



ACQUISITION OF CONTROLLING INTEREST IN AFRIC OIL GROUP

SACOIL DIVERSIFIES ACROSS INDUSTRY VALUE CHAIN THROUGH ADDITION OF FUEL DISTRIBUTION BUSINESS IN SOUTHERN AFRICA

SacOil, the South African based independent African oil and gas company that is focussed on the full oil and gas value chain, is pleased to announce that it has signed agreements to acquire 100% of Phembani Oil Proprietary Limited (“Phembani Oil”) from Gentacure Proprietary Limited (“Gentacure”) and its holding company, Moopong Investments Holdings Proprietary Limited (“Moopong”) (“the Acquisition”). Phembani Oil’s only asset is a 71% direct interest in Afric Oil Group (“Afric Oil”), one of the largest independent fuel distributors in South Africa, distributing over 30 million litres of fuel product (diesel, petrol and paraffin) monthly to a diversified client base that include local and national government, mining, construction, transport, manufacturing, parastatals, resellers and agricultural clients. Following completion of the Acquisition, SacOil will hold a 71% indirect interest in Afric Oil, with the remaining 29% interest held by The Compensation Fund, a fund managed by the Public Investment Corporation SOC Limited (“PIC”), the largest fund manager on the African continent.

ACQUISITION HIGHLIGHTS

- SacOil acquiring controlling interest in Afric Oil, one of the largest independent fuel distributors in South Africa
- SacOil to hold a 71% indirect interest in Afric Oil post completion
- Acquisition diversifies SacOil’s operations across the industry value chain
- In line with SacOil’s strategy of focussing on cash generating opportunities
- Provides SacOil with first operational footprint in South Africa
- Purchase consideration up to a maximum of R200 million (\$15.4m)
- Acquisition transformational for SacOil’s financial profile

The purchase consideration for the Acquisition (“the Consideration”) will be up to a maximum of R200 million (\$15.4m), split into an unconditional initial consideration of R147.3 million (\$11.3m) (“the Initial Consideration”) and a conditional consideration of up to R52.7 million (\$4.1m) (“the Contingent Consideration”), conditional upon Afric Oil attaining performance related targets for the year ending 31 December 2017 that include achieving a consolidated EBITDA of R100 million (\$7.7m) and recovering certain accounts receivable existing as at 31 December 2016. The Acquisition is subject to the fulfilment of certain conditions precedent. Details of the conditions precedent and settlement of the Consideration are set out later in this announcement. SacOil intends to fund the cash component of the Consideration from the proceeds of a debt facility to be secured by the Company.

The Acquisition is fully in line with the Company’s stated strategy of focussing on cash generating opportunities that expand SacOil’s operations across the oil and gas value chain on the African continent. Following completion of the Acquisition, SacOil’s portfolio will comprise of operated

production activities in Egypt, exploration in Democratic Republic of Congo, alongside partner TOTAL E&PRDC, Malawi and Botswana, a crude trading allocation with Nigerian National Petroleum Company and fuel distribution operations in Southern Africa. The Acquisition also provides SacOil with its first operational footprint in South Africa thereby enabling the Company to play a meaningful role in the socioeconomic development of the country.

* Download a detailed presentation from SacOil website: <https://shar.es/1UtSbx>

BACKGROUND TO AFRIC OIL

Afric Oil was established in 1995 as South Africa's first 100% black-owned oil company. Since launching in 1995, Afric Oil has grown into a business distributing around 30 million litres of fuel products (diesel, petrol and paraffin) monthly with a reported audited turnover for the year ended 31 December 2015 in excess of R3 billion (\$230.6m). Afric Oil achieved these results utilising its two owned depots in Boland, Western Cape province, and Beitbridge, Zimbabwe/RSA border. Afric Oil's operations are predominantly in South Africa, however it also has an operating presence in the greater Southern African regions that include Zimbabwe, Zambia and Namibia. The key customers of Afric Oil include government departments, state-owned entities, blue chip mining and industrial customers and other non-refinery wholesalers of fuel products.

During February 2017, Afric Oil acquired certain operating assets of Big Red Investments Proprietary Limited, Redlex Investments Proprietary Limited, Turquoise Moon Trading 477 Proprietary Limited (collectively "Big Red") and the fuel distribution business undertaken under the name Forever Fuels, an acquisition that will expand Afric Oil's regional footprint and provide access to a stable higher margin business. The Big Red acquisition will further enhance Afric Oil's distribution capabilities with ownership of a fleet of 32 product distribution vehicles and a fuels depot facility, including the land, located in Randfontein, Gauteng. The Big Red acquisition is expected to contribute an additional 16 million litres per month of fuel products (diesel, petrol and paraffin) and approximately R1.8 billion (\$138.4m) of revenue per annum to Afric Oil. This would increase Afric Oil's total distribution of fuel products to over 45 million litres per month.

Afric Oil benefits from an experienced, stable and highly credible executive team comprised of Tseke Nkadimeng (CEO) and Isaiah Mutandiwa (CFO), both of whom have extensive resource industry knowledge, and will continue to manage the Afric Oil business following completion of the Acquisition.

RATIONALE FOR THE ACQUISITION

The Acquisition will indirectly provide SacOil with an income producing subsidiary in South Africa and is in line with SacOil's strategy to become a fully integrated, pan-African industry player. The Acquisition will provide SacOil with:

- A material position in a well-established business that operates in a regulated, fixed margin fuel distribution sector in Southern Africa;
- Ownership and control of a respected player and brand in the Southern African wholesale fuel distribution market;
- Access to significant revenue generation and predictable, low-risk income from the regulated fuel industry;
- An experienced and stable management team, with in-depth industry knowledge;
- A good platform for organic growth and to pursue consolidation opportunities that exist in a large fragmented fuel distribution market in Southern Africa; and

- Diversification of SacOil's upstream and midstream portfolio to include fuel wholesale distribution, crude trading, exploration and production.

Commenting on the Acquisition Dr Thabo Kgogo, CEO of SacOil, said:

"This truly transformational acquisition of the majority interest in Afric Oil is in line with our strategy of diversifying SacOil's operations into the downstream segments of the African oil and gas value chain and underpinning our business with low volatility and predictable revenue streams.

The Acquisition will increase SacOil's consolidated revenues significantly, complementing our existing crude trading business and providing a strategic platform for broader expansion of our downstream activities. We see great potential to scale up the Afric Oil business and we are excited by the growth opportunities provided by the Acquisition. Furthermore, as a South African based business, we are pleased to be establishing a meaningful operational footprint in our country and look forward to playing an important role in distributing fuel products that drive the key industries that are at the heart of our nation's economy. I am confident that the addition of Afric Oil to our portfolio will provide our enlarged group with a platform to continue to drive SacOil's future growth targets."

** Currency Exchange Assumptions: ZAR1 = US\$0.077 /US\$1 = ZAR13.01. Numbers shown will reflect the impact of rounding.*

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ABOUT SACOIL

SacOil is a South African based independent African oil and gas company, dual-listed on the JSE and AIM. The Company has a diverse portfolio of assets spanning production in Egypt; exploration and appraisal in the Democratic Republic of Congo, Malawi and Botswana; and midstream projects including crude trading in Nigeria and a terminal project in Equatorial Guinea. 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. The Company continues to evaluate industry opportunities throughout Africa as it seeks to establish itself as a leading, full-cycle pan-African oil and gas company.