SACOIL HOLDINGS LIMITED

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

PROVISIONAL CONDENSED AUDITED RESULTS

for the year ended 28 February 2017

HIGHLIGHTS

- Award of a new annual crude trading contract in Nigeria
- Off-take of 3.8 million barrels of crude oil (50% attributable to SacOil)
- Partner Total E&P RDC, operator of Block III, successfully completed the acquisition of 244 km 2D seismic data on the licence area
- Reversal of the Lagia Oil Field impairment
- 8% reduction in the Group's overhead costs
- Conclusion of settlement agreement relating to the OPL 233 legal disputes
- Post period transformational acquisition of a controlling interest in Afric Oil, a fuel distribution business
- R162.6 million (US$12.5 million) equity bridge loan secured post period

Dr Thabo Kgogo, Chief Executive Officer of SacOil, commented: *"The past financial year saw us expand our operations into the midstream segment of the oil and gas value chain following the award of the crude trading contract in Nigeria. This segment of the business contributed revenue of R1.2 billion to the Group's reported results for the year ended 28 February 2017, through the cost sharing arrangement with Energy Equity Resources (Nigeria Services) Limited. We also saw an uplift in the oil price which contributed to the improved valuation of the Lagia asset by R136.1 million (US$10.5 million) resulting in the reversal of R62.1 million of a previously recognised impairment loss. The operations at Block III in the Democratic Republic of Congo have made good progress with the recent acquisition of 244 km of 2D seismic data over the licence area and the agreement on the route of the oil export pipeline from Uganda. The latter has taken away some timing risk associated with the project resulting in the reversal of R31.8 million of a previously recognised impairment loss. Cost control and efficient processes remained key in all our operations, resulting in an overall decrease of 8% in the Group's overhead cost base.*

Despite the positive actions taken during the year, the Group continues to be negatively affected by both foreign exchange movements as a result of the strengthening of the Rand against the US Dollar, as well as legacy issues that it continues to work through. The Group reported foreign exchange losses totalling R124.6 million against its US Dollar-denominated assets and impairments totalling R170.8 million of the Encha and Transcorp receivables. We have made every effort to expedite the resolution of these legal matters and are glad to report that court and arbitration dates have now been agreed. The legal disputes pertaining to SacOil's involvement in OPL 233 have also been resolved following the conclusion of a settlement agreement with former partners on the asset. Our investment in Lagia continues to present operational challenges stemming from poor well-productivity that resulted in a gross operating loss of R8.9 million, but we are confident that future operating plans adequately address the challenges identified during the review of the field characterisation.

Post the period end, SacOil was pleased to announce the acquisition of a controlling interest in Afric Oil through its acquisition of a 100% interest in Phembani Oil. The acquisition represents another positive action for the Group in executing its strategy of acquiring cash-generative operations across the oil and gas value chain. This acquisition diversifies the Group's portfolio of assets by adding low risk and cash-generative operations with a firm footprint in South Africa. Afric Oil will transform the Group's financial profile through the addition of significant and predictable revenues. It currently distributes 45 million litres of fuel products each month to a steady client base. All conditions preceding the acquisition were fulfilled and the deal subsequently closed in late May. Our focus now is on integrating the Afric Oil operations into the new and enlarged Group. The acquisition of Afric Oil and the working capital requirements of the enlarged Group will be funded via equity bridge financing of R162.6 million (US$12.5 million) from Gemcorp Africa Fund I Limited. This loan will be repaid from the proceeds of a rights issue that the Board of Directors ("the Board") has committed to undertake within the next 12 months. This funding mechanism, together with the acquisition of Afric Oil and subsequent cash flow this will provide, address the uncertainties highlighted in note 19 with respect to the ability of the Group to remain a going concern.

Despite the challenges in the oil and gas sector, we have now built a solid platform from which we can grow the Group and continue to make progress in achieving our strategic objectives. Whilst the annual results for the year ended 28 February 2017 highlight uncertainties that exist with respect to the ability of the Group to remain a going concern, the Board is wholly confident that the Group has adequate cash resources to meet its obligations for the foreseeable future.

Looking ahead, our key priority is integrating Afric Oil into the enlarged Group, aiming for full integration of operations by the end of the year. We consider the acquisition of Afric Oil as a transformational transaction that will enable us to move forward with confidence and focus more on future growth as opposed to legacy issues, as has been the case in the previous few years. To reflect this, the Board is taking the opportunity to relaunch the Company under a new name, with a more balanced portfolio and a significantly strong financial profile. Details of this process will be forthcoming in the next few months, however, we are excited about the prospect of resetting the clock, drawing a line under the legacy issues that we inherited, and beginning life as a new entity with the sole purpose of creating value for our shareholders.

We thank our stakeholders for their continued support as we work towards building a sustainable business."

OPERATIONAL REVIEW

CRUDE TRADING, NIGERIA

The crude trading business presents a new revenue stream for the Group with a risk mitigating strategy that will ensure consistent margins and limit exposure for the Group. Since the award of the crude trading contract by the Nigerian National Petroleum Company ("NNPC") in April 2016, SacOil together with Energy Equity Resources (Nigeria Services) Limited ("EER"), sold 3.8 million barrels of crude oil from four off-takes for the year ended 28 February 2017. The contract with the NNPC entitles the parties to lift 950 000 barrels of crude oil a month, subject to availability, however, oil shortages and security issues in Nigeria affected the availability of crude oil. In December 2016, a new crude trading contract was awarded for 12 months to expire on 31 December 2017, which will continue to provide the Group with an additional revenue stream. SacOil's participating interest in the cost sharing arrangement is 50%. The Group generated a gross operating profit of R7.5 million (2016: Rnil) from the crude trading business as disclosed in note 3 to the summarised provisional consolidated audited financial statements.

LAGIA OIL FIELD ("LAGIA"), EGYPT

Operational challenges continued at Lagia, which resulted in a reduction in production as we seek to overcome these complex challenges. SacOil commissioned an in-depth review of the reservoir characterisation in order to optimise production. The results of the technical review identified optimisation opportunities which have been incorporated into the operational plans for the next three years. The development plan anticipates the drilling of a pilot well in July 2017 which is expected to validate the drilling of the remaining 14 wells by February 2020 depending on the attainment of the outcomes envisaged in the technical review. These new wells will contribute to a targeted production plateau rate of 500 barrels per day from the field. Whilst the performance of Lagia fell significantly below our expectations as a result of these unforeseen geological issues, the Competent Persons Report ("CPR") by DeGoyler and McNaughton Canada Limited as at 31 December 2016 shows an increase in the underlying valuation of the asset from US$13 million to US$24 million arising from the improvement in oil prices since the last valuation and takes into account the scheduled drilling of 15 new wells. The Group incurred a gross operating loss of R8.9 million (2016: R10.5 million) from the Lagia operations as disclosed in note 3 to the summarised provisional consolidated audited financial statements.

BLOCK III, DEMOCRATIC REPUBLIC OF CONGO

During June 2016, Total E&P RDC ("Total"), operator of Block III, successfully completed the acquisition of 244 km of 2D seismic data and is in the process of interpreting and integrating the data with previously acquired gravity and magnetic information. It is expected that the seismic processing and interpretation will be completed during the second quarter of 2017. If possible prospects and an identifiable well location are established, the plan is to drill a well shortly thereafter. As reported previously, the seismic survey did not encroach on the Virunga National Park. Total continues to carry SacOil's share of exploration costs relating to Block III under the terms of the Farm-in Agreement. The licence for Block III will be up for renewal in January 2018.

BLOCK 1, MALAWI; PETROLEUM EXPLORATION LICENCES 123, 124 AND 125, BOTSWANA; AND BIOKO TERMINAL, EQUATORIAL GUINEA

Activities on the Group's exploration assets in Malawi, Botswana and Equatorial Guinea were minimal due to the strategic decision to focus efforts and resources on cash-generative assets. The Group is currently undertaking a strategic review of these assets to establish the likelihood of success of prospecting activities.

FINANCE REVIEW

FINANCIAL PERFORMANCE

The Group generated revenue of R1.2 billion from its crude trading activities in Nigeria through its cost sharing arrangement with EER. Revenues of this magnitude are a first for SacOil and reflect the Group's intention of growing and diversifying its revenue streams in line with its strategy. In spite of this positive development, the Group's financial performance remains constrained by depressed oil prices, foreign exchange fluctuations, legacy issues and Lagia operational challenges. The Group incurred a loss after tax of R211.8 million (2016: profit of R39.6 million), a basic loss per share of 6.5 cents (2016: basic earnings per share of 1.6 cents) and a basic headline loss per share of 7.9 cents (2016: basic headline loss per share of 1.0 cent) for the year ended 28 February 2017. The Group's reported loss primarily arose from:

- Foreign exchange losses totalling R124.6 million (2016: foreign exchange gains of R154.6 million) arising from the translation of the contingent bonus, EER and Transcorp receivables. The exchange rate strengthened from R16.031/US$1 at 29 February 2016 to R13.022/US$1 at 28 February 2017;
- The provision for impairment of R115.8 million (2016: Rnil) of the Encha receivable due to the default by Encha on 29 February 2016 and the subsequent lack of independent evidence to support the collectability of the amounts owed. Prior to the maturity of the loan, SacOil received audit certificates from Encha's auditors confirming that its net assets were in excess of R100 million as a basis to support the recovery of the loan. These audit certificates have not been made available to SacOil since the default on the loan agreement. An update on the Encha matter is provided in the Litigation section of this report on page 3; and
- The impairment of R54.9 million (2016: Rnil) of the Transcorp receivable which essentially reflects the impact of the time value of money. It is now estimated that the Transcorp matter may only be resolved at the end of 2018. An update on the Transcorp matter is provided in the Litigation section of this report.

The above items are all classified under other operating costs and were offset within other operating costs by the following items:

- The reversal of the Lagia impairment loss of R62.1 million (2016: impairment charge of R76.5 million) which resulted from favourable changes in the estimates used to determine the asset's recoverable amount since the impairment losses were recognised, specifically the future oil price estimates and future cost estimates; and
- The reversal of the contingent bonus impairment of R31.8 million (2016: impairment charge of R26.1 million). The latest CPR done by Bayphase indicates that the First Investment Date ("FID") and First Oil Date ("FOD") attributable to Block III have changed to 2020 and 2022, respectively (2016: FID: 2021; FOD: 2025). The fact that an agreement has been reached on the route of the oil export pipeline from Uganda has removed some of the timing risk.

Excluding the impact of these items, the Group's overall cost base decreased by 8% from R91.8 million in the prior year to R84.7 million for the year ended 28 February 2017. This decrease was mainly seen in the Group's remuneration, travel and amortisation costs albeit an increase in business development, legal and consultancy costs emanating from the Phembani acquisition, ongoing litigation and technical consultancy services pertaining to the technical review of the Lagia oil field, respectively.

The Group generated a gross operating profit of R7.5 million (2016: Rnil) from the crude trading business. Whilst the Lagia operations performed below our expectation for the year, resulting in a gross operating loss of R8.9 million (2016: R10.5 million) for this segment, we anticipate that the development initiatives currently underway will result in improved performance of the field in the coming year.

The Group's investment income increased by R30.9 million year on year to R77.6 million mainly due to an increase in interest on the contingent bonus receivable and the Encha and Transcorp receivables. Other income has decreased substantially from R258.2 million in the prior year to R0.7 million at 28 February 2017. Other income in the prior year included the gain of R103.6 million arising from the reorganisation of Semliki and foreign exchange gains totalling R154.6 million. In the current year, other income mainly includes recoveries from bad debts.

FINANCIAL POSITION

The Group's net asset position decreased by R231.3 million year on year which arose mainly from the net effect of:

- A decrease of R239.4 million in the Group's assets mainly from exchange losses, the impairment of the Encha and Transcorp receivables and the utilisation of cash as outlined below, which were partially offset by imputed interest and the reversal of the contingent bonus and Lagia impairments; and
- A decrease of R8.1 million in the Group's trade payables and deferred tax liability.

CASH POSITION

The Group utilised R88.1 million (2016: R128.5 million) during the year on remuneration (R31.1 million), business development (R10.9 million), legal costs (R9.5 million), consultants (R9.5 million), purchase of assets (R8.3 million), listing costs (R5.8 million), office rentals and travel (R5.1 million) and other expenses (R7.9 million) as disclosed in note 4 to the summarised provisional consolidated audited financial statements. The Group's cash balance as at 28 February 2017 was R18.7 million (2016: R107.3 million). On 31 May 2017, SacOil secured equity bridge financing of US$12.5 million from Gemcorp Africa Fund I Limited repayable in 12 months from the proceeds of a proposed rights issue which the Board has committed to undertake within the next 12 months. The equity bridge proceeds will be utilised to fund the acquisition of Afric Oil and for working capital for general corporate purposes of the enlarged Group. Details pertaining to this loan are provided in note 20 to the summarised provisional consolidated audited financial statements.

ACQUISITION OF CONTROLLING INTEREST IN AFRIC OIL ("AO")

The Group concluded the acquisition of a controlling stake (71%) in AO on 31 May 2017 for a consideration of R183.4 million ("the Acquisition") as disclosed in note 21 to the summarised provisional consolidated audited financial statements. The Acquisition initially announced on 3 March 2017, further diversifies the Group's offering by adding a downstream distribution business which sells 45 million litres of fuel products (diesel, petrol and paraffin) per month to a steady client base with possible annual revenue of around R4–R5 billion.

AO owns three fuel depots in the Boland, Western Cape, Randfontein, Gauteng, and Beitbridge, the Zimbabwe/RSA border. Its operations are predominantly in South Africa, however, it also has an operating presence in the greater Southern African regions which include Zimbabwe, Zambia and Namibia. The key customers of AO include government departments, state-owned entities, blue-chip mining and industrial customers and other non-refinery wholesalers of fuel products.

The Acquisition is fully in line with the Company's stated strategy of focusing on cash-generating opportunities that expand SacOil's operations across the oil and gas value chain on the African continent. The Acquisition provides the Group with a strategic platform for broader expansion of our downstream activities in the future months.

COMMITMENTS

The Group's capital commitments have decreased by 23% and are disclosed in note 16 of the summarised provisional consolidated audited financial statements.

GOING CONCERN

The Group continues to rely on its ability to successfully raise further financing to fund future working capital and business development needs. The addition of the AO investment will provide the Group with a sustainable business and improve the long-term outlook of the Group. The Board remains reasonably confident it will manage the material uncertainties that exist, which are highlighted in note 19 to the summarised provisional consolidated audited financial statements. The summarised provisional consolidated audited financial statements have therefore been prepared on a going concern basis.

CHANGES IN DIRECTORATE

The following directors resigned from the Board of SacOil:

- Bradley Cerff on 25 July 2016
- Steve Muller on 16 September 2016
- Danladi Verheijen on 19 September 2016

The following directors were appointed post the reporting period:

- Thuto Masasa on 1 April 2017
- Patrick Mngconkola on 1 April 2017
- Boas Seruwe on 1 April 2017

LITIGATION

OPL 281

As previously announced, SacOil 281 Nigeria Limited ("SacOil 281") terminated its participation with Transnational Corporation of Nigeria Plc ("Transcorp"), the operator of Oil Prospecting Licence ("OPL 281").

SacOil contributed US$12.5 million towards farm-in fees on 28 February 2011, which fees contractually were to be refunded with interest by Transcorp. Notwithstanding the receipt of Transcorp's acknowledgment of its refund obligation, SacOil subsequently received notice from Transcorp that SacOil's termination of the Farm-out and Participation Agreement ("FoPA") in December 2014 was wrongful and amounted to a repudiation of the FoPA. Pursuant to the FoPA, SacOil 281 filed a notice for arbitration with the Nigerian Chartered Institute of Arbitrators, Nigeria Branch, on 28 August 2015 to recover its farm-in and related fees plus interest thereon.

Transcorp in response filed the following two court applications in the High Court of Lagos State:

FIRST CASE:

- Transcorp instituted action in the High Court of Lagos State against SacOil 281 and EER 281 for (i) a declaration that SacOil's notice of termination, dated 3 December 2014, was wrongful and amounted to a repudiation of the FoPA; and (ii) payment of the sum of US$50 million as special damages.
- SacOil filed a motion to stay the court proceedings pending the outcome of the arbitral hearing.
- On 8 December 2015, the High Court of Lagos dismissed the application.
- SacOil filed an appeal at the Court of Appeal applying for the stay of High Court proceedings pending the appeal.
- Appeal date is set for 13 June 2017.

SECOND CASE:

- Transcorp instituted this action in the High Court: Lagos State to prevent the appointment of three arbitrators by the Chairman of the Chartered Institute of Arbitrators, Nigerian Branch. The action is borne out of the Notice of Arbitration issued on Transcorp by SacOil and the application for the appointment of three arbitrators issued to the Chairman of the Chartered Institute of Arbitrators.
- SacOil has appealed the ruling of the Lagos High Court and a hearing date for the appeal is still to be determined.
- A successful appeal would compel the matter to be settled via arbitration.

The estimated resolution date for this matter is the second half of 2018.

ENCHA GROUP LIMITED & ENCHA ENERGY PROPRIETARY LIMITED

The Company instituted action against Encha Group Limited for payment of R75 million, together with interest and costs, based on unjustified enrichment following the failure of an exclusivity agreement regarding certain DRC exploration assets. In the same action, the Company is claiming payment of R75 million, plus interest, from Encha Energy Proprietary Limited and Encha Group Limited on the basis of a written acknowledgment of debt provided by Encha Energy Proprietary Limited, in respect of which Encha Group Limited bound itself as surety. The parties have agreed to refer the matter to arbitration and the arbitration process has began with the hearing scheduled to commence on 20 November 2017.

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 Service and which were not deducted from the salary that was paid to him by the Company during his tenure as CEO. The Company has also claimed legal costs. Robin 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, Robin Vela is also claiming interest on these amounts and legal costs. The matter is set down for trial on 25 August 2017.

RICHARD LINNELL

Richard Linnell (the Company's former Chairman) instituted legal action against the Company during September 2016 in which he claims, amongst others matters, payment of R14 740 166, together with interest, and the reinstatement of 12 595 841 share options which the Company contends have lapsed. He is also claiming legal costs. The Company is defending the action.

OUTLOOK

We look forward to integrating the AO business and expanding the existing distribution market share. AO will transform the financial profile of the Group through the addition of significant and predictable revenue streams which enable the Group to create a sustainable business that drives shareholder value. We also anticipate positive results from the pilot well to be drilled at Lagia in July 2017 which will pave the way for further development activities and consequently production optimisation at the field. Depending on the outcome of the ongoing seismic programme in DRC, we may also be fully carried on a high-impact exploration well by our partner Total later this year. The Board remains cognisant that volatility within the oil and gas markets is expected to persist which will require us to continue to operate at low oil prices. Cost containment and the resolution of legacy issues are therefore also part of our key priorities for the foreseeable future.

Any forecast financial information is the sole responsibility of the directors and has not been reviewed by the Group's auditors.

ABOUT SACOIL

SacOil is a South African based independent African oil and gas company, listed on the JSE. The Company has a diverse portfolio of assets spanning a controlling interest in the fuel distribution business of Afric Oil; crude 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.

SUMMARISED PROVISIONAL CONSOLIDATED AUDITED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017 R'000	2016 R'000
Revenue		**1 171 247**	4 746
Cost of sales		**(1 172 733)**	(15 286)
Gross loss		**(1 486)**	(10 540)
Other income		**686**	258 239
Other operating costs		**(283 757)**	(194 429)
(Loss)/profit from operations	4	**(284 557)**	53 270
Investment income	5	**77 613**	46 744
Finance costs		**(1)**	(4)
(Loss)/profit before taxation		**(206 945)**	100 010
Taxation		**(4 877)**	(60 422)
(Loss)/profit for the year		**(211 822)**	39 588
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(21 536)**	61 460
Other comprehensive (loss)/income for the year net of taxation		**(21 536)**	61 460
Total comprehensive (loss)/income for the year		**(233 358)**	101 048
(Loss)/profit attributable to:			
Equity holders of the parent		**(211 822)**	53 584
Non-controlling interest		**–**	(13 996)
(Loss)/profit for the year		**(211 822)**	39 588
Total comprehensive (loss)/profit attributable to:			
Equity holders of the parent		**(233 358)**	115 044
Non-controlling interest		**–**	(13 996)
Total comprehensive (loss)/income for the year		**(233 358)**	101 048
(Loss)/earnings per share			
Basic (cents)	6	**(6.48)**	1.64
Diluted (cents)	6	**(6.48)**	1.64

SUMMARISED PROVISIONAL CONSOLIDATED AUDITED STATEMENT OF FINANCIAL POSITION

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Exploration and evaluation assets		**51 029**	50 975
Oil and gas properties	7	**183 758**	166 030
Other financial assets	8	**468 322**	253 799
Property, plant and equipment		**1 187**	1 075
Other intangible assets	9	**58 284**	57 844
Total non-current assets		**762 580**	529 723
Current assets			
Other financial assets	8	**2 574**	383 145
Inventories		**7 484**	9 330
Trade and other receivables		**2 192**	3 405
Cash and cash equivalents	10	**18 724**	107 349
Total current assets		**30 974**	503 229
Total assets		**793 554**	1 032 952
EQUITY AND LIABILITIES			
Shareholders' equity			
Stated capital	11	**1 216 504**	1 216 504
Reserves		**58 452**	77 963
Accumulated loss		**(587 075)**	(375 253)
Equity attributable to equity holders of the parent		**687 881**	919 214
Total shareholders' equity		**687 881**	919 214
LIABILITIES			
Non-current liabilities			
Deferred tax liability		**83 403**	78 526
Total non-current liabilities		**83 403**	78 526
Current liabilities			
Current tax payable		**12 851**	12 851
Trade and other payables	12	**9 419**	22 361
Total current liabilities		**22 270**	35 212
Total liabilities		**105 673**	113 738
Total equity and liabilities		**793 554**	1 032 952
Number of shares in issue (000's)		**3 269 836**	3 269 836
Net asset value per share (cents)		**21.04**	28.11
Net tangible asset value per share (cents)		**19.48**	26.55

SUMMARISED PROVISIONAL CONSOLIDATED AUDITED STATEMENT OF CHANGES IN EQUITY

	Stated capital (note 11) R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Total reserves R'000	Accumu-lated loss R'000	Total equity attributable to equity holders of the parent R'000	Non-controlling interest R'000	Total equity R'000
Balance at 28 February 2015	1 216 504	8 717	6 890	15 607	(448 655)	783 456	4 417	787 873
Changes in equity:								
Profit/(loss) for the year	–	–	–	–	53 584	53 584	(13 996)	39 588
Other comprehensive income for the year	–	61 460	–	61 460	–	61 460	–	61 460
Total comprehensive income/(loss) for the year	–	61 460	–	61 460	53 584	115 044	(13 996)	101 048
Share options issued	–	–	896	896	–	896	–	896
Acquisition of non-controlling interest	–	–	–	–	19 818	19 818	(19 818)	–
Disposal of Semliki (note 13)	–	–	–	–	–	–	29 397	29 397
Total changes	–	61 460	896	62 356	73 402	135 758	(4 417)	131 341
Balance at 29 February 2016	**1 216 504**	**70 177**	**7 786**	**77 963**	**(375 253)**	**919 214**	**–**	**919 214**
Changes in equity:								
Loss for the year	**–**	**–**	**–**	**–**	**(211 822)**	**(211 822)**	**–**	**(211 822)**
Other comprehensive loss for the year	**–**	**(21 536)**	**–**	**(21 536)**	**–**	**(21 536)**	**–**	**(21 536)**
Total comprehensive loss for the year	**–**	**(21 536)**	**–**	**(21 536)**	**(211 822)**	**(233 358)**	**–**	**(233 358)**
Share options issued	**–**	**–**	**2 025**	**2 025**	**–**	**2 025**	**–**	**2 025**
Total changes	**–**	**(21 536)**	**2 025**	**(19 511)**	**(211 822)**	**(231 333)**	**–**	**(231 333)**
Balance at 28 February 2017	**1 216 504**	**48 641**	**9 811**	**58 452**	**(587 075)**	**687 881**	**–**	**687 881**

SUMMARISED PROVISIONAL CONSOLIDATED AUDITED STATEMENT OF CASH FLOWS

	Notes	2017 R'000	2016 R'000
Cash flows from operating activities			
Cash used in operations		**(83 156)**	(81 375)
Interest received	5	**3 989**	8 756
Finance costs		**(1)**	(4)
Net cash used in operating activities		**(79 168)**	(72 623)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(586)**	(1 063)
Purchase of exploration and evaluation assets		**(781)**	(873)
Purchase of oil and gas properties	7	**(6 916)**	(55 444)
Purchase of other intangible assets	9	**–**	(409)
Disposal of subsidiary	13	**–**	(107)
Payments (paid)/received for other financial assets		**(668)**	63 088
Net cash (used in)/from investing activities		**(8 951)**	5 192
Cash flows from financing activities			
Repayment of other financial liabilities		**–**	(61 092)
Net cash used in financing activities		**–**	(61 092)
Total movement in cash and cash equivalents for the year		**(88 119)**	(128 523)
Foreign exchange (losses)/gains on cash and cash equivalents		**(506)**	6 441
Cash and cash equivalents at the beginning of the year		**107 349**	229 431
Cash and cash equivalents at the end of the year	10	**18 724**	107 349

1 BASIS OF PREPARATION

The summarised provisional consolidated audited financial statements of the Group for the year ended 28 February 2017 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 for provisional reports 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 2017 are consistent with those adopted in the financial statements for the year ended 29 February 2016 except as noted below.

The Group adopted the amendment to IAS 34 – Interim Financial Reporting which has been applied in the preparation of these summarised provisional consolidated audited financial statements and other information contained in this financial report. The amendment clarifies what is meant by the reference in the standard to "information disclosed elsewhere in the interim report" and further requires cross-reference from summarised financial statements to the location of the other information.

The following improvements arising from the IASB's annual improvements projects and the amendments to IFRS listed below, effective for financial periods beginning on or after 1 January 2016, were effective for the first time during this financial year and did not have an impact on the Group's results:

- Amendments to IAS 1 – Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exemption
- Amendment to IFRS 11 – Joint Arrangements, regarding acquisition of an interest in a joint operation
- Amendment to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets, regarding depreciation and amortisation
- Amendment to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture, regarding bearer plants
- Amendment to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture
- Amendment to IAS 27 – Separate Financial Statements, regarding the equity method
- Amendment to IFRS 14 – Regulatory Deferral Accounts
- Improvement to IFRS 5 – Non-current Asset Held for Sale and Discontinued Operations
- Improvement to IFRS 7 – Financial Instruments: Disclosures
- Improvement to IAS 19 – Employee Benefits

Details pertaining to the amendments or improvements referred to above are provided in the Group annual financial statements for the year ended 28 February 2017.

These summarised provisional consolidated audited financial statements have been prepared on a going concern basis after taking into account the matters in note 19.

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

2 PREPARATION OF THE SUMMARISED PROVISIONAL CONSOLIDATED AUDITED FINANCIAL STATEMENTS AND AUDITOR'S AUDIT REPORT

The directors take full responsibility for the preparation of these summarised provisional consolidated audited financial statements. These summarised provisional consolidated audited financial statements for the year ended 28 February 2017 have been prepared under the supervision of the Chief Financial Officer, Mr Marius Damain Matroos CA(SA).

These summarised provisional consolidated audited financial statements, which have been derived from the audited consolidated annual financial statements for the year ended 28 February 2017 and with which they are consistent in all material respects, have been audited by Ernst & Young Inc. Their unmodified audit opinions on the consolidated annual financial statements and on the summarised provisional consolidated audited financial statements are available for inspection at the registered office of the Company. The audit opinions contain a material uncertainty related to going concern paragraph for the going concern matters highlighted in note 19 of the summarised provisional consolidated audited financial statements. The auditor's report does not necessarily report on all the information contained in this report. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying consolidated audited annual financial statements from the Company's registered office.

This summarised report is extracted from audited information, but is itself not audited.

3 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.

	Egypt R'000	Nigeria R'000	DRC R'000	Malawi R'000	Botswana R'000	South Africa R'000	Eliminations R'000	Consolidated R'000
2017								
Revenue	**5 263**	**1 165 984**	**–**	**–**	**–**	**–**	**–**	**1 171 247**
Cost of sales	**(14 210)**	**(1 158 523)**	**–**	**–**	**–**	**–**	**–**	**(1 172 733)**
Gross (loss)/profit	**(8 947)**	**7 461**	**–**	**–**	**–**	**–**	**–**	**(1 486)**
Other income	**62 147**	**447**	**31 755**	**–**	**215**	**5 105**	**(98 983)**	**686**
Investment income	**–**	**5 249**	**17 575**	**–**	**–**	**54 789**	**–**	**77 613**
Finance costs	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**	**(1)**
Other operating expenses	**(25 247)**	**(56 526)**	**(30 218)**	**–**	**(1 859)**	**(268 890)**	**98 983**	**(283 757)**
Taxation	**–**	**–**	**(4 877)**	**–**	**–**	**–**	**–**	**(4 877)**
(Loss)/profit for the year	**27 953**	**(43 370)**	**14 235**	**–**	**(1 644)**	**(208 996)**	**–**	**(211 822)**
Segment assets – non-current	**241 807**	**109 561**	**259 077**	**307**	**153**	**345 742**	**(194 067)**	**762 580**
– current	**11 093**	**17**	**24**	**–**	**2**	**19 838**	**–**	**30 974**
Segment liabilities – non-current	**(112 140)**	**–**	**(160 744)**	**–**	**(4 586)**	**–**	**194 067**	**(83 403)**
– current	**(5 300)**	**(741)**	**–**	**–**	**(454)**	**(15 775)**	**–**	**(22 270)**
2016								
Revenue	4 746	–	–	–	–	–	–	4 746
Cost of sales	(15 286)	–	–	–	–	–	–	(15 286)
Gross loss	(10 540)	–	–	–	–	–	–	(10 540)
Other income	–	52 496	106 026	–	–	136 554	(36 837)	258 239
Investment income	–	383	26 426	–	–	19 935	–	46 744
Finance costs	–	–	–	–	–	(4)	–	(4)
Other operating expenses	(98 158)	(31 327)	(28 975)	–	(2 711)	(70 095)	36 837	(194 429)
Taxation	–	–	(65 706)	–	–	5 284	–	(60 422)
Profit/(loss) for the year	(108 698)	21 552	37 771	–	(2 711)	91 674	–	39 588
Segment assets – non-current	223 440	–	246 884	259	146	263 949	(204 954)	529 723
– current	28 791	152 916	32	–	2	321 488	–	503 229
Segment liabilities – non-current	(117 297)	–	(162 794)	–	(3 389)	–	204 954	(78 526)
– current	(6 321)	(281)	–	–	–	(28 611)	–	(35 212)

BUSINESS SEGMENTS

The operations of the Group comprise oil and gas exploration and production, and crude trading. The activities currently undertaken in Equatorial Guinea with respect to the development of the Bioko Oil Terminal 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 the Egyptian General Petroleum Corporation ("EGPC") and Trafigura Pte Limited, with respect to oil sales and crude trading, respectively. These revenues are attributed to the Egypt and Nigeria segments, respectively.

TAXATION – EGYPT

No income or deferred tax has been accrued by Mena International Petroleum Company Limited ("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.

4 (LOSS)/PROFIT FROM OPERATIONS

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

	Notes	2017 R'000	2016 R'000
Provision for impairment of financial assets	8	**(115 919)**	–
Reversal of impairment/(impairment) of oil and gas properties	14	**46 179**	(56 849)
Reversal of impairment/(impairment) of other intangible assets	14	**15 968**	(19 659)
Foreign exchange (losses)/gains		**(124 565)**	154 603
Donations		**(25)**	–
Payment of past Semliki SARL costs		**–**	(2 333)
Gain on reorganisation of interest in Block III	13	**–**	103 624
Impairment of financial assets	8	**(54 897)**	(26 083)
Reversal of impairment of financial assets	8	**31 755**	–
Corporate costs		**(5 759)**	(4 638)
External auditor's remuneration		**(2 475)**	(2 666)
Audit fees		**(2 475)**	(1 796)
Other services		**–**	(870)
Internal auditor's remuneration		**(396)**	(326)
Employee benefit expense		**(31 134)**	(34 034)
Accounting fees		**–**	(25)
Inventory write-down		**(244)**	–
Consulting fees		**(9 512)**	(6 133)
Legal fees		**(9 514)**	(4 948)
Business development		**(10 856)**	(7 140)
Travel and accommodation		**(2 618)**	(4 702)
Bad debts recovered		**399**	–
Depreciation and amortisation		**(10 190)**	(10 919)
Oil and gas assets	7	**(3 805)**	(2 268)
Property, plant and equipment		**(474)**	(326)
Exploration and evaluation assets		**(727)**	(2 051)
Other intangible assets	9	**(5 184)**	(6 274)
Rentals – premises		**(2 522)**	(3 284)
Broker fees		**(640)**	(788)
Share-based payment expense		**(2 025)**	(896)
Reversal of accrual for share-based payments[1]		**6 874**	–

[1] Accrual was raised following the rights issue in 2014 pursuant to the terms of the share option scheme which require top-up share options to be issued to existing holders of share options. The share options were subsequently issued during the current financial year resulting in the reversal of the accrual originally recognised.

5 INVESTMENT INCOME

	Notes	2017 R'000	2016 R'000
Interest received – cash and cash equivalents		**3 989**	8 756
Interest receivable – loans	8	**40 334**	–
Interest on financial assets	8	**33 290**	37 988
		77 613	46 744

	2017 R'000	2016 R'000

6 (LOSS)/EARNINGS PER SHARE

	2017 R'000	2016 R'000
Basic (cents)	**(6.48)**	1.64
Diluted (cents)	**(6.48)**	1.64
(Loss)/profit attributable to equity holders of the parent used in the calculation of the basic and diluted (loss)/earnings per share	**(211 822)**	53 584
Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share (000's)	**3 269 836**	3 269 836
Issued shares at the beginning of the reporting period (000's)	**3 269 836**	3 269 836
Effect of shares issued during the reporting period (weighted) (000's)	**–**	–
Add: Dilutive share options (000's)	**–**	901
Weighted average number of ordinary shares used in the calculation of diluted (loss)/earnings per share (000's)	**3 269 836**	3 270 737
Headline (loss)/earnings per share		
Basic (cents)	**(7.85)**	1.04
Diluted (cents)	**(7.85)**	1.04
Reconciliation of headline (loss)/earnings		
(Loss)/earnings attributable to equity holders of the parent	**(211 822)**	53 584
Adjusted for:		
(Reversal of impairment)/impairment of oil and gas assets	**(46 179)**	56 849
(Reversal of impairment)/impairment of other intangible assets	**(15 968)**	19 659
Write-off of property, plant and equipment	**–**	5
Gain on reorganisation of interest in Block III	**–**	(103 624)
Tax effects of adjustments	**17 401**	7 591
Headline (loss)/earnings	**(256 568)**	34 064

7 OIL AND GAS PROPERTIES

	Total R'000
Cost	
At 1 March 2015	123 145
Additions	55 444
Translation of foreign operations	46 833
At 29 February 2016	225 422
At 1 March 2016	**225 422**
Additions	**6 916**
Disposals	**(284)**
Translation of foreign operations	**(31 278)**
At 28 February 2017	**200 776**
Depletion and impairment	
At 1 March 2015	(275)
Impairment (note 14)	(56 849)
Depletion	(2 268)
At 29 February 2016	(59 392)
At 1 March 2016	**(59 392)**
Reversal of impairment (note 14)	**46 179**
Depletion	**(3 805)**
At 28 February 2017	**(17 018)**
Net book value	
At 28 February 2015	122 870
At 29 February 2016	166 030
At 28 February 2017	183 758

Details pertaining to the prior year impairment charge and its subsequent reversal in the current year are provided in note 14.

	2017 R'000	2016 R'000
8 OTHER FINANCIAL ASSETS		
Non-current		
Loan due from EERNL[1]	**51 363**	57 484
Transcorp Refund[2]	**208 450**	–
Contingent consideration[3]	**208 509**	196 315
	468 322	253 799
Current		
Loan due from EERNL[1]	**668**	173 571
Transcorp Refund[2]	**–**	305 764
Advance payment against future services[4]	**115 825**	75 490
Deferred consideration on disposal of Greenhills Plant[5]	**2 000**	1 891
	118 493	556 716
Less: Provision for impairment[6]	**(115 919)**	(173 571)
	2 574	383 145
	470 896	636 944

1 At 28 February 2017, the long-term loan receivable of R51.4 million (2016: R57.5 million) represents the present value of future amounts (R65.1 million (2016: R80.2 million) (US$5 million)) due from EERNL, to be recovered from its share of OML 113's cash flows expected in 2019 and 2020. Interest amounting to R5.1 million (2016: R4.4 million) arising from the unwinding of the discount applied to the future receivable on initial recognition has been included in investment income in profit or loss. Foreign exchange losses totalling R11.2 million have been recognised in other operating costs in profit or loss in relation to this long-term loan (2016: foreign exchange gains totalling R15.4 million recognised in other income in profit or loss).

The short-term loan due from EERNL represents amounts historically advanced by SacOil to EERNL in connection with operating and other activities relating to OPL 233 and OPL 281. As previously disclosed, this loan was due to be settled from recoveries from Nigdel United Oil Company ("Nigdel") pursuant to a settlement agreement concluded between SacOil and EERNL in March 2015. The recoveries from Nigdel were expected from the anticipated settlement of claims instituted by SacOil and EERNL against Nigdel pursuant to the exit from OPL 233. On 11 October 2016, SacOil, EERNL and Nigdel entered into a settlement agreement whereupon the parties withdrew their respective litigation and arbitration claims. Consequently, the short-term loan due from EERNL of R173.6 million is no longer recoverable and has been written off to other operating costs in profit or loss. The provision for impairment of R173.6 million which was recognised in the prior year pending the outcome of the settlement of the claims, has also been derecognised within other operating costs in profit or loss. The write-off of the EERNL loan therefore has no impact on the current year profit or loss as this has been off-set by the reversal of the provision for impairment initially recognised in the previous year.

2 The Transcorp Refund represents amounts recoverable from Transcorp under the provisions of the Farm-in Agreement ("FIA"), following the termination of SacOil 281's participation in OPL 281. SacOil paid R44.1 million (US$6.25 million) on behalf of its subsidiary SacOil 281, and R43.6 million (US$6.25 million) on behalf of EER 233 Nigeria Limited for a signature bonus and other costs relating to OPL281, which contractually should be refunded by Transcorp with interest, on the signature bonus component, at 20% per annum. The FIA provides for the accrual of interest between the date of payment of these amounts and the date of exit from the asset, being 3 December 2014. As such there is no interest accrued in the current year (2016: Rnil). Under the terms of the settlement agreement concluded with EERNL in 2015, EERNL ceded its share of the refund as settlement of the OPL 281 loan owed to SacOil. The decrease in the receivable during the period is attributable to foreign exchange losses of R52.9 million due to the strengthening of the Rand (2016: foreign exchange gain of R84.9 million), interest of R10.5 million (2016: Rnil) and an impairment charge of R54.9 million (2016: Rnil). The SacOil Board continues to pursue the recovery of the Transcorp Refund, however, it is now estimated that the ongoing litigation (as fully disclosed in the Litigation Section on page 3) may be resolved at the end of 2018. This delay has affected the valuation of the receivable. The impairment charge reflects the impact of the time value of money and has been recorded under other operating costs in profit or loss. Pursuant to the exit, SacOil does not have further commitments or obligations associated with the appraisal of OPL 281. The receivable has been reclassified as long term as it is estimated that the Transcorp litigation will likely be resolved at the end of 2018.

3 The contingent consideration represents SacOil DRC's right to receive cash from Total upon the occurrence of certain future events under the terms of the Farm-in Agreements concluded in 2011 and 2012. The agreements were concluded between Total and Semliki. Pursuant to the reorganisation completed in the prior financial year, SacOil's interest in Block III and its rights under the various agreements relating to the asset were transferred to SacOil DRC. Due to the contractual right to receive cash from Total, the Group has historically 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 the Group reassesses its estimate of receipts from the financial asset in line with IAS 39. Included in profit or loss at 28 February 2017 is a reversal of an impairment loss of R31.8 million. The fact that agreement has been reached on the route of the oil export pipeline from Uganda has removed some of the timing risk associated with the receipt of the contingent bonus as illustrated below. In the prior year an impairment loss of R26.1 million was recognised in profit or loss arising from the write-down of future expected cash flows from the contingent consideration receivable for the Block III farm-outs in March 2011 and March 2012. The write-down which was reflective of the impact of the time value of money arose as a result of the delays in activities on Block III due to civil unrest in the area and in obtaining an extension of the operating licence, which deferred the receipt of the contingent consideration by a year. The extension has since been granted.

The movement in the contingent consideration is attributable to imputed interest of R17.6 million (2016: R26.4 million), a reversal of impairment of R31.8 million (2016: Rnil) and a foreign exchange loss of R37.1 million (2016: R91.1 million foreign exchange gain). A deferred tax charge of R4.9 million (2016: tax charge of R36.5 million) was recognised in the statement of comprehensive income.

8 OTHER FINANCIAL ASSETS (CONTINUED)

The assumptions used to measure the contingent consideration are detailed below:

	2017	2016
Probability of exploration success (single well)	**26%**	26%
Probability of at least one success from two wells	**45%**	45%
Probability of successful completion given exploration success	**89%**	89%
Discount rate	**10%**	10%
First Investment Decision Date ("FID")	**28 February 2020**	28 February 2021
First Oil Date ("FOD")	**28 February 2022**	28 February 2025
Valuation date	**28 February 2017**	28 February 2016
Contingent consideration		
FID	**US$29 000 000**	US$29 000 000
FOD	**US$25 000 000**	US$25 000 000

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 R48.6 million (2016: R45.5 million) lower and R48.6 million (2016: R45.5 million) higher, respectively.

[4] 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 ("the Agreement"). This debt became due and payable on 29 February 2016 and remains unpaid as at the date of the annual financial statements. The financial asset recognised at 28 February 2017 is R115.8 million (2016: R75.5 million) representing the advance of R75.5 million and interest totalling R40.3 million (2016: Rnil) calculated at the prime rate plus 3%. The interest has been included in investment income in the statement of comprehensive income. The Agreement provides for the accrual of default interest on the amount outstanding from 28 February 2013 until such time the debt is paid in full. The amount due from Encha Energy has been provided for as outlined below, pending the outcome of the debt recovery process.

[5] The remaining consideration of R2.0 million for the disposal of the Greenhills Plant was due on 1 October 2016. The amount remains unpaid at the date of the annual financial statements. A provision for impairment has been recognised as outlined below.

[6] For the duration of the Agreement referred to above, as provided for therein, the Company received certificates from Encha's auditors which confirmed at each reporting date that the net asset value of the Encha Group exceeded R100 million as a basis to support the recoverability of the amount owed. Since the expiry of the Agreement and the subsequent default by Encha on its obligations, this information has not been made available to the Company to enable a complete assessment of the financial position of the Encha Group. Information available to enable an assessment of the recoverability of the R115.8 million owed to the Company at 28 February 2017 was therefore limited to information available in the public domain on Encha's asset base. This information however does not provide visibility of Encha's liabilities to enable a complete assessment of the net asset position at 28 February 2017. A provision for impairment of R115.8 million has therefore been raised.

A impairment provision of R0.1 million (2016: Rnil) has been recognised against the deferred consideration on disposal of the Greenhills Plant following management's assessment of the debtor's ability to repay the amount owed. A recovery process is currently ongoing.

In the prior year a provision for impairment of R173.6 million was recognised pending the outcome of the arbitration proceedings where it was expected that SacOil would recover the amount owed from Nigdel as outlined above (footnote 1).

The fair value of other financial assets is given in note 15.

9 OTHER INTANGIBLE ASSETS

	Computer software R'000	Other intangible assets R'000	Total R'000
Cost			
At 28 February 2015	408	62 743	63 151
Additions	409	–	409
Translation of foreign operations	–	22 272	22 272
At 29 February 2016	**817**	**85 015**	**85 832**
Translation of foreign operations	**–**	**(10 344)**	**(10 344)**
At 28 February 2017	**817**	**74 671**	**75 488**
Accumulated depreciation and impairment			
At 28 February 2015	(202)	(1 853)	(2 055)
Impairment (note 14)	–	(19 659)	(19 659)
Amortisation	(180)	(6 094)	(6 274)
At 29 February 2016	**(382)**	**(27 606)**	**(27 988)**
Reversal of impairment (note 14)	**–**	**15 968**	**15 968**
Amortisation	**(198)**	**(4 986)**	**(5 184)**
At 28 February 2017	**(580)**	**(16 624)**	**(17 204)**
At 28 February 2015	206	60 890	61 096
At 29 February 2016	435	57 409	57 844
At 28 February 2017	237	58 047	58 284

The Group's other intangible assets arose from the acquisition of Mena in October 2014. Mena owns the Lagia oil field. The Petroleum Concession Agreement gives Mena the right to drill for petroleum reserves.

Details pertaining to the prior year impairment charge and subsequent reversal in the current year are provided in note 14.

10 CASH AND CASH EQUIVALENTS

	2017 R'000	2016 R'000
Cash and cash equivalents consist of:		
Cash at banks and on hand	**11 775**	23 810
Short-term deposits	**6 949**	83 539
Cash and cash equivalents	**18 724**	107 349

Cash at banks earns interest at floating rates. Short-term deposits are made for varying periods but usually for one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 28 February 2017, the Group had no undrawn committed borrowing facilities.

11 STATED CAPITAL

	000's Number of shares	R'000 Stated capital
Balance at 1 March 2015	3 269 836	1 216 504
Balance at 29 February 2016	3 269 836	1 216 504
Balance at 28 February 2017	3 269 836	1 216 504

12 TRADE AND OTHER PAYABLES

	2017 R'000	2016 R'000
Trade payables	**5 084**	10 655
Accruals	**3 284**	10 585
Other payables	**1 051**	1 121
	9 419	22 361

The carrying values of trade and other payables approximate their fair values.

13 REORGANISATION OF INTEREST IN BLOCK III

AT 29 FEBRUARY 2016

BACKGROUND

Prior to the reorganisation concluded on 29 February 2016, Semliki SARL ("Semliki") had a direct 18.3% participating interest in Block III in the DRC alongside partners Total E&P RDC (66.7%) ("Total") and the DRC government (15%). Semliki was 68% directly owned by RDK Mining Proprietary Limited ("RDK"), with the remaining 32% held by Divine Inspiration Group Proprietary Limited ("DIG"). RDK is a wholly owned subsidiary of SacOil.

REORGANISATION

During the prior year SacOil initiated a process to reorganise the holding of its indirect interest in Block III ("the Interest"). The transaction agreements implementing the reorganisation were concluded on 29 February 2016. This resulted in the disposal of the Group's shareholding in Semliki for US$1 (R16) and the incorporation of SacOil DRC SARL ("SacOil DRC"), in which RDK owns 100% of the issued shares. The effect of the reorganisation was to transfer the Group's share of assets and liabilities (including the Interest), previously owned in Semliki, to SacOil DRC, pursuant to various agreements with DIG. This reorganisation has since enabled SacOil to represent its interest in Block III directly and to have a direct line of sight of the activities of the block.

The following table summarises the impact of the reorganisation on the results of the Group as at 29 February 2016 measured at the carrying amount of the assets and liabilities disposed or transferred:

	2016 R'000
Disposal of Semliki:	
Exploration and evaluation assets	(74 366)
Contingent consideration	(329 097)
Loan due from DIG	(57 729)
Cash and cash equivalents	(107)
Non-controlling interest	(29 397)
Deferred tax liability	131 639
Loans from Group companies	84 268
Current tax payable	272 206
Total identifiable net liabilities disposed at carrying amount	(2 583)
Plus: Transfer of assets and liabilities to SacOil DRC:	
Exploration and evaluation assets	50 569
Contingent consideration	196 315
Deferred tax liability	(78 526)
Loans from Group companies	(84 268)
Total identifiable net assets recognised	84 090
Plus: Impact of the reorganisation on SacOil's assets and liabilities[1]:	
Other financial assets	(12 190)
Current tax payable	34 307
Net identifiable liabilities derecognised at carrying amount	22 117
Total impact of the reorganisation	103 624
Total gain on reorganisation of Interest	(103 624)
Total consideration transferred[2]	–

1 DIG indemnified the Group and Company of tax obligations pertaining to the farm-out of a portion of Block III to Total in March 2011 and March 2012 which resulted in the derecognition of current tax payable. Consequently, the asset previously recognised to reflect the recovery of taxes payable by the Group and the Company from DIG, under this indemnity, was simultaneously derecognised.

2 Amount less than R1 000.

The gain on reorganisation of R103.6 million was recognised in "other income" in profit or loss at 29 February 2016.

	2016 R'000
The cash outflow on reorganisation is as follows:	
Cash received	–
Net cash retained in Semliki	(107)
Net cash outflow	(107)

14 REVERSAL OF IMPAIRMENT/(IMPAIRMENT) OF NON-CURRENT ASSETS

In assessing whether an impairment or impairment reversal is required, the carrying value of the cash-generating unit ("CGU") is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs to sell and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment charges or reversals described below is value in use. The Group generally estimates value in use using a discounted cash flow model.

Key assumptions relating to the valuation of the oil and gas assets and other intangible assets in the current and prior year include the discount rate and cash flows used to determine the value in use. Future cash flows were estimated based on financial budgets approved by management covering a three-year period and were extrapolated over the useful life of the assets to reflect the long-term plans for the Group using the estimated growth rate for the specific business. The future cash flows were discounted to their present values using a pre-tax discount rate of 10%. This discount rate was derived from the Group's post-tax weighted average cost of capital ("WACC"), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC took into account targeted debt and equity, weighted 50% each. The cost of equity was derived from the expected return on investment by the Group's investors. The cost of debt was based on the interest rate at which the Group would be able to borrow for future expenditure. Segment-specific risk was incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Other key assumptions used for the valuation in the current and prior year:

- Crude oil prices: Forecast commodity prices were based on management's estimates and available market data
- Production rates: Based on management's best estimate of production profiles
- Growth rate estimates: Rates were based on published industry research
- Gross margins: Gross margins were based on average values achieved in since the acquisition of the assets

28 February 2017	**2017 R'000**	2016 R'000
Impairment reversals		
Oil and gas properties (note 7)	**46 179**	–
Other intangible assets (note 9)	**15 968**	–
	62 147	–

The trigger for testing for the reversal of previously recognised impairment losses was the uplift in oil prices and future operating cost estimates. On 28 February 2017, the Group reversed the impairments of oil and gas assets of US$3.5 million (R46.2 million) (2016: Rnil) and other intangible assets US$1.2 million (R16.0 million). These reversals relate to impairment losses recognised in the prior year attributable to these assets which are owned by SacOil's subsidiary, Mena International Petroleum Company Limited ("Mena"). The reversals resulted from a positive change in the estimates used to determine the assets' recoverable amount since the impairment losses were recognised, specifically the future oil price estimates and future operating cost estimates. The basis for the determination of recoverable amount is outlined above.

28 February 2016	**2017 R'000**	2016 R'000
Impairment losses		
Oil and gas properties (note 7)	**–**	(56 849)
Other intangible assets (note 9)	**–**	(19 659)
	–	(76 508)

The trigger for impairment testing for the prior year was the decline in oil prices which significantly affected the revenue of the Group. This decline occurred subsequent to the acquisition of Mena in October 2014.

Management considered the sensitivity of the value-in-use calculation to various key assumptions such as crude oil prices and production rates. These sensitivities were taken into consideration in determining the required impairments or reversal of impairments. A 10% change in any of these variables would have changed the recoverable amount to between US$12.2 million (R159.1 million) (2016: US$12.5 million (R201.3 million)) and US$36.6 million (R476.1 million) (2016: US$ 20.9 million (R337.2 million)). The recoverable amount at 28 February 2017 was US$24.4 million (R317.6 million) (2016: US$13.9 million (R223.4 million)).

The Group's oil and gas properties and other intangible assets form part of a single CGU. This CGU falls within the Egypt reportable segment (note 3).

	Carrying value		Fair value	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000

15 FAIR VALUE MEASUREMENT

Group				
Loans and receivables				
Other financial assets (note 8)[1]	**470 896**	636 944	**428 682**	540 851

[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.

Assets	**Fair value at 28 February 2017 R'000**	Valuation technique	Significant inputs
Other financial assets	**428 682**	Discounted cash flow model	Weighted average cost of capital

The Group's own non-performance risk as at 28 February 2017 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 R'000	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
At 28 February 2017				
Other financial assets	**–**	**–**	**428 682**	**428 682**
At 29 February 2016				
Other financial assets	–	–	540 851	540 851

There were no transfers between any levels during the year.

	2017 R'000	2016 R'000

16 COMMITMENTS AND CONTINGENT LIABILITIES

	2017 R'000	2016 R'000
Commitments		
Exploration and evaluation assets – work programme commitments – due within 12 months	**313**	830
Exploration and evaluation assets – work programme commitments – due within 13 to 48 months	**40 008**	51 282
	40 321	52 112

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

	2017 R'000	2016 R'000
Contingent liabilities		
Cost carry arrangement with TOTAL[1]	**114 003**	95 773
Total	**114 003**	95 773

[1] 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. Semliki's rights under the contract were subsequently assigned to SacOil DRC as part of the reorganisation concluded on 29 February 2016. Total will be entitled to recover these costs, being SacOil DRC'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 2017, Total has incurred R114.0 million (29 February 2016: R95.8 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.

17 RELATED PARTIES

	2017 R'000	2016 R'000
Key management compensation		
Non-executive directors:		
Fees	**3 975**	3 242
Executive directors:		
Salaries	**8 676**	10 610
Other key management:		
Salaries	**7 575**	7 436

18 DIVIDENDS

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

19 GOING CONCERN

The Company incurred a net loss for the year ended 28 February 2017 of R211.8 million (2016: net profit: R39.6 million). The results of the Group continue to be affected by developments in the global markets with respect to oil prices and exchange rates as well as lower than expected performance of the Lagia asset for the reasons highlighted in the operations and finance reviews. Consequently, the Group's operations have not delivered expected cash flows which has resulted in a net cash outflow of R88.1 million for the year ended 28 February 2017 (2016: R128.5 million) from operations, business development activities and overhead costs. The Group's cash resources at 28 February 2017 total R18.7 million and are presently not adequate to meet the Group's obligations for the foreseeable future. The following uncertainties therefore exist with respect to the Group's ability to remain a going concern.

AVAILABILITY OF FUNDING FOR THE GROUP'S ACTIVITIES

A deficit of R164.4 million exists in the Group's cash flow forecast to February 2020 ("the Forecast") for reasons highlighted above. The Forecast does not take into account the possible cash inflow which could arise from the recovery of funds owed to the Group as disclosed in note 8. In order to address the shortfall, the Group secured an equity bridge of US$12.5 million from Gemcorp Africa Fund I Limited on 31 May 2017 as disclosed in note 20 which became available to the Group to utilise as of that date. This loan will be repaid from the proceeds of a rights issue which the Board of Directors ("the Board") has committed to undertake within the next twelve months. The Board is confident of obtaining the required support from its key shareholders for the future rights issue, however, it is difficult to establish with certainty the extent to which shareholders will follow their rights in order to raise adequate funds to repay the loan.

OPERATIONAL PERFORMANCE OF THE GROUP

Should Lagia production increase significantly as forecasted based on the planned development activities, it is expected that this should have a material impact on the financial performance of the Group as a whole, subject to the impact of the prevailing exchange rates and oil prices during the foreseeable future. Further, the Group is still in the exploration phase for certain of the rights that it holds. Should these explorations prove successful, there is significant upside available in the forecasted financial position and performance in the long term. It remains to be seen whether the planned development and exploration activities yield the expected results.

ACQUISITION OF MATERIAL SUBSIDIARY

SacOil has completed the acquisition of Phembani Oil and this acquisition is expected to contribute positively to the cash flow position of the Group. Management is confident that Afric Oil's underlying financial performance will further improve the sustainability of the Group. The attainment of Afric Oil's forecast after the acquisition remains an uncertainty given the extensive integration that will be required.

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

The Board remains reasonably confident that it will manage the material uncertainties that exist, accordingly the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

20 EVENTS AFTER THE REPORTING PERIOD

The following events occurred after the reporting period:

ACQUISITION OF PHEMBANI OIL PROPRIETARY LIMITED

On 3 March 2017, SacOil 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. The detailed announcement regarding this acquisition is available on the Company's website at www.sacoilholdings.com.

CANCELLATION OF AIM ADMISSION

On 6 March 2017, following careful consideration, the Company decided to seek shareholders' approval to cancel the admission of its ordinary shares to trading on AIM ("Cancellation"). The decision was made on the basis that the Company's shareholder base is predominantly South African and its shares trade sporadically in London. Accordingly, the board of directors felt it could not justify the costs of retaining two listings and the burden of complying with two regulatory regimes. An explanatory circular was posted to shareholders on 24 April 2017 to call a general meeting to approve the Cancellation, setting out the background to and reasons for the Cancellation and the reasons why the Board believes that this is in the best interests of the Company and its shareholders as a whole and their recommendation to shareholders to vote in favour of the resolution on the Cancellation. The circular is also available on the Company's website at www.sacoilholdings.com. The general meeting was held on 22 May 2017 and shareholders voted in favour of the Cancellation. The Cancellation became effective at 07:00 (UK time) on 31 May 2017.

EQUITY BRIDGE LOAN

On 31 May 2017, SacOil secured an equity bridge loan of R162.2 million (US$12.5 million) from Gemcorp Africa Fund I Limited, a company based in Mauritius. The loan is repayable in 12 months from the proceeds of a rights issue which the Board has committed to undertake within the next 12 months. The loan is secured by a cession in security of the rights offer proceeds, bears interest at 8.5% per annum and was arranged at a fee of 2%. The loan will be utilised to fund the acquisition of Phembani Oil and for working capital for general corporate purposes of the Group.

21 BUSINESS COMBINATION

On 31 May 2017, the Group acquired 100% of the share capital of Phembani Oil Proprietary Limited ("Phembani"), an investment holding company whose only asset is a 71% equity interest in Afric Oil Proprietary Limited which owns a fuel distribution business. Phembani has been acquired to enable the Group to enter the downstream segment of the oil and gas value chain and have a footprint in South Africa. The acquisition is also expected to contribute significant revenues and cash flows as a basis for establishing overall sustainability of the Group.

The provisional fair values of the identifiable assets and liabilities of Phembani as at the date of acquisition were:

	Provisional fair value R'000
Property, plant and equipment	230 573
Intangible assets	500
Other financial assets	3 500
Deferred tax assets	11 915
Inventories	32 612
Loans to Group companies	459
Other financial assets	368
Current tax receivable	342
Trade and other receivables	234 657
Cash and cash equivalents	26 969
	541 896
Financial liabilities	(239 677)
Finance lease obligations	(4 677)
Deferred tax	(1 333)
Other financial liabilities	(11 523)
Current tax payable	(26)
Deferred consideration	(45 812)
Trade and other payables	(128 996)
Provisions	(3 420)
Bank overdraft	(9 205)
	(444 669)
Total identifiable net assets at fair value	97 227
Non-controlling interest	(28 196)
Goodwill arising on acquisition	114 413
Consideration at fair value	183 444
Cash	38 997
Equity instruments	89 487
Contingent consideration (equity instruments)	54 960
The cash outflow on acquisition is as follows:	
Cash paid	38 997
Net cash acquired with the subsidiary	(17 764)
Net consolidated cash outflow	21 233

The fair value of the 690 million SacOil ordinary shares issued or to be issued as part of the consideration paid for the acquisition of Phembani was based on the 90-day volume weighted average price on 31 May 2017, at a discount of 10%.

The contingent consideration will be settled in SacOil ordinary shares if Phembani achieves EBITDA of between R68 million and R100 million for the year ending 31 December 2017 and if it recovers specified accounts receivable within 12 months.

The fair value of trade and other receivables is R234.7 million and includes trade receivables with a fair value of R204.4 million. The gross contractual amount for trade receivables due is R224.3 million, of which R19.9 million is expected to be uncollectible.

The fair values disclosed are provisional due to the complexity of the acquisition and the fact that the assessment of the underlying intangible assets acquired (brand and customer and supplier relationships), and the allocation of value to these assets is still being finalised. In addition, these fair values are based on the balance sheet as at 31 March 2017, being the latest available financial information close to the acquisition date. As a result the final fair values and final goodwill acquired may differ once the intangible asset valuation process has been completed. The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition at the latest.

The goodwill arising on acquisition is attributable to expected synergies from the intergration of the Afric Oil and Big Red businesses and the value of the brand, customer relationships and supplier relationships.

On behalf of the Board

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

Johannesburg
31 May 2017

CORPORATE INFORMATION

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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
Corporate Legal Advisers	Norton Rose Fullbright South Africa
Auditors	Ernst & Young Inc.
JSE Sponsor	PSG Capital Proprietary Limited
Investor Relations (United Kingdom)	Buchanan Communications Limited