SacOil

Preliminary audited results

FOR THE YEAR ENDED 28 FEBRUARY 2015

Highlights

- Implementation of revised business strategy
  - – Acquisition of an oil-producing asset in Egypt
  - – Portfolio rationalisation – exit from OPL 281 and OPL 233 in Nigeria
- Settlement agreement related to EERNL loans
- Strong cash balance
- Resolution of going concern issue
- Group repositioned for sustainable growth

Overview

This past financial year has seen the SacOil Board embark on a turnaround strategy driven by the rationalisation and balancing of the Group's existing portfolio of assets. The intention of the turnaround strategy was to ensure that the future business activities of the Group are focused on exploration and production, with an income-producing asset. The activities undertaken as part of this exercise to reposition the Group were:

- the acquisition by the Group of an oil-producing asset in Egypt;
- the Group's exit from OPL 281 and OPL 233 in Nigeria; and
- the restructuring of the debt owed to the Group by Energy Equity Resources Norway Limited ("EERNL").

The Group reported a loss of R277.0 million (2014: profit of R9.5 million), basic loss per share of 8.54 cents (2014: earnings per share of 1.37 cents) and headline loss per share of 4.67 cents (2014: headline earnings per share of 1.37 cents), for the year ended 28 February 2015. This was almost entirely attributable to the other operating costs of R510.1 million (2014: R100.2 million). These operating costs were primarily a result of the above transactions undertaken to rationalise the Group's portfolio of assets and to restructure the EERNL loans to position the Group for sustainable growth. The Group's loss for the year was partially off-set by the investment income generated by it and foreign exchange gains on translation of financial assets arising from the continued weakening of the Rand.

The reported Group loss for the year, however, needs to be viewed in the light of the Company being released from the significant capital commitments related to OPL 233 and OPL 281 that contributed to the resolution of the material uncertainty related to the going concern of the Group, as previously reported. In addition, the above actions will result in the Group's cash balances of R229.4 million, including restricted cash of R116 million, benefiting from the restricted cash, related to the cash collateral, being released to the Company on the expiry of the performance bond on OPL 233 and the receipt of $12.5 million plus interest from Transcorp related to the OPL 281 exit.

The Group is now in a strong position to further expand its business activities, supported by a strong cash position, in line with its new strategy that is focused on income-producing activities. The Group is also better positioned to see through the challenging conditions in the industry and should benefit from the opportunities that will become available for acquisition or investment.

Dr Kgogo, the Chief Executive Officer, says, "The changes undertaken in the business in the financial year were critical to reset the business for sustainable growth in the future and address the legacy issues that have hampered our future prospects. We see SacOil's new strategy driving increased shareholder value in the near term, with Lagia development activities progressing well to achieve our target of 1 000 barrels by Q4 2015. Our focus will remain on finding other attractive income-producing or near-term producing assets for the Group. I look forward to being part of building a stronger and more profitable SacOil."

Acquisition of an oil-producing asset at Lagia

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), settled by a cash payment of R45.2 million ($4.1 million) and the issue of ordinary shares in SacOil for R106.5 million ($10.0 million). The acquisition of Mena was part of the Group's revised strategy to restructure the portfolio and allows the Group to report its first oil revenue and producing asset. Lagia is a low-cost producing asset with good development opportunities.

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 in progress. Consequently Mena contributed a loss before taxation of R8.6 million to the Group's overall results. The turnaround of this asset should contribute well to the Group's revenue and earnings going forward.

The impact of the Mena acquisition on the Group's results at 28 February 2015 is the addition of the first producing oil and gas assets of R122.9 million. Furthermore, the acquisition increased other intangible assets by R60.9 million for the right to drill for petroleum reserves, inventory of R6.6 million, trade receivables of R6.6 million and cash of R4.5 million. Mena's results are reported in the Egypt segment in note 3.

Financial performance

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 on acquisition of Mena. Mena's net assets at acquisition date exceeded the purchase price paid by the Group that reflects the underlying value contributed to the Group.

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. Other operating costs totalling R420.2 million (2014: R37.9 million) were incurred as follows:

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 an amount to be recovered from Nigdel under the terms of the Farm-In Agreement ("FIA"). 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.

EERNL loan settlement

As announced on 8 April 2015 SacOil and EERNL entered into a settlement agreement to restructure the settlement terms of the loans owed to the Group by EERNL for activities related to OPL 281 and OPL 233.

OPL 281

Following the termination of the Group and EERNL's participation in OPL 281, R220.8 million is due to SacOil and EERNL from Transcorp ("Transcorp Refund") under the terms of the Farm-In Agreement. In settlement of the loan relating to OPL 281 EERNL elected to off-set its 50% share of the Transcorp Refund, representing the loan initially advanced, as full and final settlement of the loan outstanding of R183.3 million. Consequently R73.2 million was written off by the Group with respect to this loan.

OPL 233

The settlement terms of the loan of R286.4 million advanced by SacOil to EERNL with respect to OPL 233-related activities provide for the recovery of this loan as follows:

- from EERNL's share of the cash collateral, representing the loan initially advanced;
- from EERNL's share of Oil Mining Licence 113 ("OML 113") future cash flows; and
- from EERNL's share of amounts to be recovered from Nigdel following the termination of participation in OPL 233.

The Group expects that it could recover R221.0 million from these sources. Consequently R65.4 million has been written off as a bad debt with respect to this loan. An amount of R125.4 million (2014: R37.9 million on interest receivable) has been provided against the EERNL loan as doubtful based on the uncertainty of the outcome related to the OPL 233 recovery from Nigdel. The increase in the provision for impairment of R87.5 million has been expensed under other operating expenses.

Contingent consideration

The operations on Block III were temporarily 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 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 on the contingent consideration receivable.

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 R7.4 million (2014: RNil) in the period, once-off acquisition costs of Mena of R8.7 million (2014: RNil) and business development costs of R2.4 million (2014: RNil).

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: R103.0 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 are minimal in the current financial year (2014: R12.9 million) following the settlement in the prior year of the Group's debt obligations.

Financial position

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 accounting standards.

Other financial assets

The increase of R21.5 million in other financial assets (non-current and current) is primarily attributable to the Transcorp Refund of R220.8 million (2014: RNil), foreign exchange gains of R52.6 million (2014: R106.4 million) on US 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

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;
- Mena acquisition and transaction costs totalling R45.2 million and R8.7 million, respectively;
- Development cost 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).

Total shareholders' equity

The Company's stated capital increased by R106.5 million to R1.216 billion (2014: R1.110 billion), representing the shares issued for the acquisition of Mena.

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.

Deferred tax liability

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.

Other financial liabilities

The decrease in other financial liabilities primarily reflects liabilities due to Nigdel reclassified as liabilities directly associated with assets held for sale of R21.8 million.

Current tax payable

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.

Contractual commitments

The Group's commitments have decreased by R684.5 million (2014: increase of R308.0 million) following the termination of the Group's participation in OPL 233 and OPL 281.

Going concern

The last published results of the Group highlighted uncertainties which cast doubt on the Company's ability to continue as a going concern. The Board is pleased to inform shareholders that these uncertainties have been resolved. The portfolio rationalisation undertaken by the Group had the effect of eliminating onerous future commitments on OPL 233 and OPL 281 and 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 Mena future cash flows, Transcorp Refund and the release of the cash collateral which previously secured the OPL 233 performance bond. The Group will continue to secure other sources of funding to ensure the Group's existing assets and expansion plans are adequately funded on a sustainable basis.

The preliminary financial statements are presented on a summarised basis.

Prospects

The restructuring of the Group's portfolio of assets and the resolution of legacy issues has positioned the Group to pursue more opportunities on the African continent. In the execution of our revised strategy we will be adding more cash-generative assets, advancing our exploration assets and progressing studies in Mozambique. We intend to progress the development of the Lagia Oil Field and increase production to more than 1 000 barrels per day. Management will continue to focus on risk management across our portfolio.

Change in directorate

The following changes to the Board occurred during the year under review:

- Roger Rees resigned from the Board of SacOil on 31 May 2014;
- Dr Thabo Kgogo was appointed to the Board of SacOil on 1 June 2014 in his capacity as the CEO;
- Bradley Cerff was appointed to the Board of SacOil on 11 August 2014 in his capacity as the Executive Director: Operations;
- Tariro Mudzimuirema, the interim Finance Director, resigned from the Board on 31 January 2015; and
- Damain Matroos was appointed to the Board of SacOil on 1 February 2015 in his capacity as the Finance Director.
- Ignatius Sehoole is now classified as an independent Non-executive Director.

Litigation

Joseph Modibane

The Company previously reported on two actions instituted by Joseph Modibane ("Mr Modibane") in the North Gauteng High Court. In the first action, Mr Modibane alleged that he was entitled to receive 105 000 000 SacOil Shares at an issue price of 30 cents per SacOil share but that the Company unlawfully declined to deliver the SacOil Shares to him. Consequently Mr Modibane alleges that the Company's unlawful conduct entitled him to claim damages against the Company in the amount of R67.2 million plus interest at the rate of 15.5% per annum from 14 September 2010 to date of payment.

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

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

Robin Vela

The Company instituted legal action against 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 Services 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 allegedly owing in respect of unpaid leave; an amount of R2,784,948 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.

Consolidated condensed preliminary statement of financial position

	Note	2015 R	2014 R
ASSETS			
Non-current assets			
Exploration and evaluation assets		**75 949 565**	266 809 536
Oil and gas properties		**122 869 708**	–
Other financial assets	7	**345 753 287**	433 344 048
Property, plant and equipment		**344 706**	247 207
Other intangible assets		**61 095 540**	175 476
Total non-current assets		**606 012 806**	700 576 267
Current assets			
Other financial assets	7	**331 641 018**	222 542 359
Inventories		**6 641 663**	–
Trade and other receivables		**7 152 505**	649 764
Cash and cash equivalents		**229 431 001**	381 579 766
Total current assets		**574 866 187**	604 771 889
Asset held for sale	6	**21 839 945**	–
Total assets		**1 202 718 938**	1 305 348 156
EQUITY AND LIABILITIES			
Shareholders' equity			
Stated capital	9	**1 216 503 883**	1 109 977 054
Reserves		**15 606 468**	6 001 847
Accumulated loss		**(448 654 565)**	(179 426 156)
Equity attributable to equity holders of parent		**783 455 786**	936 552 745
Non-controlling interest		**4 417 649**	12 218 476
Total shareholders' equity		**787 873 435**	948 771 221
Liabilities			
Non-current liabilities			
Deferred tax liability		**97 146 476**	92 498 394
Total non-current liabilities		**97 146 476**	92 498 394
Current liabilities			
Other financial liabilities		**57 888 500**	74 167 311
Current tax payable		**212 416 721**	176 856 253
Trade and other payables		**25 553 861**	13 054 977
Total current liabilities		**295 859 082**	264 078 541
Total liabilities		**393 005 558**	356 576 935
Liabilities directly associated with asset held for sale	6	**21 839 945**	–
Total equity and liabilities		**1 202 718 938**	1 305 348 156
Number of shares in issue		**3 269 836 208**	3 086 169 261
Net asset value per share (cents)		**24.10**	30.74
Net tangible asset value per share (cents)		**21.77**	22.10

Consolidated condensed preliminary statement of comprehensive income

	Note	2015 R	2014 R
Revenue		**2 095 339**	–
Cost of sales		**(3 225 015)**	–
Gross loss		**(1 129 676)**	–
Other income		**103 334 136**	47 350 527
Other operating costs		**(510 106 001)**	(100 247 072)
Loss from operations		**(407 901 541)**	(52 896 545)
Investment income		**158 052 007**	130 555 693
Finance costs		**(1 469)**	(12 931 875)
(Loss)/profit before taxation		**(249 851 003)**	64 727 273
Taxation		**(27 178 233)**	(55 212 656)
(Loss)/profit for the year		**(277 029 236)**	9 514 617
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
(Loss)/profit attributable to:			
Equity holders of the parent		**(269 216 457)**	19 594 296
Non-controlling interest		**(7 812 779)**	(10 079 679)
(Loss)/profit for the year		**(277 029 236)**	9 514 617
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		**(260 499 836)**	19 594 296
Non-controlling interest		**(7 812 779)**	(10 079 679)
Total comprehensive (loss)/income for the year		**(268 312 615)**	9 514 617
(Loss)/earnings per share			
Basic (cents)	4	**(8.54)**	1.37
Diluted (cents)	4	**(8.54)**	1.36

Consolidated condensed preliminary statement of changes in equity

	Stated capital (Note 9) R	Foreign currency translation reserve R	Share-based payment reserve R	Total reserves R	Accumulated loss R	Total equity attributable to equity holders of the parent R	Non-controlling interest ("NCI") R	Total equity R
Balance at 28 February 2013	534 172 123	–	26 681 469	26 681 469	(219 700 074)	341 153 518	22 298 155	363 451 673
Changes in equity:								
Profit/(loss) for the year	–	–	–	–	19 594 296	19 594 296	(10 079 679)	9 514 617
Total comprehensive income/(loss) for the year	–	–	–	–	19 594 296	19 594 296	(10 079 679)	9 514 617
Issue of shares	575 804 931	–	–	–	–	575 804 931	–	575 804 931
Share options lapsed	–	–	(20 679 622)	(20 679 622)	20 679 622	–	–	–
Total changes	575 804 931	–	(20 679 622)	(20 679 622)	40 273 918	595 399 227	(10 079 679)	585 319 548
Balance at 28 February 2014	**1 109 977 054**	**–**	**6 001 847**	**6 001 847**	**(179 426 156)**	**936 552 745**	**12 218 476**	**948 771 221**
Changes in equity:								
Loss for the year	**–**	**–**	**–**	**–**	**(269 216 457)**	**(269 216 457)**	**(7 812 779)**	**(277 029 236)**
Other comprehensive income for the year	**–**	**8 716 621**	**–**	**8 716 621**	**–**	**8 716 621**	**–**	**8 716 621**
Total comprehensive (loss)/income for the year	**–**	**8 716 621**	**–**	**8 716 621**	**(269 216 457)**	**(260 499 836)**	**(7 812 779)**	**(268 312 615)**
Issue of shares	**106 526 829**	**–**	**–**	**–**	**–**	**106 526 829**	**–**	**106 526 829**
Share options issued	**–**	**–**	**888 000**	**888 000**	**–**	**888 000**	**–**	**888 000**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**(11 952)**	**(11 952)**	**11 952**	**–**
Total changes	**106 526 829**	**8 716 621**	**888 000**	**9 604 621**	**(269 228 409)**	**(153 096 959)**	**(7 800 827)**	**(160 897 786)**
Balance at 28 February 2015	**1 216 503 883**	**8 716 621**	**6 889 847**	**15 606 468**	**(448 654 565)**	**783 455 786**	**4 417 649**	**787 873 435**

Consolidated condensed preliminary statement of cash flows

	2015 R	2014 R
Cash flows from operating activities		
Cash used in operations	**(39 130 214)**	(39 133 285)
Interest income	**6 961 514**	889 724
Finance costs	**(1 469)**	(1 324 143)
Tax (paid)/received	**(23)**	32 404
Net cash used in operating activities	**(32 170 192)**	(39 535 300)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(234 488)**	(71 426)
Purchase of exploration and evaluation assets	**(69 118 676)**	(63 026 602)
Purchase of oil and gas properties	**(7 270 438)**	–
Purchase of other intangible assets	**(135 899)**	(86 956)
Acquisition of subsidiary	**(44 540 236)**	–
Payments received for other financial assets	**13 463 071**	14 793 124
Net cash used in investing activities	**(107 836 666)**	(48 391 860)
Cash flows from financing activities		
Proceeds on share issue	**–**	337 273 662
Settlement of borrowings	**(20 461 137)**	–
Proceeds from other financial liabilities	**420 209**	18 670 494
Net cash (used in)/from financing activities	**(20 040 928)**	355 944 156
Total movement in cash and cash equivalents for the year	**(160 047 786)**	268 016 996
Foreign exchange gains on cash and cash equivalents	**7 899 021**	19 530 354
Cash and cash equivalents at the beginning of the year	**381 579 766**	94 032 416
Cash and cash equivalents at the end of the year	**229 431 001**	381 579 766

Notes

1 BASIS OF PREPARATION

The consolidated condensed preliminary financial statements of the Group for the year ended 28 February 2015 have been prepared in accordance with the Group's accounting policies, which comply with the recognition and measurement criteria of International Financial Reporting Standards, and the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the Companies Act of South Africa (No.71 of 2008, as amended). The accounting policies applied in the preparation of the results for the year ended 28 February 2015 are consistent with those adopted in the financial statements for the year ended 28 February 2014 except as noted below.

The Group has adopted the amendment to IAS 36 – Impairment of Assets. The application of this standard has not had a material impact on the measurement of assets and liabilities of the Group, but will result in additional disclosures.

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

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

2 AUDITOR'S AUDIT REPORT

The directors take full responsibility for the preparation of these consolidated condensed preliminary financial statements. They have been prepared under the supervision of Marius Damain Matroos CA (SA). These consolidated condensed preliminary financial statements have been audited by Ernst & Young Inc., the Group's auditors. The audit report is available for inspection at the Company's registered office together with the consolidated condensed preliminary financial statements identified in the auditors' report.

The audit report on the consolidated condensed preliminary financial statements includes an "Other Legal and Regulatory Requirements" paragraph which highlights reportable irregularities previously identified as disclosed in note 13.

3 SEGMENTAL REPORTING

The Group operates in six geographical locations, which form the basis of the information evaluated by the Group's chief decision-maker. For management purposes the Group is organised and analysed by these locations. These locations are: South Africa, 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.

	Egypt R	Nigeria R	DRC R	Malawi R	Botswana R	South Africa R	Consolidated R
2015							
Revenue	2 095 339	–	–	–	–	–	2 095 339
Cost of sales	(3 225 015)	–	–	–	–	–	(3 225 015)
Gross loss	(1 129 676)	–	–	–	–	–	(1 129 676)
Other income	–	41 038 776	8 964 255	–	–	53 331 105	103 334 136
Investment income	–	29 594 807	22 486 077	–	–	105 971 123	158 052 007
Finance costs	–	–	(1 274)	–	–	(195)	(1 469)
Other operating expenses	(7 430 208)	(333 572)	(23 775 428)	–	(500 183)	(478 066 610)	(510 106 001)
Taxation	–	(22)	(30 117 465)	–	–	2 939 254	(27 178 233)
(Loss)/profit for the year	(8 559 884)	70 299 989	(22 443 835)	–	(500 183)	(315 825 323)	(277 029 236)
Segment assets							
– non-current	183 759 646	–	312 042 259	1 196 742	386 548	108 627 611	606 012 806
– current	17 852 480	226 456 059	41 776 214	–	1 420	288 780 014	574 866 187
Segment liabilities							
– non-current	–	–	(95 070 394)	–	–	(2 076 082)	(97 146 476)
– current	(6 456 929)	(57 917 444)	(171 581 513)	–	–	(59 903 196)	(295 859 082)

3 SEGMENTAL REPORTING (continued)

	Nigeria R	DRC R	Malawi R	Botswana R	South Africa R	Consolidated R
2014						
Other income	9 722 354	12 441 074	–	–	25 187 099	47 350 527
Investment income	872 310	20 499 497	–	–	109 183 886	130 555 693
Finance costs	–	–	–	–	(12 931 875)	(12 931 875)
Other operating expenses	(199 450)	(22 149 316)	–	(10 381)	(77 887 925)	(100 247 072)
Taxation	32 404	(37 378 904)	–	–	(17 866 156)	(55 212 656)
Profit/(loss) for the year	10 427 618	(26 587 649)	–	(10 381)	25 685 029	9 514 617
Segment assets						
– non-current	191 159 973	295 859 426	896 740	386 548	212 273 580	700 576 267
– current	108 144 436	38 929 675	–	–	457 697 778	604 771 889
Segment liabilities						
– non-current	–	(88 597 261)	–	–	(3 901 133)	(92 498 394)
– current	(53 973 973)	(136 593 804)	–	–	(73 510 764)	(264 078 541)

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.

Revenue

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

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.

	2015 R	2014 R
4 (LOSS)/EARNINGS PER SHARE		
Basic (cents)	(8.54)	1.37
Diluted (cents)	(8.54)	1.36
(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		
Basic (cents)	(4.67)	1.37
Diluted (cents)	(4.67)	1.36
Reconciliation of headline (loss)/earnings		
(Loss)/profit attributable to equity holders of the parent	(269 216 457)	19 594 296
Adjusted for:		
Impairment of assets held for sale	194 065 780	–
Gain on acquisition of subsidiary	(24 718 054)	–
Tax effects of adjustments	(47 417 363)	–
Headline (loss)/earnings	(147 286 094)	19 594 296

5 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:

	Provisional fair values recognised on acquisition R
Oil and gas properties	110 062 658
Other intangible assets	59 668 026
Inventories	6 026 074
Trade and other receivables	43 506 640
Cash and cash equivalents	660 079
Total identifiable assets at fair value	219 923 477
Borrowings	(20 461 137)
Trade and other payables	(23 017 142)
Total identifiable net assets at fair value	176 445 198
Gain on bargain purchase	(24 718 054)
Total consideration transferred	151 727 144

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. Mena's net assets at acquisition date exceeded the purchase price paid by the Group.

The cash outflow at acquisition is as follows:

	Group R	Company R
Cash paid	45 200 315	45 200 315
Net cash acquired with the subsidiary	(660 079)	–
Net cash outflow	44 540 236	45 200 315

Taxation

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 NON-CURRENT ASSETS HELD FOR SALE

On 27 February 2015 the SacOil Board endorsed a plan to investigate the termination of 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 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. It is expected that the process to give effect to the termination in accordance with the Farm-In Agreement will be completed by 31 August 2015. The non-current asset held for sale and the liabilities associated with this asset at 28 February 2015 are outlined below:

	2015 R
Asset held for sale	
Exploration and evaluation assets – OPL 233 Nigeria	**21 839 945**
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 E&E 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. Based on a preliminary assessment and pending the outcome of termination negotiations with Nigdel, the Group expects to recover R21.8 million which will be off-set against the Group's indebtedness to Nigdel. The impairment loss was recognised in the statement of comprehensive income under other operating costs.

7 OTHER FINANCIAL ASSETS

	2015 R	2014 R
Non-current		
Deferred consideration on disposal of Greenhills Plant[1]	**1 718 470**	3 281 164
Advance payment against future services[2]	**68 627 273**	62 388 430
Loan due from EERNL[3]	**37 731 560**	146 181 302
Contingent consideration[4]	**237 675 984**	221 493 152
	345 753 287	433 344 048
Current		
Loan due from EERNL[3]	**183 242 921**	210 835 454
Loan due from DIG[5]	**51 036 906**	47 694 469
Transcorp receivable[6]	**220 824 802**	–
Deferred consideration on disposal of Greenhills Plant[1]	**1 890 810**	1 890 811
	456 995 439	260 420 734
Less: Provision for impairment[3]	**(125 354 421)**	(37 878 375)
	331 641 018	222 542 359
	677 394 305	655 886 407

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 (2014: 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.

3 On 26 March 2015 SacOil and EERNL restructured the settlement of the outstanding loans as detailed in note 14. 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 restucturing 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 specifies the recovery options available to the Group. The remainder of the short-term loan is expected to be recovered within a year from EERNL's share of the cash collateral 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.

4 The Farm-In Agreement between Semliki and Total provides for a cash payment by Total to Semliki upon the occurrence of certain future events ("contingent consideration"). As there is a contractual right to receive cash from Total, Semliki has recognised a financial asset in its statement of financial position. The asset was initially recognised at its fair value. Subsequently the financial asset meets the definition of a loan and receivable, and is accounted for at amortised cost, taking into account interest revenue and currency movements. At each reporting 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.

5 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 the Group's 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.

6 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. SacOil paid R44.1 million ($6.25 million) on behalf of its subsidiary, SacOil 281, 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 14 and footnote 3. Consequently R110.4 million has been recognised as a receivable from Transcorp by SacOil 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 (note 10), 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.

8 FAIR VALUE MEASUREMENT

	Carrying value 2015 R	Carrying value 2014 R	Fair value 2015 R	Fair value 2014 R
Loans and receivables				
Other financial assets[1]	**677 394 305**	655 886 407	**590 452 903**	589 512 367

1 *In terms of SacOil's accounting policies and IAS39 – 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.*

Asset	Fair value at 28 February 2015 R	Valuation technique	Significant inputs
Other financial assets	**590 452 903**	Discounted cash flow model	Weighted average cost of capital
Asset held for sale	**21 839 945**	Undiscounted cash flows due to the short term maturity of this asset	Non-performance risk

Assets/(Liabilities)	Fair value at 22 October 2014 R	Valuation technique	Significant inputs
Other intangible assets	**59 668 026**	Multi-period excess earnings method	Weighted average cost of capital, useful life, forecast revenue, EBITDA margin and attrition rate
Oil and gas properties	**110 062 658**	Discounted cash flow model	Weighted average cost of capital
Inventories	**6 026 074**	Discounted cash flow model	Weighted average cost of capital
Trade and other receivables	**43 506 640**	Undiscounted cash flows due to the short term maturity of this asset	Non-performance risk
Cash and cash equivalents	**660 079**	Undiscounted cash flows due to the short term maturity of this asset	Non-performance risk
Borrowings	**(20 461 137)**	Discounted cash flow model	Weighted average cost of capital
Trade and other payables	**(23 017 142)**	Undiscounted cash flows due to the short term maturity of this asset	Non-performance risk

The Group's own non-performance risk as at 28 February 2015 was assessed to be insignificant.

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

	Level 1	Level 2	Level 3	Total
Other financial assets	–	–	590 452 903	590 452 903
Asset held for sale	–	–	21 839 945	21 839 945
At 22 October 2014				
Other intangible assets	–	–	59 668 026	59 668 026
Oil and gas properties	–	–	110 062 658	110 062 658
Inventories	–	–	6 026 074	6 026 074
Trade and other receivables	–	–	43 506 640	43 506 640
Cash and cash equivalents	–	–	660 079	660 079
Borrowings	–	–	(20 461 137)	(20 461 137)
Trade and other payables	–	–	(23 017 142)	(23 017 142)

There were no transfers between any levels during the year.

9 STATED CAPITAL

Date	Issued to	Number of shares	Stated capital
Balance at 1 March 2013		953 340 791	534 172 123
3 October 2013	N Gutta*	2 777 777	691 244
29 January 2014	Various** ***	1 246 601 549	336 582 418
30 January 2014	Westglamry Limited**	641 840 797	173 297 015
30 January 2014	Newdel Holdings Limited**	241 608 347	65 234 254
Balance at 28 February 2014		3 086 169 261	1 109 977 054
Balance at 1 March 2014		3 086 169 261	1 109 977 054
22 October 2014	Mena Hydrocarbons Incorporated**	183 666 947	106 526 829
Balance at 28 February 2015		**3 269 836 208**	**1 216 503 883**

* General issue

** Specific issue

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

10 COMMITMENTS AND CONTINGENT LIABILITIES

	2015 R	2014 R
Commitments		
Exploration and evaluation assets – work programme commitments – due within 12 months	**68 660 750**	130 425 256
Exploration and evaluation assets – work programme commitments – due within 13 to 48 months	**19 500 334**	642 206 667
	88 161 084	772 631 923

Exploration and evaluation commitments will be funded through a combination of existing cash, and if required, debt and equity funding.

	2015 R	2014 R
Contingent liabilities		
Performance bond on OPL 233 issued by Ecobank in respect of OPL 233 exploration activities[1]	**173 665 500**	161 841 000
Cost carry arrangement with Total[2]	**96 612 847**	36 508 805
Farm-in and transaction fees on receipt of title to OPL 233[3]	**–**	141 341 140
Farm-in and transaction fees on receipt of title to OPL 281[4]	**–**	156 446 300
	270 278 347	496 137 245

10 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

1 ***Performance bond***

In April 2012 the Group posted a R289.4 million (2014: R269.7 million) ($25.0 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. 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. This performance bond expired on 2 May 2015.

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 2015 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 investigate the termination of 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.

11 RELATED PARTIES

Key management compensation	2015 R	2014 R
Non-executive directors:		
Fees	**2 796 665**	1 644 216
Executive directors:		
Salaries	**13 074 814**	3 087 500
Other key management:		
Salaries	**4 641 152**	5 889 500

12 DIVIDENDS

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

13 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.

14 EVENTS AFTER THE REPORTING PERIOD

The following events 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 7. 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 to SacOil of which $6.25 million represents the amount ceded to SacOil by EERNL as repayment of the OPL 281 loan.
- SacOil will indemnify the EERNL Group against any and all costs incurred or sustained as a result of any counterclaims 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 US24.2 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;
- if, at the time of first oil production from 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 investigate the termination of 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.

On behalf of the Board

Tito Mboweni	***Dr Thabo Kgogo***	***Marius Damain Matroos***
Chairman	*Chief Executive Officer*	*Finance Director*

Johannesburg
20 May 2015

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* Independent Non-executive Directors
** Non-executive Directors

Advisers

Company Secretary
Fusion Corporate Secretarial Services Proprietary Limited

Transfer Secretaries South Africa
Link Market Services South Africa Proprietary Limited

Transfer Secretaries United Kingdom
Computershare Investor Services (Jersey) Limited

Corporate Legal Advisers
Norton Rose Fulbright South Africa

Auditors
Ernst & Young Inc.

JSE Sponsor
PSG Capital Proprietary Limited

AIM Nominated Adviser
finnCap Limited

Investor Relations
Instinctif Partners Limited (London and Johannesburg)