. Mr Mboweni is chairman and trustee of the Fund Raising Committee of the Nelson Mandela Children’s Hospital. Mr Mboweni has a long and outstanding record of public service, including serving as the Minister of Labour and the eighth Governor of the SA Reserve Bank. Mr Mboweni is a graduate of the universities of Lesotho and East Anglia, a recipient of a number of honorary doctorates and is honorary professor at the universities of Witwatersrand and Stellenbosch.

**Mzuvukile Jeff Maqetuka (64)**  Independent Non-executive Director
Appointed 10 June 2013
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.

**Stephanus Hilgard Muller (55)**  Independent Non-executive Director
Appointed 10 June 2013
Mr Muller has extensive experience in the audit and investment banking disciplines, having qualified as a chartered accountant in 1985, and served as an executive director of Gensec Bank Limited. Currently he sits on the Audit and Risk Committee of Amalgamated Appliance Holdings Limited and is an independent non-executive director of KAP Industrial Holdings Limited, where he serves as a member of the Audit and Risk Committee and chairman of the Remuneration Committee. Mr Muller is also an independent non-executive director of the JD Group Limited where he is the chairman of the Audit and Risk and Remuneration Committees.

**Ignatius Simon Sehoole (55)**  Independent Non-executive Director
Appointed 12 July 2013
Mr Sehoole is a chartered accountant by qualification. He serves on the Board of Harith Fund Managers Proprietary Limited and the Specialist Committee on Company Law. Previously he was a member of the King Committee on Corporate Governance, a President of the South African Institute of Chartered Accountants and the chairman of the Audit Committee at the National Treasury.

**Vusumzi Patrick Pikoli (57)**  Independent Non-executive Director
Appointed 12 July 2013
Mr Pikoli, an advocate by qualification, is the current Western Cape Ombudsman. He is also a board member of Corruption Watch and an independent non-executive director on the board of Cricket South Africa (“CSA”), where he chairs the Social and Ethics Committee and is a member of the Audit Committee. Prior to that Mr Pikoli was the National Director of Public Prosecutions and the head of the National Prosecuting Authority. He also served as the Director-General of the Department of Justice and Constitutional Development. Mr Pikoli is a former director of the Forensic Investigation division at SizweNtsalubaGobodo, a former trustee of the Constitutional Court Trust and one of the founding executives of the International Association of Anti-Corruption Authorities (“IAACA”). He is a recipient of the International Association of Prosecutors award for protecting prosecutorial independence.

**Committees**
- Nominations Committee
- Remuneration Committee
- Audit Committee
- Social, Ethics and Risk Committee
- Investment Committee
- Technical Advisory Committee
- Chairman
Dr Thabo Kgogo has more than 13 years’ experience in the oil and gas industry with expertise in appraisal, development and production projects in upstream operations. He joined SacOil from PetroSA where he held the positions of Vice President: Operations and Acting Chief Operating Officer. Dr Kgogo was responsible for PetroSA’s integrated operations, which included offshore production wells and platforms, Gas-to-Liquid ("GTL") refinery, and shipping and aviation services. Dr Kgogo holds a B.Sc degree in Chemical Engineering from the University of Cape Town and a Ph.D degree in Petroleum Engineering from Imperial College London.

Bradley Cerff holds a M.Sc degree and a MBA degree and has more than 19 years’ experience in the oil and gas exploration and production industry. Bradley developed his technical expertise as a geophysicist and has a background in petroleum economic modelling. He joined SacOil from PetroSA, where he held various senior management positions including Regional Manager East and West Africa. For the last five years at SacOil Bradley has been responsible for managing the portfolio of assets and executing the associated joint venture operations. He has experience in managing multi-disciplinary teams associated with the exploration, development and production of onshore and offshore upstream concession and oilfields in various international jurisdictions. He is a member of the Society of Petroleum Engineers.
Who manages the Group

Executive Management

Thabo Kgogo (39)
Chief Executive Officer and Executive Director
Appointed 1 June 2014
Dr Thabo Kgogo has more than 13 years’ experience in the oil and gas industry with expertise in appraisal, development and production projects in upstream operations. He joined SacOil from PetroSA where he held the positions of Vice President: Operations and Acting Chief Operating Officer. Dr Kgogo was responsible for PetroSA’s integrated operations, which included offshore production wells and platforms, Gas-to-Liquid (“GTL”) refinery, and shipping and aviation services. Dr Kgogo holds a B.Sc degree in Chemical Engineering from the University of Cape Town, a M.Sc degree in Petroleum Engineering from the University of London and a PhD degree in Petroleum Engineering from Imperial College London.

Damain Matroos (44)
Finance Director and Executive Director
Appointed 1 February 2015
Damain Matroos has over 15 years’ experience in corporate finance both in the United Kingdom and more recently in South Africa. He joined SacOil from Sasol where he held the position of Vice President: Corporate Finance, responsible for mergers and acquisitions, and specialised funding for the Sasol Group. He played a significant corporate finance role on a number of Sasol’s major capital projects, including its mining, Gas-to-Liquid (“GTL”) refinery and upstream activities. He holds a B.Com (Accounting) degree and Post Graduate Diploma in Accounting (“PGDA”) from the University of Cape Town and is a qualified chartered accountant.

Bradley Cerff (42)
Group Executive: Operations and Executive Director
Appointed 11 August 2014
Bradley Cerff holds a M.Sc degree and a MBA degree and has more than 19 years’ experience in the oil and gas exploration and production industry. Bradley developed his technical expertise as a geophysicist and has a background in petroleum economic modelling. He joined SacOil from PetroSA, where he held various senior management positions including Regional Manager East and West Africa. For the last five years at SacOil Bradley has been responsible for managing the portfolio of assets and executing the associated joint venture operations. He has experience in managing multi-disciplinary teams associated with the exploration, development and production of onshore and offshore upstream concession and oilfields in various international jurisdictions. He is a member of the Society of Petroleum Engineers.

Roger Rees (61)
Outgoing Chief Executive Officer
Appointed 25 July 2013 (Resigned 31 May 2014)
SacOil notes with sadness the passing away of Roger Rees on 11 June 2014. Roger acted as the interim CEO of SacOil between July 2013 and May 2014, during which time he saw the Group through a challenging period and spearheaded the recapitalisation of the Group by way of the rights offer that took place in January 2014. Roger was highly respected by the SacOil team and his disposition served as inspiration to all of us who had the privilege to work closely with him. Roger had extensive public company experience, having been Group Finance Director of Murray & Roberts Holdings Limited, chairman of Murray & Roberts International and also a director and deputy chairman of Clough Limited. He was a qualified chartered accountant. His contribution will always be valued by all at SacOil.
Tariro Mudzimuirema (37)
Interim Finance Director (until 31 January 2015) and Group Financial Controller
Appointed 25 July 2013
Tariro is a chartered accountant with more than 14 years’ experience in finance, risk management, corporate governance and audit. After completing her degree at Rhodes University, Tariro joined PricewaterhouseCoopers (“PwC”) where she worked in the Johannesburg, Baltimore, London and Malawi offices, responsible for assurance engagements for listed and unlisted entities in the construction, mining and manufacturing industries. Upon leaving PwC Tariro held various senior management roles responsible for compliance, financial management and reporting, and business development. Tariro is a member of The South African Institute of Chartered Accountants and an associate of the London Institute of Risk Management.

Willem de Meyer (59)
Group Executive: Strategy and Business Development
Appointed 10 January 2012
Willem obtained a B.Sc (Hons) degree in Geophysics at the University of Pretoria and a M.Com degree in Mineral Economics at the Rand Afrikaans University. His 26 years of technical and operational experience were gained in the oil and gas industry with PetroSA, the National Oil Company of South Africa and SOEKOR, which he joined in 1982 and which subsequently became part of PetroSA.

Jordaan Fouché (55)
Vice President: Technical and New Business
Appointed 10 January 2012
Jordaan holds an honours degree in Geology and a MBA, both from the University of Stellenbosch. He has over 26 years’ experience in the oil and gas industry, primarily as an investor in oil and gas companies and assets. Jordaan developed his operational and technical skills set as a geophysicist at SOEKOR/PetroSA, where he was a project leader and international portfolio manager and was extensively involved in both technical and commercial work including seismic acquisition and interpretation, and the commercial analysis of oil and gas reservoirs. Jordaan was a founding member of the Earth Resource Investment Group, a leading and award-winning energy resource investment fund. Prior to that he spent time as an investment analyst at Craton Capital and a senior project manager at the Industrial Development Corporation, a South African development finance institution.
Chairman’s review

The last year has marked a significant turning point in SacOil’s history with the Group embarking on an ambitious campaign to set the foundation for our vision to become a leading oil and gas player on the African continent. The “new” SacOil is more focused and committed to achieve its vision with a strong and dedicated management team, and an experienced and diverse Board to drive the organisation forward.

Challenges and developments across our continent

The sharp drop in oil prices (see page 6) during the past year significantly affected the economies of African countries that remain dependent on oil and gas revenues to sustain their socio-economic development. This has severely impacted the African growth story which attracted international attention and investment on the continent in recent years.

On the positive side, African democracy has been bolstered with peaceful transition of power in Nigeria – the largest economy on the continent, and reflects the political maturity that is emerging across the region. There, however, still remain many political challenges across the continent and globally that need to be addressed to enable Africa to reach its full potential.

I am confident that we are on the right path to succeed as a continent.

I believe that we have our finger on the pulse of developments across our continent and SacOil’s on-the-ground experience in Africa places it in a better position than most to navigate the political environment and the perceived risks of doing business in Africa.

A year of change for the better

This year required the Board to make some difficult decisions to reposition the Group for sustainable growth. Moving the Group’s value proposition across the oil and gas value chain to include midstream and downstream activities became crucial to reposition the Group for growth and to drive a “new” SacOil. The Board believes that the new strategy and business model (see pages 20 and 22) are critical to the future success of the business. I am confident that the new focus of the Group enables it to withstand and capitalise on the external challenges that exist in the industry and on the continent.

As a result of this new direction the Group exited from the two exploration assets in Nigeria, which held significant capital commitments and other operational challenges. We are embarking on specific legal actions related to our exit from these assets (see page 85), and face potential counterclaims from our previous partners. This is expected and we have in place the necessary legal support to proceed with these actions. I want to emphasise that these exits do not represent an exit from Nigeria, as the country has significant oil and gas opportunities that we will continue to investigate.

The acquisition of the development asset in Egypt has provided the opportunity to move the Group into the production space

We consider good corporate governance processes as critical to develop and sustain the effective operation of our activities across the African continent.

Highlights

- Challenging environment across the continent
- Positive democratic developments across the continent
- Birth of a “new” SacOil reflected in the new strategy and business model
- Appointment of key management to drive the growth of the Group
- Strides made in embedding good corporate governance
- Group now much stronger to deal with uncertainty in the industry
with the ability to generate positive future cash flows. I am confident that management will execute the development plans according to the schedule over the next financial year.

The actions taken by the Board have resulted in a significant non-cash financial loss for the year. However, the Board is satisfied that this will not hamper the Group’s ability to drive the new strategy and business model for the benefit of all stakeholders. In addition, our strong cash position, debt-free balance sheet and future positive cash flows will form the foundation for our future growth.

Focus on building a strong team
I want to thank our dedicated directors and employees for their efforts during the year. Their efforts form the cornerstone on which the future success of the Group will be built and their valuable contributions across the various disciplines will continue to add value for the benefit of the Group and all its stakeholders over the coming years.

Over the last year we strengthened our executive team with the appointment of Dr Thabo Kgogo as CEO and Damain Matroos as Finance Director. I am very pleased with the addition of these highly experienced individuals and have complete confidence that their skills and expertise will add immense value to the efficiency and success of the Group. This year has also shown that we have a resilient Board and management team who are capable and prepared to make the tough decisions needed to position the business for sustainable profitability. This strong leadership coupled with an improved financial standing mean that we are now in a better position to exploit the opportunities that exist on the African continent.

I would also like to welcome our Egypt-based colleagues to our growing team who bring additional experience, skills and diversity to the Group to enable us to operate more effectively not just in Egypt, but also across the continent. Their knowledge and experience in managing and operating our Lagia asset will ensure that our development plans will succeed.

During 2015 the Group will continue to focus on developing our employees across the various locations and improving the employee value proposition to retain the expertise contained in the existing team. The addition of the defined pension contribution plan for the South African-based employees in April 2015 will ensure that our employees have the necessary security over the long term. We are currently investigating further initiatives that will strengthen our ability to not only retain, but also compete effectively in the market to attract the additional skills and expertise to support our growth ambitions.

The Board is committed to identifying the necessary skills and expertise needed to complement our existing management team and employees, and will focus on recruiting talented individuals who have the desire to join SacOil over the next financial year and make a significant contribution to the Group’s growth in the long term.

Strengthening our governance
We consider good corporate governance processes as critical to develop and sustain the effective operation of our activities across the African continent. This is a strong commitment to the spirit of the laws and regulations that govern our business environment. We have made significant progress to embed good corporate governance in the Group and will continue to make significant strides towards our goal.

During the financial year under review the Board engaged Ernst & Young Inc. to carry out a forensic investigation of specific historical transactions of the Group between 1 August 2011 and 30 November 2011 relating to the Group’s unsuccessful attempt to acquire interests in Blocks I and II in the DRC, amongst other matters. Preliminary results of the investigation revealed the occurrence of certain irregularities committed by previous management which placed an obligation on the Group’s external auditors to report the findings to the Independent Regulatory Board for Auditors (“IRBA”), as reported in the Group’s August 2014 interim results. After taking into consideration the change in the Group’s management during 2013 and 2014 and the nature and extent of the irregularities, the Group’s external auditors were able to inform IRBA on 28 November 2014 that the irregularities were no longer continuing. Although the irregularities are historic the Board will inform the relevant regulators of the matters raised once the investigation is concluded. The investigation is expected to be finalised by 30 September 2015. The Board can, however, confirm that no future losses will arise from the matters raised and that these matters do not affect the financial results for the year ended 28 February 2015.

Progress made in other key governance areas includes the implementation of a new Code of Business Conduct and Ethics and the commencement of the development of an enterprise risk management framework for the Group. Further details are set out in the Governance section of this report on pages 60 to 70.

Positive outlook on the future of the Group and the continent
I am confident that over the coming years the Group will be in a much stronger position to contribute towards addressing the energy challenges faced by the continent and to deliver greater value to its stakeholders. Although the oil and gas industry finds itself in yet another challenging period, I believe that the industry will emerge from this uncertainty even stronger and that SacOil will be amongst the entities that will use this uncertainty and opportunities to become significant players in the African oil and gas sector.

I look forward to the future as Chairman of the Group and believe that we will provide you with more positive news over the next financial year. Thank you to all our stakeholders. I know we can rely on your continued support as we now work towards growing the “new” SacOil together.

Tito Titus Mbweni
Independent Non-executive Chairman
11 August 2015
Chief Executive Officer’s review

Our major focus during the year was to review our portfolio of assets with the intention of achieving a more balanced portfolio.

Highlights
- Risk diversification from the new strategy
- New business model to include midstream and downstream activities
- Transformational transaction providing 6.2 million barrels of 2P reserves
- Positive developments on the Mozambican gas pipeline project
- Resolution of sustainability challenges experienced by the Group
- New Vision 2025

2014 was a challenging year for the oil and gas sector, characterised by the plummeting oil price and consequent downturn in the industry, particularly for many small cap oil and gas companies globally. Despite these challenges we are satisfied that SacOil is stable, cash positive with oil production and cash flow.

The new strategy
In 2013 and early 2014 the Group found itself facing sustainability issues and large exploration commitments as a result of the historic strategy that focused only on exploration activities. During 2014 and early 2015 management embarked on a review of the previous strategy to ensure that the Group did not continue to experience the challenges prone to exploration companies and that it was restructured to focus on the future sustainability and profitability of the Group. The review also involved a relook at the Group’s business model, and the interrogation of the industry and the wider business environment in order to chart a growth path for the Group.

Our strategy is based on the following strategic themes:
- **Balancing our portfolio**: actively participating across the exploration and production value chain and diversifying the business into midstream and downstream activities.
- **Delivering a sustainable business**: optimising our operating assets and capital structure, and advancing our development and exploration assets while maintaining strong free cash flows.
- **Growing our portfolio**: expanding into more geographical locations and increasing operating positions.

Our new strategy is based on developing our upstream (E&P), midstream and downstream segments, which will provide risk diversification and will support integration across the oil and gas value chain. Africa has limited infrastructure and markets to utilise its oil and gas resources and it becomes critical to move into the midstream and downstream segments to monetise our resources in certain instances. For the Group this entails the following for the various segments of the value chain:

- On the upstream segment we will develop both oil and gas commodities to mitigate commodity price risk, with the key focus for the next 18 months being on acquiring production or near-production assets to be added to the Group’s existing portfolio of assets;
- The midstream focus will be on gas infrastructure-related projects such as gas pipelines, gas distribution and gas-to-power projects. The Group is already in partnership with the PIC and IGEPE for the construction of a gas pipeline from Mozambique to South Africa; and
- Downstream projects will be more on an opportunistic basis that could add value to the Group’s resources.

Our Vision 2025, based on our new strategy, is to be a leading independent pan-African oil and gas company that offers investors attractive returns and growth that will be achieved by expanding our reserves and production. Our new strategy and business model are discussed in further detail on pages 20 to 23.

Our new strategy is linked to the values and ethical behaviours that we prescribe to our people and stakeholders. The Group will conduct its business activities in keeping with its corporate values. These are defined as RECIPPE values, which promote Respect, Empowerment, Collaboration, Integrity, Innovation, Performance and Environment. We are committed to the health and safety of our employees and environmental practices where we operate.

Delivering on the strategy
We spent the past year stabilising the Group, resetting the base in line with our new strategy for future success. Our major focus during the year was to review our portfolio of assets with the intention of achieving a more balanced portfolio as part of a new strategy. In this regard we achieved several milestones to reposition the Group for sustainability and future growth. The rebalancing...
involved a greater focus on development and production assets, exiting non-performing assets, restructuring our capital commitments, advancing the memorandum of understanding in Mozambique with our partners and improving our governance structures. To date we have made great progress on all these milestones. Some of our achievements are highlighted below:

- We completed the acquisition of the Lagia Oil Field in Egypt. It is a transformational transaction for SacOil providing a solid 2P reserves base of 6.2 million barrels, and upside resources, for a transaction consideration of US$2.28 bbl (based on the 2P reserves). The asset is expected to deliver enhanced production and cash flow in 2016. This signals a momentous turnaround to that of a production story for SacOil’s investment profile. This also affirms our commitment to focusing on cash-generative assets.

- We terminated our participation in OPL 281 in Nigeria, which saw the Group initiate a process to recover R220.8 million ($19.1 million) in historic costs incurred on this asset inclusive of applicable interest. Furthermore, we commenced a process to terminate our participation in OPL 233, also in Nigeria, which process was completed on 19 May 2015. We have now initiated a process to recover costs incurred on this asset totalling R228.8 million ($19.8 million), including capitalised borrowing costs. Nigdel United Oil Company Limited (“Nigdel”), the operator of OPL 233, and Transnational Corporation of Nigeria (“Transcorp”), the operator of OPL 281, have separately disputed the terms of SacOil’s conduct in relation to these assets and its subsequent withdrawal. The directors of SacOil are, however, confident that their claims against Nigdel and Transcorp are valid. The exit from these assets also cancelled future commitments and contingent liabilities totalling R840.1 million ($44.5 million) and R713.3 million ($66.1 million) for OPL 281 and OPL 233 respectively. This enhances our ability to fund new development and production investments.

- We advanced our exploration programmes in Botswana and Malawi, having completed satellite surveys in both countries and will continue with the Environmental and Social Impact Assessments on both assets.

- We signed a Joint Development Agreement with the PIC and IGEPE to evaluate the technical and commercial feasibility of a transnational terrestrial gas pipeline and distribution facility that will carry natural gas from Mozambique’s Rovuma fields into South Africa, with off-takes to other neighbouring Southern African Development Community countries. This agreement formalises a binding agreement between the parties.

- We ended the year with R113.4 million of unrestricted cash and no debt. The expected cash refunds from Transcorp and Nigdel and the R116.0 million ($10.0 million) cash collateral refunded on 5 June 2015 will put us in an even stronger position for further acquisitions.

In 2015 our immediate focus will be on acquiring affordable low-risk production and development assets in stable jurisdictions, with capable partners, whilst ramping up production in Egypt and advancing feasibility studies in Mozambique. Management will continue to focus on risk management across our portfolio. Our key strategic priorities for the next financial year are set out on page 37.

With steady cash flows from our producing asset, new acquisitions, feasibility studies of the Mozambican pipeline and good exploration assets, we will be well positioned and resourced to deliver on our strategic initiatives.

**Our people and capabilities**

We appointed Bradley Cerff as the Group Executive: Operations and executive director in August 2014. Bradley has been part of the SacOil executive team since 2011 and held the position of Vice President: Operations, prior to his appointment. In October 2014 we appointed Dr Magdy Bassaly as Country Manager for our Egypt operations. Dr Bassaly, who has over 18 years’ experience in the international energy sector, is responsible for the development and production operations of the Lagia Oil Field. We also appointed Marius Damain Matroos as our new Finance Director. Damain joined us from Sasol Limited and has over 15 years’ experience in corporate finance both in the United Kingdom and more recently in South Africa. We are pleased with these appointments which strengthen the management team’s expertise and experience and I look forward to a lengthy and prosperous working relationship with the new team and expect exciting times ahead as we work together to build a new SacOil.

The acquisition of Mena International Petroleum Company Limited in Egypt added to our portfolio of assets operated by our Group companies. Assets which we operate give us control and flexibility on capital expenditure and future work programmes. This acquisition increased our unique skills set in an onshore production environment. We will use this knowledge to create value and grow our business. We will continue to grow and develop our people to enhance our ability to execute our new strategy.

**Outlook**

In the execution of our new strategy we will be adding more cash-generative assets, advancing our exploration assets and progressing studies in Mozambique. We intend to accelerate the development of the Lagia Oil Field and increase production to at least 1 000 barrels per day by the end of 2015.

We remain committed to our current and new projects in Africa. Africa offers great opportunities in the downstream, upstream and energy sectors. SacOil has a strong financial position and is well positioned to live through the era of low oil prices. The new fundamentals of the organisation will ensure long-term growth and profitability for the Group, which bodes well for shareholders.

I wish to thank our Board and employees for their ongoing support and commitment as we transform SacOil to become a leading pan-African independent oil and gas company.

Dr Thabo Kgogo
Chief Executive Officer
11 August 2015
Finance Director’s review

Acquisition of an oil-producing asset at Lagia

On 22 October 2015 the Group acquired Mena International Petroleum Company Limited (“Mena”), which owns the producing Lagia Oil Field for R151.7 million ($14.1 million), settled by a cash payment of R45.2 million ($4.1 million) and the issue of ordinary shares in SacOil for R106.5 million ($10 million). The acquisition of Mena was part of the Group’s revised strategy and allows it to report its first oil revenue and producing asset. Lagia is a low-cost producing asset with good development opportunities. Mena’s financial results are provided in note 5 to the annual financial statements under the Egypt segment.

Financial performance

Revenue

Mena’s contribution to revenue in the current financial year is minimal at R2.1 million. This is as a result of reporting only three months’ results since the acquisition date, which was further impacted by the development plan currently in progress at the Lagia Oil Field.

Other income

Foreign exchange gains increased in the current financial year by R31.2 million to R78.6 million (2014: R47.4 million) due to the continued weakening of the Rand against the US Dollar. Foreign exchange gains arose on translation of the US Dollar denominated cash collateral, the contingent consideration receivable and loans advanced to our partners, EERNL and Divine Inspiration Group Private Limited (“DIG”).

Also contributing to the increase in other income is the gain of R24.7 million upon acquisition of Mena. The fair value of the other intangible assets acquired gave rise to the gain on acquisition as the purchase price paid for the reserves is considered below the current market price.

Other operating costs

Portfolio rationalisation and restructuring of EERNL loans

Other operating costs reflect the impact of the Group’s portfolio rationalisation and restructuring of the EERNL loan. Costs totalling R420.2 million (2014: R37.9 million) were incurred as follows:

Highlights

- Strategic actions:
  - Acquisition of a producing and development asset in Egypt
  - Portfolio rationalisation – exit from OPL 233 and OPL 281 in Nigeria
  - Settlement agreement relating to the EERNL loans
- Strong cash balance
- Significant reduction of capital commitments
- Resolution of going concern issue
- Group repositioned for sustainable growth

Summarised key financial results:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2.1</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>(Loss)/profit after tax</td>
<td>(277.0)</td>
<td>9.5</td>
<td>(3 012)</td>
</tr>
<tr>
<td>Net assets</td>
<td>787.9</td>
<td>948.8</td>
<td>(17)</td>
</tr>
<tr>
<td>Cash and cash equivalent balances</td>
<td>229.4</td>
<td>381.6</td>
<td>(40)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(76.4)</td>
<td>(63.0)</td>
<td>21</td>
</tr>
<tr>
<td>Capital commitments</td>
<td>88.2</td>
<td>772.6</td>
<td>(89)</td>
</tr>
<tr>
<td>EPS (Basic)</td>
<td>(8.5)</td>
<td>1.4</td>
<td>(707)</td>
</tr>
<tr>
<td>HEPS (Basic)</td>
<td>(4.7)</td>
<td>1.4</td>
<td>(436)</td>
</tr>
<tr>
<td>Net asset value per share</td>
<td>24.1</td>
<td>30.7</td>
<td>(22)</td>
</tr>
</tbody>
</table>
“Our future success is on a better footing and with the dedication and commitment of the Board and management we are much stronger now to ensure the sustainable success of our strategy to become a leading African-based energy player.”

Damain Matroos, Finance Director

OPL 233

OPL 233 was reclassified as an asset held for sale at 28 February 2015 following the Board’s commitment to terminate its participation in the asset. Pursuant to the termination, the underlying value of the asset represents amounts to be recovered from Nigdel under the terms of the Farm-In Agreement. The asset has been impaired by R194.1 million following management’s assessment of the recoveries from Nigdel. The outcome of the termination negotiations with Nigdel, which are currently ongoing, may result in a reversal of part of this impairment in future. The Group will inform shareholders of the progress on these discussions as soon as there is certainty on the outcome.

Contingent consideration receivable

The exploration operations associated with Block III were suspended for most of the financial year due to the civil unrest in the north-east of the DRC, resulting in delays of the work programme by approximately a year. Consequently the contingent consideration receivable from the 2011/2012 farm-out of Block III has been impaired by R23.8 million (2014: R22.1 million), representing the impact of the time value of money on expected future cash flows from the contingent consideration receivable.

The acquisition of Mena was part of the Group’s revised strategy and allows it to report its first oil revenue and producing asset.

General costs

The remainder of other operating costs increased by R25.9 million to R66.1 million (2014: R40.2 million) primarily due to Mena’s operating costs of R7.4 million (2014: RNil) during the period, once-off acquisition costs of Mena of R8.7 million (2014: RNil) and business development costs of R2.4 million (2014: RNil).

The Group’s operating costs are outlined in note 6.

Investment income

The increase in investment income is primarily attributable to the interest on the Transcorp Refund of R29.6 million (2014: RNil) and the interest of R7.0 million (2014: R0.9 million) on the Group’s cash and cash equivalents. The interest on loans to EERNL contributed R92.3 million (2014: R103 million), which has increased the EERNL financial asset, and interest on other financial assets contributed R29.2 million (2014: R26.7 million) to the Group’s investment income.

Finance costs

The Group’s finance costs of R0.001 million (2014: R12.9 million) are minimal in the current financial year following the settlement in the prior year of the Group’s debt obligations.

Loss after tax

The loss after tax for the year amounted to R277.0 million (2014: profit of R9.5 million). The impact of key transactions on the Group’s results is illustrated on page 52.
Financial position
The net assets of the Group decreased from R948.8 million to R787.9 million during the year under review primarily due to the non-cash impact of the corporate actions relating to OPL 233 and OPL 281, and the resulting EERNL loan settlement.

Exploration and evaluation assets (“E&E assets”)
The decrease in E&E assets is reflective of the portfolio rationalisation undertaken by the Group. Prior to the termination of its participation in OPL 233 and OPL 281, the Group invested R68.8 million (2014: R103.6 million) in OPL 233 for the seismic survey and general and administrative (“G&A”) expenses. The Group further invested R0.3 million in Block 1 in Malawi (2014: R0.4 million in the Botswana assets). As noted under other operating costs, OPL 233 was subsequently reclassified as an asset held for sale, resulting in a decrease of R215.9 million in E&E assets. The cost of OPL 281 of R44.1 million, previously reported, was off-set against the Transcorp Refund pursuant to the termination of participation in the asset and treated as a disposal in terms of accounting standards.

Oil and gas properties and other intangible assets
The acquisition of Mena resulted in the Group reporting its first producing oil and gas assets of R122.9 million at 28 February 2015. Furthermore, the acquisition increased other intangible assets by R60.9 million, representing the right to drill for petroleum reserves.

Other financial assets
The increase of R21.5 million in other financial assets (non-current and current) is primarily attributable to the expected Transcorp Refund of R220.8 million (2014: RNil), foreign exchange gains of R52.6 million (2014: R106.4 million) on Dollar denominated balances and interest of R121.5 million (2014: R167.8 million) on the EERNL loan, contingent consideration, advance payment against future services and Greenhills receivable, off-set by:

- the EERNL loan settlement of R183.3 million (2014: RNil), bad debt expense of R65.4 million (2014: RNil) and increase in impairment provision of R87.5 million (2014: R37.9 million) as detailed under other operating expenses;
- the impairment of the contingent consideration receivable of R23.8 million (2014: R22.1 million), also detailed under other operating expenses; and
- the part settlement by EERNL and Greenhills of R13.4 million (2014: R14.8 million) against amounts outstanding.

Cash and cash equivalents and cash flows
Movements in the Group’s cash and cash equivalents for the year ended 28 February 2015 are illustrated in the “Movements in cash and cash equivalents” graph on page 53.

The Group’s cash and cash equivalents decreased by R152.2 million to R229.4 million (2014: R381.6 million) during the year under review largely due to:

- expenditure on the OPL 233 seismic survey and G&A costs of R68.8 million;
- Lagia acquisition and transaction costs totalling R45.2 million and R8.7 million, respectively;
- development costs of R18.6 million relating to the Lagia Oil Field; and
- expenditure on the Group’s operating costs of R24.3 million.

The Group’s cash inflows benefited from the part repayments of the EERNL and Greenhills debt of R13.4 million.
The Group’s cash and cash equivalents at 28 February 2015 comprise the restricted cash related to the cash collateral of R116.0 million (2014: R108.1 million) ($10.0 million), short-term deposits of R106.7 million (2014: RNil) and bank balances of R6.7 million (2014: R273.5 million). The restricted cash of $10 million was received by the Group on 5 June 2015 from EcoBank and is available for the Group to invest in other opportunities. The cash balances at 28 February 2015 do not include any expected refunds from Transcorp or Nigdel related to the OPL 281 and OPL 233 exits respectively.

Resource and reserves

The Group’s commitments have decreased by R684.5 million (2014: increase of R308.0 million).

The Group’s commitments and contingent liabilities have decreased by R1.2 billion (2014: increase of R308.0 million) following the termination of its participation in OPL 233 and OPL 281.

The outlook for our capital expenditure in 2016 is estimated at R68.7 million of which R47.8 million will be invested in our Lagia asset to complete the Phase 2 development. The capital expenditure for 2016 will be funded out of internal cash resources of the Group.
**Total shareholders’ equity**

SacOil’s stated capital increased by R106.5 million to R1.216 billion (2014: R1.110 billion) representing the shares issued for the acquisition of Lagia.

The loss attributable to equity holders of the parent for the year of R269.2 million (2014: profit of R19.6 million) contributed to the increase in accumulated losses to R448.6 million (2014: R179.4 million).

The Group’s reserves increased by R9.6 million to R15.6 million (2014: R6.0 million) due to share-based payment expenses of R0.9 million (2014: RNil) and foreign exchange gains on the translation of Mena operations of R8.7 million (2014: RNil). The total shareholders’ equity has decreased from R948.8 million to R787.9 million, which represents a 17% decrease in the current year due to the Group’s activities in the year.

Management will focus on expanding the Company’s investor base over the next financial year and increase the institutional component of the shareholder base.

**Taxation**

Tax payable increased by R35.6 million (2014: R82.9 million) due to interest on taxes outstanding of R23.6 million (2014: R21.4 million) and foreign exchange losses of R13.1 million (2014: R47.5 million), off-set by a prior-year tax overprovision of R1.1 million (2014: charge of R14.0 million). The foreign taxes are denominated in US Dollars.

The increase of R4.6 million in the deferred tax liability to R97.1 million (2014: R92.5 million) primarily arises from the estimated future contingent consideration receivable.

**Litigation**

Following the termination of the Group’s participation in OPL 233 and OPL 281, its partners on these assets instituted the legal actions outlined below. These events occurred subsequent to the issue of the annual financial statements.

**OPL 281**

On 18 June 2015, Transcorp, the operator of OPL 281 instituted action in the High Court of Lagos State against SacOil 281 Nigeria Limited (“SacOil 281”) and EER 281 Nigeria Limited (“EER 281”) for: (i) a declaration that a notice of termination from SacOil 281 dated 3 December 2014 amounted to wrongful termination of the Farm-out and Participation Agreement; and (ii) payment of the sum of $50 million as special damages for wrongful termination. In support of its action Transcorp claims that SacOil 281 and EER 281 are not entitled to any refund or repayment in particular the $8.75 million (signature bonus) and $3.75 million (initial fee). The Group is defending the action instituted by Transcorp.

**OPL 233**

Nigdel, the operator of OPL 233, commenced arbitration proceedings pursuant to the Farm-in Agreement (“FIA”) by delivering a notice of arbitration to SacOil 233 Nigeria Limited (“SacOil 233”) dated 1 June 2015 claiming: (i) $7 919 839 being SacOil 233’s indebtedness to Nigdel comprising $5.3 million subsequent to government approval being obtained under the FIA and $2 619 838 for financial obligations due under the Joint Operating Agreement; (ii) interest on such amount at the rate of 21% from 4 March 2015 to the arbitration award and at a rate of 10% from the date of the arbitration award to the liquidation of such amount; and (iii) $500 million, jointly and severally with EER 233 as general damages for the delay, setback and frustration caused to the OPL 233 project. To date, Nigdel has failed to substantiate or provide evidence justifying the amounts claimed. The Group will defend the action instituted by Nigdel.
Separately, on 8 June 2015, Nigdel instituted action and obtained an order of the Federal High Court of Nigeria against, inter alia, SacOil and SacOil 233 for injunctive relief in respect of the expiration of the $25 million performance bond issued by Ecobank in favour of the Nigerian National Petroleum Corporation pursuant to the provisions of the FIA. The performance bond expired on 2 May 2015 and the cash collateral of $10 million previously securing the bond was refunded to SacOil. Nigdel claims the restitution of the performance bond. The Group is defending the action instituted by Nigdel.

**Going concern**

The interim results of the Group for the period ended 31 August 2014 highlighted certain uncertainties which cast doubt on the Group’s ability to continue as a going concern. The Board is pleased to inform shareholders that these uncertainties have now been resolved. The portfolio rationalisation undertaken by the Group had the effect of eliminating future commitments and expenditure associated with the exploration programmes of OPL 233 and OPL 281. This has resulted in the improvement in the Group’s projected future cash flows, consequently addressing the legacy going concern issue. Further strengthening the Group’s future cash flows are the Lagia future cash flows, the expected Transcorp and Nigdel refunds and the cash collateral which was released on 5 June 2015. The Group has sufficient financial resources at its disposal to meet its future obligations.

**Outlook**

The rebalancing of its portfolio in the current year has resulted in a significant operating loss for the Group. This, however, has to be viewed in light of the benefits that will be derived by the Group from the restructuring activities undertaken which place it in a much better position to ensure sustainable growth. The recovery of the cash collateral and Transcorp Refund will result in the Group’s cash balance increasing to around R450.2 million (excluding amounts to be refunded by Nigdel). This cash could be utilised to fund the development at Lagia and the existing assets, but could also be used to fund future acquisitions that may become available in the current market. Lastly, we hope that investors will recognise that the restructuring places the Group on a solid footing for future growth.

**Damain Matroos**
Finance Director
11 August 2015
Group Executive: Operations’ review

Through the acquisition of Lagia, SacOil obtained 100% ownership of the Lagia Development Lease containing a developing oilfield onshore Egypt. This was a transformational acquisition for SacOil, transforming the Group from a purely exploration-focused play into a development/production play, with its sights set on increasing production and growing its reserve base.

SacOil's operations during the past year focused primarily on its operated assets in Egypt, Malawi and Botswana as well as on its non-operated assets in Nigeria and the Democratic Republic of Congo (the “DRC”). The primary focus related to these assets was to refine and increase the resource potential of the respective acreage.

Lagia Oil Field, onshore Egypt
SacOil has successfully completed Phase 1 of the development plan of the Lagia Oil Field, which included the hydraulic stimulation and completion of the five existing production wells, specifically targeting the intersected productive Nukhul geological formation and effectively increasing oil production. Mena contracted Schlumberger Egypt to conduct the hydraulic stimulation.

SacOil is preparing and planning a second phase of development operations which includes the installation of steam facilities for a thermal recovery process on the existing production wells and the drilling of up to five additional thermal wells, with the intent of further enhancing production and the recovery of oil. See the feature of the Lagia Oil Field on pages 16 to 19 for further details.

We have successfully completed Phase 1 of the development plan of the Lagia Oil Field.
“Our strong networks advance SacOil’s ability to manage portfolio risk by securing the finest technical and operational skills to each asset and opportunity.”

Bradley Cerff, Group Executive: Operations

Block 1, onshore Malawi
SacOil contracted Golder Associates Africa to conduct an ESIA. The initial stakeholder engagements commenced at the beginning of October and it is envisaged that the ESIA will be completed during 2015. The ESIA should form the basis for SacOil to continue its exploration activities during 2015 into 2016.

PELs 123, 124 and 125, onshore Botswana
SacOil contracted Golder Associates Africa to conduct a satellite imagery study over the three concession areas. The study was completed at the end of August 2014 and the results will be used to identify areas of focus for a more detailed environmental survey over the PELs. Activity will continue during the second half of 2015 to refine and gain a detailed understanding of the geological basin extents and overall exploration potential.

Block III, onshore Democratic Republic of Congo
Total E&P RDC (“Total”) as operator successfully completed the ESIA and acquired an airborne gravity and magnetic survey over the northern part of Block III outside the Virunga National Park on behalf of the Group and its partners on Block III. The interpretation of the processed gravity and magnetic survey confirmed the geological trend observed in the adjacent concessions in Uganda. Geological features similar to those found to be oil-bearing in Uganda in the Albertine Graben have been observed and identified from the new data. With this positive geological information, planning for the acquisition of a 2D seismic survey has begun.

Following the review of the seismic data and subject to the positive identification of subsurface geological structures that may contain oil and gas, the partners intend to drill an exploration well. Operations have, however, been delayed as a result of civil unrest in the area.

Transnational gas pipeline project, onshore Mozambique
SacOil, the PIC and the IGEPE (collectively “the JDA Partners”) signed a Joint Development Agreement (“JDA”) in December 2014 to evaluate the technical and commercial feasibility of a transnational terrestrial gas pipeline and distribution facilities that will transport natural gas from Mozambique’s Rovuma fields into South Africa, with offtakes to other neighbouring Southern African Development Community (“SADC”) countries.

The JDA partners are currently in the process of establishing a technical working group to commence pre-feasibility studies.

Under the JDA the partners will work together to evaluate the viability of the project. The feasibility studies will cover engineering, market development, gas purchasing, economic, financial, technical and commercial risk profiles as well as environmental, social and regulatory issues.

OPL 233, offshore Nigeria
Following successful mobilisation to site of all the 3D seismic equipment, vessels and personnel, acquisition of the Ocean Bottom Cable (“OBC”) 3D seismic survey commenced on 9 September 2014. The contract for the seismic processing was awarded to Verity Geosolutions Limited following a successful tender and bid evaluation process. Due to a number of operational reasons the project has been delayed by approximately six months. The Group informed our partners on OPL 233 of our intention to exit on 19 May 2015.

OPL 281, onshore Nigeria
Pursuant to the strategy of portfolio rebalancing, SacOil terminated its participation with Transnational Corporation of Nigeria Plc (“Transcorp”), the operator of Oil Prospecting Licence (“OPL”) 281.

Health, safety and environment
During the current year no HSE incidents occurred at the various locations and we will work towards maintaining this performance as the Group continues to expand its activities.

Future outlook
Longer term, SacOil will continue to execute on its existing portfolio of assets and projects in Egypt, Mozambique, DRC, Malawi and Botswana, which are all expected to yield significant future milestones and value for our stakeholders.

Bradley Cerff
Group Executive: Operations
11 August 2015
About our corporate governance
Corporate governance report

The Company is incorporated in South Africa and listed on the JSE and AIM and, accordingly, is required to comply with the corporate governance requirements contained in the JSE Listings Requirements, the Companies Act, the QCA Corporate Governance guidelines for AIM companies and the UK Corporate Governance Code, and to report in terms of King III.

Statement of corporate governance
The Board of SacOil strives to promote the highest standard of corporate governance by supporting the principles of good governance as outlined in the Code of Corporate Practices and Conduct as recommended by King III, the QCA Corporate Governance guidelines for AIM companies and the UK Corporate Governance Code.

Good governance includes the structures, processes and practices that the Board uses to ensure its oversight function over the operations of SacOil.

The Board, its committees and employees are committed to the principles of transparency, accountability, integrity and fairness in the conduct of its business affairs.

To ensure adherence to good governance the Group remains vigilant in adhering to developments in this arena and improvements are made where deemed appropriate.

Highlights on governance for the year under review
The Group’s governance practices are continuously improved to ensure alignment with internal developments and shifts in legislation, regulations and trends. To further demonstrate this the following improvements in governance are highlighted:

- review and amendment of the terms of reference of the Board subcommittees;
- the inclusion of risk management in the terms of reference of all subcommittees;
- engagement of a service provider to develop a risk management framework for the Group;
- development of a code of business conduct and ethics; and
- review and amendment of the remuneration framework.

The initiatives highlighted above are all expanded on in the reports of the respective subcommittees which exercised oversight over these matters.

Application of codes of good governance
The Group complies with all the recommendations of King III, except as set out below. Non-compliance arose primarily as a result of the Group’s current size and the phase of evolution of the business. A register on King III compliance is available on the Company’s website at www.sacoilholdings.com.

King III Index

<table>
<thead>
<tr>
<th>Principle</th>
<th>King III Principle and recommended practice</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.22</td>
<td>The evaluation of the Board, its committees and the individual directors should be performed every year.</td>
<td>The evaluation and review of the performance of directors was not undertaken during the year under review and this process is expected to take place before 31 October 2015.</td>
</tr>
<tr>
<td>6.4.6</td>
<td>The Board should delegate the implementation of an effective compliance framework and processes to management. An independent suitably skilled compliance officer may be appointed.</td>
<td>The Board as a whole, with the assistance of its subcommittees, considers and oversees compliance. There is no independent compliance position within the Group at present, but this is being considered by the Board. The organisational structure for the Company will be amended to include a suitably skilled compliance officer as the Group grows.</td>
</tr>
<tr>
<td>9.3</td>
<td>Sustainability reporting and disclosure should be independently assured.</td>
<td>The Internal Audit plan for the next two years includes reviews of the Group’s sustainability framework and reporting. This will ensure the objective to obtain independent assurance is achieved.</td>
</tr>
</tbody>
</table>

JSE
The Company complied with the Listings Requirements of the JSE.

Companies Act
The Company complied with the Companies Act.
How we manage the business

The Board endorses a professional and robust approach to governance in the Group that reinforces the Board’s commitment to best practices. This commitment was initiated when the Board was reconstituted in June 2013 at the end of a turbulent period for the Group. The current governance and risk model for the Group is set out in the diagram below:

The governance model adopted by the Group is intended to provide the necessary oversight in respect of the Group and is intended to allocate responsibility to the various bodies to discharge their duties in terms of the Group’s approved delegation of authority. The governance model reflects the nature and complexities of the business activities and it is expected that further governance bodies may be introduced in future to enable the Board to effectively manage the Group.

Details of the respective governance bodies are discussed in detail below.

Board of directors

SacOil has a unitary Board structure made up of a majority of non-executive directors appointed by the shareholders. The Board retains overall accountability for the running of the Group and is accountable for making decisions that could have a material impact on the business. It discharges this responsibility through the executive management team, which is responsible for the day-to-day management of the operations of the Group.

The Board gives strategic direction to the Group. The Board retains full and effective control over the Group and monitors executive management in implementing plans, policies, tactics, procedures and strategies. The ultimate responsibility for the Group rests with the Board. The Board retains effective control through a well-developed governance structure of Board subcommittees and suitable delegation of authority.
Corporate governance report (continued)

There is a policy evidencing clear balance of power and authority to ensure that no one director has unfettered powers of decision making.

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 in which the Group’s assets are safeguarded and the interests of all stakeholders and shareholders are protected.

Board composition
A list of the directors and the executive team, accompanied by background information for the period under review, appears on pages 40 and 41 of this integrated annual report. The following directors were appointed during the financial year under review:

Dr Thabo Kgogo Chief Executive Officer and Executive Director Appointed 1 June 2014
Bradley Cerff Group Executive: Operations Appointed 11 August 2014
Marius Damain Matroos Finance Director and Executive Director Appointed 1 February 2015

Dr Thabo Kgogo’s, Bradley Cerff’s and Damain Matroos’ career backgrounds are highlighted on page 41 of the integrated annual report.

Mr Roger Rees resigned on 31 May 2014 and Tariro Mudzimuirema resigned as executive director on 31 January 2015.

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

Subcommittees of the Board
The Board has delegated specific functions to subcommittees to assist it in meeting its overall responsibilities. The Board has established standing subcommittees in this regard. These subcommittees all act in accordance with approved terms of reference which are reviewed annually by the Board to ascertain levels of performance and effectiveness.

The subcommittees are empowered to make recommendations to the Board that are deemed appropriate in any area within the ambit of their terms of reference where action or improvement is required. The terms of reference are reviewed annually by the Board.

The details of the various subcommittees are set out on pages 63 to 66:

The Board has the following subcommittees:

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

Committee reports for the Social, Ethics and Risk Committee, Remuneration Committee and Audit Committee appear on pages 72, 74 and page 82 of this integrated annual report. These reports highlight the roles of each of the committees during the year under review.
### Committee Membership

| Social, Ethics and Risk | Vusumzi Pikoli (chairman), Gontse Moseneke, Mzuvukile Maqetuka, Ignatius Sehoole, Danladi Verheijen and Titilola Akinleye |

### Roles and responsibilities

|   | Social and economic development, including the Group's standing in terms of the goals and purposes of: 1.1 the ten principles set out in the United Nations Global Compact Principles; 1.2 the OECD recommendations regarding corruption; 1.3 the Employment Equity Act; and 1.4 the Broad-based Black Economic Empowerment Act.  |
|   | Good corporate citizenship, including the Group's: 2.1 promotion of equity and the prevention unfair discrimination and corruption; 2.2 contribution to development of the communities in which the Group's activities are predominantly conducted or within which its products or services are predominantly marketed; and 2.3 record of sponsorship, donations and charitable giving. |
|   | The environment, health and public safety, including: 3.1 the impact of the Group's activities and its products or services; 3.2 consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws; and 3.3 labour and employment, including: 3.3.1 the Group's standing in terms of the International Labour Organisation's Protocol on decent work and working conditions; and 3.3.2 the Group's employment relationships, and its contribution towards the educational development of its employees. |
|   | Managing of risk factors within the Group, including: 4.1 monitoring implementation of the policy and plan for risk management (social and ethics risks); 4.2 overseeing that the risk management plan is widely disseminated throughout the Group and integrated into its day-to-day activities; 4.3 ensuring that risk management is performed on a continuous basis; 4.4 ensuring that management considers and implements appropriate risk responses; 4.5 liaising closely with the Audit Committee to exchange information relevant to risk; and 4.6 expressing the Committee’s formal opinion to the Board on the effectiveness of the system and process of risk management. |

### Key decisions taken

Particulars of the key decisions taken by the Committee are included in the detailed Social, Ethics and Risk Committee Report on page 72.
## Corporate governance report (continued)

<table>
<thead>
<tr>
<th>Committee</th>
<th>Membership</th>
<th>Roles and responsibilities</th>
<th>Key decisions taken</th>
</tr>
</thead>
</table>
| Audit     | Stephanus Muller (chairman), Mzuvukile Maqetuka and Vusumzi Pikoli | The Audit Committee is responsible for:  
1. reviewing and challenging, where necessary, the actions of management in relation to the financial statements, interim reports, preliminary announcements and related formal statements before submission to and approval by the Board, and before clearance by the auditors;  
2. monitoring matters that influence or could distort the presentation of accounts and key figures;  
3. overseeing the Group’s procedures for ensuring that the annual report and interim results, taken as a whole, are fair, balanced and understandable;  
4. considering the scope of the annual external audit and the work undertaken by external auditors;  
5. considering the scope of work and remuneration of internal auditors;  
6. considering the reappointment of the internal and external auditors;  
7. making recommendations to the Board for a resolution to be put to the shareholders for their approval on the appointment of the external auditors and to authorise the Board to propose the remuneration and terms of engagement of the external auditors;  
8. reviewing and monitoring the independence of the external and internal auditors and the provision of additional services;  
9. reviewing internal financial, operational and compliance controls, and internal controls and risk management systems;  
10. overseeing the Group’s procedures for detecting fraud and handling allegations; and  
11. evaluating the expertise and experience of the FD and finance function. | Particulars of the key decisions taken by the Committee are included in the detailed Audit Committee Report on page 82. |
| Technical | Ignatius Sehoole (chairman), Willem de Meyer, Jordaan Fouché and Bradley Cerff | The Technical Committee:  
1. works with management on technical issues;  
2. oversees and monitors the technical aspects of the operational performance of the Group;  
3. oversees and reports to the Board on the quality of technical work carried out by the Group and, where appropriate, makes recommendations for improvement;  
4. oversees and approves the release of Resource and Reserve Statements before the Group publicly discloses this information;  
5. ensures that adequate procedures are in place so that the technical work is of acceptable quality;  
6. reports to the Board on technical matters; and  
7. reviews and makes recommendations on the:  
   7.1 technical aspects of business proposals submitted to the Board for approval;  
   7.2 scope of work included in feasibility studies for oil/gas field development; and  
   7.3 technical aspects of annual exploration, appraisal and development programmes and budgets. | The Committee did not meet during the year under review as matters ordinarily in the ambit of the Committee were dealt with at Board level. |
### Remuneration Committee

**Membership**
- Mzuvukile Maqetuka (chairman),
- Tito Mboweni,
- Ignatius Sehoole,
- Vusumzi Pikoli and
- Titilola Akinleye

**Roles and responsibilities**
The Remuneration Committee is responsible for:

1. Overseeing the setting of remuneration quanta and terms and conditions for fixed and variable pay at all levels in the Group, but especially at senior executive, prescribed officer and Board level;
2. Overseeing the establishment of a remuneration philosophy and policy that will promote the achievement of strategic objectives and encourage individual performance in line with Board objectives;
3. Ensuring that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders once every year;
4. Reviewing the outcomes of the implementation of the remuneration policy for whether the Board’s set objectives are being achieved;
5. Ensuring that the structure and mix of fixed and variable pay, in cash, shares and other elements, meets the Group’s needs and the Board’s strategic objectives;
6. Satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
7. Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
8. Considering the results of the evaluation of the performance of the CEO and other executive directors, both as directors and as executives, in determining remuneration;
9. Selecting an appropriate comparative group when comparing remuneration levels; and
10. Regularly reviewing incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules.

**Key decisions taken**
Particulars of the key decisions taken by the Committee are included in the detailed Remuneration Committee Report on page 74.

### Investment Committee

**Membership**
- Ignatius Sehoole (chairman),
- Stephanus Muller,
- Gontse Moseneke,
- Danladi Verheijen and
- Titilola Akinleye

**Roles and responsibilities**
The Investment Committee is responsible for:

1. Assisting and advising executive management on investment opportunities and all aspects of other material transactions not in the ordinary course of business, and matters related thereto;
2. Approving recommendations or proposals to be made to the Board in relation to such opportunities or transactions; and
3. Making recommendations to the Board, monitoring on behalf of the Board and reporting to the Board on material acquisition, merger or disposal opportunities and ongoing material transactions and matters related thereto.

**Key decisions taken**
1. The Committee investigated the acquisition of six potential assets, which led to the acquisition of the Lagia Oil Field
2. Approved the termination of the Group’s participation in OPL 233 and OPL 281
3. Approved the restructuring of the EERNL loan
4. Approved the proposed reorganisation of the Group’s interest in Block III in the DRC
5. Approved the conclusion of the Joint Development Agreement with the PIC and the IGEPE
6. Approved the updated terms of reference for the Committee
Committee Membership

Nominations
Tito Mboweni (chairman), Stephanus Muller, Mzuvukile Maqetuka, Danladi Verheijen, Gontse Moseneke

Roles and responsibilities

The Nominations Committee is responsible for:

1. ensuring the establishment of a formal process for the appointment of directors, including:
   1.1 the identification of suitable members of the Board;
   1.2 the performance of reference and background checks of candidates prior to nomination; and
   1.3 formalising the appointment of directors through an agreement between the Group and the director;
2. overseeing the development of a formal induction programme for new directors;
3. ensuring that inexperienced directors are developed through a mentorship programme;
4. overseeing the development and implementation of continuing professional development programmes for directors;
5. ensuring that directors receive regular briefings on changes in risks, laws and the environment in which the Group operates;
6. considering the performance of directors and taking steps to remove directors who do not make an appropriate contribution;
7. finding and recommending to the Board a replacement for the Chief Executive Officer when that becomes necessary; and
8. ensuring that formal succession plans for the Board, Chief Executive Officer and senior management appointments are developed and implemented.

Key decisions taken

1. Recruitment and nomination of the CEO
2. Recruitment and nomination of the Finance Director
3. Approved the updated terms of reference for the Committee
The Chairman of the Company

The Chairman, Mr Tito Mboweni, so elected by the Board, is an independent non-executive director of the Company. The Chairman leads the Board and sets the agenda, ensuring that the Board meetings allow for adequate time for discussions.

Non-executive directors

All the non-executive directors are individuals of high calibre and credibility. They have the necessary skills and experience to bring judgement to bear, independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance.

The non-executive directors are not involved in the day-to-day management of the business and are not encumbered with specific management responsibilities. These directors are not full-time salaried employees of the Company and/or any of its subsidiaries. None of the non-executive directors has been employed by the Group and are accordingly not predisposed for or against some parts of the business. None of the non-executive directors are retained professional advisers.

The non-executive directors have unfettered access to management and have access to independent advice, at the Company’s expense, on any matter related to their responsibilities.

The non-executive directors enjoy benefits from the Group for their services as directors. They receive fees for their services as directors.

Independence of directors

No independent non-executive director has served for a period of nine years. The Board will measure their independence in line with the policy on measuring independence. The Board confirms that the independent non-executive directors are independent for the year under review. Board tenure is provided on page 41 of the integrated annual report.

All directors have disclosed their other significant commitments and confirmed that they have sufficient time to discharge their duties towards the Group effectively.

Executive directors

In the best interest of the Company and the Group, the executive directors carefully manage the conflict between management responsibilities and fiduciary duties as directors.

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

The executive directors together with executive management are individually mandated and held accountable for:

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

CEO of the Company

The CEO of the Group, Dr Thabo Kgogo, was appointed on 1 June 2014. In terms of the Company’s MOI the appointment of the CEO is recommended by the Nominations Committee to the Board for approval. The responsibility of the CEO is specified by the Board and the performance review of the CEO is undertaken annually by the Chairman of the Board.

The role and function of the CEO is formalised and his performance is evaluated against Board-approved criteria. Certain authority has been delegated to the CEO to manage the day-to-day business affairs of the Group. However, in terms of statute and the Group’s constitution and 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.

The Chairman’s and CEO’s roles and responsibilities

The roles of the Chairman and CEO remain separate. The Chairman’s performance will forthwith be evaluated annually.

The CEO’s performance is evaluated by the Board Chairman on an annual basis. The FD’s performance is evaluated by the Audit Committee on an annual basis.

Board selection, appointment and rotation

The Board considered various factors when considering the composition of the Board of directors to fulfil its role. A formal and transparent procedure is in place for the appointment
of directors. The Nominations Committee is responsible for selecting and recommending the appointment of competent, qualified and experienced directors to the Board. The Board as a whole, after receiving recommendations from the Nominations Committee, appoints directors. All newly appointed directors are subject to an induction programme.

Reappointment to the Board is not automatic and directors may offer themselves for re-election.

In terms of section 6.1 of the MOI any appointment of a director must be confirmed by shareholders at the Annual General Meeting following such appointment. The rotation of directors is more fully governed in terms of section 6.2 of the MOI. One-third of the directors, or if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office at each Annual General Meeting. The Board, assisted where appropriate by the Nominations Committee, should consider eligibility for re-election based on past performance and contribution.

The Nominations Committee recommended and the Board resolved, after being satisfied with the past performance and contribution and after the parties agreeing to offer themselves for re-election, that Messrs Vusumzi Patrick Pikoli, Ignatius Simon Sehoole and Gontse Moseneke retire at the next Annual General Meeting. The biographical details of the directors offering themselves for re-election are available on pages 40 to 41 of this report.

The Group has not adopted a retirement age for directors.

**Training and updating the knowledge of directors**

The Board and each individual director has a working understanding of the business, applicable laws, rules, codes and standards affecting the Company and the Group. Directors receive regular briefings on changes in risks, laws and the environment. The induction and ongoing training of directors is conducted through a formal process.

The Group is committed to providing continuing professional developmental training opportunities to directors and officers.

**Company Secretary**

The Company Secretary operates on an arm’s length basis with the Board, is not a director and is responsible for the functions specified in the Companies Act. The services and advice of the Company Secretary are available to all directors. The company secretarial function has been outsourced to Fusion Corporate Secretarial Services Proprietary Limited (“Fusion”) to ensure that the Group can leverage the skills and expertise of a specialist company secretarial service provider. The Board empowers the Company Secretary to enable it to properly fulfil its duties in terms of the relevant legislation. The appointment and removal of the Company Secretary is a matter to be dealt with by the Board. During the year under review the Board satisfied itself with the competence, experience and expertise of the Company Secretary and that an arm’s length relationship exists between the Board and the Company Secretary. The Board further assessed the competence of the individuals assigned to perform the work and has considered the shareholder and director of Fusion. The next evaluation of the Company Secretary will be undertaken by the Board before the end of October 2015.

**Internal auditors**

On 12 August 2014 the Audit Committee appointed Grant Thornton firm of chartered accountants to perform the Internal Audit role for the Group. The outsourcing of the Internal Audit function of the Group allows it access to the relevant skills and expertise to execute the function effectively.

The Audit Committee approves the work plan and budget of the Internal Audit function of the Group. The two-year Internal Audit plan has been approved by the Audit Committee for the financial years ending 29 February 2016 and 28 February 2017. All issues identified by the internal auditor for corrective action are monitored by the Audit Committee on a quarterly basis to ensure that management addresses the Internal Audit findings on a timely basis.

**Share dealings**

All directors, officers and employees of the Group are advised of closed and prohibited periods in terms of the requirements of the JSE and AIM. Directors, employees, consultants and agents are prohibited from trading in the Company’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 of the Board is required to obtain approval from the chairman of the Audit 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 the Securities Exchange News Service (“SENS”) of the JSE as well as on the Regulatory News Service (“RNS”) of the LSE within 48 hours of the trade being effected. The Company Secretary maintains a record of share dealings throughout the year.
Directors’ dealings during the year were as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Director</th>
<th>Number of ordinary shares</th>
<th>Price per share R</th>
<th>Transaction value R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares acquired on the open market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 November 2014</td>
<td>Dr TC Kgogo</td>
<td>330 846</td>
<td>0.34</td>
<td>112 488</td>
</tr>
<tr>
<td>12 November 2014</td>
<td>Dr TC Kgogo</td>
<td>11 154</td>
<td>0.35</td>
<td>3 904</td>
</tr>
<tr>
<td>12 November 2014</td>
<td>SH Muller</td>
<td>100 000</td>
<td>0.33</td>
<td>33 000</td>
</tr>
<tr>
<td>13 November 2014</td>
<td>SH Muller</td>
<td>478 003</td>
<td>0.37</td>
<td>176 861</td>
</tr>
<tr>
<td>Shares disposed of on the open market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14 November 2014</td>
<td>SH Muller</td>
<td>478 003</td>
<td>0.40</td>
<td>191 201</td>
</tr>
</tbody>
</table>

On 28 May 2015, Mr Bradley Cerff purchased 400 000 additional Sacoil shares at 24 cents for a total consideration of R96 000. There were no other shares issued between 1 March 2015 and the date of this integrated report.

Directors’ options granted are disclosed on page 77 of the integrated annual report.

**Investor relations and communication with stakeholders**

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

Although the Group did not present the interim and final results in a presentation format to the stakeholders, management is available to stakeholders with questions relating to the performance of the Group. SacOil remains committed to an open relationship with stakeholders.

Details of the Company’s sponsor, nominated adviser, joint broker, transfer secretary and UK depository are listed on page 153.
Corporate governance report (continued)

Meeting attendance

The Board and subcommittee meetings are considered sufficient to enable the various governance bodies to discharge their respective responsibilities in terms of the governance model of the Group. The summarised attendance of the various members of the respective governance bodies are set out below:

<table>
<thead>
<tr>
<th>Members</th>
<th>Board Committee</th>
<th>Nominations Committee</th>
<th>Remuneration Committee</th>
<th>Audit Committee</th>
<th>Investment Committee</th>
<th>Social, Ethics and Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total meetings</td>
<td>Total meetings</td>
<td>Total meetings</td>
<td>Total meetings</td>
<td>Total meetings</td>
<td>Total meetings</td>
</tr>
<tr>
<td></td>
<td>attended</td>
<td>attended</td>
<td>attended</td>
<td>attended</td>
<td>attended</td>
<td>attended</td>
</tr>
<tr>
<td>Tito Mboweni</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>Mzuvukile Maqetuka</td>
<td>9</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Stephanus Muller</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>–</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Vusumzi Pikoli</td>
<td>9</td>
<td>6</td>
<td>–</td>
<td>–</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Ignatius Sehoole</td>
<td>9</td>
<td>7</td>
<td>–</td>
<td>–</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Gontse Moseneke</td>
<td>9</td>
<td>9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>11</td>
</tr>
<tr>
<td>Daniël Verheijen</td>
<td>9</td>
<td>7</td>
<td>3</td>
<td>3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Titilola Akinleye</td>
<td>9</td>
<td>9</td>
<td>–</td>
<td>–</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Dr Thabo Kgogo</td>
<td>1</td>
<td>7</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Marius Daimain Matroos</td>
<td>1</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Bradley Cerff</td>
<td>7</td>
<td>7</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Roger Rees</td>
<td>2</td>
<td>2</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Tariro Mudzimuirema</td>
<td>8</td>
<td>7</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Company Secretary</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>External auditors</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Internal auditors</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total meetings for the year</td>
<td>9</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>11</td>
<td>2</td>
</tr>
</tbody>
</table>

Notes on the changes in membership of the Board:

1. Appointed on 1 June 2014.
3. Appointed on 1 February 2015.
4. Resigned on 31 January 2015.
5. Resigned on 31 May 2014.

Group’s Business Code of Conduct

The Group adopted a Business Code of Conduct (“the Code”) that defines how we do business and interact with our stakeholders. It is intended that all employees are trained to understand the requirements and obligations contained in the Code. The Board is also introducing a “hotline” to enable stakeholders in all regions to report unethical behaviour, which will be managed by an external service provider. The Group will rigorously enforce the content and spirit of the Code and will have zero tolerance for unethical behaviour and breaches of the Code.
Social, Ethics and Risk Committee report

In the year under review the Group continued to demonstrate its commitment to conducting its business activities in an ethical manner and ensured appropriate vigilance around environmental, social, ethics and risk matters. This report deals with the advances made in the effective management of the Group’s social and ethical conduct.

Social, Ethics and Risk Committee overview

Composition

The composition of the Social, Ethics and Risk Committee (“the Committee”) is in line with the requirements of the Companies Act. The members of the Committee are Messrs Vusumzi Pikoli (chairman), Gontse Mosenke, Mzuvukile Maqetuka and Ignatius Sehoole.

The members of the Committee have sufficient qualifications and experience to fulfil their duties and the Board appointed the chairman of the Committee.

Highlights

- Recommended to the Board the approval of the Code of Business Conduct and Ethics
- Proposed an updated procurement policy for the Group
- Reinforced the mandate to require the completion of the UK Bribery Act-based checklist by third parties engaged on behalf of the Group

Meeting attendance

The Committee must hold sufficient meetings to discharge all its duties as set out in the terms of reference. The Committee met twice during the year under review and the attendance at these meetings is set out on page 70.

Review of Social, Ethics and Risk Committee

During the financial year a review was undertaken of the Committee’s role and responsibilities. This resulted in updated and more comprehensive terms of reference, which were approved by the Board. An important revision was the assignment of certain risk management aspects previously allocated to the Committee.

The purpose of the terms of reference is to set out the Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures. The broad terms of reference for the Committee are outlined below.

This report should be read in conjunction with the Sustainability Report which provides an insight into the Group’s social and ethics risks.

“Where operations impact communities we are determined to improve the living conditions of those in surrounding areas by protecting natural resources and minimising the overall impact on the environment.”

Advocate Vusumzi Pikoli, Chairman: Social, Ethics and Risk Committee
Duties and responsibilities

The duties and responsibilities of the Committee primarily focus on the following:

- to monitor the Group’s activities with regards to any relevant legislation, other legal requirements or prevailing codes of best practice on matters relating to:
  - social and economic development, including the Group’s standing in terms of the goals and purposes of:
    (i) the ten principles set out in the United Nations Global Compact Principles;
    (ii) the OECD recommendations regarding corruption;
    (iii) the Employment Equity Act; and
    (iv) the Broad-based Black Economic Empowerment Act;
  - good corporate citizenship, including the Group’s:
    (i) promotion of equity and the prevention of unfair discrimination and corruption;
    (ii) contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
    (iii) maintaining a record of sponsorship, donations and charitable giving;
  - the environment, health and public safety, including:
    (i) the impact of the Group’s activities and of its products or services;
    (ii) consumer relationships, including the Group’s advertising, public relations and compliance with consumer protection laws; and
    (iii) labour and employment, including:
      (a) the Group’s standing in terms of the International Labour Organisation’s Protocol on decent work and working conditions; and
      (b) the Group’s employment relationships and its contribution toward the educational development of its employees; and
  - managing of risk factors within the Group, including:
    (i) monitoring implementation of the policy and plan for risk management (social and ethics risks);
    (ii) overseeing that the risk management plan (social and ethics risks) is widely disseminated throughout the Group and integrated in its day-to-day activities;
    (iii) ensuring that risk management (social and ethics risks) is performed on a continuous basis;
    (iv) ensuring that management considers and implements appropriate risk responses;
    (v) liaising closely with the Audit Committee to exchange information relevant to risk; and
    (vi) expressing the Committee’s formal opinion to the Board on the effectiveness of the system and process of risk management.

Key social, ethics and risk decisions taken

The Committee sees itself as the “watch dog” of good corporate governance and will ensure that all social, ethical and risk elements are properly governed.

The following key decisions or recommendations were made to the Board during the financial year ended 28 February 2015:

- the Committee recommended the deferral of the adoption of the UN Global Compact initiative until the start of the 28 February 2017 financial year due to the size of the Group, costs involved and the Group having to introduce all relevant systems and processes for the initiative. The Committee however resolved that the Group should ensure that all key activities and principles of the initiative are implemented and entrenched during the year ending 28 February 2016;
- the Committee reinforced the mandate to require the completion of the UK Bribery Act-based checklist by third parties engaged on behalf of the Group;
- the Committee recommended to the Board the approval of the Code of Business Conduct and Ethics;
- the Committee proposed an updated procurement policy for the Group;
- the Committee recommended that all service providers confirm their respective BBBEE status and compliance with the Group’s BBBEE policy; and
- the Committee recommended that updated risk registers be maintained for each of the Group’s exploration and evaluation assets.

I look forward to working with the Board, Committee members and management during the next financial year to ensure that the Group continues to meet the high standards of social and ethical conduct that are expected of a listed entity and that these are consistently applied across all the countries in which the Group operates and will operate in future.

Vusumzi Pikoli
Chairman: Social, Ethics and Risk Committee
11 August 2015
Remuneration Committee report

The Remuneration Committee (“the Committee”) has pleasure in presenting its report for the financial year ended 28 February 2015. This remuneration report sets out information applicable to the Group’s remuneration philosophy, executive remuneration and directors’ fees. This report has been approved by the Board on the recommendation of the Committee.

Remuneration Committee overview

In pursuit of good governance and adherence to King III the Company has in place a remuneration committee with clear terms of reference to guide its oversight functions in the areas of remuneration and human resource matters in general.

The transparent and equitable compensation of Board members, executives and employees is important in the context of a fair return for value added to the Group and creating the conditions for fixed and variable pay at all levels in the Group, but especially at senior executive, prescribed officer and Board level;

overseeing the establishment of a remuneration philosophy and policy that will promote the achievement of strategic objectives and encourage individual performance in line with Board objectives;

ensuring that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders once every year;

reviewing the outcomes of the implementation of the remuneration policy for whether the Board’s set objectives are being achieved;

ensuring that the structure and mix of fixed and variable pay, in cash, shares and other elements, meet the Group’s needs and the Board’s strategic objectives;

satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives;

ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;

considering the results of the evaluation of the performance of the CEO and other executive directors, both as directors and as executives in determining remuneration;

selecting an appropriate comparative group when comparing remuneration levels; and

regularly reviewing incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules.

Chairman: Remuneration Committee
Mzuvukile Maqetuka

“Our biggest asset is our people. Before you can explore for oil and gas you require talented people to develop ideas and strategies geared for success.”

Mzuvukile Jeff Maqetuka, Chairman: Remuneration Committee

Highlights

- Benchmarking of remuneration paid by the Group
- Competitive remuneration policy to attract talent for the Group’s growth

Composition

Members: Messrs Mzuvukile Maqetuka (chairman), Tito Mboweni, Ignatius Sehoole and Vusumzi Pikoli

All the Committee members are independent non-executive directors. The Chief Executive Officer is a standing invitee at meetings of the Committee. The Committee reports to the Board on its oversight functions. Other Board members may attend meetings of the Committee by invitation; however, no director participates in discussions involving his or her remuneration. The Company Secretary acts as secretary to the Committee. External advisers are used to provide market information as and when required, to enable the Committee to perform its duties.

Roles and responsibilities

The Committee is satisfied that it has fulfilled its responsibilities in compliance with its mandate. The Committee offers the assurance that conflicts of interest are managed appropriately and as guided by the codes of good practice. As is applicable to Board members, no member of the executive team is involved in the determination of his or her own remuneration. In brief, the Committee’s role and responsibilities include, but are not limited to:

Benchmarking of remuneration paid by the Group

Competitive remuneration policy to attract talent for the Group’s growth
Meeting attendance
The Remuneration Committee met four times during the year. Attendance at meetings is set out on page 70.

Key remuneration decisions taken
The following key decisions were made during the financial year ended 28 February 2015:

- restructuring of executive employment contracts for alignment with best practice and the Group’s revised remuneration framework;
- salary benchmarking of executive roles;
- job grading and salary benchmarking of non-executive roles;
- awarding of share options to the Group’s executives to encourage a performance-driven work environment;
- amendment of the Group’s share option scheme as approved by shareholders at the Annual General Meeting held in September 2014;
- recommended for approval by shareholders, at the Annual General Meeting held in September 2014, non-executive directors’ fees and SacOil’s remuneration policy;
- the initiation of a legal recovery process for payroll taxes owed to the Group by a former employee;
- approval of the Group’s relocation policy;
- payment of a retention bonus to the CEO and performance bonuses to executives and non-executive employees; and
- closure of the Cape Town office with effect from 1 June 2015 and relocation of employees to Johannesburg.

Revision of remuneration policy framework
The Group strives to create opportunity to attract, motivate and retain employees of the right calibre and skills, rewarding employees fairly and equitably, and motivating them to achieve the highest levels of performance in alignment with the Group’s strategic objectives and shareholder value creation.

The Board authorised the chairman of the Committee to discuss the remuneration policy with stakeholders as part of the review and revision of the remuneration framework. This process is ongoing and should be completed by 30 September 2015. The revised remuneration policy, in conjunction with the remuneration philosophy, is based on the following key principles:

- providing market competitive fixed remuneration that rewards relevant skills, responsibilities and contribution and is aligned with the Group’s strategy;
- regular independent benchmarking of executives’ and directors’ remuneration against companies of a similar size and complexity within the oil and gas industry;
- annually reviewing short-term incentives against performance in support of the delivery of short-term operational, financial and strategic goals;
- limiting short-term incentives to 100% of the base salary per annum; and
- awarding of long-term incentives in line with the Group’s approved share option scheme.

The Committee is in the process of revising the remuneration packages of key executives to reflect the changes in the market and to ensure that executives are competitively and appropriately rewarded for contributions to the Group. The revised packages will have a market-related mix between target and stretch targets for performance. The aim is to ensure that executive targets support superior performance and improvement in the shareholder value created.

Components of remuneration
The Group has a simple remuneration structure. The remuneration package comprises core fixed elements (base salary and other benefits) and two performance-based variable elements (performance bonus and share option plan). Eligibility for participation in the short-term incentive scheme is based on the attainment of annual targets, both financial and non-financial. The Committee determines eligibility for participation in the share option scheme. The Group complies with the terms of the share option scheme approved by shareholders at the Annual General Meeting held on 12 September 2014.

The Committee considers the appropriate mix of remuneration to attract and retain the required expertise and skills to support the Group’s growth ambitions.
## Detailed audited remuneration information

Aggregate emoluments paid to directors are detailed below:

### Non-executive directors’ remuneration

<table>
<thead>
<tr>
<th>Non-executive directors</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tito Mboweni</td>
<td>R 530 000</td>
<td>R 347 688</td>
</tr>
<tr>
<td>Mzuvukile Maqetuka</td>
<td>R 329 167</td>
<td>R 217 305</td>
</tr>
<tr>
<td>Ignatius Schoole</td>
<td>R 352 083</td>
<td>R 191 151</td>
</tr>
<tr>
<td>Vusumzi Pikoli</td>
<td>R 320 833</td>
<td>R 191 151</td>
</tr>
<tr>
<td>Stephanus Muller</td>
<td>R 320 833</td>
<td>R 217 305</td>
</tr>
<tr>
<td>Gontse Moseneke</td>
<td>R 308 333</td>
<td>R 425 000</td>
</tr>
<tr>
<td>Danladi Verheijen</td>
<td>R 308 333</td>
<td>R 27 307</td>
</tr>
<tr>
<td>Titilola Akinleye</td>
<td>R 327 083</td>
<td>R 27 307</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>R 2 796 665</td>
<td>R 1 644 214</td>
</tr>
</tbody>
</table>

Dates of appointment of the various non-executive directors have resulted in the lower fees paid on 28 February 2014. See page 40 to 41 of the report for appointment dates.

The remuneration of non-executive directors for the period 1 October 2014 to 30 September 2015 was approved at the Annual General Meeting held on 12 September 2014. The remuneration for this period was based on a fixed retainer and meeting attendance fees based on their respective membership and responsibilities as chairperson or member of the respective committees. The fees for the period 1 October 2015 to 30 September 2016 are determined on the same basis and are outlined below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tito Mboweni</td>
<td>612 033</td>
<td>R</td>
<td>89 503</td>
<td>105 233</td>
<td>76 817</td>
<td>794 083</td>
<td>600 000</td>
<td></td>
</tr>
<tr>
<td>Mzuvukile Maqetuka</td>
<td>249 412</td>
<td>R</td>
<td>68 150</td>
<td>76 817</td>
<td>76 817</td>
<td>76 817</td>
<td>508 571</td>
<td>370 000</td>
</tr>
<tr>
<td>Stephanus Muller</td>
<td>249 412</td>
<td>R</td>
<td>151 395</td>
<td>76 817</td>
<td>76 817</td>
<td>76 817</td>
<td>554 441</td>
<td>350 000</td>
</tr>
<tr>
<td>Ignatius Schoole</td>
<td>249 412</td>
<td>R</td>
<td>105 233</td>
<td>76 817</td>
<td>76 817</td>
<td>76 817</td>
<td>597 731</td>
<td>370 000</td>
</tr>
<tr>
<td>Vusumzi Pikoli</td>
<td>249 412</td>
<td>R</td>
<td>89 503</td>
<td>105 233</td>
<td>76 817</td>
<td>76 817</td>
<td>520 965</td>
<td>350 000</td>
</tr>
<tr>
<td>Gontse Moseneke</td>
<td>249 412</td>
<td>R</td>
<td>76 817</td>
<td>76 817</td>
<td>76 817</td>
<td>76 817</td>
<td>479 667</td>
<td>320 000</td>
</tr>
<tr>
<td>Danladi Verheijen</td>
<td>249 412</td>
<td>R</td>
<td>76 817</td>
<td>76 817</td>
<td>76 817</td>
<td>76 817</td>
<td>479 667</td>
<td>320 000</td>
</tr>
<tr>
<td>Titilola Akinleye</td>
<td>249 412</td>
<td>R</td>
<td>68 150</td>
<td>76 817</td>
<td>76 817</td>
<td>76 817</td>
<td>569 366</td>
<td>365 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 357 917</td>
<td>R</td>
<td>419 904</td>
<td>412 501</td>
<td>489 318</td>
<td>412 501</td>
<td>4 504 642</td>
<td>3 100 000</td>
</tr>
</tbody>
</table>

The executive directors’ remuneration for the years ended 28 February 2015 and 28 February 2014, respectively, are set out below:

<table>
<thead>
<tr>
<th>Executive directors’ remuneration</th>
<th>Salary</th>
<th>Other benefits</th>
<th>Bonus</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>R 2 660 000</td>
<td>R 2 916 667</td>
<td>R 1 855 000</td>
<td>R 7 431 667</td>
</tr>
<tr>
<td>Dr Thabo Kgogo&lt;sup&gt;1&lt;/sup&gt;</td>
<td>2 660 000</td>
<td>2 916 667</td>
<td>1 855 000</td>
<td>7 431 667</td>
</tr>
<tr>
<td>Damain Matros&lt;sup&gt;2&lt;/sup&gt;</td>
<td>241 667</td>
<td>588 300</td>
<td>253 000</td>
<td>1 082 967</td>
</tr>
<tr>
<td>Tariro Mudzimuirema&lt;sup&gt;3&lt;/sup&gt;</td>
<td>1 382 500</td>
<td>–</td>
<td>715 500</td>
<td>2 098 000</td>
</tr>
<tr>
<td>Bradley Cerff&lt;sup&gt;4&lt;/sup&gt;</td>
<td>1 530 800</td>
<td>–</td>
<td>957 180</td>
<td>2 487 980</td>
</tr>
<tr>
<td>Roger Rees&lt;sup&gt;5&lt;/sup&gt;</td>
<td>562 500</td>
<td>–</td>
<td>–</td>
<td>562 500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6 377 467</td>
<td>3 504 967</td>
<td>3 780 680</td>
<td>13 663 114</td>
</tr>
<tr>
<td>2014</td>
<td>R 587 500</td>
<td>R 587 500</td>
<td>–</td>
<td>587 500</td>
</tr>
<tr>
<td>Robin Vela</td>
<td>587 500</td>
<td>–</td>
<td>587 500</td>
<td>587 500</td>
</tr>
<tr>
<td>Roger Rees</td>
<td>1 500 000</td>
<td>675 000</td>
<td>2 175 000</td>
<td>1 500 000</td>
</tr>
<tr>
<td>Tariro Mudzimuirema</td>
<td>1 000 000</td>
<td>500 000</td>
<td>1 500 000</td>
<td>1 500 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3 087 500</td>
<td>3 504 967</td>
<td>3 175 000</td>
<td>4 262 500</td>
</tr>
</tbody>
</table>

<sup>1</sup> For services as executive director from 1 June 2014. R 2 916 667 relates to the reimbursement of costs incurred by Dr Kgogo in terminating his contract with his previous employer to join SacOil.

<sup>2</sup> For services as executive director from 1 February 2015. R 588 300 relates to a payment in lieu of share options forfeited on joining SacOil.

<sup>3</sup> For services as executive director from 1 March 2014 to 31 January 2015.

<sup>4</sup> For services as executive director from 11 August 2014.

<sup>5</sup> For services as executive director from 1 March 2014 to 31 May 2014.

<sup>6</sup> Bonuses for the 2015 financial year paid on 29 May 2015.
Highest paid employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Name of Director</th>
<th>Salary</th>
<th>Bonus (R)</th>
<th>Total (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Bradley Cerff</td>
<td>937 500</td>
<td>–</td>
<td>937 500</td>
</tr>
<tr>
<td></td>
<td>Willem de Meyer</td>
<td>1 936 667</td>
<td>890 400</td>
<td>2 827 067</td>
</tr>
<tr>
<td></td>
<td>Magdy Bassaly</td>
<td>876 585</td>
<td>–</td>
<td>876 585</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3 750 752</td>
<td>890 400</td>
<td>4 641 152</td>
</tr>
<tr>
<td>2014</td>
<td>Bradley Cerff</td>
<td>2 075 000</td>
<td>612 000</td>
<td>2 687 000</td>
</tr>
<tr>
<td></td>
<td>Willem de Meyer</td>
<td>1 462 500</td>
<td>400 000</td>
<td>1 862 500</td>
</tr>
<tr>
<td></td>
<td>Jordaan Fouché</td>
<td>1 340 000</td>
<td>–</td>
<td>1 340 000</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4 877 500</td>
<td>1 012 000</td>
<td>5 889 500</td>
</tr>
</tbody>
</table>

1 Prior to appointment as an executive director on 11 August 2014.
2 For services as an executive from 22 October 2014.

Share options awarded to executive directors and executive management

The share options in existence, exercised and awarded during the year, with the relevant details, are:

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Grant date</th>
<th>Share price at grant date R</th>
<th>Exercise price R</th>
<th>As at 28 February 2014</th>
<th>As at 28 February 2015</th>
<th>Vesting date</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian Christie</td>
<td>21 Nov 08</td>
<td>0.57</td>
<td>0.82</td>
<td>4 198 614</td>
<td>–</td>
<td>21 Nov 08</td>
<td>20 Nov 18</td>
</tr>
<tr>
<td></td>
<td>21 Nov 08</td>
<td>0.56</td>
<td>0.82</td>
<td>2 099 307</td>
<td>–</td>
<td>21 Nov 08</td>
<td>20 Nov 19</td>
</tr>
<tr>
<td></td>
<td>21 Nov 08</td>
<td>0.55</td>
<td>0.82</td>
<td>2 099 307</td>
<td>–</td>
<td>21 Nov 10</td>
<td>20 Nov 20</td>
</tr>
<tr>
<td>Gontse Moseneke</td>
<td>8 Jul 10</td>
<td>0.40</td>
<td>0.29</td>
<td>1 566 457</td>
<td>–</td>
<td>8 Jul 10</td>
<td>7 Jul 20</td>
</tr>
<tr>
<td></td>
<td>8 Jul 10</td>
<td>0.40</td>
<td>0.29</td>
<td>783 229</td>
<td>–</td>
<td>8 Jul 11</td>
<td>7 Jul 21</td>
</tr>
<tr>
<td></td>
<td>8 Jul 10</td>
<td>0.40</td>
<td>0.29</td>
<td>783 229</td>
<td>–</td>
<td>8 Jul 12</td>
<td>7 Jul 22</td>
</tr>
<tr>
<td>Bradley Cerff</td>
<td>20 Jun 14</td>
<td>0.50</td>
<td>0.53</td>
<td>–</td>
<td>2 150 000</td>
<td>20 Jun 14</td>
<td>19 Jun 24</td>
</tr>
<tr>
<td></td>
<td>20 Jun 14</td>
<td>0.50</td>
<td>0.53</td>
<td>–</td>
<td>1 075 000</td>
<td>20 Jun 15</td>
<td>19 Jun 25</td>
</tr>
<tr>
<td></td>
<td>20 Jun 14</td>
<td>0.50</td>
<td>0.53</td>
<td>–</td>
<td>1 075 000</td>
<td>20 Jun 16</td>
<td>19 Jun 26</td>
</tr>
<tr>
<td>Willem de Meyer</td>
<td>20 Jun 14</td>
<td>0.50</td>
<td>0.53</td>
<td>–</td>
<td>1 675 000</td>
<td>20 Jun 14</td>
<td>19 Jun 24</td>
</tr>
<tr>
<td></td>
<td>20 Jun 14</td>
<td>0.50</td>
<td>0.53</td>
<td>–</td>
<td>837 500</td>
<td>20 Jun 15</td>
<td>19 Jun 25</td>
</tr>
<tr>
<td></td>
<td>20 Jun 14</td>
<td>0.50</td>
<td>0.53</td>
<td>–</td>
<td>837 500</td>
<td>20 Jun 16</td>
<td>19 Jun 26</td>
</tr>
<tr>
<td>Tariro Mudzimuirema</td>
<td>20 Jun 14</td>
<td>0.50</td>
<td>0.53</td>
<td>–</td>
<td>1 250 000</td>
<td>20 Jun 14</td>
<td>19 Jun 24</td>
</tr>
<tr>
<td></td>
<td>20 Jun 14</td>
<td>0.50</td>
<td>0.53</td>
<td>–</td>
<td>625 000</td>
<td>20 Jun 15</td>
<td>19 Jun 25</td>
</tr>
<tr>
<td></td>
<td>20 Jun 14</td>
<td>0.50</td>
<td>0.53</td>
<td>–</td>
<td>625 000</td>
<td>20 Jun 16</td>
<td>19 Jun 26</td>
</tr>
<tr>
<td>Dr Thabo Kgogo</td>
<td>2 Dec 14</td>
<td>0.39</td>
<td>0.42</td>
<td>–</td>
<td>1 950 000</td>
<td>2 Dec 15</td>
<td>1 Dec 25</td>
</tr>
<tr>
<td></td>
<td>2 Dec 14</td>
<td>0.39</td>
<td>0.42</td>
<td>–</td>
<td>1 950 000</td>
<td>2 Dec 16</td>
<td>1 Dec 26</td>
</tr>
<tr>
<td></td>
<td>2 Dec 14</td>
<td>0.39</td>
<td>0.42</td>
<td>–</td>
<td>1 950 000</td>
<td>2 Dec 17</td>
<td>1 Dec 27</td>
</tr>
</tbody>
</table>

Details of the directors’ interest in the Group’s shares are disclosed in the Directors’ Report on page 84.

Discretion of committee

The Committee has the discretion in terms of its mandate from the Board to withdraw and change the incentive bonus scheme annually and to withhold payments in specific circumstances when deemed necessary.

Conclusion

The Committee will continue to ensure that the Group offers competitive remuneration packages to directors, executives and employees to ensure that the Group has the required skills and expertise to deliver the new strategy to drive stakeholder value and to enable the Group to achieve its growth ambitions.

Mzuvukile Maqetuka
Chairman: Remuneration Committee
11 August 2015

“... mix of remuneration to attract and retain the required expertise and skills ...”
Annual financial statements

80 Statement of Accountability and Responsibility
80 Company Secretary’s Certification
80 Preparation of financial statements of the Company
81 Independent Auditors’ Report
82 Audit Committee Report
84 Directors’ Report
86 Consolidated and Separate Statements of Comprehensive Income
87 Consolidated and Separate Statements of Financial Position
88 Consolidated and Separate Statements of Changes in Equity
89 Consolidated and Separate Statements of Cash Flows
90 Notes to the Consolidated Financial Statements
Statement of accountability and responsibility

The directors of the Company are responsible for the maintenance of accounting records and for the preparation, integrity and fair presentation of the annual financial statements and Group annual financial statements of SacOil Holdings Limited. The annual financial statements of the Group for the year ended 28 February 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and in a manner required by the Companies Act of South Africa, and are consistent with those of the previous year, except for the adoption of new accounting standards given in note 4.1. They have been prepared on a going concern basis and include amounts based on judgements and estimates made by management. Based on forecasts, the directors have no reason to believe that the Group or Company will not be a going concern in the foreseeable future.

The directors have also prepared the other information included in this integrated annual report and are responsible for both its accuracy and consistency with the financial statements.

The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

There has been no material change in the affairs and trading position of the Company and its subsidiaries since the date of signature of the audit report and the date of the Notice of Annual General Meeting.

The directors are not aware of any legal or arbitration proceedings active, pending or threatened against or being brought by the Group or Company, other than as disclosed in the Directors’ Report on page 84, which may have a material effect on the Group’s financial position or which have had a material effect during the 12 months preceding the date of the Notice of Annual General Meeting. The financial statements have been audited by the independent accounting firm, Ernst & Young Inc., which was given unrestricted access to all financial records and related data, including minutes of all shareholders’, directors’ and committee meetings of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

The Independent Auditors’ Report is presented on page 81. The financial statements were approved by the Board of directors on 19 May 2015 and are signed on its behalf by:

TT Mbweni
Chairman of the Board
21 May 2015

Dr T Kgogo
Chief Executive Officer

Preparation of annual financial statements of the Group

The annual financial statements were prepared under the supervision of Mr MD Matroos CA (SA).

MD Matroos
Finance Director
21 May 2015

Company Secretary’s certification

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, SacOil Holdings Limited has, in respect of the financial year reported upon, lodged with the Companies and Intellectual Properties Commission all returns required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Melinda Gous
Fusion Corporate Secretarial Services Proprietary Limited
Company Secretary
21 May 2015
Independent auditors’ report

to the members of SacOil Holdings Limited

Report on the audited consolidated and separate financial statements
We have audited the consolidated and separate financial statements of SacOil Holdings Limited set out on pages 86 to 137, which comprise the statement of financial position as at 28 February 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors’ responsibility for the audited consolidated and separate financial statements
The Company’s directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility
Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditors consider internal control relevant to the entity’s preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion the consolidated and separate financial statements present fairly, in all material respects, the financial position of SacOil Holdings Limited as at 28 February 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Report on other legal and regulatory requirements
In accordance with our responsibilities in terms of section 44(2) and 44(3) of the Auditing Profession Act, we report that we previously identified certain unlawful acts or omissions committed by persons previously responsible for the management of SacOil Holdings Limited which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities were described in note 2 of the interim financial statements issued on 4 November 2014 and is disclosed in note 38 to the financial statements.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2015, we have read the Directors’ Report, the Audit Committee’s Report and the Company Secretary’s Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective prepares. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.
Director – Iwan Hermanus Grobler
Registered Auditor
Chartered Accountant (SA)
21 May 2015
Audit Committee report

The report of the Audit Committee (“the Committee”) is presented to shareholders in compliance with the requirements of the Companies Act, as amended. The Audit Committee acted in accordance with approved terms of reference, requirements of the Companies Act and King III for the year under review. The report of the Committee is approved by the Board.

Audit Committee overview

Composition and meeting attendance

The current members of the Committee, as appointed by shareholders at the Annual General Meeting of the Company on 12 September 2014, are Messrs Stephanus Muller (chairman), Mzuvukile Maqetuka and Yusumzi Pikoli.

All current members of the Committee are independent non-executive directors.

Highlights

- Appointment of Grant Thornton as internal auditors for the Group on 12 August 2014
- Resolution of the material uncertainty related to the going concern of the Group
- Appointment of the new sponsor, PSG Capital

The experience and skills of the respective members of the Committee and their attendance at the Committee meetings are set out on pages 40 and 70, respectively. The Board confirms that the Committee members are suitably skilled and experienced independent non-executive directors.

In terms of the Companies Act shareholders will elect the directors who will form part of the Committee for the year ending 28 February 2016 at the Annual General Meeting to be held on 1 October 2015.

The Committee met three times during the year. The chairman of the Committee reports to the Board after every Committee meeting held. Other directors can attend meetings by invitation.

The independent external auditors, Ernst & Young Inc., and the internal auditors, Grant Thornton, have attended all Committee meetings as standing invitees.

Roles and responsibilities

The Committee has an independent role with accountability to the Board and shareholders. The Committee is a statutory committee constituted under the terms of the Companies Act and in terms of the recommendations set out in King III. 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. These include:

- reviewing and challenging, where necessary, the actions of management in relation to the financial statements, interim reports, preliminary announcements and related formal statements before submission to and approval by the Board and before clearance by the auditors;
- monitoring matters that influence or could distort the presentation of accounts and key figures;
- overseeing the Group’s procedures for ensuring that the annual report and interim results, taken as a whole, are fair, balanced and understandable;
- considering the scope of the annual external audit and the work undertaken by the external auditors;
- considering the scope of work and remuneration of the internal auditors;
- considering the reappointment of the internal and external auditors;
- making recommendations to the Board for a resolution to be put to the shareholders for their approval on the appointment of the external auditors and to authorise the Board to approve the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the independence of the external and internal auditors and the provision of additional services;
- reviewing internal financial, operational and compliance controls, and internal controls and risk management systems; and
- overseeing the Group’s procedures for detecting fraud and handling allegations.

Fees

Fees paid to the Committee members are detailed on page 76 and the proposed fees for 2015/2016 are disclosed on pages 76 and 143.

External auditor independence

The Committee has to consider the independence of the external auditors and nominates for appointment registered auditors of the Group.

The Board is satisfied with the independence of the external auditors and recommends the reappointment of Ernst & Young Inc. as the independent registered audit firm, led by Iwan Grobler, the individual registered auditor. Ernst & Young Inc. is a JSE-accredited audit firm.

The external auditors had unrestricted access to the Group’s records and management. There were no limitations imposed on the scope of the external audit. The auditors furnished a written report to the Board on significant findings arising from the annual audit and no significant issues were raised relating to the annual financial statements.
Fees paid to external auditors and terms of engagement
The Committee determines the fees to be paid to the auditors and also the auditors’ terms of engagement. The approved normal annual audit fee for the financial period under audit was R1.6 million (2014: R1.3 million) and was approved by the Board.

Non-audit services
The Committee determines the nature and extent of non-audit services that the auditors may provide to the Group. The external auditors, Ernst & Young Inc., provided non-audit services to the Group relating to various projects. The fee for non-audit services amounted to R2.7 million (2014: R0.4 million).

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

The Board considered, reviewed and discussed the Group annual financial statements with the independent external auditors and finance team. The Board is satisfied that the Group annual financial statements comply with IFRS and in the manner required in terms of the Companies Act.

After agreeing that the going concern premise was appropriate, the Board approved the Group annual financial statements on 19 May 2015. These Group annual financial statements will be open for discussion at the forthcoming Annual General Meeting. The chairman of the Committee, and in the instance of his absence the other members of the Committee, will attend the Annual General Meeting to answer questions falling under the mandate of the Committee.

Expertise and experience of the Finance Director and finance function
The Audit Committee was satisfied with the expertise and experience of the Interim Finance Director and recommended her ongoing appointment to the Board of directors until such time when a permanent Finance Director was appointed. This was confirmed by the Board.

The new Finance Director was appointed on 1 February 2015 and the Audit Committee was satisfied with the expertise and experience of the Finance Director, which was confirmed by the Board.

Internal Audit
The primary goal of Internal Audit is to evaluate the Group’s risk management, internal control and corporate governance processes to ensure that they are adequate and functioning correctly. During the year under review the Committee made a recommendation for the appointment of an internal auditor for the 2015 financial year going forward. This recommendation was noted by the Board and approved. Grant Thornton was subsequently appointed on 12 August 2014 to fulfil the role of internal auditors for the Group and was a standing invitee at all Committee meetings since its appointment.

The Board as a whole also considered internal controls and risk management. While considering the information and explanations given by management and discussions held with the internal and external auditors on the results of their audits, 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.

Year under review
Main activities of the Committee during the period under review included:

- agreeing the updated terms of reference for the Committee;
- the appointment of Grant Thornton as internal auditors for the Group;
- recommending a forensic investigation into historic transactions of the Group and reviewing the preliminary findings;
- recommending the approval of the Group’s half-year and annual results;
- recommending the approval of the appointment of a new sponsor;
- recommending the approval of the Group’s delegation of authority;
- recommending the approval of the annual audit fees, including non-audit services;
- reviewing the going concern status of the Group;
- reviewing the reportable irregularities identified by the external auditors;
- reviewing Internal Audit findings and considering the effectiveness of internal controls;
- recommending the approval of the internal and external audit plans;
- recommending the approval of the 2015/2016 Group budget;
- assessing the expertise and experience of the Interim Finance Director and the new Finance Director; and
- recommending the reappointment of EY as Group auditors.

During the year under review the Committee performed the functions required of an audit committee on behalf of all subsidiary companies in South Africa that are required to have an audit committee in terms of the Companies Act.

Conclusion
The Committee is committed to fulfilling its role in terms of applicable legislation, but also to ensure that the financial discipline, internal control and assurance are adequate to ensure that the financial results and risks of the Group are adequately addressed.

Stephanus Muller
Chairman: Audit Committee
21 May 2015
Directors’ report

The directors submit their annual report on the affairs of the Group together with the Group consolidated annual financial statements and audit report of SacOil Holdings Limited (“SacOil”) for the year ended 28 February 2015.

Principal activities
The Group’s principal activity is oil and gas exploration and production in Egypt, the Democratic Republic of Congo, Malawi and Botswana. The Group continues to assess opportunities in other African countries across the E&P spectrum.

Financial results
The results of the Group and the state of its affairs are set out in the Group consolidated annual financial statements and accompanying notes for the year ended 28 February 2015 and are explained in further detail in the Finance Director’s Review on pages 50 to 54.

Operating results for the Group were negatively affected by the impairments and write-downs related to the restructuring of the Group’s portfolio of assets.

The Group’s loss for the year was R277.0 million (2014: R9.5 million profit).

Stated capital
The Company has issued the following ordinary shares during the year under review and up to the date of signature of this integrated annual report:

<table>
<thead>
<tr>
<th>Date</th>
<th>Beneficial shareholder</th>
<th>Ordinary shares</th>
<th>Cents per ordinary share</th>
<th>Nature</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 October 2014</td>
<td>Mena Hydrocarbons Inc.</td>
<td>183 666 947</td>
<td>58</td>
<td>General issue</td>
</tr>
</tbody>
</table>

These shares were issued as part settlement of the purchase consideration relating to the Mena acquisition in the year.

Dividends
The directors have not recommended the distribution of a dividend for the financial year (2014: nil).

Directors and Company Secretary
Details of the Company’s directors can be found on pages 40 to 41 and the details of the Company Secretary are set out on page 68 of this integrated report.

During the year under review Dr Thabo Kgogo was appointed as the CEO of the Company with effect from 1 June 2014. Mr MD Matroos was appointed as Finance Director of the Company on 1 February 2015. The shareholders of the Company will be requested to confirm the appointment of Dr Thabo Kgogo and Mr MD Matroos at the next Annual General Meeting.

Mr Roger Rees resigned on 31 May 2014 and Ms Tariro Mudzimuirema resigned as executive director on 31 January 2015.

Mr Ignatius Sehoole is now classified as an independent non-executive director.

The non-executive directors Messrs Vusumzi Patrick Pikoli, Ignatius Simon Sehoole and Gontse Moseneke will retire in terms of the rotation policy and are available for re-election at the next Annual General Meeting.

Directors’ and management’s interests in shares

<table>
<thead>
<tr>
<th></th>
<th>Direct beneficial</th>
<th>% of issued share capital1</th>
<th>Indirect beneficial</th>
<th>% of issued share capital1</th>
<th></th>
<th>Direct beneficial</th>
<th>% of issued share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr Thabo Kgogo</td>
<td>342 000</td>
<td>0.010</td>
<td></td>
<td></td>
<td></td>
<td>300 000</td>
<td>0.010</td>
</tr>
<tr>
<td>Ignatius Sehoole</td>
<td>300 000</td>
<td>0.009</td>
<td></td>
<td></td>
<td></td>
<td>478 003</td>
<td>0.015</td>
</tr>
<tr>
<td>Stephanus Muller</td>
<td>578 003</td>
<td>0.018</td>
<td></td>
<td></td>
<td></td>
<td>110 000</td>
<td>0.004</td>
</tr>
<tr>
<td>Bradley Cerff</td>
<td>110 000</td>
<td>0.003</td>
<td></td>
<td></td>
<td></td>
<td>888 003</td>
<td>0.029</td>
</tr>
<tr>
<td>Total</td>
<td>1 330 003</td>
<td>0.030</td>
<td></td>
<td></td>
<td></td>
<td>83 247 456</td>
<td>2.699</td>
</tr>
</tbody>
</table>

1 Based on 3 269 836 208 shares in issue at 28 February 2015.

Mr Danladi Verheijen holds a 42.61% beneficial interest in Verod Holdings Limited, a company which owns an 80% interest in Newdel Holdings Limited, which owns a 7.10% (2014: 7.83%) interest in SacOil. This disclosure reflects his effective interest in SacOil.
Borrowing facilities
The Company and Group had no borrowing facilities during the current year (2014: RNil).

Corporate activity
On 22 October 2014 the Group acquired Mena International Petroleum Company Limited (“Mena”) which owns the producing Lagia Oil Field for R151.7 million ($14.1 million). Furthermore, SacOil terminated its participation in OPL 281 in Nigeria and further initiated a process to terminate its participation in OPL 233, also in Nigeria. Details pertaining to these transactions are further explained in the Finance Director’s Review on page 50.

Going concern
The directors are confident that the Group will be a going concern for the foreseeable future, as the material uncertainties disclosed in the 2014 integrated report has been satisfactorily resolved.

Events after the reporting period
The following events occurred after the reporting period and are detailed in note 36 to the annual financial statements:

- On 26 March 2015 SacOil and EERNL entered into a settlement agreement to restructure the repayment of the loans owed to SacOil.
- On 5 June 2015 SacOil received from Ecobank the $10 million cash collateral that secured the performance bond on OPL 233.

Special resolutions passed
The following special resolutions were passed during the year under review:

- general authority to reacquire (repurchase) shares;
- remuneration of non-executive directors; and
- financial assistance in terms of sections 44 and 45 of the Companies Act.

Litigation update
Mr Joseph Modibane
The Company previously reported on two actions instituted by Mr 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 it 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 advisers 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.

Mr Robin Vela
The Company instituted legal action against Mr Robin Vela (its former CEO) in which it claimed an amount of R3 324 524 together with interest in respect of taxes that became due to the South African Revenue Service and which were not deducted from the salary that was paid to him by the Company during his tenure as CEO.

Mr Vela is defending the action and has also raised three counterclaims in the action in terms of which he claims an amount of R280 749 unpaid bonus and an amount of R749 487 allegedly owing in respect of unpaid leave; an amount of R278 748 allegedly due in respect of a bonus; and an amount of R16 881 459 allegedly owing in respect of the breach of a share option agreement.

In addition, Mr Vela is also claiming interest on these amounts. The Company is defending the counterclaims.

Accounting policies
The Company’s and Group’s annual financial statements for the year ended 26 February 2015 have been prepared in accordance with IFRS and in a manner required by the Companies Act.

The Group’s accounting policies have been consistently applied with the previous year, except in circumstances where there was an adoption of new or revised standards as disclosed in the annual financial statements for the year ended 26 February 2015.

Retirement funds
The Group had no retirement funds in place during the year under review. The Group has, however, introduced a defined contribution retirement scheme from 1 April 2015 for its South African-based employees.

Subsidiaries
Details of the subsidiaries of the Company are set out in note 16 of the annual financial statements.
# Consolidated and separate statements of comprehensive income

for the year ended 28 February 2015

<table>
<thead>
<tr>
<th>Notes</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Revenue</td>
<td>2 095 339</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(3 225 015)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gross loss</td>
<td>(1 129 676)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>103 334 136</td>
<td>47 350 527</td>
<td>60 839 684</td>
<td>71 989 207</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(510 106 001)</td>
<td>(10 247 072)</td>
<td>(643 179 509)</td>
<td>(81 706 043)</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(407 901 541)</td>
<td>(52 896 545)</td>
<td>(582 339 825)</td>
<td>(9 716 836)</td>
</tr>
<tr>
<td>Investment income</td>
<td>158 052 007</td>
<td>130 555 693</td>
<td>117 455 458</td>
<td>119 441 936</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(1 469)</td>
<td>(12 931 875)</td>
<td>(195)</td>
<td>(12 931 875)</td>
</tr>
<tr>
<td>(Loss)/profit before taxation</td>
<td>(249 851 003)</td>
<td>64 727 273</td>
<td>(464 884 562)</td>
<td>96 793 225</td>
</tr>
<tr>
<td>Taxation</td>
<td>(27 178 233)</td>
<td>(55 212 656)</td>
<td>2 939 254</td>
<td>(17 866 156)</td>
</tr>
<tr>
<td>(Loss)/profit for the year</td>
<td>(277 029 236)</td>
<td>9 514 617</td>
<td>(461 945 308)</td>
<td>78 927 069</td>
</tr>
</tbody>
</table>

Other comprehensive income:

Items that may be reclassified to profit or loss in subsequent periods:

Exchange differences on translation of foreign operations | 8 716 621 | - | - | - |

Other comprehensive income for the year net of taxation | 8 716 621 | - | - | - |

Total comprehensive (loss)/income for the year | (268 312 615) | 9 514 617 | (461 945 308) | 78 927 069 |

(Loss)/profit attributable to:

Equity holders of the parent | (269 216 457) | 19 594 296 | (461 945 308) | 78 927 069 |

Non-controlling interest | (7 812 779) | (10 079 679) | - | - |

(Loss)/profit for the year | (277 029 236) | 9 514 617 | (461 945 308) | 78 927 069 |

Total comprehensive (loss)/income attributable to:

Equity holders of the parent | (260 499 836) | 19 594 296 | (461 945 308) | 78 927 069 |

Non-controlling interest | (7 812 779) | (10 079 679) | - | - |

Total comprehensive (loss)/income for the year | (268 312 615) | 9 514 617 | (461 945 308) | 78 927 069 |

(Loss)/earnings per share

Basic (cents) | (8.54) | 1.37 |

Diluted (cents) | (8.54) | 1.36 |
## Consolidated and separate statements of financial position

as at 28 February 2015

<table>
<thead>
<tr>
<th></th>
<th>GROUP</th>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Notes</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration and evaluation assets</td>
<td>14</td>
<td>75 949 565</td>
</tr>
<tr>
<td>Oil and gas properties</td>
<td>15</td>
<td>122 869 708</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>16</td>
<td>–</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>17</td>
<td>–</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>18</td>
<td>345 753 287</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>19</td>
<td>344 706</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>20</td>
<td>61 095 540</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>606 012 806</td>
<td>700 576 267</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>18</td>
<td>331 641 018</td>
</tr>
<tr>
<td>Inventories</td>
<td>21</td>
<td>6 641 663</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>22</td>
<td>7 152 505</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>23</td>
<td>229 431 001</td>
</tr>
<tr>
<td>Total current assets</td>
<td>574 866 187</td>
<td>604 771 889</td>
</tr>
<tr>
<td>Asset held for sale</td>
<td>24</td>
<td>21 839 945</td>
</tr>
<tr>
<td>Total assets</td>
<td>1 202 718 938</td>
<td>1 305 348 156</td>
</tr>
<tr>
<td>EQUITY AND LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stated capital</td>
<td>25</td>
<td>1 216 503 883</td>
</tr>
<tr>
<td>Reserves</td>
<td>25</td>
<td>15 606 468</td>
</tr>
<tr>
<td>Accumulated loss</td>
<td>(448 654 565)</td>
<td>(179 426 156)</td>
</tr>
<tr>
<td>Equity attributable to equity holders of the parent</td>
<td>783 455 786</td>
<td>936 552 745</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>26</td>
<td>4 417 649</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>787 873 435</td>
<td>948 771 221</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>28</td>
<td>97 146 476</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>97 146 476</td>
<td>92 498 394</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan from Group company</td>
<td>17</td>
<td>–</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>29</td>
<td>57 888 500</td>
</tr>
<tr>
<td>Current tax payable</td>
<td>21</td>
<td>212 416 721</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>30</td>
<td>25 553 861</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>295 859 082</td>
<td>264 078 541</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>393 005 558</td>
<td>356 576 935</td>
</tr>
<tr>
<td>Liabilities directly associated with asset held for sale</td>
<td>24</td>
<td>21 839 945</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>1 202 718 938</td>
<td>1 305 348 156</td>
</tr>
<tr>
<td></td>
<td>Stated capital (Note 25)</td>
<td>Foreign currency translation reserve (Note 25)</td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td><strong>GROUP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 28 February 2013</td>
<td>534 172 123</td>
<td>–</td>
</tr>
<tr>
<td>Changes in equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit/(loss) for the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income/(loss) for the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Issue of shares</td>
<td>575 804 931</td>
<td>–</td>
</tr>
<tr>
<td>Share options lapsed</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total changes</td>
<td>575 804 931</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 28 February 2014</td>
<td>1 109 977 054</td>
<td>–</td>
</tr>
<tr>
<td>Changes in equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss for the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive (loss)/income for the year</td>
<td>–</td>
<td>8 716 621</td>
</tr>
<tr>
<td>Issue of shares</td>
<td>106 526 829</td>
<td>–</td>
</tr>
<tr>
<td>Share options issued</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition of non-controlling interest (note 26)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total changes</td>
<td>106 526 829</td>
<td>8 716 621</td>
</tr>
<tr>
<td>Balance at 28 February 2015</td>
<td>1 216 503 883</td>
<td>8 716 621</td>
</tr>
<tr>
<td><strong>COMPANY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 28 February 2013</td>
<td>534 172 123</td>
<td>–</td>
</tr>
<tr>
<td>Changes in equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Issue of shares</td>
<td>575 804 931</td>
<td>–</td>
</tr>
<tr>
<td>Share options lapsed</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total changes</td>
<td>575 804 931</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 28 February 2014</td>
<td>1 109 977 054</td>
<td>–</td>
</tr>
<tr>
<td>Changes in equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss for the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Share options issued</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Issue of shares</td>
<td>106 526 829</td>
<td>–</td>
</tr>
<tr>
<td>Total changes</td>
<td>106 526 829</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 28 February 2015</td>
<td>1 216 503 883</td>
<td>–</td>
</tr>
</tbody>
</table>
Consolidated and separate statements of cash flows
for the year ended 28 February 2015

<table>
<thead>
<tr>
<th></th>
<th>GROUP</th>
<th>COMPANY</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash used in operations</td>
<td>(39 130 214)</td>
<td>(39 133 285)</td>
<td>(51 334 491)</td>
</tr>
<tr>
<td>Interest income</td>
<td>6 961 514</td>
<td>889 724</td>
<td>6 961 291</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(1 469)</td>
<td>(1 324 143)</td>
<td>(195)</td>
</tr>
<tr>
<td>Tax (paid)/received</td>
<td>(23)</td>
<td>32 404</td>
<td>–</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(32 170 192)</td>
<td>(39 535 300)</td>
<td>(44 373 395)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(234 488)</td>
<td>(71 426)</td>
<td>(234 488)</td>
</tr>
<tr>
<td>Purchase of exploration and evaluation assets</td>
<td>(69 118 676)</td>
<td>(63 026 602)</td>
<td>(300 002)</td>
</tr>
<tr>
<td>Purchase of oil and gas properties</td>
<td>(7 270 438)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Purchase of other intangible assets</td>
<td>(135 899)</td>
<td>(86 956)</td>
<td>(135 899)</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td>(44 540 236)</td>
<td>–</td>
<td>(45 200 315)</td>
</tr>
<tr>
<td>Loans advanced to Group companies</td>
<td>–</td>
<td>–</td>
<td>(88 267 884)</td>
</tr>
<tr>
<td>Payments received for other financial assets</td>
<td>13 463 071</td>
<td>14 793 124</td>
<td>13 463 071</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(107 836 666)</td>
<td>(48 391 860)</td>
<td>(120 675 517)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from share issue</td>
<td>–</td>
<td>337 273 662</td>
<td>–</td>
</tr>
<tr>
<td>Settlement of borrowings</td>
<td>(20 461 137)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds from other financial liabilities</td>
<td>420 209</td>
<td>18 670 494</td>
<td>420 209</td>
</tr>
<tr>
<td>Net cash (used in)/from financing activities</td>
<td>(20 040 928)</td>
<td>355 944 156</td>
<td>420 209</td>
</tr>
<tr>
<td><strong>Total movement in cash and cash equivalents for the year</strong></td>
<td>(160 047 786)</td>
<td>268 016 996</td>
<td>(164 628 703)</td>
</tr>
<tr>
<td>Foreign exchange gains on cash and cash equivalents</td>
<td>7 899 021</td>
<td>19 530 354</td>
<td>–</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>381 579 766</td>
<td>94 032 416</td>
<td>273 269 901</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td>23 229 431 001</td>
<td>381 579 766</td>
<td>108 641 198</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements
for the year ended 28 February 2015

1 GENERAL INFORMATION
SacOil Holdings Limited (the Company, together with its subsidiaries, the Group), is a company incorporated in South Africa and is listed on both the JSE and AIM Market of the London Stock Exchange. General company information is included on page 153 of the annual integrated report. SacOil focuses on opportunities within proven hydrocarbon basins across the exploration and production spectrum. SacOil’s interests during the financial year include exploration assets in Nigeria, Malawi, Botswana and the DRC and, more recently, a production asset in Egypt.

The consolidated financial statements of the Group for the year ended 28 February 2015 were approved and authorised for issue in accordance with a resolution of the Board of Directors dated 19 May 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
2.1 Basis of preparation
The consolidated annual financial statements of SacOil Holdings Limited and all of its subsidiaries for the year ended 28 February 2015 have been prepared in accordance with the Group’s accounting policies, which comply with International Financial Reporting Standards (“IFRS”) as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and in a manner required by the Companies Act of South Africa, and are consistent with those of the previous year, except for the adoption of new accounting standards given in note 4.1. These financial statements have been prepared under the historical cost convention and are presented in South African Rands (“Rands”).

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 3.

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
Subsidiaries are those entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Where the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group’s voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit and loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (“NCIs”), even if this results in the NCIs having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
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 NCI;
- 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 the statement of profit or loss and other comprehensive income; and
- reclassifies the parent’s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Interests in joint arrangements**

IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

**Joint operations**

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In relation to its interests in joint operations, the Group recognises its:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

**Joint ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group’s investment in its joint venture is accounted for using the equity method. Under the equity method the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and OCI reflects the Group’s share of the results of operations of the joint venture. Any change in OCI of that investee is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group’s share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and OCI as part of operating profit and represents profit or loss after tax and NCI in the subsidiaries of joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as “Share of profit of a joint venture” in the statement of profit or loss and OCI.
2  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

On loss of joint control over the joint venture the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and OCI.

Reimbursement of costs of the operator of the joint arrangement

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

When the Group charges a management fee (based on a fixed percentage of total costs incurred for the year) to cover other general costs incurred in carrying out the activities on behalf of the joint arrangement, it is not acting as an agent. Therefore, the general overhead expenses and the management fee are recognised in the statement of profit or loss and other comprehensive income as an expense and income, respectively.

2.3 Transactions with NCIs

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 and losses arising on transactions with NCIs 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 and goodwill

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 NCI in the acquiree. For each business combination the Group elects whether to measure the NCI 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 other operating costs.

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 and OCI. It is then considered in the determination of goodwill.

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 OCI. 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 NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and OCI.

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 (“CGUs”) 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 CGU 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 circumstance is measured based on the relative values of the disposed operation and the portion of the CGU 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.

2.7 Foreign currency translation

- **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 (“Rands”) which is the Group’s presentation currency.

- **Transactions and balances**
  Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

  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 with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

  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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

- **Group companies**
  The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

  a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

  b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

  c) all resulting exchange differences are recognised in OCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in OCI.

2.8 Property, Plant and equipment
All property, plant and equipment 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. Items of property, plant and equipment costing less than R5 000 are immediately expensed in profit or loss. All repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment (continued)
Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost to residual values over their estimated useful lives, as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fittings</td>
<td>6 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>4 years</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3 – 5 years</td>
</tr>
</tbody>
</table>

Depreciation is charged to profit or loss 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 profit or loss when the asset is derecognised.

The assets’ residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period.

2.9 Exploration and evaluation assets
Oil and natural gas exploration, evaluation and development expenditure are 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) Licence and property acquisition costs
Exploration licence and leasehold property acquisition costs are capitalised in intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way 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.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development the relevant expenditure is transferred to oil and gas properties.

(iii) 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. Once the legal right to explore has been acquired 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 employee remuneration, materials and fuel used, geological and geophysical costs, 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 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.

(iv) Farm-outs – in the exploration and evaluation phase ("E&E 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 farmer;
- 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; and
- 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 note 2.12.1 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. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable. When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

(v) Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

2.10 Oil and gas properties

(i) Initial recognition

Oil and gas properties are stated at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When a development project moves into the production stage the capitalisation of certain construction/development costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

(ii) Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

The assets’ residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.
Notes to the consolidated financial statements
for the year ended 28 February 2015 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
2.10 Oil and gas properties (continued)
(iii) Farm-outs – outside the E&E phase

In accounting for a farm-out arrangement outside the E&E phase the Group:

- derecognises the proportion of the asset that it has sold to the farmee;
- recognises the consideration received or receivable from the farmee, which represents the cash received and/or the farmee’s obligation to fund the capital expenditure in relation to the interest retained by the farmer;
- recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is recognised only when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets; and
- tests the retained interests 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 property, plant and equipment or an intangible asset is recognised initially at its fair value by the Group. However, if payment for the item is deferred the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue. Any part of the consideration that is receivable in the form of cash is treated as a financial asset and is accounted for at amortised cost.

(iv) Major maintenance, inspection and repairs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and was therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

2.11 Other intangible assets

Other intangible assets include computer software and petroleum reserves.

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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The useful life of the Group’s computer software and petroleum reserves is three years and twelve years, respectively.

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.
2.12 Financial instruments

2.12.1 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 profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

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 receivables” and “cash and cash equivalents” in the statement of financial position (notes 17, 18, 22 and 23).

(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; or
- 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.

2.12.2 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 recorded 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 profit or loss.

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 17, 29 and 30).
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

2.12.2 Financial liabilities (continued)

Loans and borrowings (continued)

(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.

2.12.3 Off-setting financial instruments

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

2.12.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.13 Impairment of assets

2.13.1 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 indicates that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

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 profit or loss.

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 profit or loss.

2.13.2 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 CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows, that is 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 of disposal, 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 are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to OCI. In this case the impairment is also recognised in OCI 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 exceeds 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 profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at fair value and subsequently at amortised cost using the effective interest method. In the consolidated and separate statements of financial position and cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. In the statement of financial position bank overdrafts are shown within borrowings in current liabilities.

2.17 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.

2.18 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.

2.19 Provisions
Provisions are liabilities of uncertain timing or amount which 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 profit or loss.

2.20 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.

2.21 Revenue
Revenue is represented by the oil sales made by the Group’s Cyprus subsidiary. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the revenue received or receivable. The oil price is determined by the Egyptian General Petroleum Corporation.

Revenue from the sale of oil is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when the product is physically transferred into a vessel or other delivery mechanism.

2.22 Interest income
Interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included under investment income in profit or loss.

2.23 Dividend income
Dividend income is recognised when the right to receive payment is established. Dividend income is included under investment income in profit or loss.

2.24 Taxation
The tax expense comprises current (where applicable) and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case the tax is also recognised in OCI or directly in equity, respectively.
Current tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting 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 reporting 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 income tax assets and liabilities are offset when there is a legally enforceable right to off-set 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.

2.25 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 employees of the Group 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. On expiry of issued share options the value of the share options is transferred from the share-based payments reserve directly to retained earnings.

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 13.

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 25 for details on these transactions.

2.26 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Employee benefits

Defined contribution plan
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Provident fund payments are ordinarily charged as an expense under “other operating expenses” as they fall due. The Group did not have a defined contribution plan between October 2012 and March 2015.

Short-term employee benefits
Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. These include salaries, paid annual leave, paid sick leave and bonuses. In the prior year short-term employee benefits also included wages and provident fund contributions for employees of the Greenhills Plant. Short-term employee benefits are included under “other operating costs” in profit or loss.

The Group currently does not provide long-term employee benefits.

2.28 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 profit or loss on a straight-line basis over the period of the lease.

3 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 and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the critical judgements, key assumptions and other key sources of estimation uncertainty at 28 February 2015 that may have a significant effect on the amounts recognised in the financial statements:

3.1 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 14.

3.2 Hydrocarbon reserve and resource estimates
Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group’s oil and gas properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil and gas development and production assets at 28 February 2015 is shown in note 15.
The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System ("PRMS") framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group’s reported financial position and results, which include:

- The carrying value of exploration and evaluation assets, oil and gas properties, and goodwill may be affected due to changes in estimated future cash flows (note 15).
- Depreciation and amortisation charges in the statement of profit or loss may change where such charges are determined using the units-of-production ("UOP") method, or where the useful life of the related assets change (note 15).

3.3 Units-of-production ("UOP") depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change. Changes to proved reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions; and
- unforeseen operational issues.

3.4 Recoverability of oil and gas assets

The Group assesses each asset or cash-generating unit ("CGU") (excluding goodwill, which is assessed annually regardless of indicators) for each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal ("FVLCD") and value in use ("VIU"). The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves, hydrocarbon reserves and resource estimates, and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

3.5 Joint arrangements

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, such as approval of the capital expenditure programme for each year; and appointing, remunerating and terminating the key management personnel or service providers of the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. Refer to note 2.2 for more details.

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- the structure of the joint arrangement – whether it is structured through a separate vehicle; and
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - the legal form of the separate vehicle;
  - the terms of the contractual arrangement; and
  - other facts and circumstances (when relevant).

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.
3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.6 FAIR VALUE OF FINANCIAL INSTRUMENTS AND RE-ESTIMATION OF CASH FLOWS ON FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects its non-performance risk. Where the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, fair value is determined using valuation techniques including the 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 required 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 18.

The Group and Company make 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.

3.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

3.8 VALUATION OF SHARE-BASED PAYMENTS

The Group has a share option scheme in place. The fair value of awards under this scheme is determined at inception based on market conditions, discount rates, share price volatility and estimated forfeitures. The market conditions at inception may significantly differ from the eventual outcome.

3.9 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 37.

3.10 TAXES

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences could arise between actual results and the assumptions made, thereby necessitating future adjustments to income taxes.

3.11 GOING CONCERN

Management’s assessment of the entity’s ability to continue as a going concern involves making a judgement, at a particular point in time, about inherently uncertain future outcomes of events or conditions. Any judgement about the future is based on information available at the time at which the judgement is made. Subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made.
## 4 ADOPTION OF NEW AND REVISED STANDARDS

### 4.1 Standards, amendments and interpretations effective for the 2015 financial year

The following amendments became effective for the 28 February 2015 year-end, but did not have an impact on the results of the Group:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Key requirements</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities</td>
<td>These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an “investment entity” definition and which display particular characteristics. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make.</td>
<td>1 January 2014</td>
</tr>
<tr>
<td>Amendment to IAS 32 – Financial instruments: Presentation, on asset and liability offsetting</td>
<td>These amendments clarify the meaning of “currently has a legally enforceable right to set off” and application of IAS 2 off-setting criteria to settlement systems.</td>
<td>1 January 2014</td>
</tr>
<tr>
<td>Financial Instruments: Recognition and Measurement Amendment to IAS 39, on novation of derivatives</td>
<td>This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.</td>
<td>1 January 2014</td>
</tr>
<tr>
<td>IFRIC 21 – Levies</td>
<td>This is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.</td>
<td>1 January 2014</td>
</tr>
</tbody>
</table>

The following amendment also became effective for the 28 February 2015 year-end. The impact of this amendment on the results of the Group is described below:

**Amendment to IAS 36 – Impairment of Assets on recoverable amount disclosures (effective 1 January 2014)**

This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment changes the manner in which disclosures are made where the recoverable amount is based on fair value less costs of disposal.
4 ADOPTION OF NEW AND REVISED STANDARDS (continued)

4.2 Standards and amendments issued but not yet effective

The following standards and amendments have been issued or revised and will become effective for later periods as indicated in the table below. These standards and amendments are not expected to have an impact on the results of the Group:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Key requirements</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual improvements 2012</td>
<td>These annual improvements amend standards from the 2010 – 2012 reporting cycle. It includes changes to:</td>
<td>1 July 2014</td>
</tr>
<tr>
<td></td>
<td>• IFRS 2 – Share-based Payments and clarifies the definition of a “vesting condition” and separately defines “performance condition” and “service condition”.</td>
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<td></td>
<td>• IFRS 3 – Business Combinations and clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity on the basis of the definitions in IAS 32 – Financial instruments: Presentation. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss.</td>
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<tr>
<td></td>
<td>• IFRS 8 – Operating Segments, which is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity’s assets when segment assets are reported.</td>
<td></td>
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<tr>
<td></td>
<td>• IFRS 13 – Fair Value, which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts where the effect of discounting is immaterial.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.</td>
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<tr>
<td></td>
<td>• IAS 24 – Related Party Disclosures is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the “management entity”). Disclosure of the amounts charged to the reporting entity is required.</td>
<td></td>
</tr>
<tr>
<td>Annual improvements 2013</td>
<td>These annual improvements amend standards from the 2011 – 2013 reporting cycle. It includes changes to:</td>
<td>1 July 2014</td>
</tr>
<tr>
<td></td>
<td>• IFRS 1 – First-time Adoptions of IFRS. This basis of conclusions is amended to clarify that where a new standard is not mandatory but is available for early adoption a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.</td>
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<td></td>
<td>• IFRS 3 – Business Combinations is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11.</td>
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<td></td>
<td>• IFRS 13 – Fair Value Measurement is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• IAS 40 – Investment Property is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.</td>
<td></td>
</tr>
</tbody>
</table>
The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees’ working lives.

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a “business”. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

These amendments change the reporting for bearer plants, such as grapevines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16 rather than IAS 41. The produce on bearer plants will remain in the scope of IAS 41.

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.
4 ADOPTION OF NEW AND REVISED STANDARDS (continued)

4.2 Standards and amendments issued but not yet effective (continued)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Key requirements</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendment to IAS 27 – Separate Financial Statements, regarding the equity method</td>
<td>The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.</td>
<td>1 January 2016</td>
</tr>
<tr>
<td>IFRS 14 – Regulatory Deferral Accounts</td>
<td>This standard permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.</td>
<td>1 January 2016</td>
</tr>
<tr>
<td>Annual improvements 2014</td>
<td>These annual improvements amend standards from the 2012 – 2014 reporting cycle. It includes changes to:</td>
<td>1 January 2016</td>
</tr>
</tbody>
</table>

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The amendment clarifies that, when an asset (or disposal group) is reclassified from “held for sale” to “held for distribution”, or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as “held for sale” or “held for distribution” simply because the manner of disposal has changed. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as “held for sale”.

- IFRS 7 – Financial Instruments: Disclosures. There are two amendments:
  - Servicing contracts – If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.
  - Interim financial statements – The amendment clarifies that the additional disclosure required by the amendments to IFRS 7 – Disclosure: Off-setting Financial Assets and Financial Liabilities is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

- IAS 19 – Employee Benefits. The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.

- IAS 34 – Interim Financial Reporting. The amendment clarifies what is meant by the reference in the standard to “information disclosed elsewhere in the interim financial report”. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Key requirements</th>
<th>Effective date</th>
</tr>
</thead>
</table>
| IFRS 15 – Revenue from Contracts with Customers | This is the converged standard on revenue recognition. It replaces IAS 11 – Construction Contracts, IAS 18 – Revenue and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:  
• Step 1: Identify the contract(s) with a customer  
• Step 2: Identify the performance obligations in the contract  
• Step 3: Determine the transaction price  
• Step 4: Allocate the transaction price to the performance obligations in the contract  
• Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation | 1 January 2017 |
| IFRS 9 – Financial Instruments            | The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.  
For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.  
IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. | 1 January 2018 |

Amendments to IFRS 2, IFRS 8, IFRS 13, IFRS 15, IAS 34 and IFRS 9 are expected to have an impact on the Group. Management is assessing the impact of these standards on the Group’s results. Management will also continue to assess the applicability of the other amendments.
SEGMENTAL REPORTING

The Group operates in six geographical locations which form the basis of the information evaluated by its chief operating decision-maker. For management purposes the Group is organised and analysed by these locations. These locations are: South Africa, Egypt, Nigeria, DRC, Botswana and Malawi. Operations in South Africa relate to head office activities of the Group that include the general management, financing and administration of the Group.

### Revenue

The Group’s reported revenue is generated from a single customer, the Egyptian General Petroleum Corporation (“EGPC”), with respect to oil sales. This revenue is attributed to the Egypt segment.

### Business segments

The operations of the Group comprise one class of business, being oil and gas exploration and production. The activities currently undertaken in Mozambique related to the Mozambican pipeline are not significant at this stage and have not been separately disclosed. These activities therefore do not meet the recognition criteria for operating segments.

### Taxation – Egypt

No income or deferred tax has been accrued by Mena as the Concession Agreement between the EGPC, the Ministry of Petroleum and Mena provides that the EGPC is responsible for the settlement of income tax on behalf of Mena, out of EGPC’s share of petroleum produced. The Group has elected the net presentation approach in accounting for this deemed income tax. Under this approach Mena’s revenue is not grossed up for income tax payable by EGPC on behalf of Mena. Consequently no income or deferred tax is accrued.
6 LOSS FROM OPERATIONS

Loss from operations for the year is stated after accounting for the following income/(expense) items:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment of financial assets</td>
<td>(96 974 814)</td>
<td>(22 149 316)</td>
<td>(436 535 216)</td>
<td>(31 758 111)</td>
</tr>
<tr>
<td>Impairment of asset held for sale</td>
<td>(194 065 780)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Gain on acquisition of subsidiary</td>
<td>12</td>
<td>24 718 054</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Foreign exchange gains</td>
<td>78 616 082</td>
<td>47 350 527</td>
<td>58 640 649</td>
<td>70 176 096</td>
</tr>
<tr>
<td>Management fees (charged to subsidiaries)</td>
<td>33</td>
<td>–</td>
<td>2 199 035</td>
<td>1 813 111</td>
</tr>
<tr>
<td>Provision for impairment of financial assets</td>
<td>87 476 046</td>
<td>(36 506 994)</td>
<td>(83 331 215)</td>
<td>(8 570 730)</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>(6 873 814)</td>
<td>–</td>
<td>(6 873 814)</td>
</tr>
<tr>
<td>Corporate costs</td>
<td>(3 726 547)</td>
<td>(7 448 690)</td>
<td>(3 726 547)</td>
<td>(7 438 309)</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td>(4 262 735)</td>
<td>(2 013 263)</td>
<td>(4 262 735)</td>
<td>(2 013 263)</td>
</tr>
<tr>
<td>Audit fees – current reporting period</td>
<td>(1 372 950)</td>
<td>(604 502)</td>
<td>(1 372 950)</td>
<td>(604 502)</td>
</tr>
<tr>
<td>Audit fees – prior-year underprovision</td>
<td>(186 004)</td>
<td>(1 020 926)</td>
<td>(186 004)</td>
<td>(1 020 926)</td>
</tr>
<tr>
<td>Other services</td>
<td>(2 703 781)</td>
<td>(387 835)</td>
<td>(2 703 781)</td>
<td>(387 835)</td>
</tr>
<tr>
<td>Employee benefit expense</td>
<td>10</td>
<td>(2 646 937)</td>
<td>(13 462 198)</td>
<td>(26 464 937)</td>
</tr>
<tr>
<td>Accounting fees</td>
<td>(6 400)</td>
<td>(47 835)</td>
<td>(6 400)</td>
<td>(47 835)</td>
</tr>
<tr>
<td>Acquisition costs (excluding fees paid to auditors for other services)</td>
<td>(7 528 609)</td>
<td>–</td>
<td>(7 528 609)</td>
<td>–</td>
</tr>
<tr>
<td>Consulting fees</td>
<td>(2 893 043)</td>
<td>(2 052 893)</td>
<td>(2 392 860)</td>
<td>(2 052 893)</td>
</tr>
<tr>
<td>Legal fees</td>
<td>(2 429 475)</td>
<td>(1 941 977)</td>
<td>(2 429 475)</td>
<td>(1 941 977)</td>
</tr>
<tr>
<td>Travel and accommodation</td>
<td>(3 797 886)</td>
<td>(1 407 812)</td>
<td>(3 797 886)</td>
<td>(1 407 812)</td>
</tr>
<tr>
<td>Bad debts written off</td>
<td>(65 433 261)</td>
<td>(1 497 034)</td>
<td>(65 433 261)</td>
<td>(1 497 034)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(2 370 594)</td>
<td>(204 862)</td>
<td>(242 762)</td>
<td>(204 862)</td>
</tr>
<tr>
<td>Oil and gas assets</td>
<td>15</td>
<td>(274 713)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>19</td>
<td>(136 989)</td>
<td>(131 622)</td>
<td>(136 989)</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>20</td>
<td>(1 958 892)</td>
<td>(73 240)</td>
<td>(105 773)</td>
</tr>
<tr>
<td>Rentals – premises</td>
<td>(1 625 628)</td>
<td>(1 113 128)</td>
<td>(1 625 628)</td>
<td>(1 113 128)</td>
</tr>
<tr>
<td>Broker fees</td>
<td>(895 291)</td>
<td>(904 798)</td>
<td>(895 291)</td>
<td>(904 798)</td>
</tr>
<tr>
<td>Share-based payment expense</td>
<td>13</td>
<td>(888 000)</td>
<td>–</td>
<td>(888 000)</td>
</tr>
</tbody>
</table>

7 INVESTMENT INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received – loans</td>
<td>92 333 683</td>
<td>102 970 021</td>
<td>92 333 683</td>
<td>102 970 021</td>
</tr>
<tr>
<td>– Transcorp</td>
<td>29 594 584</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>– group companies</td>
<td>–</td>
<td>–</td>
<td>11 484 335</td>
<td>10 258 051</td>
</tr>
<tr>
<td>– cash and cash equivalents</td>
<td>6 961 514</td>
<td>889 724</td>
<td>6 961 291</td>
<td>17 414</td>
</tr>
<tr>
<td>Interest on other financial assets</td>
<td>29 162 226</td>
<td>26 695 948</td>
<td>6 676 149</td>
<td>6 196 450</td>
</tr>
</tbody>
</table>

| Total | 158 052 007 | 130 555 693 | 117 455 458 | 119 441 936 |
Notes to the consolidated financial statements
for the year ended 28 February 2015 (continued)

8 FINANCE COSTS

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2015</th>
<th></th>
<th>COMPANY 2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td></td>
<td>R</td>
<td></td>
</tr>
<tr>
<td>South African Revenue Service</td>
<td>–</td>
<td>52 657</td>
<td>–</td>
<td>52 657</td>
</tr>
<tr>
<td>Debt-raising fees</td>
<td>–</td>
<td>618 823</td>
<td>–</td>
<td>618 823</td>
</tr>
<tr>
<td>Interest paid to financial institutions</td>
<td>1 469</td>
<td>12 260 395</td>
<td>195</td>
<td>12 260 395</td>
</tr>
<tr>
<td></td>
<td>1 469</td>
<td>12 931 875</td>
<td>195</td>
<td>12 931 875</td>
</tr>
</tbody>
</table>

9 TAXATION

Major components of the tax expense are detailed below:

Current

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td>1 114 203</td>
<td>(13 965 023)</td>
</tr>
<tr>
<td>Foreign taxes</td>
<td>(22)</td>
<td>32 404</td>
</tr>
<tr>
<td>Foreign estimated penalties</td>
<td>(23 644 332)</td>
<td>(21 369 744)</td>
</tr>
<tr>
<td></td>
<td>(22 530 151)</td>
<td>(35 302 383)</td>
</tr>
</tbody>
</table>

Deferred

|                      | 28 | (4 648 082) | (19 910 293) | 1 825 051 | (3 901 133) |
|                      | (27 178 233) | (55 212 656) | 2 939 254 | (17 866 156) |

Reconciliation of the tax expense:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable tax rate</td>
<td>28.00</td>
<td>28.00</td>
<td>28.00</td>
<td>28.00</td>
</tr>
<tr>
<td>Permanent differences</td>
<td>11.46</td>
<td>40.35</td>
<td>(0.16)</td>
<td>1.17</td>
</tr>
<tr>
<td>Foreign taxes – subsidiaries</td>
<td>(2.51)</td>
<td>32.96</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax asset not recognised</td>
<td>(48.37)</td>
<td>(16.01)</td>
<td>(27.83)</td>
<td>(10.71)</td>
</tr>
<tr>
<td>Prior-year overprovision</td>
<td>1.12</td>
<td>–</td>
<td>0.64</td>
<td>–</td>
</tr>
<tr>
<td>Average effective tax rate</td>
<td>(10.30)</td>
<td>85.30</td>
<td>0.65</td>
<td>18.46</td>
</tr>
</tbody>
</table>

Tax losses for which no deferred tax asset has been recognised amount to R425.0 million.

10 EMPLOYEE BENEFIT EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>26 464 937</td>
<td>13 462 198</td>
</tr>
<tr>
<td></td>
<td>26 464 937</td>
<td>13 462 198</td>
</tr>
</tbody>
</table>

11 OTHER COMPREHENSIVE LOSS

Components of other comprehensive loss – 2015

Items that may be reclassified to profit or loss in subsequent periods:

<table>
<thead>
<tr>
<th></th>
<th>GROUP</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>8 716 621</td>
<td>–</td>
<td>8 716 621</td>
</tr>
</tbody>
</table>
12 BUSINESS COMBINATIONS

On 22 October 2014 the Group acquired 100% of the share capital of Cyprus-registered exploration and production company, Mena International Petroleum Company Limited ("Mena"), which holds a 100% interest in the development lease for the Lagia Oil Field, covering an area of approximately 32 square kilometres on the Sinai Peninsula in Egypt. Mena was acquired to grow and balance the Group’s existing portfolio of assets by adding reserves and production. As a result of the acquisition the Group now generates revenue from an oil-producing asset and operates in a new geographical location.

The Group issued 183 666 947 SacOil ordinary shares as part consideration for the acquisition of Mena. The fair value of the shares was based on the published share price of SacOil shares on 22 October 2014, which was 58 cents. The resulting value of the shares issued was R106 526 829 ($10.0 million). The Group further paid a cash consideration of R45 200 315 ($4.1 million) as share capital in Mena to settle outstanding liabilities. The fair value of the consideration transferred was therefore R151 727 144.

The following table summarises the consideration paid for Mena and the provisional fair values of assets acquired and liabilities assumed:

<table>
<thead>
<tr>
<th>Provisional fair value recognised on acquisition</th>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas properties (note 15)</td>
<td>110 062 658</td>
</tr>
<tr>
<td>Other intangible assets (note 20)</td>
<td>59 668 026</td>
</tr>
<tr>
<td>Inventories</td>
<td>6 026 074</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>43 506 640</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>680 079</td>
</tr>
<tr>
<td>Total identifiable assets at fair value</td>
<td>219 923 477</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(20 461 137)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(23 017 142)</td>
</tr>
<tr>
<td>Total identifiable net assets at fair value</td>
<td>176 445 198</td>
</tr>
<tr>
<td>Gain on bargain purchase</td>
<td>(24 718 054)</td>
</tr>
<tr>
<td>Total consideration transferred</td>
<td>151 727 144</td>
</tr>
</tbody>
</table>

The fair values disclosed are provisional as at 28 February 2015 due to the complexity of the acquisition and the fact that the assessment of the underlying reserves acquired is still being finalised. As a result the final fair values may differ. The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition of the asset.

The fair value of trade and other receivables is R43.5 million representing the gross contractual amounts receivable. None of the trade and other receivables were impaired at the acquisition date as it was expected that the full contractual amounts would be collected. These receivables were subsequently collected as at the date of the financial statements.

A gain on acquisition of Mena of R24.7 million has been recognised in “other income” in profit or loss.

From 22 October 2014 to 28 February 2015 Mena contributed R2.1 million to Group revenue and R8.6 million to Group loss. If the acquisition of Mena had taken place at the beginning of the year Group revenue for the 2015 year would have been R2.8 million and Mena would have contributed a profit of R97.6 million to the Group results, thereby reducing the Group loss to R163.8 million.

Acquisition-related costs of R8.7 million have been charged to “other operating costs” in profit or loss. The fair value of the other intangible assets has given rise to the gain on acquisition as the price paid for the reserves is considered below the current market price.

<table>
<thead>
<tr>
<th>GROUP 2015 R</th>
<th>COMPANY 2015 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>45 200 315</td>
<td>45 200 315</td>
</tr>
<tr>
<td>(660 079)</td>
<td>–</td>
</tr>
<tr>
<td>44 540 236</td>
<td>45 200 315</td>
</tr>
</tbody>
</table>

No income or deferred tax has been accrued by Mena as the Concession Agreement between the EGPC, the Ministry of Petroleum and Mena provides that the EGPC is responsible for the settlement of income tax on behalf of Mena out of EGPC’s share of petroleum produced. The Group has elected the net presentation approach in accounting for this deemed income tax. Under this approach Mena’s revenue is not grossed up for income tax payable by EGPC on behalf of Mena. Consequently, no income or deferred tax is accrued.
13 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 Board, 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 share options in cash. Details of share options outstanding during the year are as follows:

GROUP AND COMPANY

<table>
<thead>
<tr>
<th></th>
<th>Weighted average exercise price (Rand)</th>
<th>Number of share options</th>
<th>Share-based payment reserve (R) (note 25)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 March</td>
<td>0.68</td>
<td>0.74</td>
<td>11 530 143</td>
</tr>
<tr>
<td>Issued during the year</td>
<td>0.49</td>
<td>–</td>
<td>16 000 000</td>
</tr>
<tr>
<td>Lapsed during the year</td>
<td>–</td>
<td>0.76</td>
<td>–</td>
</tr>
<tr>
<td>At 28 February</td>
<td>0.57</td>
<td>0.68</td>
<td>27 530 143</td>
</tr>
<tr>
<td>Exercisable at 28 February</td>
<td>16 605 143</td>
<td>11 530 143</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Grant date</th>
<th>Expiry date</th>
<th>Exercise price (Rand)</th>
<th>Number of share options</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 November 2008</td>
<td>20 November 2018</td>
<td>0.82</td>
<td>8 397 227</td>
</tr>
<tr>
<td>8 July 2010</td>
<td>7 July 2020</td>
<td>0.29</td>
<td>3 132 916</td>
</tr>
<tr>
<td>20 June 2014</td>
<td>20 June 2024</td>
<td>0.53</td>
<td>10 150 000</td>
</tr>
<tr>
<td>2 December 2014</td>
<td>2 December 2024</td>
<td>0.42</td>
<td>5 850 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>27 530 143</td>
</tr>
</tbody>
</table>

The fair value of the options issued during the period was determined using the binomial option pricing model. The significant inputs into the model were the exercise price shown above, volatility of 82.94%, dividend yield of 0%, an expected option life of 10 years and spot price of R0.25. The risk-free interest rates were taken from the swap curve as at the valuation date. No share options were issued in the prior year.

Equity-settled transactions that occurred in the current and prior year are detailed in note 25.


14 EXPLORATION AND EVALUATION ASSETS

<table>
<thead>
<tr>
<th>GROUP</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated amortisation</td>
</tr>
<tr>
<td>Exploration and evaluation assets</td>
<td>75 949 565</td>
<td>–</td>
</tr>
</tbody>
</table>

Reconciliation of exploration and evaluation assets

<table>
<thead>
<tr>
<th>2015</th>
<th>Opening balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block III DRC</td>
<td>74 366 275</td>
<td>–</td>
<td>–</td>
<td>74 366 275</td>
</tr>
<tr>
<td>OPL 281 Nigeria</td>
<td>44 072 922</td>
<td>–</td>
<td>(44 072 922)</td>
<td>–</td>
</tr>
<tr>
<td>OPL 233 Nigeria</td>
<td>147 087 051</td>
<td>68 818 674</td>
<td>(215 905 725)</td>
<td>–</td>
</tr>
<tr>
<td>Block 1 Malawi</td>
<td>896 740</td>
<td>300 002</td>
<td>–</td>
<td>1 196 742</td>
</tr>
<tr>
<td>Botswana</td>
<td>386 548</td>
<td>–</td>
<td>–</td>
<td>386 548</td>
</tr>
</tbody>
</table>

2014

| Block III DRC | 74 366 275 | – | – | 74 366 275 |
| OPL 281 Nigeria | 44 072 922 | – | – | 44 072 922 |
| OPL 233 Nigeria | 43 523 230 | 103 563 821 | – | 147 087 051 |
| Block 1 Malawi | 896 740 | – | – | 896 740 |
| Botswana | – | 386 548 | – | 386 548 |

2015

<table>
<thead>
<tr>
<th>2015</th>
<th>Opening balance</th>
<th>Additions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block 1 Malawi</td>
<td>896 740</td>
<td>300 002</td>
<td>1 196 742</td>
</tr>
</tbody>
</table>

2014

| Block 1 Malawi | 896 740 | – | 896 740 |

OPL 281

On 3 December 2014 SacOil terminated its participation with Transnational Corporation Nigeria Plc (“Transcorp”) in OPL 281. The Farm-In Agreement with Transcorp has an exit clause which provides that SacOil’s wholly-owned subsidiary, SacOil 281 Nigeria, can recover from Transcorp costs incurred up to termination date, in the event that title is not obtained within the agreed time frame. OPL 281 has therefore been reclassified as a receivable and the carrying amount of R44.1 million has been included in the Transcorp Refund (which includes interest) disclosed in note 18.

OPL 233

As at 28 February 2015, R68.8 million (2014: R62.6 million) of exploration expenditures have been capitalised to the OPL 233 asset. These expenditures relate to the Group’s share of costs under the Farm-In and Joint Operating Agreements with respective partners, and general and administrative costs related to exploration activities. No borrowing costs have been capitalised in the current year (2014: R40.9 million). Specific borrowings were acquired in the prior year to fund the qualifying asset at an interest rate of 10% per month. These borrowings were subsequently equity settled on 30 January 2014 as disclosed in note 25.

Exploration expenditures totalling R215.9 million have been derecognised following SacOil’s decision to terminate its participation in OPL 233 on 27 February 2015. The asset is now recognised as held for sale as disclosed in note 24.

Botswana

SacOil’s Botswana wholly-owned subsidiary, Transfer Holdings Proprietary Limited, acquired three exploration licences (numbers 123/2013, 124/2013 and 125/2013) on 29 April 2013 for R0.4 million. There were no exploration expenditures incurred with respect to these licences in the current year.

Malawi

As at 28 February 2015, R0.3 million (2014: RNil) of exploration expenditures have been capitalised to the Block 1 asset.

An overview of the Group’s exploration and evaluation assets is given on pages 11 to 13 of the integrated annual report.
Notes to the consolidated financial statements
for the year ended 28 February 2015 (continued)

15 OIL AND GAS PROPERTIES

GROUP

Cost

<table>
<thead>
<tr>
<th>At 1 March 2014</th>
<th>Acquisition of Mena (note 12)</th>
<th>110 062 658</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions</td>
<td>7 270 431</td>
<td></td>
</tr>
<tr>
<td>Translation of foreign operations</td>
<td>5 811 332</td>
<td></td>
</tr>
</tbody>
</table>

At 28 February 2015  123 144 421

Depletion and impairment

<table>
<thead>
<tr>
<th>At 1 March 2014</th>
<th>Depletion</th>
<th>(274 713)</th>
</tr>
</thead>
</table>

At 28 February 2015  (274 713)

Net book value

<table>
<thead>
<tr>
<th>At 28 February 2014</th>
<th>–</th>
</tr>
</thead>
</table>

At 28 February 2015  122 869 708

16 INVESTMENTS IN SUBSIDIARIES

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

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of registration</th>
<th>% holding</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Directly held:</td>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>SacOil Proprietary Limited</td>
<td>RSA</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Pioneer Coal Proprietary Limited</td>
<td>RSA</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Baltimore Manganese Mine Proprietary Limited</td>
<td>RSA</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>RDK Mining Proprietary Limited</td>
<td>RSA</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Bushveld Pioneer Proprietary Limited</td>
<td>RSA</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Transfer Holdings Proprietary Limited</td>
<td>Botswana</td>
<td>100</td>
<td>70</td>
</tr>
<tr>
<td>SacOil Holdings Nigeria Limited</td>
<td>Nigeria</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>SacOil 281 Nigeria Limited</td>
<td>Nigeria</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>SacOil 233 Nigeria Limited</td>
<td>Nigeria</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mena International Petroleum Company Limited</td>
<td>Cyprus</td>
<td>100</td>
<td>–</td>
</tr>
</tbody>
</table>

| Indirectly held:                    |                         |           |                 | 2015 | 2014 |
|-------------------------------------|-------------------------|-----------|-----------------|
| Semliki SPRL                        | DRC                     | 68        | 68              | 24 591 270 | 24 591 270 |

All entities within the Group are consolidated. There are no unconsolidated structured entities. Refer to note 26 for disclosures relating to non-controlling interests.
### 17 Loans to Group Companies

#### Loan to Group companies

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>SacOil Holdings Nigeria Limited(^1)</td>
<td>–</td>
<td>–</td>
<td>1,405,516</td>
<td>1,220,308</td>
</tr>
<tr>
<td>SacOil 233 Nigeria Limited(^2)</td>
<td>–</td>
<td>–</td>
<td>57,888,500</td>
<td>234,803,840</td>
</tr>
<tr>
<td>SacOil 281 Nigeria Limited(^2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>76,790,225</td>
</tr>
<tr>
<td>Semiliki SPRIL(^3)</td>
<td>–</td>
<td>–</td>
<td>28,956,964</td>
<td>26,973,500</td>
</tr>
<tr>
<td>Mena International Petroleum Company Limited(^1)</td>
<td>–</td>
<td>–</td>
<td>19,305,239</td>
<td>–</td>
</tr>
<tr>
<td>Baltimore Manganese Mine Proprietary Limited(^4)</td>
<td>–</td>
<td>–</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>Bushveld Pioneer Proprietary Limited(^4)</td>
<td>–</td>
<td>–</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>Transfer Holdings Proprietary Limited(^4)</td>
<td>–</td>
<td>–</td>
<td>918,811</td>
<td>423,043</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>–</td>
<td>108,475,930</td>
<td>340,211,816</td>
</tr>
<tr>
<td>Less: Provision for impairment(^5)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(4,144,831)</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>–</td>
<td>108,475,930</td>
<td>336,066,985</td>
</tr>
</tbody>
</table>

#### Loan from Group company

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pioneer Coal Proprietary Limited(^4)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>(318,292)</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>108,157,638</td>
</tr>
</tbody>
</table>

\(^1\) These loans are interest free, unsecured and have no fixed repayment terms. These loans are denominated in US Dollars.

\(^2\) The loans due from the Nigerian subsidiaries have been written off in the current financial year due to the termination by SacOil of its participation in OPL 281 (see note 14) and the endorsement by the SacOil Board to investigate the termination of the Group’s participation in OPL 233 (see note 24). The outstanding receivable from SacOil 233 represents the Group’s share of the cash collateral (see note 23). The receivable is denominated in US Dollars, bears interest at 1% per annum (2014: 5.25%) and is unsecured.

\(^3\) These loans are interest free, unsecured and have no fixed repayment terms. The loans are denominated in Rands.

\(^4\) This loan is interest free, unsecured and has no fixed repayment terms. The loan is denominated in Pula.

\(^5\) In the prior year the Group raised a provision against all the management fees charged to its Nigerian subsidiaries, pending the approval by the Nigerian Office of Technology and Promotion (NOTAP), of the future remittance of the fees, as required by Nigerian exchange control regulations. The Group has since terminated its participation in OPL 233 and OPL 281 as disclosed in footnote 2.

The loans are payable on demand. All loans are however not expected to be repaid within 12 months.

The fair values of loans to and from Group companies are provided in note 34.
### 18 OTHER FINANCIAL ASSETS

#### Non-current

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred consideration on disposal of Greenhills Plant</td>
<td>1 718 470</td>
<td>3 281 164</td>
<td>1 718 470</td>
<td>3 281 164</td>
</tr>
<tr>
<td>Advance payment against future services</td>
<td>68 627 273</td>
<td>62 388 430</td>
<td>68 627 273</td>
<td>62 388 430</td>
</tr>
<tr>
<td>Loan due from EERNL</td>
<td>37 731 560</td>
<td>146 181 302</td>
<td>37 731 560</td>
<td>146 181 303</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>237 675 984</td>
<td>221 493 152</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>345 753 287</strong></td>
<td><strong>433 344 048</strong></td>
<td><strong>108 077 303</strong></td>
<td><strong>211 850 897</strong></td>
</tr>
</tbody>
</table>

#### Current

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan due from EERNL</td>
<td>183 242 921</td>
<td>210 835 454</td>
<td>183 242 921</td>
<td>210 835 454</td>
</tr>
<tr>
<td>Loan due from DIG</td>
<td>51 036 906</td>
<td>47 694 469</td>
<td>9 339 710</td>
<td>8 835 198</td>
</tr>
<tr>
<td>Transcorp Refund</td>
<td>220 824 802</td>
<td>–</td>
<td>110 412 401</td>
<td>–</td>
</tr>
<tr>
<td>Deferred consideration on disposal of Greenhills Plant</td>
<td>1 890 810</td>
<td>1 890 811</td>
<td>1 890 810</td>
<td>1 890 811</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>456 995 439</strong></td>
<td><strong>304 885 842</strong></td>
<td><strong>183 683 088</strong></td>
<td><strong>221 561 463</strong></td>
</tr>
</tbody>
</table>

Less: Provision for impairment

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (125 354 421)</td>
<td>(37 878 375)</td>
<td>(37 878 375)</td>
<td>(37 878 375)</td>
<td>(37 878 375)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>331 641 018</strong></td>
<td><strong>179 531 421</strong></td>
<td><strong>183 683 088</strong></td>
<td><strong>221 561 463</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 (125 354 421)</td>
<td>(37 878 375)</td>
<td>(37 878 375)</td>
<td>(37 878 375)</td>
<td>(37 878 375)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>677 394 305</strong></td>
<td><strong>287 608 724</strong></td>
<td><strong>395 533 985</strong></td>
<td><strong>395 533 985</strong></td>
</tr>
</tbody>
</table>

---

1. The deferred consideration represents the present value of the remaining consideration for the Greenhills Plant which was sold in October 2012. As the future consideration receivable is R4.0 million receivable in October 2015 and October 2016 in equal instalments of R2.0 million each, the present value recognised at 28 February 2015 is R3.6 million (2014: R5.2 million). At 28 February 2015, R3.0 million has been received with respect to this disposal.

2. The amount due represents Encha Energy’s indebtedness to SacOil Holdings Limited under the Acknowledgement of Debt Agreement concluded between the two parties on 28 February 2013. As the future value of this asset is R75.5 million, the financial asset recognised at 28 February 2015 is R68.6 million (2013: R62.4 million), representing the present value of this future receivable. Interest amounting to R6.3 million (2014: R5.7 million) arising from the unwinding of the discount applied to the future receivable on initial recognition has been included in investment income (note 7).

3. On 26 March 2015 SacOil and EERNL restructured the settlement of the outstanding loans as detailed in note 36. As a result of the restructuring and termination of participation in OPL 281 by both parties the long-term loan due from EERNL attributable to OPL 281 was off-set against EERNL’s share of the Transcorp Refund (see footnote 6) as full and final settlement of this liability. This resulted in a write-off of R73.2 million due to the interest differential between the Transcorp Refund and the EERNL loan. Prior to the settlement agreement the long-term loan accrued interest at 25% per annum and was denominated in US Dollars.

The restructuring of the repayment of the loans also means that part of the short-term loan which relates to OPL 233 is reclassified as long term, representing the settlement of the loans from the OML 113 cash flows expected in 2019 and 2020. At 28 February 2015, R37.7 million has been recognised with respect to this receivable, being the present value of future payments totalling R57.9 million ($5 million).

An amount of R65.4 million has been written off as a bad debt expense following management’s assessment of the recovery mechanisms in the settlement agreement, which limits the recovery options available to the Group. The restructuring and settlement of OPL 233, which is expected to be recovered within a year from EERNL’s share of the cash collateral (see note 29) and recoveries from Nigdel pursuant to the termination of EERNL’s participation in OPL 233. The recovery from Nigdel of R125.4 million has been provided for pending the finalisation of exit negotiations. This resulted in an increase in the provision for impairment by R87.5 million. Both expenses have been recognised under other operating costs.

SacOil agreed to an interest freeze on the outstanding loan from 30 November 2014. Prior to this the loan accrued interest at 32%. The loan is denominated in US Dollars.
The Farm-In Agreement (“FIA”) 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 date 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 at 28 February 2015 is an impairment loss of R23.8 million (2014: R22.1 million) representing the write-down of future expected cash flows from the contingent consideration for the Block III farm-outs in March 2011 and March 2012. The write-down was necessitated by the delay in activities on Block III related to civil unrest and the deferred receipt of the contingent consideration, and is reflective of the time value of money. A deferred tax charge amounting to R6.5 million (2014: a credit of R16.0 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 Decision Date (“FID”) 28 February 2020
First Oil Date (“FOD”) 28 February 2024
Valuation date 28 February 2015
First contingent consideration
FID $42,549,000
FOD $36,680,000
Second contingent consideration
FID $4,635,000
FOD $6,660,000

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 R55.2 million (2014: R51.4 million) lower and R55.2 million (2014: R51.4 million) higher, respectively.

The loan comprises the taxes recoverable from DIG with respect to the capital gains tax payable by Semliki on the farm-out of the 6.67% interest in Block III in March 2012, which transaction was initiated by and solely benefited DIG. The loan is interest free, unsecured, has no fixed repayment terms and is denominated in US Dollars. The Group is in the process of restructuring its holding in Block III, which will result in the elimination of its foreign taxes as these taxes will become the liabilities of DIG. Consequently this will eliminate DIG’s indebtedness to the Group. The restructuring is expected to be finalised by 31 August 2015.

The Transcorp Refund represents amounts recoverable from Transcorp under the provisions of the FIA following the termination of SacOil 281’s participation in OPL 281 (see note 14). SacOil paid R44.1 million ($6.25 million) on behalf of its subsidiary, SacOil 281 (see note 14), and R43.6 million ($6.25 million) on behalf of EER 233 Nigeria Limited for a signature bonus and other costs relating to OPL 281, which contractually will be refunded by Transcorp with interest on the signature bonus component at 20% per annum. EERNL has ceded its share of the refund as settlement of the OPL 281 loan owed to SacOil as detailed in note 36 and footnote 3. Consequently R110.4 million has been recognised as a receivable from Transcorp under the terms of the settlement agreement. A further R110.4 million has been recognised by SacOil 281 in line with the provisions of the FIA. Pursuant to the exit SacOil will not have future commitments and obligations associated with the appraisal of OPL 281. Furthermore, the farm-in fee which would have been payable to Transcorp and the transaction fee which would have been payable to Energy Equity Resources Norway Limited of US$12 million and US$2.5 million respectively, as disclosed in the prior-year commitments (see note 37), are no longer due and payable.

At 28 February 2015 the Company receivable of R110.4 million with respect to the above transactions represents SacOil’s entitlement to EERNL’s share of the Transcorp Refund. The Group receivable of R220.8 million further includes SacOil 281’s share of the refund.

The fair value of other financial assets is given in note 34.
## 19 PROPERTY, PLANT AND EQUIPMENT

### Cost

<table>
<thead>
<tr>
<th></th>
<th>Furniture and fittings</th>
<th>Motor vehicles</th>
<th>Computer equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 March 2013</td>
<td>138 067</td>
<td>119 219</td>
<td>274 473</td>
<td>531 759</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td>71 426</td>
<td>71 426</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>(16 336)</td>
<td>(16 336)</td>
</tr>
<tr>
<td><strong>At 28 February 2014</strong></td>
<td>138 067</td>
<td>119 219</td>
<td>329 563</td>
<td>586 849</td>
</tr>
<tr>
<td>Additions</td>
<td>7 017</td>
<td>–</td>
<td>227 471</td>
<td>234 488</td>
</tr>
<tr>
<td><strong>At 28 February 2015</strong></td>
<td>145 084</td>
<td>119 219</td>
<td>557 034</td>
<td>821 337</td>
</tr>
</tbody>
</table>

### Accumulated depreciation and impairment

<table>
<thead>
<tr>
<th></th>
<th>Furniture and fittings</th>
<th>Motor vehicles</th>
<th>Computer equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 March 2013</td>
<td>33 408</td>
<td>44 707</td>
<td>136 636</td>
<td>214 751</td>
</tr>
<tr>
<td>Depreciation</td>
<td>23 011</td>
<td>29 805</td>
<td>78 806</td>
<td>131 622</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>(6 731)</td>
<td>(6 731)</td>
</tr>
<tr>
<td><strong>At 28 February 2014</strong></td>
<td>56 419</td>
<td>74 512</td>
<td>208 711</td>
<td>339 642</td>
</tr>
<tr>
<td>Depreciation</td>
<td>56 419</td>
<td>74 512</td>
<td>208 711</td>
<td>339 642</td>
</tr>
<tr>
<td><strong>At 28 February 2015</strong></td>
<td>80 064</td>
<td>104 317</td>
<td>292 250</td>
<td>476 631</td>
</tr>
</tbody>
</table>

### Net book value

<table>
<thead>
<tr>
<th></th>
<th>Furniture and fittings</th>
<th>Motor vehicles</th>
<th>Computer equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 28 February 2013</td>
<td>104 659</td>
<td>74 512</td>
<td>137 837</td>
<td>317 008</td>
</tr>
<tr>
<td>At 28 February 2014</td>
<td>81 648</td>
<td>44 707</td>
<td>120 852</td>
<td>247 207</td>
</tr>
<tr>
<td><strong>At 28 February 2015</strong></td>
<td>65 020</td>
<td>14 902</td>
<td>264 784</td>
<td>344 706</td>
</tr>
</tbody>
</table>

Based on the assessment done at 28 February 2015 there is no change in the useful lives of the assets above. No assets are held as security for the Group’s borrowings.
### GROUP

#### 20 OTHER INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Computer software</th>
<th>Other intangible assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 28 February 2013</td>
<td>184 869</td>
<td>–</td>
<td>184 869</td>
</tr>
<tr>
<td>Additions</td>
<td>86 956</td>
<td>–</td>
<td>86 956</td>
</tr>
<tr>
<td>At 28 February 2014</td>
<td>271 825</td>
<td>–</td>
<td>271 825</td>
</tr>
<tr>
<td>Additions</td>
<td>135 899</td>
<td></td>
<td>135 899</td>
</tr>
<tr>
<td>Acquisition of Mena (note 12)</td>
<td>–</td>
<td>59 668 026</td>
<td>59 668 026</td>
</tr>
<tr>
<td>Foreign exchange differences</td>
<td>–</td>
<td>3 075 031</td>
<td>3 075 031</td>
</tr>
<tr>
<td><strong>At 28 February 2015</strong></td>
<td><strong>407 724</strong></td>
<td><strong>62 743 057</strong></td>
<td><strong>63 150 781</strong></td>
</tr>
</tbody>
</table>

#### Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>Computer software</th>
<th>Other intangible assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 28 February 2013</td>
<td>(23 109)</td>
<td>–</td>
<td>(23 109)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(73 240)</td>
<td>–</td>
<td>(73 240)</td>
</tr>
<tr>
<td>At 28 February 2014</td>
<td>(96 349)</td>
<td>–</td>
<td>(96 349)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(105 773)</td>
<td>(1 853 119)</td>
<td>(1 958 892)</td>
</tr>
<tr>
<td><strong>At 28 February 2015</strong></td>
<td><strong>(202 122)</strong></td>
<td><strong>(1 853 119)</strong></td>
<td><strong>(2 055 241)</strong></td>
</tr>
</tbody>
</table>

| At 28 February 2014 | 175 476 | –          | 175 476 |
| At 28 February 2015 | 205 602 | 60 889 938 | 61 095 540 |

The Group’s other intangible assets arose from the acquisition of Mena (note 12). Mena owns the Lagia Oil Field. The Petroleum Concession Agreement gives Mena the right to drill for petroleum reserves.

#### COMPANY

<table>
<thead>
<tr>
<th></th>
<th>Computer software</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
</tr>
<tr>
<td>At 28 February 2013</td>
<td>184 869</td>
</tr>
<tr>
<td>Additions</td>
<td>86 956</td>
</tr>
<tr>
<td>At 28 February 2014</td>
<td>271 825</td>
</tr>
<tr>
<td>Additions</td>
<td>135 899</td>
</tr>
<tr>
<td>At 28 February 2015</td>
<td>407 724</td>
</tr>
</tbody>
</table>

#### Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>Computer software</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 28 February 2013</td>
<td>(23 109)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(73 240)</td>
</tr>
<tr>
<td>At 28 February 2014</td>
<td>(96 349)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(105 773)</td>
</tr>
<tr>
<td>At 28 February 2015</td>
<td>(202 122)</td>
</tr>
<tr>
<td>At 28 February 2014</td>
<td>175 476</td>
</tr>
<tr>
<td>At 28 February 2015</td>
<td>205 602</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements
for the year ended 28 February 2015 (continued)

<table>
<thead>
<tr>
<th>21 INVENTORIES</th>
<th>GROUP 2015</th>
<th>GROUP 2014</th>
<th>COMPANY 2015</th>
<th>COMPANY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumables</td>
<td>6 641 663</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>6 641 663</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>22 TRADE AND OTHER RECEIVABLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
</tr>
<tr>
<td>Value-added tax</td>
</tr>
<tr>
<td>Other receivables</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Less: Provision for impairment</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

At 28 February 2015 other receivables include an amount of R3.3 million (2014: R3.3 million) relating to employee taxes recoverable from a former employee of the Company. A provision for impairment has been recognised for this receivable pending the outcome of a legal recovery process.

At 28 February 2015, all trade receivables are fully performing. The carrying values of all trade and other receivables approximate their fair values. The carrying values of the Group's trade and other receivables are denominated in the following currencies:

| US Dollar       | 6 643 092  | –          | –            | –            |
| South African Rand | 509 413    | –          | –            | –            |
|                 | 7 152 505  | –          | –            | –            |

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 trade receivables.

<table>
<thead>
<tr>
<th>23 CASH AND CASH EQUIVALENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at banks and on hand</td>
</tr>
<tr>
<td>Short-term deposits</td>
</tr>
<tr>
<td>Restricted cash</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
</tr>
</tbody>
</table>

At 28 February 2015 restricted cash comprised the cash collateral of US$10 million (2014: $10 million) paid to Ecobank to secure the performance bond on OPL 233. The cash was held in the bank account of SacOil’s wholly-owned subsidiary, SacOil 233 Nigeria Limited, and was subject to local exchange control regulations. The remainder of the performance bond was secured by a first ranking legal charge over SacOil’s investment in SacOil 233 Nigeria Limited (see note 38). On 2 May 2015 the performance bond expired. At the date of the integrated report the cash collateral is no longer restricted and has been refunded to SacOil. The refund to SacOil includes EERNL’s share of the cash collateral indicated in note 29 in line with the terms of the settlement agreement detailed in notes 18 and 36.
24 NON-CURRENT ASSETS HELD FOR SALE

On 27 February 2015 the SacOil Board endorsed a plan to terminate the Group’s participation in OPL 233 in Nigeria. The termination is in line with the balancing and rationalising of the Group’s portfolio of assets with the aim to restructure the Group’s future capital requirements and to focus on cash-generative assets and low-risk exploration assets. The Farm-In Agreement provides for the recovery of costs incurred on the asset upon termination. SacOil terminated its participation in OPL 233 on 19 May 2015 as detailed in note 36. The non-current asset held for sale and the liabilities associated with this asset at 28 February 2015 are outlined below:

<table>
<thead>
<tr>
<th>Group</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset held for sale</td>
<td></td>
</tr>
<tr>
<td>Exploration and evaluation assets – OPL 233 Nigeria</td>
<td>21 839 945</td>
</tr>
</tbody>
</table>

GROUP AND COMPANY

Liabilities directly associated with the asset held for sale

| Nigdel | (21 839 945) |

Prior to classification as an asset held for sale OPL 233 was recognised as an exploration and evaluation asset in the accounting records of the Company’s subsidiary, SacOil 233 Nigeria Limited. Consequently OPL 233 was recognised as an asset by the Group and not the Company. An asset held for sale is therefore reported at Group level only.

SacOil 233 Nigeria Limited’s obligations are funded by SacOil Holdings Limited. The Nigdel liability associated with OPL 233 is recognised by SacOil Holdings Limited and, consequently, the Group. The liability directly associated with the asset held for sale is therefore reported for both Group and Company results.

Immediately before the classification as an asset held for sale OPL 233 had a carrying amount of R215.9 million. An impairment loss of R194.1 million was recognised to reduce the carrying amount of the asset to the fair value less costs to sell. Nigdel has disputed the terms of SacOil’s conduct in relation to OPL 233 and its subsequent withdrawal. The directors of SacOil are, however, confident that their claim against Nigdel is valid. The Group expects to recover at least R21.8 million which will be offset against its indebtedness to Nigdel. The impairment loss was recognised in the statement of comprehensive income under other operating costs.
Notes to the consolidated financial statements
for the year ended 28 February 2015 (continued)

25 STATED CAPITAL AND RESERVES

GROUP AND COMPANY
Stated capital
Authorised:
Number of ordinary shares with no par value 10 000 000 000 10 000 000 000

Allotted equity share capital:
Reported at the beginning of the year 1 109 977 054 534 172 123
Issued during the year for cash1 – 337 273 662
Non-cash shares issued 106 526 829 238 531 269
As at 28 February 1 216 503 883 1 109 977 054

Reconciliation of number of shares issued:
Reported at the beginning of the year 3 086 169 261 953 340 791
Issued during the year for cash1 – 1 249 379 326
Non-cash shares issued 183 666 947 883 449 144
As at 28 February 3 269 836 208 3 086 169 261

1 Comprises 1 246 601 549 shares issued for R336 582 418 under the Rights Offer and 2 777 777 shares issued for R691 244 under a general issue of shares for cash.

Non-cash shares issued comprise:

<table>
<thead>
<tr>
<th>Date</th>
<th>Nature of transaction</th>
<th>Number of shares issued</th>
<th>Issue price R</th>
<th>Fair value R</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22 October</td>
<td>Acquisition of Mena International Petroleum Company Limited (note 12)</td>
<td>183 666 947</td>
<td>0.58</td>
<td>106 526 829</td>
</tr>
<tr>
<td></td>
<td></td>
<td>183 666 947</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 January</td>
<td>Equity settlement of Gairloch Limited loans1</td>
<td>883 449 144</td>
<td>0.27</td>
<td>238 531 269</td>
</tr>
<tr>
<td></td>
<td></td>
<td>883 449 144</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 On 30 January 2014 SacOil equity settled all three loans owed to Gairloch Limited totaling R238 531 269 through the issue of 883 449 144 shares at an issue price of 27 cents. The loans had incurred interest at 8% and 10% per month and were unsecured. The loans were denominated in US Dollars.
### Reserves

<table>
<thead>
<tr>
<th></th>
<th>Share-based payment reserve</th>
<th>Foreign currency translation reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 28 February 2013</td>
<td>26 681 469</td>
<td>–</td>
<td>26 681 469</td>
</tr>
<tr>
<td>Share options lapsed</td>
<td>(20 679 622)</td>
<td>–</td>
<td>(20 679 622)</td>
</tr>
<tr>
<td>Balance at 28 February 2014</td>
<td>6 001 847</td>
<td>–</td>
<td>6 001 847</td>
</tr>
<tr>
<td>Share options issued</td>
<td>888 000</td>
<td>–</td>
<td>888 000</td>
</tr>
<tr>
<td>Foreign exchange gains arising on translation of foreign operations</td>
<td>–</td>
<td>8 716 621</td>
<td>8 716 621</td>
</tr>
<tr>
<td><strong>Balance at 28 February 2015</strong></td>
<td>6 889 847</td>
<td>8 716 621</td>
<td>15 606 468</td>
</tr>
</tbody>
</table>

### COMPANY

<table>
<thead>
<tr>
<th></th>
<th>Share-based payment reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 28 February 2013</td>
<td>26 681 469</td>
</tr>
<tr>
<td>Share options lapsed</td>
<td>(20 679 622)</td>
</tr>
<tr>
<td>Balance at 28 February 2014</td>
<td>6 001 847</td>
</tr>
<tr>
<td>Share options issued</td>
<td>888 000</td>
</tr>
<tr>
<td><strong>Balance at 28 February 2015</strong></td>
<td>6 889 847</td>
</tr>
</tbody>
</table>

The foreign currency translation reserve is used to recognise foreign exchange differences arising on the translation of Mena Cyprus’ US Dollar denominated financial results into the presentation currency.

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. These transactions are disclosed in note 13.
26 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

26.1 Subsidiaries with material non-controlling interests

A list of the subsidiaries of the Group is included in note 16. The Group has two subsidiaries with material non-controlling interests ("NCIs"). Information regarding these subsidiaries is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal place of business</th>
<th>NCI in subsidiary</th>
<th>Loss allocated to NCI</th>
<th>Accumulated NCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>SacOil Proprietary Limited (&quot;SacOil&quot;)</td>
<td>RSA</td>
<td>50%</td>
<td>50%</td>
<td>–</td>
</tr>
<tr>
<td>Transfer Holdings Proprietary Limited (&quot;Transfer Holdings&quot;)</td>
<td>Botswana</td>
<td>–</td>
<td>30%</td>
<td>–</td>
</tr>
<tr>
<td>Semliki SPRL (&quot;Semliki&quot;)</td>
<td>DRC</td>
<td>32%</td>
<td>32%</td>
<td>(7 812 779)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(7 812 779)</td>
<td>(10 079 679)</td>
<td>4 417 649</td>
</tr>
</tbody>
</table>

No dividends were paid to NCI during the current financial year (2014: RNil).

Summarised financial information of the subsidiaries with material NCIs representing 100% of the underlying subsidiaries’ relevant figures, is set out below:

<table>
<thead>
<tr>
<th></th>
<th>SacOil</th>
<th>Transfer Holdings</th>
<th>Semliki</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>41 285 037</td>
<td>312 042 259</td>
<td>353 327 296</td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>–</td>
<td>41 776 214</td>
<td>41 776 214</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>41 285 037</td>
<td>353 818 473</td>
<td>395 103 510</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>–</td>
<td>(165 312 395)</td>
<td>(165 312 395)</td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>–</td>
<td>(171 581 514)</td>
<td>(171 581 514)</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>–</td>
<td>(336 893 909)</td>
<td>(336 893 909)</td>
<td></td>
</tr>
<tr>
<td>Net assets</td>
<td>41 285 037</td>
<td>16 924 564</td>
<td>58 209 601</td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>21 466 963</td>
<td>32 324 989</td>
<td>53 791 952</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>19 818 074</td>
<td>(15 400 425)</td>
<td>4 417 649</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>–</td>
<td>6 993 155</td>
<td>6 993 155</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>–</td>
<td>(23 775 428)</td>
<td>(23 775 428)</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>–</td>
<td>22 486 077</td>
<td>22 486 077</td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>–</td>
<td>(1 274)</td>
<td>(1 274)</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>–</td>
<td>(30 117 465)</td>
<td>(30 117 465)</td>
<td></td>
</tr>
<tr>
<td>Loss after tax/total comprehensive loss</td>
<td>–</td>
<td>(24 414 935)</td>
<td>(24 414 935)</td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>–</td>
<td>(16 602 156)</td>
<td>(16 602 156)</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>–</td>
<td>(7 812 779)</td>
<td>(7 812 779)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
<td>2014</td>
<td>2014</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>41 285 037</td>
<td>386 548</td>
<td>295 859 426</td>
<td>337 531 011</td>
</tr>
<tr>
<td>Current assets</td>
<td>–</td>
<td>38 929 675</td>
<td>38 929 675</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>41 285 037</td>
<td>334 789 101</td>
<td>376 460 686</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>–</td>
<td>(136 855 796)</td>
<td>(157 278 840)</td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>–</td>
<td>(136 593 804)</td>
<td>(136 593 804)</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>–</td>
<td>(423 042)</td>
<td>(293 449 602)</td>
<td></td>
</tr>
<tr>
<td>Net assets/(liabilities)</td>
<td>41 285 037</td>
<td>(36 494)</td>
<td>82 588 042</td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>21 466 963</td>
<td>(24 542)</td>
<td>70 399 566</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>19 818 074</td>
<td>(11 952)</td>
<td>12 218 476</td>
<td></td>
</tr>
<tr>
<td>Other income/(expense)</td>
<td>–</td>
<td>(29 458)</td>
<td>7 537 616</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>–</td>
<td>(10 381)</td>
<td>(22 149 316)</td>
<td></td>
</tr>
<tr>
<td>Other operating costs</td>
<td>–</td>
<td>20 499 497</td>
<td>20 499 497</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>–</td>
<td>(37 378 904)</td>
<td>(37 378 904)</td>
<td></td>
</tr>
<tr>
<td>Loss after tax/total comprehensive loss</td>
<td>–</td>
<td>(39 839)</td>
<td>(31 501 488)</td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>–</td>
<td>(27 887)</td>
<td>(21 421 809)</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>–</td>
<td>(11 952)</td>
<td>(10 079 679)</td>
<td></td>
</tr>
</tbody>
</table>

No cash flow information has been presented as cash flows relating to the above subsidiaries with non-controlling interests are immaterial to the Group and Company.

Other than the restriction noted in notes 17 and 23, there are no significant restrictions on the Group’s ability to access or use assets and settle liabilities.
26.2 Transactions with non-controlling interests

On 10 March 2014 the Company acquired the remaining 30% of the issued shares of Transfer Holdings Proprietary Limited ("Transfer Holdings"). The non-controlling shareholders relinquished their interest for no consideration. The Company now holds 100% of the equity share capital of Transfer Holdings. The carrying amount of the non-controlling interests in Transfer Holdings on the date of acquisition was a deficit of R11 952. The Group derecognised non-controlling interests deficit of R11 952 and recorded a decrease in equity attributable to owners of the parent of the same amount. The effect of changes in the ownership interest of Transfer Holdings on the equity attributable to owners of the Company during the year is summarised as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of non-controlling interests acquired</td>
<td>(11 952)</td>
</tr>
<tr>
<td>Consideration paid to non-controlling interest</td>
<td>–</td>
</tr>
<tr>
<td>Difference recognised in retained earnings</td>
<td>(11 952)</td>
</tr>
</tbody>
</table>

27 INTERESTS IN JOINT OPERATIONS

<table>
<thead>
<tr>
<th>Country of incorporation</th>
<th>Nature of activities</th>
<th>Participating interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPL 233</td>
<td>Exploration, development and production of oil and gas</td>
<td>20% 20%</td>
</tr>
<tr>
<td>Block III</td>
<td>Exploration, development and production of oil and gas</td>
<td>18.34% 18.34%</td>
</tr>
</tbody>
</table>

OPL 233
SacOil 233 Nigeria Limited ("SacOil 233"), jointly with other participants, has an interest in OPL 233 which is an offshore exploration block located in the shallow marine area of the Niger Delta. SacOil 233’s interest in OPL 233 is 20%. Other participants are Nigdel United Oil Company Limited, which holds an interest of 60% and Energy Equity Resources 233 Nigeria Limited, which holds an interest of 20%. Participation in OPL 233 by the participants is governed by the provisions of the Farm-In and Joint Operating Agreements concluded in 2010, which were subsequently amended in 2012. SacOil has a 50% paying interest in OPL 233. Subsequent to the year-end SacOil terminated its participation in OPL 233 as indicated in note 36.

BLOCK III
Semliki SARL ("Semliki"), jointly with other participants, has an interest in Block III which is located on the DRC side of the Albertine Graben Basin. Semliki’s interest in Block III is 18.34%. Other participants are Total E&P RDC ("Total"), which holds an interest of 66.66% and the DRC Government, which holds an interest of 15%. Participation in Block III by the participants is governed by the Farm-In Agreements concluded in 2011 and 2012, the Joint Operating Agreement and Production Sharing Contract. The Farm-In Agreement with Total provides for a carry of costs by Total on behalf of Semliki. The cost carry arrangement is disclosed in note 37.

Assets relating to these joint operations are disclosed in note 14.
Notes to the consolidated financial statements
for the year ended 28 February 2015 (continued)

28 DEFERRED TAX

Deferred tax liability

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2015 R</th>
<th>COMPANY 2015 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent consideration relating to the sale of exploration and evaluation assets</td>
<td>(95 070 394)</td>
<td>(88 597 261)</td>
</tr>
<tr>
<td>Foreign exchange revaluation of transactions with connected parties</td>
<td>–</td>
<td>(12 596 919)</td>
</tr>
<tr>
<td>Impairment provision</td>
<td>(2 941 624)</td>
<td>9 755 740</td>
</tr>
<tr>
<td>Other</td>
<td>865 542</td>
<td>765 097</td>
</tr>
<tr>
<td></td>
<td>(97 146 476)</td>
<td>(92 498 394)</td>
</tr>
</tbody>
</table>

The gross movement on the deferred income tax account is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015 R</th>
<th>2014 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent consideration relating to the sale of exploration and evaluation assets</td>
<td>(6 473 133)</td>
<td>(16 009 160)</td>
</tr>
<tr>
<td>Foreign exchange revaluation of transactions with connected parties</td>
<td>–</td>
<td>(12 596 919)</td>
</tr>
<tr>
<td>Impairment provision</td>
<td>–</td>
<td>9 755 740</td>
</tr>
<tr>
<td>Other</td>
<td>1 825 051</td>
<td>1 825 051</td>
</tr>
<tr>
<td></td>
<td>(97 146 476)</td>
<td>(92 498 394)</td>
</tr>
</tbody>
</table>

At 28 February

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2015 R</th>
<th>COMPANY 2015 R</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(97 146 476)</td>
<td>(92 498 394)</td>
</tr>
</tbody>
</table>

Tax losses for which no deferred tax asset has been recognised amount to R425.0 million.

29 OTHER FINANCIAL LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2015 R</th>
<th>COMPANY 2015 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>EERNL1</td>
<td>57 888 500</td>
<td>53 947 000</td>
</tr>
<tr>
<td>Nigdel United Oil Company Limited2</td>
<td>–</td>
<td>20 220 311</td>
</tr>
<tr>
<td></td>
<td>57 888 500</td>
<td>74 167 311</td>
</tr>
</tbody>
</table>

1 At 28 February 2015 the EER liability relates to EERNL’s 50% share of the R116.0 million (2014: R108.1 million) (US$10 million) cash collateral held in the bank account of SacOil’s wholly-owned subsidiary, SacOil 233 Nigeria Limited, as disclosed in note 23. At the date of the financial statements, following a refund of the cash collateral, the liability has been offset against EERNL’s loans outstanding as detailed in notes 18 and 23.

2 The prior-year payable to Nigdel United Oil Company Limited comprised the Group’s share of costs related to exploration activities for OPL 233. In the current year the Nigdel liability has been classified as a liability associated with an asset held for sale as disclosed in note 24.

The carrying values of other financial liabilities approximate their fair values.
## 30 TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2015</th>
<th>COMPANY 2015</th>
<th>GROUP 2014</th>
<th>COMPANY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Trade payables</td>
<td>9 309 082</td>
<td>4 599 308</td>
<td>3 330 540</td>
<td>3 330 540</td>
</tr>
<tr>
<td>Accruals</td>
<td>16 222 702</td>
<td>7 446 603</td>
<td>9 702 557</td>
<td>9 675 584</td>
</tr>
<tr>
<td>Other payables</td>
<td>22 077</td>
<td>22 127</td>
<td>21 880</td>
<td>21 929</td>
</tr>
<tr>
<td></td>
<td>25 553 861</td>
<td>13 054 977</td>
<td>12 068 038</td>
<td>13 028 053</td>
</tr>
</tbody>
</table>

The carrying values of trade and other payables approximate their fair values.

## 31 (LOSS)/EARNINGS PER SHARE

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic (cents)</td>
<td>(8.54)</td>
<td>1.37</td>
</tr>
<tr>
<td>Diluted (cents)</td>
<td>(8.54)</td>
<td>1.36</td>
</tr>
</tbody>
</table>

(Loss)/profit attributable to equity holders of the parent used in the calculation of the basic and diluted loss per share (269 216 457) 19 594 296

Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share 3 151 081 689 1 435 074 830

Issued shares at the beginning of the reporting period 3 086 169 261 953 340 791

Effect of shares issued during the reporting period (weighted) 64 912 428 481 734 039

Add: Dilutive share options – 1 618 673

Weighted average number of ordinary shares used in the calculation of diluted (loss)/earnings per share 3 151 081 689 1 436 693 503

### Headline (loss)/earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic (cents)</td>
<td>(4.67)</td>
<td>1.37</td>
</tr>
<tr>
<td>Diluted (cents)</td>
<td>(4.67)</td>
<td>1.36</td>
</tr>
</tbody>
</table>

Reconciliation of headline (loss)/earnings

Profit/(loss) attributable to equity holders of the parent (269 216 457) 19 594 296

**Adjusted for:**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment of assets held for sale</td>
<td>194 065 780</td>
<td>–</td>
</tr>
<tr>
<td>Gain on acquisition of subsidiary</td>
<td>(24 718 054)</td>
<td>–</td>
</tr>
<tr>
<td>Tax effects of adjustments</td>
<td>(47 417 363)</td>
<td>–</td>
</tr>
<tr>
<td>Headline (loss)/earnings</td>
<td>(147 286 094)</td>
<td>19 594 296</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements
for the year ended 28 February 2015 (continued)

32 CASH USED IN OPERATIONS
(Loss)/profit before taxation
\[(249\,851\,003)\] 64\,727\,273 \((464\,884\,562)\) 96\,793\,225

Adjustments for:

- Depreciation and amortisation: 6
  \[2\,370\,594\] 204\,862 \[2\,422\,762\] 204\,862

- Impairment of financial assets: 6
  \[96\,974\,814\] 22\,149\,316 \[436\,535\,216\] 31\,758\,111

- Impairment of non-current assets held for sale: 6
  \[194\,065\,780\] – – \[2\,199\,035\] (1\,813\,111)

- Management fees received: 33
  – – \[2\,199\,035\] (1\,813\,111)

- Share-based payments: 6
  \[888\,000\] 888\,000

- Provision for impairment of financial assets: 6
  \[87\,476\,046\] \[96\,974\,814\] (22\,149\,316) \[3\,833\,215\] 8\,570\,730

- Loss on disposal of property, plant and equipment
  – – 9\,605 –

- Foreign exchange gains and losses
  \[(79\,449\,035)\] \[(50\,568\,785)\] \[(59\,428\,578)\] \[(73\,406\,169)\]

- Interest received
  7 \[(158\,052\,007)\] \[(130\,555\,693)\] \[(117\,455\,458)\] \[(119\,441\,936)\]

- Finance costs
  8 \[1\,469\] 12\,931\,875 \[1\,95\] 12\,931\,875

- Bad debts
  \[65\,433\,261\] 1\,497\,034 \[65\,433\,261\] 1\,497\,034

- Settlement discount
  \[30\,000\] – – \[30\,000\]

- Gain on acquisition of subsidiary
  \[24\,718\,054\] – – –

- Other non-cash items
  – – – –

Changes in working capital:

- Increase in inventories
  \[(615\,589)\] – –

- Decrease in trade and other receivables
  \[36\,833\,768\] 2\,889\,732 \[132\,508\] 2\,921\,560

- (Decrease)/increase in trade and other payables
  \[(10\,518\,258)\] 1\,074\,502 \[6\,039\,985\] 1\,047\,530

\[\text{\((39\,130\,214)\)}\] \[\text{\((39\,133\,285)\)}\] \[\text{\((5\,334\,491)\)}\] \[\text{\((3\,926\,684)\)}\]

33 RELATED PARTIES
Related parties of the Group include entities detailed in note 16 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 Group companies

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management fees</td>
<td>–</td>
<td>–</td>
<td>2,199,035</td>
<td>1,813,111</td>
</tr>
<tr>
<td>SacOil 233 Nigeria Limited</td>
<td>–</td>
<td>–</td>
<td>1,278,955</td>
<td>1,650,264</td>
</tr>
<tr>
<td>SacOil 281 Nigeria Limited</td>
<td>–</td>
<td>–</td>
<td>168,105</td>
<td>162,847</td>
</tr>
<tr>
<td>Mena International Petroleum Company Limited</td>
<td>–</td>
<td>–</td>
<td>751,975</td>
<td>–</td>
</tr>
<tr>
<td>Interest income</td>
<td>–</td>
<td>–</td>
<td>11,484,335</td>
<td>10,258,051</td>
</tr>
<tr>
<td>SacOil 233 Nigeria Limited</td>
<td>–</td>
<td>–</td>
<td>8,797,626</td>
<td>6,637,961</td>
</tr>
<tr>
<td>SacOil 281 Nigeria Limited</td>
<td>–</td>
<td>–</td>
<td>2,686,709</td>
<td>3,620,090</td>
</tr>
<tr>
<td>Mena International Petroleum Company Limited</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Management fees consist of payroll costs incurred in running the financial or operating activities of the subsidiaries plus a mark-up of 10%. Other terms for loans advanced to subsidiaries are given in note 17.
33 RELATED PARTIES (continued)

(b) Key management compensation

<table>
<thead>
<tr>
<th>Non-executive directors</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary R</td>
<td>Bonus R</td>
</tr>
<tr>
<td>Tito Mboweni</td>
<td>530 000</td>
<td>347 688</td>
</tr>
<tr>
<td>Mzuvukile Magetuka</td>
<td>329 167</td>
<td>217 305</td>
</tr>
<tr>
<td>Ignatius Schoole</td>
<td>352 083</td>
<td>191 151</td>
</tr>
<tr>
<td>Vusi Pikoli</td>
<td>320 833</td>
<td>191 151</td>
</tr>
<tr>
<td>Stephanus Muller</td>
<td>320 833</td>
<td>217 305</td>
</tr>
<tr>
<td>Gontse Moseniema</td>
<td>308 333</td>
<td>425 000</td>
</tr>
<tr>
<td>Danladi Verheijen</td>
<td>308 333</td>
<td>27 307</td>
</tr>
<tr>
<td>Lola Akinleye</td>
<td>327 083</td>
<td>27 307</td>
</tr>
<tr>
<td></td>
<td>2 796 665</td>
<td>1 644 214</td>
</tr>
</tbody>
</table>

Salary
Bonus
Total

Executive directors

<table>
<thead>
<tr>
<th>2015</th>
<th>Salary R</th>
<th>Bonus R</th>
<th>Total R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Thabo Kgogo</td>
<td>2 660 000</td>
<td>4 771 667</td>
<td>7 431 667</td>
</tr>
<tr>
<td>Damain Matroos</td>
<td>241 667</td>
<td>253 000</td>
<td>494 667</td>
</tr>
<tr>
<td>Bradley Cerff</td>
<td>1 530 800</td>
<td>957 180</td>
<td>2 487 980</td>
</tr>
<tr>
<td>Tariro Mudzimuiroma</td>
<td>1 382 500</td>
<td>715 500</td>
<td>2 098 000</td>
</tr>
<tr>
<td>Roger Rees</td>
<td>562 500</td>
<td>–</td>
<td>562 500</td>
</tr>
<tr>
<td></td>
<td>6 377 467</td>
<td>6 697 347</td>
<td>13 074 814</td>
</tr>
</tbody>
</table>

2014

| Robin Vela                        | 587 500 | –       | 587 500 |
| Roger Rees                        | 1 500 000| 675 000 | 2 175 000|
| Tariro Mudzimuiroma               | 1 000 000| 500 000 | 1 500 000|
|                                  | 3 087 500| 1 175 000| 4 262 500|

Other key management

<table>
<thead>
<tr>
<th>2015</th>
<th>Salary R</th>
<th>Bonus R</th>
<th>Total R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bradley Cerff</td>
<td>937 500</td>
<td>–</td>
<td>937 500</td>
</tr>
<tr>
<td>Willem de Meyer</td>
<td>1 936 667</td>
<td>890 400</td>
<td>2 827 067</td>
</tr>
<tr>
<td>Magdy Bassaly</td>
<td>876 585</td>
<td>–</td>
<td>876 585</td>
</tr>
<tr>
<td></td>
<td>3 750 752</td>
<td>890 400</td>
<td>4 641 152</td>
</tr>
</tbody>
</table>

2014

| Bradley Cerff                      | 2 075 000| 612 000 | 2 687 000|
| Willem de Meyer                     | 1 462 500| 400 000 | 1 862 500|
| Jordaan Fouche                      | 1 340 000| –       | 1 340 000|
|                                  | 4 877 500| 1 012 000| 5 889 500|

(c) Year-end balances

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17</td>
<td>–</td>
<td>–</td>
<td>108 475 930</td>
<td>336 066 985</td>
</tr>
<tr>
<td>Loans payable to subsidiaries</td>
<td>17</td>
<td>–</td>
<td>–</td>
<td>(318 292)</td>
<td>(318 292)</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements
for the year ended 28 February 2015 (continued)

34 FAIR VALUE MEASUREMENT

GROUP

Loans and receivables
Other financial assets (note 18)\(^1\) 677 394 305 655 886 407 590 452 903 589 512 367

COMPANY

Loans and receivables
Loans to Group companies (note 17) 108 475 930 336 066 985 77 990 133 314 129 237
Other financial assets (note 18)\(^1\) 287 608 724 395 533 985 269 507 831 388 738 323

\(^1\) In terms of SacOil’s accounting policies and IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) these financial instruments are carried at amortised cost and not at fair value, given that SacOil intends to collect the cash flows from these instruments when they fall due over the life of the instrument. Changes in market discount rates which affect fair value would therefore not impact the valuation of these financial instruments and are not considered to be objective evidence of impairment for items carried at amortised cost per IAS 39 as this does not impact the timing or amount of expected future cash flows.

Valuation techniques and assumptions applied to measure fair values:

<table>
<thead>
<tr>
<th>Assets (Liabilities)</th>
<th>Fair value at 28 February 2015</th>
<th>Valuation technique</th>
<th>Significant inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other financial assets</td>
<td>590 452 903</td>
<td>Discounted cash flow model</td>
<td>Weighted average cost of capital</td>
</tr>
<tr>
<td>Asset held for sale</td>
<td>21 839 945</td>
<td>Undiscounted cash flows due to the short-term maturity of this asset</td>
<td>Non-performance risk</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>108 475 930</td>
<td>Discounted cash flow model</td>
<td>Weighted average cost of capital</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>59 668 026</td>
<td>Multi-period excess earnings method</td>
<td>Weighted average cost of capital, useful life, forecast revenue, EBITDA margin and attrition rate</td>
</tr>
<tr>
<td>Oil and gas properties</td>
<td>110 062 658</td>
<td>Discounted cash flow model</td>
<td>Weighted average cost of capital</td>
</tr>
<tr>
<td>Inventories</td>
<td>6 026 074</td>
<td>Discounted cash flow model</td>
<td>Weighted average cost of capital</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>43 506 640</td>
<td>Undiscounted cash flows due to the short-term maturity of this asset</td>
<td>Non-performance risk</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>660 079</td>
<td>Undiscounted cash flows due to the short-term maturity of this asset</td>
<td>Non-performance risk</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(20 461 137)</td>
<td>Discounted cash flow model</td>
<td>Weighted average cost of capital</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(23 017 142)</td>
<td>Undiscounted cash flows due to the short-term maturity of this asset</td>
<td>Non-performance risk</td>
</tr>
</tbody>
</table>

The Group’s own non-performance risk as at 28 February 2015 was assessed to be insignificant.
### Fair Value Measurement (continued)

#### Fair Value Hierarchy

The following table presents the Group’s assets not measured at fair value in the statement of financial position, but for which the fair value is disclosed above. The different levels have been defined as follows:

- **Level 1** – Quoted (unadjusted) prices in active markets for identical assets or liabilities
- **Level 2** – Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- **Level 3** – Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 28 February 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>–</td>
<td>–</td>
<td>590 452 903</td>
<td>590 452 903</td>
</tr>
<tr>
<td>Asset held for sale</td>
<td>–</td>
<td>–</td>
<td>21 839 945</td>
<td>21 839 945</td>
</tr>
<tr>
<td>At 22 October 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>–</td>
<td>–</td>
<td>59 668 026</td>
<td>59 668 026</td>
</tr>
<tr>
<td>Oil and gas properties</td>
<td>–</td>
<td>–</td>
<td>110 062 658</td>
<td>110 062 658</td>
</tr>
<tr>
<td>Inventories</td>
<td>–</td>
<td>–</td>
<td>6 026 074</td>
<td>6 026 074</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>–</td>
<td>–</td>
<td>43 506 640</td>
<td>43 506 640</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>–</td>
<td>–</td>
<td>660 079</td>
<td>660 079</td>
</tr>
<tr>
<td>Borrowings</td>
<td>–</td>
<td>–</td>
<td>(20 461 137)</td>
<td>(20 461 137)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>–</td>
<td>–</td>
<td>(23 017 142)</td>
<td>(23 017 142)</td>
</tr>
<tr>
<td><strong>COMPANY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 28 February 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>–</td>
<td>–</td>
<td>269 507 831</td>
<td>269 507 831</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>–</td>
<td>–</td>
<td>77 990 133</td>
<td>77 990 133</td>
</tr>
</tbody>
</table>

There were no transfers between any levels during the year.
35 FINANCIAL RISK MANAGEMENT
35.1 Financial risk factors
The Group’s activities expose it to a variety of financial risks: market 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 its 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. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity price risk and commodity risk.

(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, recognised assets and liabilities, and net investments in foreign subsidiaries. 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 2015, if the Rand had weakened or strengthened by 11% against the US Dollar, with all other variables held constant, Group post-tax loss for the year would have been R83.3 million lower (2014: Group post-tax profit would have been R68.2 million higher) and R83.3 million higher (2014: Group post-tax profit would have been R68.2 million lower), mainly as a result of foreign exchange gains or losses on translation of US Dollar denominated financial assets (see note 18), restricted cash (see note 23) and other financial liabilities (see note 29).

At 28 February 2015, if the Rand had weakened or strengthened by 11% against the US Dollar, with all other variables held constant, Company post-tax loss for the year would have been R74.9 million lower (2014: Company post-tax profit would have been R70.6 million higher) and R74.9 million higher (2014: Company post-tax profit would have been R70.6 million lower), mainly as a result of foreign exchange gains and losses on the translation of US Dollar denominated financial assets (see note 18), US Dollar denominated loans to Group companies (see note 17) and other financial liabilities (see note 29).

Included in the statement of financial position are the following amounts denominated in currencies other than the Rand:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>721 170 104</td>
<td>694 491 719</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>(57 888 500)</td>
<td>(74 167 311)</td>
</tr>
<tr>
<td><strong>COMPANY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>322 928 390</td>
<td>661 686 639</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>–</td>
<td>(20 220 311)</td>
</tr>
</tbody>
</table>

Variations in exchange rates for the Pula or British Pound have a minimal effect on the financial results of the Group and Company.

(ii) Cash flow and fair value interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s interest rate risk arises from cash and cash equivalents. The Group has no debt at 28 February 2015 (2014: RNil). Cash and cash equivalents deposited at variable rates expose the Group to cash flow interest rate risk. Cash and cash equivalents deposited at fixed rates expose the Group to fair value interest rate risk. The Group’s cash and cash equivalents are deposited at fixed interest rates, thereby eliminating cash flow interest rate risk. Variations in interest rate have a minimal impact on the Group’s cash and cash equivalents.

At 28 February 2015 and in the prior year the impact of interest rate fluctuations on the financial instruments of the Group and Company would have been immaterial to the Group and Company loss for the year.

(iii) Price risk
The Group has no financial instruments exposed to price risk.
35 Financial Risk Management (continued)

35.1 Financial risk factors (continued)

(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 (see note 23), including deposits with banks and financial institutions, the contingent and deferred consideration, and loans to operating partners (see note 18). 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.

Trade receivables
All of the Group’s petroleum sales are made to the Egyptian General Petroleum Corporation (“EGPC”). At 28 February 2015 all trade receivables represent amounts due from EGPC. There has been some defaults in the past with respect to this debtor. Details of the credit quality of trade receivables is given in note 22.

Other financial assets
The concentration of credit risk for other financial assets is given in note 18. There has been a history of default on loans advanced to EERNL. A portion of this loan has been impaired at year-end. No defaults have occurred on the other financial assets.

The Group’s maximum exposure to credit risk at 28 February 2015 is the carrying value of each group of financial assets outlined in notes 18, 22 and 23.

(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 reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<table>
<thead>
<tr>
<th></th>
<th>1 – 3 months</th>
<th>3 – 6 months</th>
<th>6 – 12 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 28 February 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities (note 29)</td>
<td>–</td>
<td>57 888 500</td>
<td>–</td>
<td>57 888 500</td>
</tr>
<tr>
<td>Liabilities directly associated with assets held for sale (note 24)</td>
<td>–</td>
<td>21 839 945</td>
<td>–</td>
<td>21 839 945</td>
</tr>
<tr>
<td>Trade and other payables (note 30)</td>
<td>25 553 861</td>
<td>–</td>
<td>–</td>
<td>25 553 861</td>
</tr>
<tr>
<td>Total</td>
<td>25 553 861</td>
<td>79 728 445</td>
<td>–</td>
<td>105 282 306</td>
</tr>
<tr>
<td>At 28 February 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities (note 29)</td>
<td>20 220 311</td>
<td>53 947 000</td>
<td>–</td>
<td>74 167 311</td>
</tr>
<tr>
<td>Trade and other payables (note 30)</td>
<td>13 054 977</td>
<td>–</td>
<td>–</td>
<td>13 054 977</td>
</tr>
<tr>
<td>Total</td>
<td>33 275 288</td>
<td>53 947 000</td>
<td>–</td>
<td>87 222 288</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1 – 3 months</th>
<th>3 – 6 months</th>
<th>6 – 12 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMPANY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 28 February 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities directly associated with assets held for sale (note 24)</td>
<td>–</td>
<td>21 839 945</td>
<td>–</td>
<td>21 839 945</td>
</tr>
<tr>
<td>Loan from Group company (note 17)</td>
<td>–</td>
<td>–</td>
<td>318 292</td>
<td>318 292</td>
</tr>
<tr>
<td>Trade and other payables (note 30)</td>
<td>12 068 038</td>
<td>–</td>
<td>–</td>
<td>12 068 038</td>
</tr>
<tr>
<td>Total</td>
<td>12 068 038</td>
<td>21 839 945</td>
<td>318 292</td>
<td>34 226 275</td>
</tr>
<tr>
<td>At 28 February 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities (note 29)</td>
<td>20 220 311</td>
<td>–</td>
<td>–</td>
<td>20 220 311</td>
</tr>
<tr>
<td>Loan from Group company (note 17)</td>
<td>–</td>
<td>–</td>
<td>318 292</td>
<td>318 292</td>
</tr>
<tr>
<td>Trade and other payables (note 30)</td>
<td>13 028 053</td>
<td>–</td>
<td>–</td>
<td>13 028 053</td>
</tr>
<tr>
<td>Total</td>
<td>33 248 364</td>
<td>–</td>
<td>318 292</td>
<td>33 566 656</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements
for the year ended 28 February 2015 (continued)

35.2 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 parent, 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. At 28 February 2015 the Group was in a net cash position of R55.5 million (2014: R199.3 million) following the Rights Offer and the equity settlement of debt in January 2014. As such no gearing ratio has been calculated at 28 February 2015. The net cash position of the Group was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short- and long-term financial liabilities (note 29)</td>
<td>57 888 500</td>
<td>74 167 311</td>
</tr>
<tr>
<td>Less: Cash and cash equivalents (note 23)</td>
<td>(113 418 649)</td>
<td>(273 466 636)</td>
</tr>
<tr>
<td>Net (cash)/debt</td>
<td>(55 530 149)</td>
<td>(199 299 325)</td>
</tr>
</tbody>
</table>

1 Excluding restricted cash.

36 EVENTS AFTER THE REPORTING PERIOD
The following event took place from the period 1 March 2015 to the date of this report:

EER loan
On 26 March 2015 SacOil and EERNL signed a settlement agreement to restructure the repayment of the outstanding loans detailed in note 18. The salient terms of the agreement are outlined below:

Long-term loans outstanding with respect to OPL 281
- The EERNL Group nominated a SacOil bank account for the repayment of the full amount due from Transcorp as full and final settlement of any amounts advanced to the EERNL Group by SacOil in respect of OPL 281. This will effectively return $12.5 million plus interest (“Transcorp Refund”) to SacOil of which $6.25 million represents the amount ceded to SacOil by Transcorp; in return, EERNL Group has ceded its rights to SacOil 281 relating to any claims that it has against Transcorp.

Short-term loans outstanding with respect to OPL 233
The repayment of the loan relating to OPL 233 has been restructured as follows:
- interest freeze from 30 November 2014 on the outstanding loan balance of US$24.2 million;
- EERNL Group’s right to the US$2.5 million promote fee, payable by SacOil to EERNL Group upon receipt of government approval for the assignment of interest in OPL 233, is set off against the outstanding balance on the loans;
- any and all proceeds subsequently received by EERNL Group through its involvement in OPL 233 to be allocated to the repayment of the loans; and
- if, at the time of first oil production from Oil Mining Licence 113 (“OML 113”) there continues to be sums outstanding pursuant to the loans, 50% of the net OML 113 cash flow amounts – after providing for the debt service costs, capital expenditure and other operating costs relating to OML 113 – received by EERNL will be paid to SacOil semi-annually to reduce the outstanding loans, up to US$5 million.

General
The settlement agreement terminates the Master Joint Venture Agreement between SacOil and EERNL dated 24 September 2010, including all rights and obligations consequent thereto.

OPL 233
Pursuant to the Board’s decision to terminate the Group’s participation in OPL 233, SacOil officially notified Nigdel of its decision to terminate on 19 May 2015. SacOil paid $21.3 million for capex, borrowing and general costs which costs are recoverable under the provisions of the Farm-In Agreement. Pursuant to the exit SacOil will not have future commitments and obligations associated with the appraisal of OPL 233. Furthermore, the farm-in fee which would have been payable to Nigdel and the transaction fee which would have been payable to Energy Equity Resources Norway Limited of US$10.6 million and US$2.5 million respectively as disclosed in the prior-year commitments, are no longer due and payable.
### COMMITMENTS AND CONTINGENT LIABILITIES

#### Commitments
- Exploration and evaluation assets – work programme commitments – due within 12 months: R6 860 750 (2014: R13 042 256)
- Exploration and evaluation assets – work programme commitments – due within 13 to 48 months: R19 500 334 (2014: R6 422 067)

Exploration and evaluation commitments will be funded through a combination of cash, debt and equity funding.

#### Contingent liabilities
- Performance bond on OPL 233 issued by Ecobank in respect of OPL 233 exploration activities: R173 665 500 (2014: R161 841 000)
- Cost carry arrangement with Total: R96 612 847 (2014: R36 508 805)
- Farm-in and transaction fees on receipt of title to OPL 233: —
- Farm-in and transaction fees on receipt of title to OPL 281: —

**Total** 270 278 347 (2014: 496 137 245)

1 Performance bond
   - In April 2012 the Group posted a R289.4 million (2014: R269.7 million) ($25 million) performance bond to support the work programme on OPL 233. This performance bond is secured by a R116.0 million (2014: R108.1 million) ($10 million) cash collateral as disclosed in note 23. 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.

2 Cost carry arrangement
   - The Farm-In Agreement between Semliki and Total provides for a carry of costs by Total on behalf of Semliki on Block III. 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 2013 Total has incurred R96.6 million (2014: R36.5 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.

3 Farm-in and transaction fees – OPL 233
   - At 28 February 2015 OPL 233 was classified as an asset held for sale and the SacOil Board was committed to a plan to terminate the Group’s participation in the asset. Subsequent to the year-end SacOil informed Nigdel of its decision to terminate participation in OPL 233. Consequently SacOil will not have any future commitments and obligations associated with the appraisal of OPL 233. Furthermore, the farm-in fee which would have been payable to Nigdel and the transaction fee which would have been payable to Energy Equity Resources Norway Limited of US$10.6 million and US$2.5 million respectively, as disclosed in the prior-year commitments, are no longer due and payable.

4 Farm-in and transaction fees – OPL 281
   - On 3 December 2014 SacOil terminated its participation in OPL 281. Consequently SacOil will not have any future commitments and obligations associated with the appraisal of OPL 281. Furthermore, the farm-in fee which would have been payable to Transcorp and the transaction fee which would have been payable to Energy Equity Resources Norway Limited of US$12 million and US$2.5 million respectively, as disclosed in the prior-year commitments, are no longer due and payable.

#### PRIOR-PERIOD REPORTABLE IRREGULARITIES

As announced to shareholders in the 31 August 2014 interim results, the Board of SacOil engaged Ernst & Young Inc. (“EY”) to carry out a forensic investigation on specific historical transactions of the Company between 1 August 2011 and 30 November 2011 relating to the Company’s unsuccessful attempt to acquire interests in Blocks I and II in the DRC, amongst other matters.

Based on matters raised in the preliminary forensic report EY, the Company’s external auditors, reported to the Independent Regulatory Board for Auditors (“IRBA”) on 31 October 2014 that they had reason to believe that reportable irregularities committed by previous members of management had taken place. The reportable irregularities related to matters which did not affect the current year financial results. On 28 November 2014, having completed additional work on the matters identified, EY subsequently informed the IRBA that the reportable irregularities were no longer continuing.

The forensic investigation represents a key step taken by the Board to address historical governance issues. The investigation is now at an advanced stage and the SacOil Board is reviewing the results of the investigation.
Analysis of registered shareholders
for the year ended 28 February 2015

Company: SacOil Holdings Limited
Register date: 27 February 2015
Issued share capital: 3 269 836 208

<table>
<thead>
<tr>
<th>SHAREHOLDER SPREAD</th>
<th>Number of shareholdings</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1 000 shares</td>
<td>625</td>
<td>19.97</td>
<td>255 233</td>
<td>0.01</td>
</tr>
<tr>
<td>1 001 – 10 000 shares</td>
<td>860</td>
<td>27.48</td>
<td>4 235 923</td>
<td>0.13</td>
</tr>
<tr>
<td>10 001 – 100 000 shares</td>
<td>1 139</td>
<td>36.38</td>
<td>44 189 171</td>
<td>1.35</td>
</tr>
<tr>
<td>100 001 – 1 000 000 shares</td>
<td>410</td>
<td>13.10</td>
<td>122 583 033</td>
<td>3.75</td>
</tr>
<tr>
<td>1 000 001 – 10 000 000 shares</td>
<td>77</td>
<td>2.46</td>
<td>228 878 621</td>
<td>7.00</td>
</tr>
<tr>
<td>10 000 001 shares and over</td>
<td>19</td>
<td>0.61</td>
<td>2 869 694 227</td>
<td>87.76</td>
</tr>
<tr>
<td>Total</td>
<td>3 130</td>
<td>100.00</td>
<td>3 269 836 208</td>
<td>100.00</td>
</tr>
</tbody>
</table>

DISTRIBUTION OF SHAREHOLDERS

<table>
<thead>
<tr>
<th></th>
<th>Number of shareholdings</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>25</td>
<td>0.83</td>
<td>5 841 134</td>
<td>0.18</td>
</tr>
<tr>
<td>Close corporations</td>
<td>38</td>
<td>1.21</td>
<td>48 188 603</td>
<td>1.47</td>
</tr>
<tr>
<td>Endowment funds</td>
<td>5</td>
<td>0.16</td>
<td>3 212 700</td>
<td>0.10</td>
</tr>
<tr>
<td>Individuals</td>
<td>2 858</td>
<td>91.31</td>
<td>401 312 219</td>
<td>12.27</td>
</tr>
<tr>
<td>Insurance company</td>
<td>2</td>
<td>0.06</td>
<td>46 536 930</td>
<td>1.42</td>
</tr>
<tr>
<td>Investment companies</td>
<td>7</td>
<td>0.22</td>
<td>22 113 358</td>
<td>0.68</td>
</tr>
<tr>
<td>Mutual fund</td>
<td>2</td>
<td>0.06</td>
<td>3 655 451</td>
<td>0.11</td>
</tr>
<tr>
<td>Nominees</td>
<td>1</td>
<td>0.03</td>
<td>48 241 651</td>
<td>1.48</td>
</tr>
<tr>
<td>Other corporations</td>
<td>30</td>
<td>0.96</td>
<td>8 492 961</td>
<td>0.26</td>
</tr>
<tr>
<td>Private companies</td>
<td>69</td>
<td>2.20</td>
<td>1 013 700 478</td>
<td>31.00</td>
</tr>
<tr>
<td>Public companies</td>
<td>7</td>
<td>0.22</td>
<td>234 664 217</td>
<td>7.18</td>
</tr>
<tr>
<td>Retirement funds</td>
<td>2</td>
<td>0.06</td>
<td>1 407 909 606</td>
<td>43.06</td>
</tr>
<tr>
<td>Trusts</td>
<td>84</td>
<td>2.68</td>
<td>25 966 900</td>
<td>0.79</td>
</tr>
<tr>
<td>Total</td>
<td>3 130</td>
<td>100.00</td>
<td>3 269 836 208</td>
<td>100.00</td>
</tr>
</tbody>
</table>

PUBLIC/NON-PUBLIC SHAREHOLDERS

<table>
<thead>
<tr>
<th></th>
<th>Number of shareholdings</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-public shareholders</td>
<td>18</td>
<td>0.58</td>
<td>2 484 126 067</td>
<td>75.97</td>
</tr>
<tr>
<td>Directors</td>
<td>4</td>
<td>0.13</td>
<td>1 330 003</td>
<td>0.04</td>
</tr>
<tr>
<td>Associates of the Company holdings</td>
<td>10</td>
<td>0.32</td>
<td>37 625 367</td>
<td>1.15</td>
</tr>
<tr>
<td>Strategic holdings</td>
<td>4</td>
<td>0.13</td>
<td>2 445 170 697</td>
<td>74.78</td>
</tr>
<tr>
<td>Public shareholders</td>
<td>3 112</td>
<td>99.42</td>
<td>785 710 141</td>
<td>24.03</td>
</tr>
<tr>
<td>Total</td>
<td>3 130</td>
<td>100.00</td>
<td>3 269 836 208</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Beneficial shareholders holding 5% or more

<table>
<thead>
<tr>
<th></th>
<th>Number of shareholdings</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Employees Pension Fund</td>
<td>1 377 909 606</td>
<td>42.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Westglamry Limited</td>
<td>641 840 797</td>
<td>19.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newdel Holdings Limited</td>
<td>241 608 347</td>
<td>7.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vidacos Nominees Limited</td>
<td>183 811 947</td>
<td>5.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2 445 170 697</td>
<td>74.78</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Notice of annual general meeting
of shareholders of SacOil Holdings Limited

Notice is hereby given that an Annual General Meeting of shareholders of the Company will be held on Thursday, 1 October 2015 at 10:00 at 1st Floor, 12 Culross Road, Bryanston, to deal with such business as may lawfully be dealt with at the Annual General Meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, No. 71 of 2008, as amended (“the Companies Act”), the Memorandum of Incorporation (“MOI”) of the Company and the Listings Requirements of the JSE Limited (“JSE Listings Requirements”).

Shareholders are requested to note the following dates:

- Record date to receive notice of the Annual General Meeting is Friday, 21 August 2015
- Last date to trade to be eligible to vote is Friday, 25 September 2015
- Record date to be eligible to vote is Thursday, 17 September 2015
- Last date for lodging forms of proxy is Tuesday, 29 September 2015

Annual General Meeting participants (including shareholders and proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate at the Annual General Meeting. Forms of identification include valid identity documents, driver’s licences and passports.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated audited annual financial statements of the Group for the year ended 28 February 2015, incorporating the Directors’ Report, the Audit Committee Report and the Independent Auditor’s Report, have been distributed as required and will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act.

REPORT OF THE SOCIAL, ETHICS AND RISK COMMITTEE

In accordance with Companies Regulation 43(5)(c), issued in terms of the Companies Act, the chairman of the Social, Ethics and Risk Committee will table at the Annual General Meeting a report to shareholders, as contained in the integrated annual report.

1 ORDINARY RESOLUTION NUMBER 1
CONFIRMATION OF THE APPOINTMENT OF EXECUTIVE DIRECTORS

Resolved that shareholders confirm the following directors’ appointments in terms of article 6(1)(7) of the Company’s MOI:

1.1 Dr Thabo Kgogo
1.2 Marius Damain Matroos

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

2 ORDINARY RESOLUTION NUMBER 2
REAPPOINTMENT OF EXTERNAL AUDITORS

Resolved that shareholders authorise the Board to reappoint Ernst & Young Inc., situated at 102 Rivonia Road, Sandton, 2146, South Africa, as the independent external auditors and Iwan Grobler as the individual designated auditor of the Company for the ensuing year and to determine the remuneration of the auditors.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

3 ORDINARY RESOLUTION NUMBER 3
RE-ELECTION OF DIRECTORS WHO RETIRE BY ROTATION

Resolved that shareholders re-elect, by way of a separate vote, the following directors who retire by rotation in terms of article 6(2) of the Company’s MOI, and who, being eligible, have offered themselves for re-election:

3.1 Gontoe Mosenke
3.2 Ignatius Sehoole
3.3 Vusumzi Pikoli

Brief biographies in respect of each director offering himself for re-election are contained on pages 40 to 41 of the integrated annual report.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

4 ORDINARY RESOLUTION NUMBER 4
ELECTION OF AUDIT COMMITTEE MEMBERS

Resolved that shareholders re-elect, each by way of a separate vote, the following independent non-executive directors, as members of the SacOil Audit Committee subject to passing of ordinary resolution number 3, with effect from the end of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company:

4.1 Stephanus Muller (chairman of the Audit Committee, independent non-executive director)
4.2 Vusumzi Pikoli (independent non-executive director)
4.3 Mzuvukile Maqetuka (independent non-executive director)

Brief biographies of these directors offering themselves for re-election as members of the SacOil Audit Committee are set out on page 40 of the integrated annual report.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.
5 ORDINARY RESOLUTION NUMBER 5
ENDORSEMENT OF SACOIL’S REMUNERATION POLICY
Resolved that shareholders endorse, by way of a non-binding advisory vote, the Company’s remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees), as set out in the integrated annual report on page 75.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

6 ORDINARY RESOLUTION NUMBER 6
GENERAL AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE AUTHORISED BUT UNISSUED ORDINARY SHARES
Resolved that the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such ordinary shares to such person or persons on such terms and conditions and at such times as the directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements, when applicable, such authority to remain in force until the next Annual General Meeting.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

7 ORDINARY RESOLUTION NUMBER 7
GENERAL AUTHORITY TO ISSUE SHARES FOR CASH
Resolved that the directors are hereby authorised as a general authority to allot and issue the authorised but unissued shares in the capital of the Company for cash, subject to the Companies Act, the MOI of the Company and the Listings Requirements of the JSE, provided that:

(a) the equity securities, which are the subject of this general authority, be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
(b) the equity securities must be issued to public shareholders, as defined in the Listings Requirements of the JSE, and not to related parties;
(c) the equity securities, which are the subject of this general authority:
   (1) may not, in aggregate, exceed 15% of the Company’s listed equity securities as at the date of the Annual General Meeting, being the equivalent of 490 475 431 equity securities; (2) any equity securities issued in terms of this general authority must be deducted from the initial number of equity securities available under this general authority; and
   (3) in the event of a subdivision or consolidation of issued equity securities during the period of this general authority, the general authority must be adjusted accordingly to represent the same allocation ratio;
(d) the general authority shall be valid until SacOil’s next Annual General Meeting, or for 15 months from the date on which the general authority for such ordinary resolution was passed, whichever period is shorter subject to the JSE Listings Requirements and any other restrictions set out in this authority;
(e) the maximum discount at which equity securities may be issued is 10% of the weighted average traded price of such equity securities measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the equity securities. The JSE should be consulted for a ruling if the applicant’s securities have not traded in such 30-business-day period;
(f) an announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the general authority to issue shares for cash; and
(g) this authority includes any options/convertible securities that are convertible into an existing class of equity securities.

In terms of the JSE Listings Requirements the approval of 75% majority of the votes cast by shareholders present or represented by proxy at this Annual General Meeting will be required for this authority to become effective.

8 ORDINARY RESOLUTION NUMBER 8
AUTHORITY TO SIGN ALL REQUIRED DOCUMENTS
Resolved that, subject to the passing of the ordinary and special resolutions at the Annual General Meeting, any director of the Company or the Company Secretary shall be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such ordinary and special resolutions.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

9 SPECIAL RESOLUTION NUMBER 1
GENERAL AUTHORITY TO ACQUIRE (REPURCHASE) SHARES
Resolved that the Company and/or any subsidiary be and is hereby authorised by way of a specific approval as contemplated in section 48 read with section 46 of the Companies Act, to acquire
Notice of annual general meeting
of shareholders of SacOil Holdings Limited (continued)

from time to time issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act and the JSE Listings Requirements, provided that:

(a) any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement with the counterparty (reported trades being prohibited);

(b) this general authority shall be valid until the Company’s next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1, whichever period is shorter;

(c) an announcement will be published as soon as the Company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter;

(d) acquisitions of shares in aggregate in any one financial year may not exceed 10% of the Company’s ordinary issued share capital, as the case may be, as at the date of passing of this special resolution number 1;

(e) ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares traded on the JSE for the five business days immediately preceding the date on which the transaction is effected. The JSE should be consulted for a ruling if the Company’s securities have not traded in such five-business-day period;

(f) the Company has been given authority by its MOI;

(g) at any point in time the Company and/or its subsidiaries may only appoint one agent to effect any such acquisition;

(h) the aggregate of such acquisitions by subsidiaries of SacOil may not result in such subsidiaries holding more than 10% of SacOil’s issued share capital;

(i) the Company and/or its subsidiaries undertake that they will not enter the market to so acquire the Company’s shares until the Company’s sponsor has provided written confirmation to the JSE regarding the adequacy of the Company’s working capital in accordance with Schedule 25 of the JSE Listings Requirements;

(j) a resolution has been passed by the Board of directors confirming that the Board has authorised the general repurchase, that the Company passed the solvency and liquidity test and that, since the test was done, there have been no material changes to the financial position of the Company and the Group; and

(k) the Company and/or its subsidiaries will not acquire any shares during a prohibited period, as defined in the JSE Listings Requirements, unless a repurchase programme is in place where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement on the Securities Exchange News Service prior to the commencement of the prohibited period.

Although no such repurchases are currently being contemplated, the directors undertake that they will not effect a general repurchase of shares as contemplated above unless the following can be met for a period of 12 months after the date of this notice:

• the Company and the Group would in the ordinary course of their business be able to pay their debt;

• the consolidated assets of the Company and the Group would exceed the consolidated liabilities of the Company and the Group respectively, such assets and liabilities being fairly valued and recognised and measured in accordance with the accounting policies used in the financial statements contained in the integrated annual report;

• the issued capital and reserves of the Company and the Group would be adequate for the purposes of the Company’s and the Group’s business;

• the Company’s and the Group’s working capital would be sufficient for ordinary business purposes; and

• a resolution by the Board of directors will have been passed that authorised the repurchase, that SacOil and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group.

The JSE Listings Requirements require the following disclosures, which appear in the integrated annual report:

• Directors and management – refer to pages 40 to 43 of the integrated annual report

• Major shareholders – refer to page 139 of the integrated annual report

• Directors’ interests in securities – refer to pages 77 and 84 of the integrated annual report

• Share capital of the Company – refer to page 124 of the integrated annual report

Litigation statement

The directors, whose names appear on pages 40 to 41 of the integrated annual report of which the Notice of Annual General Meeting forms part, except as disclosed on pages 54 and 85 of the integrated annual report, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 months, a material effect on SacOil’s financial position.

Directors’ responsibility statement

The directors, whose names appear on pages 40 to 41 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading; and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.
Material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of the Notice of Annual General Meeting.

The directors have no specific intention, at present, for the Company or its subsidiaries to acquire any of the Company’s shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the Company and its shareholders.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Group or any of its subsidiaries to be in a position to acquire the shares issued by the Company through the order book of the JSE, should the market conditions, tax dispensation and price justify such an action.

The percentage of voting rights that will be required for this resolution to be adopted is more than 75% of the votes exercised on the resolution.

Reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to grant the Company general approval to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company by the limitations set out above.

Pursuant to and in terms of the JSE Listings Requirements, the directors of the Company hereby state:

- The directors of the Company have no specific intention to effect the provisions of special resolution number 1 but will, however, continually review this position having regard to prevailing circumstances.
- The intention of the Company and/or its subsidiaries is to utilise the general authority to repurchase if at some future date the cash resources of the Company are in excess of its requirements.
- The method by which the Company and any of its subsidiaries intends to repurchase its securities and the date on which such repurchase will take place has not yet been determined.

The percentage of voting rights that will be required for this resolution to be adopted is more than 75% of the votes exercised on the resolution.

10 SPECIAL RESOLUTION NUMBER 2

RENUMERATION OF NON-EXECUTIVE DIRECTORS

Resolved that the Board and Committee fees for non-executive directors as set out in the note below, be and are hereby authorised, in accordance with section 66(8) – (9) of the Companies Act and that the Company may continue to pay directors’ fees at the annual rates specified in the table below, for the period from 1 October 2015 until the Company’s 2016 Annual General Meeting.

<table>
<thead>
<tr>
<th>Position</th>
<th>Total fee R</th>
<th>Annual retainer fee (60%) R</th>
<th>Meeting attendance fee (40%) R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Chairman</td>
<td>612 033</td>
<td>367 220</td>
<td>244 813</td>
</tr>
<tr>
<td>Board member</td>
<td>249 412</td>
<td>149 647</td>
<td>99 765</td>
</tr>
<tr>
<td>Audit Committee chairman</td>
<td>151 395</td>
<td>90 837</td>
<td>60 558</td>
</tr>
<tr>
<td>Audit Committee member</td>
<td>89 503</td>
<td>53 702</td>
<td>35 801</td>
</tr>
<tr>
<td>Remuneration Committee chairman</td>
<td>105 233</td>
<td>63 140</td>
<td>42 093</td>
</tr>
<tr>
<td>Remuneration Committee member</td>
<td>76 817</td>
<td>46 090</td>
<td>30 727</td>
</tr>
<tr>
<td>Social, Ethics and Risk Committee chairman</td>
<td>105 233</td>
<td>63 140</td>
<td>42 093</td>
</tr>
<tr>
<td>Social, Ethics and Risk Committee member</td>
<td>76 817</td>
<td>46 090</td>
<td>30 727</td>
</tr>
<tr>
<td>Nominations Committee chairman</td>
<td>105 233</td>
<td>63 140</td>
<td>42 093</td>
</tr>
<tr>
<td>Nominations Committee member</td>
<td>76 817</td>
<td>46 090</td>
<td>30 727</td>
</tr>
<tr>
<td>Investment Committee chairman</td>
<td>105 233</td>
<td>63 140</td>
<td>42 093</td>
</tr>
<tr>
<td>Investment Committee member</td>
<td>76 817</td>
<td>46 090</td>
<td>30 727</td>
</tr>
</tbody>
</table>

The percentage of voting rights that will be required for this resolution to be adopted is more than 75% of the votes exercised on the resolution.
Reason for and effect of special resolution number 2
The Companies Act requires shareholder approval of directors’ fees prior to payment of such fees.

11 SPECIAL RESOLUTION NUMBER 3
FINANCIAL ASSISTANCE IN TERMS OF SECTIONS 44 AND 45 OF THE COMPANIES ACT
Resolved that the Board of directors of the Company be and is hereby authorised, subject to sections 44 and 45 of the Companies Act, the Company’s MOI and the JSE Listings Requirements, to provide direct or indirect financial assistance to a director or prescribed officer of the Company, or of a related or interrelated company, or of a related or interrelated corporation, or to a member of a related or interrelated company or corporation, or to a person related to any such company, corporation, director, prescribed officer or member, provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution number 3.

The percentage of voting rights that will be required for this resolution to be adopted is more than 75% of the votes exercised on the resolution.

Reason for and effect of special resolution number 3
The reason for and effect of the special resolution referred to above is to permit the Company to provide direct or indirect financial assistance to the entities referred to above.

This notice constitutes notice in terms of section 45(5) of the Companies Act that the Board has passed the same resolution, which resolution will take effect on the passing of special resolution number 3 set out above.

VOTING INSTRUCTIONS
In terms of the Companies Act any member entitled to attend and vote at the above Annual General Meeting may appoint one or more persons as proxy, to attend and speak and vote in his stead. A proxy need not be a member of the Company. Forms of proxy must be deposited at the office of the transfer secretaries not later than 48 hours before the time fixed for the Annual General Meeting (excluding Saturdays, Sundays and gazetted South African public holidays).

If your SacOil ordinary shares have been dematerialised and are held in a nominee account, then your Central Securities Depository Participant (“CSDP”) or broker, as the case may be, should contact you to ascertain how you wish to cast your vote at the Annual General Meeting and thereafter cast your vote in accordance with your instructions.

If you have not been contacted it would be advisable for you to contact your CSDP or broker, as the case may be, and furnish them with your instructions. If your CSDP or broker, as the case may be, does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them or, if the mandate is silent in this regard, to abstain from voting.

Dematerialised shareholders whose ordinary shares are held in a nominee account must not complete the attached form of proxy. Unless you advise your CSDP or broker timeously in terms of the agreement between yourself and your CSDP or broker by the cut-off time advised by them that you wish to attend the Annual General Meeting or send a proxy to represent you at the Annual General Meeting, your CSDP or broker will assume you do not wish to attend the Annual General Meeting or send a proxy. If you wish to attend the Annual General Meeting, your CSDP or broker will issue the necessary letter of representation to you to attend the Annual General Meeting.

Shareholders who have dematerialised their ordinary shares through a CSDP or broker, other than “own name” registered dematerialised shareholders, who wish to attend the Annual General Meeting, must request their CSDP or broker to issue them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

Shareholder rights
It is requested that forms of proxy should be forwarded to reach the Group’s transfer secretaries at the address given below by no later than 10:00 on Tuesday, 29 September 2015.

In terms of section 63(2) and 63(3) of the Companies Act shareholders or their proxies may participate at the Annual General Meeting by way of telephone conference call and, if they wish to do so:

- must contact the Company Secretary (by e-mail at melinda@fusioncorp.co.za) by no later than 10:00 on Tuesday, 29 September 2015 in order to obtain a PIN number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate at the Annual General Meeting.

By order of the Board

Melinda Gous
Company Secretary
11 August 2015

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

FORM OF PROXY FOR THE ANNUAL GENERAL MEETING TO BE HELD AT 10:00 AT 1ST FLOOR, 12 CULROSS ROAD, BRYANSTON, ON THURSDAY, 1 OCTOBER 2015 – FOR USE BY CERTIFICATED ORDINARY SHAREHOLDERS AND DEMATERIALISED ORDINARY SHAREHOLDERS WITH “OWN NAME” REGISTRATION ONLY

Holders of dematerialised ordinary shares, other than with “own name” registration, must inform their Central Securities Depository Participant (“CSDP”) or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary authorisation to attend the Annual General Meeting in person or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person but wish to be represented thereat.

I/We ______________________________________________________________________________________ (please print)
of ___________________________________________________________________________________________ (address)
being the registered holder(s) of __________________ ordinary shares in the capital of the Company, do hereby appoint:
1 ______________________________________________________________________________________ or failing him/her,
2 ______________________________________________________________________________________ or failing him/her,
the Chairman of the Annual General Meeting, as my/our proxy to act on my/our behalf at the Annual General Meeting of the Company, for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the shares registered in my/our name(s), in accordance with the following instructions:

<table>
<thead>
<tr>
<th>Number of ordinary shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>For</td>
</tr>
</tbody>
</table>

1 Ordinary resolution number 1: Confirmation of the appointment of executive directors
1.1 Dr Thabo Kgogo
1.2 Marius Damain Matroos
2 Ordinary resolution number 2: Reappointment of the external auditors
3 Ordinary resolution number 3: Re-election of directors who retire by rotation
3.1 Gontse Moseneke
3.2 Ignatius Sehoole
3.3 Vusumzi Pikoli
4 Ordinary resolution number 4: Election of Audit Committee members
4.1 Stephanus Muller (chairman)
4.2 Vusumzi Pikoli
4.3 Mzuvukile Maqetuka
5 Ordinary resolution number 5: Endorsement of SacOil’s remuneration policy
6 Ordinary resolution number 6: General authority to directors to allot and issue authorised but unissued ordinary shares
7 Ordinary resolution number 7: General authority to issue shares for cash
8 Ordinary resolution number 8: Authority to sign all required documentation
9 Special resolution number 1: General authority to acquire (repurchase) shares
10 Special resolution number 2: Remuneration of non-executive directors
11 Special resolution number 3: Financial assistance in terms of sections 44 and 45 of the Companies Act

Please indicate with an “X” in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he or she deems fit.

Signed at __________________________________________________ on ___________________________________ 2015.

Signature _____________________________________________________________________________________________

Assisted by me (where applicable) ________________________________________________________________________

Please read the summary and notes on the reverse hereof.
Summary and notes to form of proxy

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

1. An ordinary shareholder holding dematerialised shares by “own name” registration, or who holds shares that are not dematerialised, may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder’s choice in the space provided, with or without deleting “the Chairman of the Annual General Meeting”. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the Chairman of the Annual General Meeting. A proxy need not be a shareholder of the Company.

2. An ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him or her bears to the aggregate amount of the nominal value of all the shares issued by the Company. An ordinary shareholder’s instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An “X” in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he or she deems fit in respect of the shareholder’s entire number of votes exercisable thereat. An ordinary shareholder or his or her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded, may not exceed the total of the votes exercisable by the ordinary shareholder.

3. If any ordinary shareholder does not indicate on this instrument that his or her proxy is to vote in favour of or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the Annual General Meeting be proposed, the proxy shall be entitled to vote as he or she thinks fit.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.

5. 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 waved by the Chairman of the Annual General Meeting.

6. The Chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.

7. A proxy may not delegate his or her authority to act on behalf of the shareholder, to another person.

8. It is requested that this form of proxy should be completed and returned to the Company’s transfer secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), so as to reach them by no later than 10:00 on Tuesday, 29 September 2015.

9. Should a shareholder lodge this form of proxy with the transfer secretaries less than 24 hours before the Annual General Meeting, such shareholder will also be required to furnish a copy of such form of proxy to the Chairman of the Annual General Meeting before the appointed proxy exercises any of such shareholder’s rights at the Annual General Meeting.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE ON REQUEST FROM THE TRANSFER SECRETARIES.
Election form

SACOIL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1993/000460/06)
(“SacOil” or “the Company”)
JSE share code: SCL  AIM share code: SAC
ISIN: ZAE000127460

To:
The Directors
SacOil Holdings Limited

I/We, __________________________________________ the undersigned
(please print)
of ___________________________________________________ address

being the registered holder(s) of __________________________________________ ordinary shares in the capital of the Company,
do hereby elect to receive any documents or notices from SacOil, by electronic post, to the extent that the Company is permitted to so
distribute any notices, documents, records or statements in terms of the Companies Act, No. 71 of 2008, as amended, and any and
every other statute, ordinance, regulation or rule in force from time to time, including the Listings Requirements of the JSE Limited,
concerning companies and affecting SacOil.

I/We hereby furnish the following e-mail address and/or fax number for such electronic communication:

E-mail address __________________________________________________________

Fax number __________________________________________________________

Any written amendment or withdrawal of any such notice of consent by me/us, shall only take effect if signed by me/us and received
by the Company.

Signed at __________________________________ on ___________________________ 2015.

Signature _______________________________________________________________

Assisted by me/us (where applicable) _______________________________________

Please complete, detach and return this election form to SacOil’s Company Secretary, Fusion Corporate Secretarial Services Proprietary
Limited, PO Box 68528, Highveld, 0169 (melinda@fusioncorp.co.za) by no later than 10:00 on Tuesday, 29 September 2015.
Dates of importance to shareholders

Annual general meeting
1 October 2015

Preliminary results announcements
Interim results to 31 August 2015
Final results to 29 February 2016
on or about 28 October 2015
on or about 20 May 2016

Publication of 2016 Integrated Annual Report
May 2016

Statement of compliance

The information in this report that relates to oil and gas resources was prepared and disclosed under THE SOUTH AFRICAN CODE FOR THE REPORTING OF OIL AND GAS RESOURCES (“The SAMOG Code”) and incorporates aspects of THE SOUTH AFRICAN CODE FOR THE REPORTING OF EXPLORATION RESULTS AND MINERAL RESOURCES AND MINERAL RESERVES CODE (“The SAMREC Code”). The Group is not aware of any new information or data that materially affects the information and data contained in this report.

The summary above is relevant for the mineral assets under the Group’s control at 28 February 2015. Figures are based upon reliable exploration and mining results (where appropriate) and accurately estimated using industry best practice standards of modelling. The resources and reserves have been correctly classified according to the SAMOG Code.

Material conditions

SacOil can confirm that the Group has the legal entitlement to the assets being reported on in this report. The Group is not aware of any prevailing or anticipated material conditions that may impact its reserve resource estimates, the likelihood of eventual economic extraction ability or its ability to continue operations relating to the reported assets.

Resource statement comparison
FY2015 is the first year in which SacOil can report on proven mineral resources and active production under its control and hence has no comparative figures to report for production or proven minerals.
Terms and conditions used in the integrated annual report:

**TECHNICAL**

**API or API gravity**
Gravity (weight per unit of volume) of crude oil or other liquid hydrocarbon expressed in degrees API where a specific gravity of 1.0 is the equivalent of 10 degrees API.

**BOE**
Barrels of Oil Equivalents – a metric unit used by oil production companies and oil transportation companies to measure both the rate of oil production or transportation (i.e. in barrel of oil equivalents per day) as well as total proven reserves in the ground.

**Contingent Resources**
Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources.

**CPR**
Competent Person’s Report

**CSR**
Corporate Social Responsibility

**Development costs**
Costs incurred to obtain access to our reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from our reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and well head assembly;

(b) drill and equip development wells, development-type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

**Development well**
A well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

**Economic assumptions**
The forecast prices and costs used in the estimate.

**ESIA**
Environmental and Social Impact Assessment

**EWT**
Extended Well Test

**Exploration costs**
Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploration wells and exploration-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defense, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploration wells; and

(e) costs of drilling exploration-type stratigraphic test wells.

**Exploration well**
A well in a new area with unknown hydrocarbon producing potential.

**Farm-out**
Farm-out is an assignment or partial assignment of an oil and gas interest from one party to another party.

**GIIP**
Gas Initially In Place – the total gas content of a reservoir before the commencement of production.

**JOA**
Joint Operating Agreement

**JV(s)**
Joint Venture(s)

**Leads**
A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

**E&P**
Exploration and Production

**E&E**
Exploration and Evaluation

**EAR**
The East African Rift system

**ESIA**
Environmental and Social Impact Assessment

**EWT**
Extended Well Test

**Exploration costs**
Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploration wells and exploration-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

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MBOE
One Thousand Barrels of Oil Equivalents, i.e. one thousand BOE
MMBOE
One Million Barrels of Oil Equivalents, i.e. one million BOE
MMBOED
Million Barrels of Oil Equivalents per Day and measures a daily rate of oil production.
MMbbls
Millions of barrels
NNPC
Nigerian National Petroleum Corporation
O&G
Oil and Gas
OBC
Ocean Bottom Cable Survey (3D survey)
Prospect or Prospects
A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.
Prospective Resources
Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
Recovery Factor
That proportion of the oil or gas volume in a reservoir which can be technically and economically recovered.
Service well
A well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.
Stakeholders
A person, group, organisation, member or system with a direct interest, involvement or investment in our activities, and who affects or can be affected by an organisation's actions. SacOil’s stakeholders include employees, shareholders, local communities, NGOs, the media, governments, regulatory authorities and research organisations.
STOIIP
Stock Tank Oil Initially In Place
Sustainability
A strategy that drives long-term corporate growth and profitability by mandating the inclusion of environmental and social issues in the business model. Unlike corporate social responsibility which retroactively addresses issues, sustainability implies a forward trajectory, not looking to the past actions of a company, but looking forward by adapting the nature of the company.
FINANCIAL
AGM
Annual General Meeting
AIM
London Stock Exchange’s Alternative Investment Market
Block III
Block III, Albertine Graben in the DRC
CGU
Cash-generating unit
Companies Act
The Companies Act, No. 71 of 2008, as amended
CSDP
A Central Securities Depository Participant, appointed by individual SacOil shareholders for the purpose of and in regard to Dematerialisation in terms of the Securities Services Act, No. 36 of 2004, as amended.
Dematerialise or Dematerialisation
The process whereby physical share certificates are replaced with electronic records evidencing ownership of SacOil ordinary shares for the purposes of Strate, as contemplated in the Securities Services Act, No. 36 of 2004, as amended.
DRC
Democratic Republic of the Congo
EER
Energy Equity Resources Limited (Registration number: 5308516), a company duly incorporated in accordance with the laws of England and Wales.
EERNL
Energy Equity Resources (Norway) Limited (Registration number: 05216866), a company incorporated in accordance with the laws of the United Kingdom, with oil and gas interests in Nigeria.
Gairloch
Gairloch Limited (Registration number: 352430), a limited liability company registered in the British Virgin Islands with Dr Olatunji Olowolafe as the controlling shareholder.
IAS
International Accounting Standards
IFRS
International Financial Reporting Standards
IT
Information Technology
JSE
JSE Limited (Registration number: 2005/022839/06), a company duly registered and incorporated with limited liability
under the company laws of South Africa and licenced as an exchange under the Securities Services Act, No. 36 of 2004, as amended.

**King III**
The King Report on Corporate Governance is a groundbreaking code of corporate governance in South Africa issued by the King Committee on Corporate Governance. Compliance with the King Reports is a requirement for companies listed on the JSE Limited.

**Listings Requirements**
Listings Requirements of the JSE

**LSE**
London Stock Exchange

**NCI(s)**
Non-controlling interest(s)

**Nigdel**
Nigdel United Oil Company Limited (Registration number: RC 651219), a company duly registered and incorporated with limited liability under the company laws of Nigeria, is the operator of the OPL 233 field.

**OPL 233**
Oil prospecting licence No. 233 over concession block 233 in Nigeria.

**OPL 281**
Oil prospecting licence No. 281 over concession block 281 in Nigeria.

**PSC**
Production Sharing Contract – a contract signed between a host government and an oil and gas exploitation company, regulating how much of the oil and gas produced from a production concession each will receive.

**RNS**
The Regulatory News Service of the LSE

**RSA or South Africa**
The Republic of South Africa

**Ordinary shares or SacOil ordinary shares**
Ordinary shares in the issued capital of SacOil

**SacOil Proprietary Limited**
South Africa Congo Oil Company Proprietary Limited (Registration number: 2007/024617/07), a private company incorporated in accordance with the laws of South Africa and which company's shares are held 50% by SacOil and 50% by DIG.

**SAICA**
The South African Institute of Chartered Accountants

**Semliki**
Semliki Energy SARL (Registration number: KG8779/M), a company incorporated in the DRC and which company's shares are held 68% by SacOil and 32% by DIG.

**SENS**
The Securities Exchange News Service of the JSE

**Shareholders**
SacOil shareholders

**Total**
Total E&P RDC (Registration number: 712 081 382 RCS), a company incorporated in accordance with the laws of France.

**Transcorp**
Transnational Corporation of Nigeria Limited (Registration number RC 611 238), a company incorporated in accordance with the laws of Nigeria.

**VWAP**
Volume Weighted Average Price
Definitions and notes to reserves data tables

**RESERVE CATEGORIES**

**Reserves**
Estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- (a) analysis of drilling, geological, geophysical and engineering data;
- (b) the use of established technology; and
- (c) specified economic conditions (see the discussion of “Economic Assumptions” below).

Reserves are classified according to the degree of certainty associated with the estimates.

**Proved reserves**
Those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved reserves.

**Probable reserves**
Those additional reserves that are less certain to be recovered than Proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable reserves.

**Possible reserves**
Those additional reserves that are less certain to be recovered than Probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved plus Probable reserves.

**Gross reserves**
The Group’s working interest reserves before the deduction of royalties.

**Net reserves**
The Group’s net working interest reserves after the deduction of royalties.

**Gross**
(a) in relation to our interest in production and reserves, our interest (operating and non-operating) share before deduction of royalties and without including any of our royalty interests;
(b) “royalties” in this context refers to EGPC’s share of gross production/revenue as per the Lagia Concession;
(c) in relation to wells, the total number of wells in which we have an interest; and
(d) in relation to properties, the total area of properties in which we have an interest.

**Net**
(a) in relation to our interest in production and reserves, our interest (operating and non-operating) share after deduction of royalty obligations, plus our royalty interest in production or reserves;
(b) in relation to wells, the number of wells obtained by aggregating our working interest in each of our gross wells; and
(c) in relation to our interest in a property, the total area in which we have an interest multiplied by our working interest.

**Levels of certainty for reported reserves**
The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 per cent probability that the quantities actually recovered will equal or exceed the estimated Proved reserves;
- (b) at least a 50 per cent probability that the quantities actually recovered will equal or exceed the sum of the estimated Probable reserves; and
- (c) at least 10 per cent probability that the quantities actually recovered will equal or exceed the sum of the estimated Possible reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle there should be no difference between estimates prepared using probabilistic or deterministic methods.

**DEVELOPMENT AND PRODUCTION STATUS**

Each of the reserve categories (Proved and Probable) may be divided into developed and undeveloped categories:

**Developed reserves**
Those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing:

- (a) Developed producing reserves
  Those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production and the date of resumption of production must be known with reasonable certainty.

- (b) Developed non-producing reserves
  Those reserves that either have not been on production, or have previously been on production, but are shut-in and the date of resumption of production is unknown.

**Undeveloped reserves**
Those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (Proved, Probable) to which they are assigned.
Conversion table

The following table sets forth standard conversions from Standard Imperial Units to the International System of Units (or metric units):

<table>
<thead>
<tr>
<th>To convert from</th>
<th>To</th>
<th>Multiply by</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOE mcf</td>
<td>cubic metres</td>
<td>6</td>
</tr>
<tr>
<td>mcf</td>
<td>cubic metres</td>
<td>28.316</td>
</tr>
<tr>
<td>bbls</td>
<td>cubic metres</td>
<td>0.159</td>
</tr>
<tr>
<td>cubic metres</td>
<td>bbls oil</td>
<td>6.290</td>
</tr>
<tr>
<td>cubic metres</td>
<td>cubic feet</td>
<td>35.315</td>
</tr>
<tr>
<td>feet</td>
<td>metres</td>
<td>0.305</td>
</tr>
<tr>
<td>metres</td>
<td>feet</td>
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</tr>
<tr>
<td>miles</td>
<td>kilometres</td>
<td>1.609</td>
</tr>
<tr>
<td>kilometres</td>
<td>miles</td>
<td>0.621</td>
</tr>
<tr>
<td>acres</td>
<td>hectares</td>
<td>0.405</td>
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Corporate information

Country of incorporation
The Republic of South Africa

Legal form
Public interested entity

Registration number
1993/000460/06

Share codes
JSE code: SCL – Primary listing
AIM code: SAC – Secondary listing
ISIN: ZAE000127460

Registered office, domicile and physical address
1st Floor
12 Culross Road
Bryanston
2021

Postal address
PostNet Suite 211
Private Bag X75
Bryanston
2021

Contact details
Tel: +27 (0) 10 575 7232
Fax: +27 (0) 10 576 2258
E-mail: info@sacoilholdings.com
Twitter: @SacOilHoldings
LinkedIn: SacOil Holdings Limited

Advisers and contact information
Company Secretary
Fusion Corporate Secretarial Services Proprietary Limited

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

Transfer Secretaries (UK)
Computershare Investor Services (Jersey) Limited

Corporate Legal Advisers (SA and UK)
Norton Rose Fulbright South Africa

External Auditors
Ernst & Young Inc.

JSE Sponsor (SA)
PSG Capital Proprietary Limited

AIM Nominated Adviser (UK)
finnCap Limited

Broker (UK)
First Energy Capital LLP

Investor Relations (UK and SA)
Instinctif Partners Limited