



# Savannah Petroleum PLC

## AIM Admission Document

Admission to trading on AIM by  
Strand Hanson Limited, Mirabaud Securities LLP, Renaissance Capital Limited,  
FirstEnergy Capital LLP and Ladenburg Thalmann & Co. Inc.



Financial & Nominated Adviser  
Strand Hanson Limited



Global Coordinator and Joint Bookrunner  
Mirabaud Securities LLP



Joint Bookrunner  
Renaissance Capital Limited



Joint Lead Manager  
FirstEnergy Capital LLP



U.S. Placing Agent  
Ladenburg Thalmann & Co. Inc.

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or as to what action you should take, you should seek your own personal advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are resident in the UK, or, if you are not resident in the UK, from another authorised independent adviser.

This document does not comprise a prospectus within the meaning of section 85 of FSMA and does not constitute an offer of transferable securities to the public in the United Kingdom, within the meaning of section 102B of FSMA, and has not been approved or examined by and will not be filed with the United Kingdom Financial Conduct Authority, London Stock Exchange plc (the "London Stock Exchange") or the United Kingdom Listing Authority ("UKLA"), but comprises an admission document in relation to AIM, a market operated by the London Stock Exchange ("AIM"). It has been drawn up in accordance with the AIM Rules (as defined below) and has been issued in connection with the proposed admission to trading of the Enlarged Share Capital (as defined below) on AIM ("Admission").

Savannah Petroleum PLC (the "Company") and its directors (the "Directors"), whose names appear on page 15 of this document, accept responsibility, collectively and individually, for the information contained in this document and for compliance with the AIM Rules for Companies (the "AIM Rules"). To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as set out in this document.

In accordance with the AIM Rules, application will be made for Admission of the whole of the Company's issued ordinary shares (including shares arising from the conversion of the loan notes issued by the Company, the "Existing Ordinary Shares") and certain of the Company's new ordinary shares being placed (the "Placing Shares") (together the "Enlarged Share Capital"). It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on AIM on 1 August 2014. The Enlarged Share Capital is not dealt in on any market other than, from Admission, AIM and, apart from the application for Admission, no application has been or is intended to be made for the Enlarged Share Capital to be admitted to trading on any such other market.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UKLA (the "Official List") and the AIM Rules are less demanding than those regulations applicable to companies on the Official List. It is emphasised that no application is being made for admission of the Enlarged Share Capital to trading on the Official List. A prospective investor should be aware of the risks of investing in AIM companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

**THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART 2 OF THIS DOCUMENT THAT DESCRIBES CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE COMPANY.**

## SAVANNAH PETROLEUM PLC

(incorporated in England & Wales under the Company's Act 2006 with registered number 9115262)

### PLACING OF 52,300,000 NEW ORDINARY SHARES AT 56 PENCE PER SHARE

AND

### APPLICATION FOR ADMISSION OF THE ENLARGED SHARE CAPITAL TO TRADING ON AIM



Financial & Nominated Adviser  
Strand Hanson Limited



Global Coordinator and Joint Bookrunner  
Mirabaud Securities LLP

Renaissance  
Capital

Joint Bookrunner  
Renaissance Capital Limited



Joint Lead Manager  
FirstEnergy Capital LLP



U.S. Placing Agent  
Ladenburg Thalmann & Co. Inc.

The Placing is conditional on, *inter alia*, Admission taking place on or before 1 August 2014 (or such later date as the Company, Strand Hanson Limited ("Strand Hanson"), Mirabaud Securities LLP ("Mirabaud"), Renaissance Capital Limited ("Renaissance Capital") and FirstEnergy Capital LLP ("FirstEnergy") may agree), but in any event not later than 15 August 2014. The Placing Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid on the Enlarged Share Capital and will rank *pari passu* in all other respects with the Existing Ordinary Shares.

Strand Hanson, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial and nominated adviser to the Company in connection with the Placing and the proposed Admission. Its responsibility as the Company's nominated adviser under the AIM Rules for Nominated Advisers is owed solely to the London Stock Exchange and is not owed to the Company or to any Director or to any other person in respect of their decision to acquire shares in the Company in reliance on any part of this document. Strand Hanson is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the proposed Admission.

Mirabaud, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as global coordinator and joint bookrunner to the Company in connection with the Placing and the proposed Admission. Mirabaud is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the proposed Admission.

Renaissance Capital, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as joint bookrunner to the Company in connection with the Placing and the proposed Admission. Renaissance Capital is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the proposed Admission.

FirstEnergy, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as joint lead manager to the Company in connection with the Placing and the proposed Admission. FirstEnergy is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the proposed Admission.

Ladenburg Thalmann & Co. Inc. ("Ladenburg"), a broker-dealer registered with and regulated by the Securities and Exchange Commission (the "SEC") and the U.S. Financial Industry Regulatory Authority ("FINRA"), is acting as the Company's exclusive placing agent in the United States for the Placing Shares. Ladenburg may arrange for the offer and sale of the Placing Shares in the United States only to persons reasonably believed to be qualified institutional buyers under Rule 144A ("QIBs"). Ladenburg (i) was not requested to (and did not) verify any statement contained in this document relating to the past or future financial performance, financials, operations or activities of the Company or its affiliates, the Company's products or any market information; (ii) did not conduct any investigation with respect to such information; and (iii) cannot guarantee the accuracy of such information.

None of Strand Hanson, Mirabaud, Renaissance Capital or FirstEnergy have authorised the contents of this document and no representation or warranty, express or implied, is made by any of Strand Hanson, Mirabaud, Renaissance Capital or FirstEnergy as to the accuracy or contents of this document or the opinions contained herein, without limiting the statutory rights of any person to whom this document is issued. The information contained in this document is not intended to inform or be relied upon by any subsequent purchasers of any ordinary shares in the capital of the Company ("Ordinary Shares") (whether on or off exchange) and accordingly no duty of care is accepted by Strand Hanson, Mirabaud, Renaissance Capital or FirstEnergy in relation to them. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this document will not, under any circumstances, be deemed to create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to its date.

No legal, business, tax or other advice is provided in this document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

The document does not purport to contain all of the information that may be required to evaluate an investment in the Placement. The persons to whom this document has been delivered are encouraged to ask questions of and receive answers from the Company and to obtain any additional information they deem necessary concerning the matters described herein. This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities. Any such offer or solicitation will be made only in accordance with applicable securities laws.

This document does not constitute an offer to sell, or a solicitation to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any such distribution could result in a violation of the laws of such jurisdictions. In particular this document is not for distribution into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, or any other jurisdiction where to do so would be in breach of any applicable laws and/or regulations. The Ordinary Shares have not been, nor will they be, registered under the securities legislation of the United States, any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Accordingly, the Ordinary Shares may not, subject to certain exemptions, be offered, sold, re-sold, renounced, taken up or delivered, directly or indirectly, into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, or to any national, citizen or resident of the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. No action has been taken by the Company, the holders of Ordinary Shares, or by Strand Hanson, Mirabaud, Renaissance Capital or FirstEnergy that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Investors should only rely on the information in this document and any supplementary Admission document produced to supplement the information contained in this document. No person has been authorised to give any information or to make any representations other than as contained in this document in connection with the Placing and, if given or made, such information and representations must not be relied upon as having been authorised by or on behalf of the Company, Mirabaud, Renaissance Capital or FirstEnergy. The contents of the websites of the Group (and/or any of its affiliates) or any website directly or indirectly linked to such websites do not form part of this document and investors should not rely on them.

Copies of this document will be available free of charge during normal business hours on weekdays (excluding Saturdays, Sundays and public holidays) from the date hereof until one month after Admission from the offices of Strand Hanson Limited, 26 Mount Row, London W1K 3SQ and from the Company's website: <http://www.savannah-petroleum.com>.

#### **Notice to prospective overseas investors**

##### **European Economic Area**

This document and the Placing when made are only addressed to and directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ("Qualified Investors"). In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, Qualified Investors: (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), and Qualified Investors falling within Article 49(2)(a) to (d) of the Order; and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on: (i) in the United Kingdom, by persons who are not relevant persons; and (ii) in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to: (i) in the United Kingdom, relevant persons; and (ii) in any member state of the European Economic Area other than the United Kingdom, Qualified Investors.

##### **United States**

The Ordinary Shares have not been, and will not be, registered under the Securities Act. The Placing Shares being offered in this document may not be offered or sold in the United States, except to QIBs, the exemption from any US state securities laws or outside the US to non-US persons (within the contemplation of Rule 903 of Regulation S) or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Prospective investors are hereby notified that the sellers of the Placing Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

**THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY AND WILL NOT BE FILED WITH THE SEC, ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, AND NO SUCH AUTHORITIES HAVE PASSED UPON OR ENDORSED THE MERITS OF THE PLACING OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

##### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

##### **Switzerland**

This document is not intended to constitute an offer or solicitation to purchase or invest in the Placing Shares described herein. The Placing Shares may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Placing Shares constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus as such term is defined in the Swiss Collective Investment Schemes Act, and neither this document nor any other offering or marketing material relating to the Placing Shares may be publicly distributed or otherwise made publicly available in Switzerland.

##### **Forward-looking statements.**

This document contains forward looking statements relating to the Company's future prospects, developments and strategies, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Predicted results or developments could fail to occur due to a number of factors. Nothing in this document shall be relied upon as a promise or representation as to past or future performance or otherwise. Forward-looking statements are or may be, without limitation, identified by the use of terms and phrases such as "believe", "could", "envise", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are subject to, *inter alia*, the risk factors described in Part 2 of this document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement, is subject to change without notice, and may not come to pass, and neither the Company nor the Directors undertake any obligation to update such statements.

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## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Publication of this document	29 July 2014
Admission becomes effective and dealings in the Enlarged Share Capital expected to commence on AIM	8.00 a.m. on 1 August 2014
CREST accounts expected to be credited in respect of Placing Shares	1 August 2014
Definitive share certificates expected to be despatched (where applicable)	by 4 August 2014
<i>Each of the times and dates in the above timetable is subject to change without further notice. All references are to London time unless otherwise stated. Temporary documents of title will not be issued.</i>	

## **PLACING STATISTICS**

Number of Existing Ordinary Shares in issue at the date of this document	50,000,001
Placing Price	56 pence
Number of Placing Shares	52,300,000
Number of Loan Note Conversion Shares <sup>1</sup>	29,037,171
Number of Ordinary Shares in issue on Admission	131,337,172
Market capitalisation on Admission at the Placing Price	£73.5 million
Percentage of the Enlarged Share Capital represented by the Placing Shares	39.8 per cent.
Percentage of the Enlarged Share Capital represented by the Loan Note Conversion Shares	22.1 per cent.
Percentage of the Enlarged Share Capital held by the Directors at Admission	21.3 per cent.
AIM symbol	SAVP
ISIN	GB00BP41S218
SEDOL	BP41S21

## **EXCHANGE RATES**

For reference purposes only, the following exchange rates have been used in the document:

£1:US\$1.707

XOF1:US\$0.0021

All amounts in Parts 1 – 6 of this document expressed in the above currencies have, unless otherwise stated, been calculated using the above exchange rates.

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<sup>1</sup> Assumes full conversion of the PLC Loan Notes save for those disclosed in paragraph 3.4 of Part 6 of this document.

## DEFINITIONS

The following definitions apply throughout this document, unless otherwise stated or the context requires otherwise:

<b>“Act”</b>	the UK Companies Act 2006, as amended from time to time;
<b>“Admission”</b>	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies;
<b>“AIM”</b>	the AIM market operated by the London Stock Exchange;
<b>“AIM Rules for Companies” or “AIM Rules”</b>	the London Stock Exchange’s rules and guidance notes contained in its “AIM Rules for Companies” publication relating to companies whose securities are traded on AIM, as amended from time to time;
<b>“AIM Rules for Nominated Advisers”</b>	the London Stock Exchange’s rules contained in its “AIM Rules for Nominated Advisers” publication relating to the nominated advisers of companies whose securities are traded on AIM, as amended from time to time;
<b>“Articles”</b>	the articles of association of the Company in force on Admission;
<b>“Board”</b>	the board of directors of the Company from time to time;
<b>“certificated” or “in certificated form”</b>	an Ordinary Share which is not in uncertificated form (that is, not in CREST);
<b>“CNPC”</b>	the China National Petroleum Corporation;
<b>“CNPC PSC”</b>	the production sharing contract into which CNPC entered with the Nigerien government in 2008;
<b>“Company”</b>	Savannah Petroleum plc, a company incorporated in England and Wales with registered number 9115262, whose registered office is at 1st floor, 45 King William Street, London EC4R 9AN;
<b>“Competent Person” or “CGG Robertson”</b>	Robertson (UK) Limited of Fugro House, Hithercroft Road, Wallingford, Oxfordshire, OX10 9RB;
<b>“Corporate Governance Code”</b>	the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (as amended);
<b>“CPR” or “Competent Person’s Report”</b>	CGG Robertson’s competent person’s report on the Group’s Nigerien assets, as set out in Part 5 of this document;
<b>“CREST”</b>	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares in uncertificated form;
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force;
<b>“Directive”</b>	the Directive on Takeover Bids (2004/25/EC);

<b>“DirectorCo 1”</b>	Savannah Niger Director 1 Limited, a company incorporated in Jersey with registered number 115995 whose registered address is 15 Esplanade, St Helier, Jersey, JE1 1RB;
<b>“DirectorCo 2”</b>	Savannah Niger Director 2 Limited, a company incorporated in Jersey with registered number 115996 whose registered address is 15 Esplanade, St Helier, Jersey, JE1 1RB;
<b>“DirectorCo 3”</b>	Savannah Niger Director 3 Limited, a company incorporated in Jersey with registered number 115997 whose registered address is 15 Esplanade, St Helier, Jersey, JE1 1RB;
<b>“Directors”</b>	those persons who have been appointed as executive or non-executive directors of the Company, as applicable, whose names are set out on page 15 of this document;
<b>“Enlarged Share Capital”</b>	the 131,337,172 Ordinary Shares in issue on Admission, comprising the Existing Ordinary Shares, the Loan Note Conversion Shares and the Placing Shares;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a company incorporated in England & Wales with registered number 2878738, being the operator of CREST;
<b>“Exclusive Exploitation Authorisation”</b>	an exclusive exploitation authorisation as defined by the Petroleum Code, issued to a contractor and authorising it to undertake hydrocarbons development and exploitation operations in a contractual exploitation area;
<b>“Exclusive Exploration Authorisation” or “EEA”</b>	an exclusive exploration authorisation as defined by the Petroleum Code, issued to a contractor and authorising it to undertake hydrocarbons exploration operations in a contractual exploration area;
<b>“Existing Ordinary Shares”</b>	the 50,000,001 Ordinary Shares in issue prior to Admission as at the date of this document;
<b>“FCA”</b>	the Financial Conduct Authority (formerly the Financial Services Authority) of the United Kingdom;
<b>“FirstEnergy”</b>	FirstEnergy Capital LLP of 85 London Wall, London, EC2M 7AD, the Company’s joint lead manager in connection with the Placing;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 of the UK (as amended), including any regulations made pursuant thereto;
<b>“Group”</b>	the Company together with its subsidiaries as at Admission;
<b>“IFRS”</b>	International Financial Reporting Standards, as adopted by the European Union;
<b>“ISIN”</b>	International Securities Identification Number of the Company, being GB00BP41S218;
<b>“Ladenburg”</b>	Ladenburg Thalmann & Co. Inc. of 570 Lexington Avenue, 11th Floor, New York, NY 10022, the Company’s US Placing Agent in connection with the Placing;
<b>“Last Practicable Date”</b>	28 July 2014, being the last practicable day prior to the publication of this document for the inclusion of certain information in this document;

<b>“LCP1”</b>	Lothian Capital Partners 1 Limited, a company incorporated in Scotland with registered number SC433066 whose registered address is 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ;
<b>“LIP”</b>	Lothian Investment Partners Limited, a company incorporated in Scotland with registered number SC466102 whose registered address is at 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ;
<b>“Loan Note Conversion Shares”</b>	(i) 25,497,236 new Ordinary Shares to be issued by the Company to the PLC Loan Noteholders in accordance with the terms of the PLC Loan Notes (certain rights attaching to the PLC Loan Notes being summarised in paragraph 3.4 of Part 6 of this document); and (ii) the Loan Note Redemption Shares;
<b>“Loan Note Redemption Shares”</b>	the 3,539,935 of new Ordinary Shares in aggregate to be issued by the Company to Lothian Investment Partners Limited and Mark Iannotti following their redemption of their PLC Loan Notes, as further described in paragraph 3.4 of Part 6;
<b>“Loan Note Instruments”</b>	each of (i) the loan note instrument entered into by SP1L on 26 May 2014 in respect of up to \$20 million of non-interest bearing, unsecured, convertible loan notes; and (ii) the loan note instrument entered into by SP1L on 12 June 2014 in respect of up to \$5 million of non-interest bearing, unsecured, convertible loan notes;
<b>“Locked In Shareholders”</b>	the Two-Year Locked In Shareholders and the One-Year Locked In Shareholders who together hold 30.81 per cent. of the Enlarged Share Capital;
<b>“LOGP”</b>	Lothian Oil & Gas Partners LLP, a limited liability partnership incorporated in Scotland with registered number S0304449 whose registered address is at 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Mirabaud”</b>	Mirabaud Securities LLP of 33 Grosvenor Place, London, SW1X 7HY, the Company’s global coordinator and joint bookrunner in connection with the Placing;
<b>“Niger Exploration”</b>	a Seychelles international business company, with registered number 150520 whose registered address is Level 2B, Caravelle House, Manglier Street, Victoria, Mahé Seychelles, and whose sole asset is an approximate five per cent. interest in SP2L;
<b>“Official Gazette”</b>	The Official Gazette of the Republic of Niger;
<b>“Official List”</b>	the Official List maintained by the UK Listing Authority pursuant to Part VII of the FSMA;
<b>“One-Year Locked In Shareholders”</b>	Shareholders owning 0.06 per cent. of the Enlarged Share Capital;
<b>“Ordinary Shares”</b>	the ordinary shares of par value £0.001 each in the capital of the Company;
<b>“Panel”</b>	the UK Panel on Takeovers and Mergers;
<b>“Petroleum Code”</b>	Act No. 2007-01 of 31 January 2007 concerning the Petroleum Code of the Republic of Niger;

<b>“Placee”</b>	an investor to whom Placing Shares are issued pursuant to the Placing;
<b>“Placing”</b>	the conditional placing by Mirabaud, Renaissance Capital and FirstEnergy of the Placing Shares with institutional and other investors at the Placing Price pursuant to the Placing Agreement;
<b>“Placing Agreement”</b>	the conditional agreement dated 28 July 2014 between (1) the Company, (2) the Directors, (3) Strand Hanson, (4) Mirabaud, (5) Renaissance Capital and (6) FirstEnergy, further details of which are set out in paragraph 8.1 of Part 6 of this document;
<b>“Placing Price”</b>	56 pence (US\$0.96 equivalent) per Placing Share;
<b>“Placing Shares”</b>	52,300,000 new Ordinary Shares to be issued by the Company and subscribed for pursuant to the Placing;
<b>“PLC Loan Noteholders”</b>	the holders of the PLC Loan Notes;
<b>“PLC Loan Notes”</b>	the loan notes of the Company of an aggregate amount and on terms and conditions identical to (other than the identity of the entity into shares of which such notes convert), and issued in exchange for (as further described in paragraph 3.4 of Part 6 of this document), the SP1L Loan Notes;
<b>“Pounds Sterling” or “£”</b>	pounds sterling, the lawful currency of the UK from time to time;
<b>“Prospectus Directive”</b>	Directive 2003/71/EC and includes any relevant implementing measures in each member state of the European Economic Area that has implemented Directive 2003/71/EC;
<b>“Prospectus Rules”</b>	the rules published by the FCA under FSMA governing the publication of a prospectus, as derived from the Prospectus Directive;
<b>“qualified institutional buyer” or “QIB”</b>	bears the meaning ascribed to such term in Rule 144A;
<b>“R1/R2 PSC Area”</b>	the R1/R2 areas in south-eastern Niger that are the subject of the Savannah PSC, as illustrated in figure 3 on page 18 of this document;
<b>“Registrar”</b>	Computershare Investor Services plc;
<b>“Regulation S”</b>	Regulation S promulgated under the Securities Act;
<b>“Renaissance Capital”</b>	Renaissance Capital Limited of 50 Bank Street, Canary Wharf, London, E14 5NT, the Company’s joint bookrunner in connection with the Placing;
<b>“Rule 144A”</b>	Rule 144A promulgated under the Securities Act;
<b>“Savannah Niger”</b>	Savannah Petroleum Niger R1/R2 S.A. a <i>société anonyme unipersonnelle</i> incorporated under the laws of Niger with registered number RCCM: NI-NIA-2014-B1940, whose registered office is at 61 rue NB-44, BP 07 Quartier Terminus, Niamey, Niger;
<b>“Savannah PSC”</b>	the production sharing contract between Savannah Niger and the Government of Niger dated 3 July 2014 in respect of the R1/R2 PSC Area;
<b>“SEC”</b>	US Securities and Exchange Commission;

<b>“Securities Act”</b>	US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
<b>“Senior Managers”</b>	Yacine Wafy and Phil Magor;
<b>“Share Dealing Code”</b>	the code on dealing in the Company’s securities adopted by the Company that complies with the AIM Rules;
<b>“Shareholders”</b>	holders of Ordinary Shares, from time to time;
<b>“Signature Bonus”</b>	the payments of \$36.72 million and €800,000 required to be made by the Group to the Government of Niger, their advisers and the Nigerien Ministry of Energy and Petroleum on or prior to 4 August 2014 pursuant to the Savannah PSC;
<b>“Significant Shareholder”</b>	a Shareholder holding three per cent. or more of the Ordinary Shares in issue from time to time;
<b>“SP1L”</b>	Savannah Petroleum 1 Limited, a company incorporated in Scotland with registered number SC453751 whose registered address is at 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ;
<b>“SP1L Group”</b>	SP1L together with its subsidiaries, SP2L and Savannah Niger;
<b>“SP1L Loan Noteholders”</b>	the holders of the SP1L Loan Notes;
<b>“SP1L Loan Notes”</b>	the non-interest bearing, unsecured, convertible loan notes of an aggregate amount of US\$21,030,000 principal issued by SP1L pursuant to the Loan Note Instruments, the principal terms of which are summarised in paragraph 3.4 of Part 6 of this document;
<b>“SP2L”</b>	Savannah Petroleum 2 Limited, a company incorporated in Scotland with registered number SC467099 whose registered address is at 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ;
<b>“Strand Hanson”</b>	Strand Hanson Limited of 26 Mount Row, London, W1K 3SQ, the Company’s financial and nominated adviser;
<b>“subsidiary” or “subsidiary undertaking”</b>	have the meanings given to them in the Act;
<b>“Substantial Shareholder”</b>	a Shareholder holding ten per cent. or more of the Ordinary Shares in issue from time to time;
<b>“Takeover Code”</b>	the UK City Code on Takeovers and Mergers (as amended from time to time);
<b>“Two-Year Locked In Shareholders”</b>	the Directors, LCP1, Aralia Capital S.A., Phil Magor, Peleng Holding Corp and Yacine Wafy holding, in aggregate, 30.75 per cent. of the Enlarged Share Capital;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“UKLA” or “UK Listing Authority”</b>	the FCA, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
<b>“uncertificated” or “in uncertificated form”</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;

<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia and all other areas subject to its jurisdiction;
<b>“United States Person”</b> or <b>“US Person”</b>	bears the meaning ascribed to such term by Regulation S;
<b>“US Dollar”, “US\$” or “\$”</b>	the legal currency of the United States from time to time;
<b>“VAT”</b>	valued added tax; and
<b>“XOF”</b>	Communaute Financiere Africaine franc, the functional currency of Niger.

A glossary of technical terms and expressions is set out on pages 11 to 14 of this document.

## GLOSSARY

The following table provides an explanation of certain technical terms and abbreviations used in this document. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

<b>“2D seismic”</b>	geophysical data that depicts the subsurface strata in two dimensions;
<b>“2P Reserves”</b>	proven and probable reserves;
<b>“3D seismic”</b>	geophysical data that depicts the subsurface strata in three dimensions. 3D seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic;
<b>“°API”</b>	a standard measure of oil density, as defined by the American Petroleum Institute;
<b>“appraisal well”</b>	a well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field;
<b>“barrels” or “bbl”</b>	a unit of volume measurement used for petroleum and its products (for a typical crude oil 7.3 barrels = 1 tonne: 6.29 barrels = 1 cubic metre);
<b>“bcf”</b>	billion standard cubic feet; 1 bcf is approximately equal to 172,414 boe or 23,618 tonnes of oil equivalent;
<b>“Best Estimate”</b>	the middle value in a range of estimates considered to be the most likely. If based on a statistical distribution, can be the mean, median or mode depending on usage;
<b>“block”</b>	an area defined for exploration licensing;
<b>“blow-out”</b>	an uncontrolled flow of gas, oil, or other well fluids into the atmosphere or into an underground formation;
<b>“boe”</b>	barrels of oil equivalent. One barrel of oil is approximately the energy equivalent of 5,800 cf of natural gas;
<b>“bopd”</b>	barrels of oil per day;
<b>“carbonates”</b>	a sedimentary rock composed primarily of calcium carbonate (limestone) or calcium magnesium carbonate (dolomite);
<b>“Chance of Success” or “CoS”</b>	the estimated chance, or probability, of making an oil and gas discovery in an exploration well;
<b>“clastics”</b>	sediments formed by the breakdown of large rock masses by climatological processes, physical or chemical;
<b>“condensate”</b>	light hydrocarbon compounds that condense into liquid at surface temperatures and pressures. They are generally produced with natural gas and are a mixture of pentane and higher hydrocarbons;
<b>“Contingent Resources”</b>	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies;
<b>“Cretaceous”</b>	geological strata formed during the period 140 million to 65 million years before the present;

<b>“crude oil”</b>	hydrocarbons that at atmospheric temperature and pressure are in a liquid state, including crude mineral oil, asphalt and ozokerites, and liquid hydrocarbons that are obtained by the separation treatment, processing or extraction;
<b>“deltaic”</b>	sediments deposited in an ancient (or present day) river delta;
<b>“dip”</b>	the inclination of a horizontal structure from the horizontal;
<b>“discovery well”</b>	an exploration well which has encountered hydrocarbons for the first time in a structure;
<b>“drilling rig”</b>	the derrick or mast drawworks, and attendant surface equipment of a drilling or workover unit;
<b>“E&amp;P”</b>	exploration and production;
<b>“Eocene horizon”</b>	stratigraphic section of Eocene age (approx 55 – 34 mybp);
<b>“Exploration Risk Factor”</b>	the estimated probability of discovering hydrocarbons within an exploration prospect. Also known as Chance of Success, or CoS.;
<b>“exploration well”</b>	a well drilled to find hydrocarbons in an unproved area or to extend significantly a known oil or natural gas reservoir;
<b>“fault” or “faulting”</b>	a displacement (vertical, inclined or lateral) below the earth’s surface that acts to offset rock layers relative to one another. Faulting can create traps for hydrocarbons;
<b>“field”</b>	an area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition;
<b>“formation”</b>	a layer or unit of rock. A productive formation in the context of reservoir rock;
<b>“full tensor gravity”</b>	a form of gravimetric survey;
<b>“geophysical”</b>	measurement of the earth’s physical properties to explore and delineate hydrocarbons by means of electrical, seismic, gravity and magnetic methods;
<b>“gross resources”</b>	the total estimated petroleum that is potentially recoverable from a field or prospect;
<b>“hydrocarbon”</b>	a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate;
<b>“km”</b>	kilometre;
<b>“km<sup>2</sup>”</b>	square kilometres;
<b>“lacustrine”</b>	sediments deposited in an ancient (or present day) freshwater lake;
<b>“lead”</b>	a conceptual exploration idea usually based on minimal data but with sufficient support from geological analogues and the like to encourage further data acquisition and/or study on the basis that hydrocarbon accumulations of unknown size may be found in the future;

<b>“licence”</b>	an exclusive right to search for or to develop and produce hydrocarbons within a specific area. Usually granted by the State authorities and may be time limited;
<b>“Lower Cretaceous”</b>	stratigraphic section of Early Cretaceous age (approx 145 – 100 mybp);
<b>“m”</b>	metres;
<b>“Mcf”</b>	thousand standard cubic feet;
<b>“mmbbl”</b>	millions of barrels of oil;
<b>“mmboe”</b>	millions of barrels of oil equivalent;
<b>“mybp”</b>	millions of years before present;
<b>“natural gas”</b>	hydrocarbon that at a standard temperature of sixty degrees Fahrenheit (60°F) and a standard pressure of one atmosphere are in a gaseous state, including wet mineral gas and dry mineral gas, casing head gas, residual gas remaining after separation treatment, processing, or extraction of liquid hydrocarbons;
<b>“oil equivalent”</b>	international standard for comparing the thermal energy of different fuels;
<b>“operator”</b>	the entity that has legal authority to drill wells and undertake production of hydrocarbons found. The operator is often part of a consortium and acts on behalf of this consortium;
<b>“Palaeocene”</b>	Period of geological time, approximately 65 to 55 mybp;
<b>“petroleum”</b>	a generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products;
<b>“permeability”</b>	a measure of the ability of a material (such as rocks) to transmit fluids;
<b>“pinch-out”</b>	to taper to a zero edge;
<b>“play”</b>	a project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects;
<b>“porosity”</b>	the percentage of void in a porous rock compared to the solid formation;
<b>“prospect”</b>	a project associated with a potential accumulation of oil or natural gas that is sufficiently well defined to represent a viable drilling target;
<b>“prospective resources”</b>	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects;
<b>“reserves”</b>	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions;
<b>“reservoir”</b>	a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete petroleum system;

<b>“resources”</b>	deposits of naturally occurring hydrocarbons which, if recoverable, include those volumes of hydrocarbons either yet to be found (prospective) or if found the development of which depends upon a number of factors (technical, legal and/or commercial) being resolved (contingent);
<b>“scf”</b>	standard cubic feet;
<b>“seal”</b>	a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir. A seal is a critical component of a complete petroleum system;
<b>“seismic survey”</b>	a method by which an image of the earth’s subsurface is created through the generation of shockwaves and analysis of their reflection from rock strata. Such surveys can be done in two or three dimensional form;
<b>“stratigraphic”</b>	a mode of trapping hydrocarbons which is not dependent on structural entrapment;
<b>“tcf”</b>	trillion standard cubic feet;
<b>“Tertiary”</b>	geological strata formed during the period from 65 million to 1.8 million years before the present;
<b>“TVDSS”</b>	true vertical depth sub-sea;
<b>“Upper Cretaceous”</b>	Period of geological time, approximately 100 to 65 mybp;
<b>“up-dip”</b>	up the plane of the dip;
<b>“volcanics”</b>	rocks derived from an ancient (or present day) volcano; and
<b>“Yet-to-find”</b>	estimated volumes of hydrocarbons which are as yet undiscovered.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Stephen (“Steve”) Ian Jenkins – <i>Non-Executive Chairman</i> Andrew Allister Knott – <i>Chief Executive Officer</i> David Lawrence Jamison – <i>Non-Executive Director</i> Marco (“Mark”) Iannotti – <i>Non-Executive Director</i>
<b>Company Secretary</b>	Burness Paull LLP 50 Lothian Road Festival Square Edinburgh EH3 9WJ United Kingdom
<b>Company Registered Office</b>	First Floor, 45 King William Street London EC4R 9AN United Kingdom
<b>Company</b>	Registration Number 9115262
<b>Financial &amp; Nominated Adviser</b>	Strand Hanson Limited 26 Mount Row London W1K 3SQ United Kingdom
<b>Global Coordinator and Joint Bookrunner</b>	Mirabaud Securities LLP 33 Grosvenor Place London SW1X 7HY United Kingdom
<b>Joint Bookrunner</b>	Renaissance Capital Limited 50 Bank Street Canary Wharf London E14 5NT United Kingdom
<b>Joint Lead Manager</b>	FirstEnergy Capital LLP 85 London Wall London EC2M 7AD United Kingdom
<b>U.S. Placing Agent</b>	Ladenburg Thalmann & Co Inc. 570 Lexington Avenue, 11th Floor New York, NY 10022 United States of America
<b>Solicitors to the Company as to UK law</b>	Burness Paull LLP 50 Lothian Road Festival Square Edinburgh EH3 9WJ United Kingdom
<b>Solicitors to the Company as to Nigerien law and laws governing the Savannah PSC</b>	EY Cameroon 1602 Bd de La Liberté Akwa Douala Cameroon

<b>Solicitors to the Nominated Adviser, Joint Bookrunners and Joint Lead Manager</b>	Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London EC4R 3TT United Kingdom
<b>Auditors and Reporting Accountants to the Company</b>	Grant Thornton UK LLP Grant Thornton House Melton Street, Euston Square London NW1 2EP United Kingdom
<b>Competent Person</b>	Robertson (UK) Limited Crompton Way Manor Royal Estate Crawley West Sussex RH10 9QN United Kingdom
<b>Financial PR</b>	Bell Pottinger 6th Floor, Holborn Gate London WC1V 7QD United Kingdom
<b>Registrar</b>	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS13 8AE United Kingdom
<b>Company's website</b>	<a href="http://www.savannah-petroleum.com">http://www.savannah-petroleum.com</a>

## PART 1

### INFORMATION ON THE GROUP

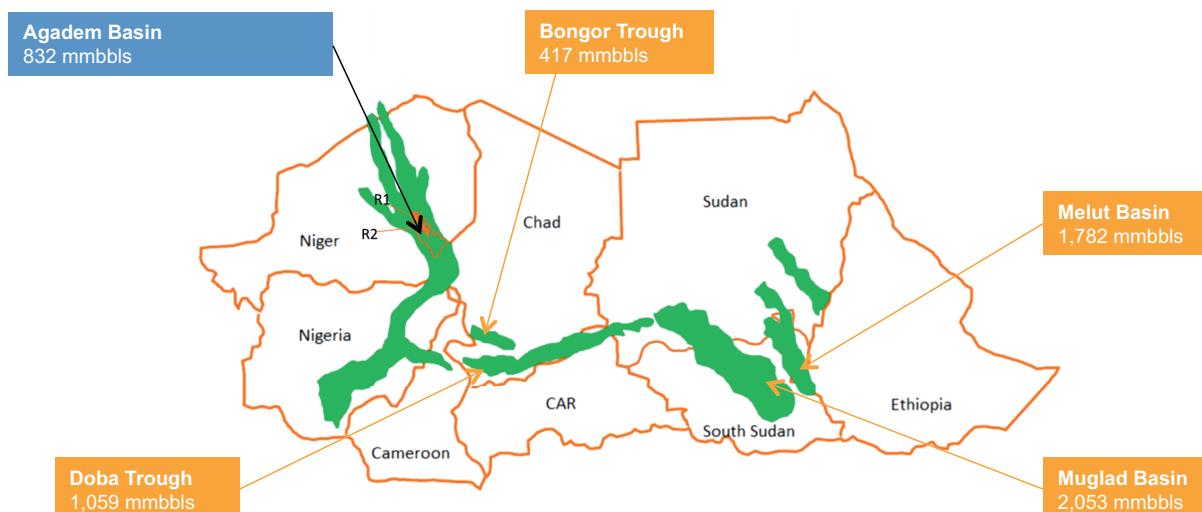
#### 1. Introduction

The Company is a public limited company and was incorporated in the UK on 3 July 2014. It is the holding company of the Group which was originally formed in July 2013 and which operates from offices in London, UK, and Niamey, Niger, with its current principal business being the exploration, appraisal and anticipated eventual development and production of conventional oil deposits located in the R1/R2 PSC Area. The R1/R2 PSC Area represents a significant oil and gas exploration licence in Niger.

On 3 July 2014, the Company's Niger subsidiary, Savannah Niger, entered into the Savannah PSC with the State of Niger to acquire a 100 per cent. working interest in the R1/R2 PSC Area for which it is required to pay the Signature Bonus. The Company has a 94.99924 per cent. equity interest in Savannah Niger, with the remaining 5.00076 per cent. held by Niger Exploration. The blocks were formerly part of the original permit in the Agadem Area of South East Niger ("Agadem") operated by CNPC, 50 per cent. of which CNPC mandatorily relinquished in June 2013 in accordance with the terms of the CNPC PSC.

The R1/R2 PSC Area is located in Agadem and sits on the most westerly rift of the Central African Rift system ("CARS"). The CARS consists of a series of oil prolific Cretaceous and Tertiary rifts, with over 6 billion barrels of oil discovered to date, as illustrated in the map below.

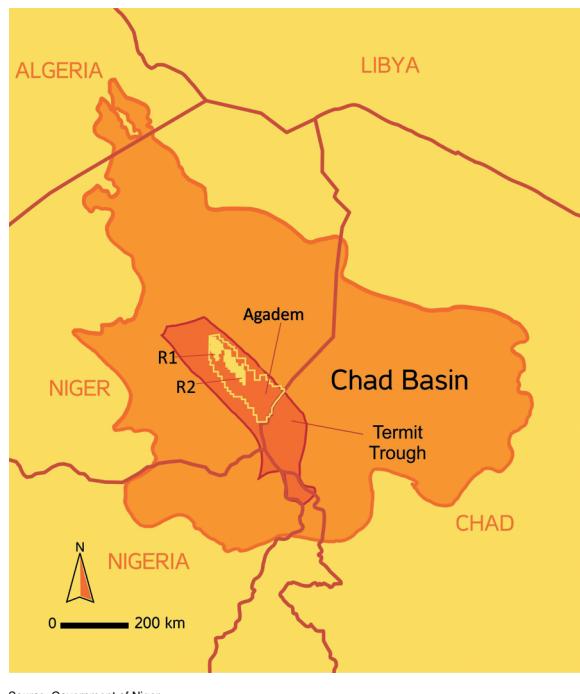
**Fig 1: Agadem and the Central African Rift System – discovered oil to date**



Source: IHS, Savannah estimates

The Agadem basin is contained within the Termit Trough area of the Chad Basin, itself part of the wider Bagarra Trough. Sediments range from Early Cretaceous to Holocene, mainly clastics with minor marine carbonates and volcanics, chiefly lacustrine and deltaic in origin. The majority of the Chad Basin lies within Chad and Niger. The only current production in the Chad Basin is in the Agadem licence areas operated by CNPC in Niger. Between 2009 and 2013, CNPC made an estimated 77 discoveries from a total of 99 exploration wells on the CNPC PSC, unlocking an estimated 832 mmboe of 2P reserves.

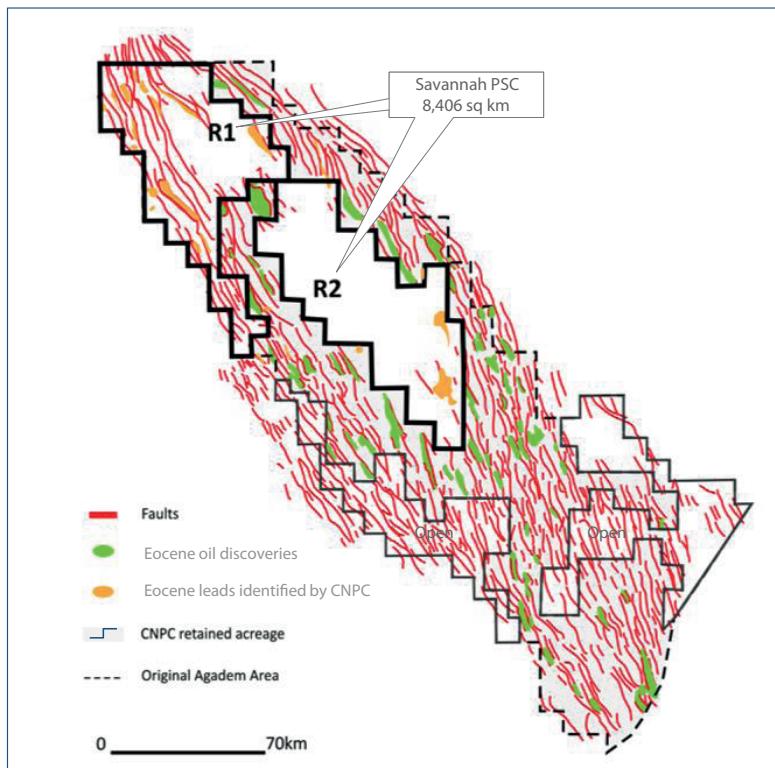
**Fig 2: Chad Basin Morphology**



Source: Government of Niger

The map below identifies the location of the R1/R2 PSC Area in the context of the Agadem PSC retained acreage.

**Fig 3: Agadem PSC – Location of R1/R2 PSC Area**



Source: Government of Niger

### **Board**

The Board and the Group's senior management have significant experience in establishing, growing, financing and subsequently monetising early stage oil & gas companies.

Following Admission, the Group will be chaired by Steve Jenkins. Steve is widely recognised as one of the most capable oil and gas executives in the UK, having delivered for his investors as CEO of Nautical Petroleum a £414 million sale to Cairn Energy in Q3 2012. Prior to Nautical Petroleum, Steve held a variety of senior roles at Nimir Petroleum, a private Saudi Arabian company with extensive global exploration and production interests. Steve is a geologist by profession and is currently Chairman of the Oil and Gas Independents Association, Circle Oil plc, Franklin Petroleum Ltd and Terrain Energy Ltd.

The Group's executive management is headed by its Chief Executive Officer and principal founder, Andrew Knott. Andrew has held leading roles in the European oil and gas sector for the last decade with extensive energy and investment experience across emerging markets. Andrew was previously Head of Global Energy Investments for GLG Partners/MAN Group which, at December 2012, was the largest listed hedge fund in the world by assets. Prior to GLG Partners, Andrew held various roles at Merrill Lynch and Dresdner Kleinwort Wasserstein.

On Admission, the other non-executive Board members will be David Jamison and Mark Iannotti. David, who will join the Board on Admission, was a founding partner and first managing director of (the modern day) Vitol, one of the largest private oil and gas companies in the world. Mark has enjoyed a 20 year career in equity capital markets, largely focused around the oil and gas sector. Until July 2013, Mark was a member of Bank of America Merrill Lynch's EMEA Executive Committee.

### ***Placing and Admission***

Savannah is proposing to raise approximately £29.3 million (approximately US\$50.0 million) (before expenses) through the issue of 52.3 million new Ordinary Shares at the Placing Price, representing approximately 39.8 per cent. of the Enlarged Share Capital. It is intended that the net proceeds of the Placing will principally be utilised to allow the Company to undertake its planned exploration programme, which includes the acquisition of full tensor gravity and seismic geological surveys over the R1/R2 PSC Area. Further details of the exploration programme are summarised in paragraph 4 of this Part 1 and are included in the Competent Person's Report in Part 5 of this document.

### ***Savannah Niger and other Group companies***

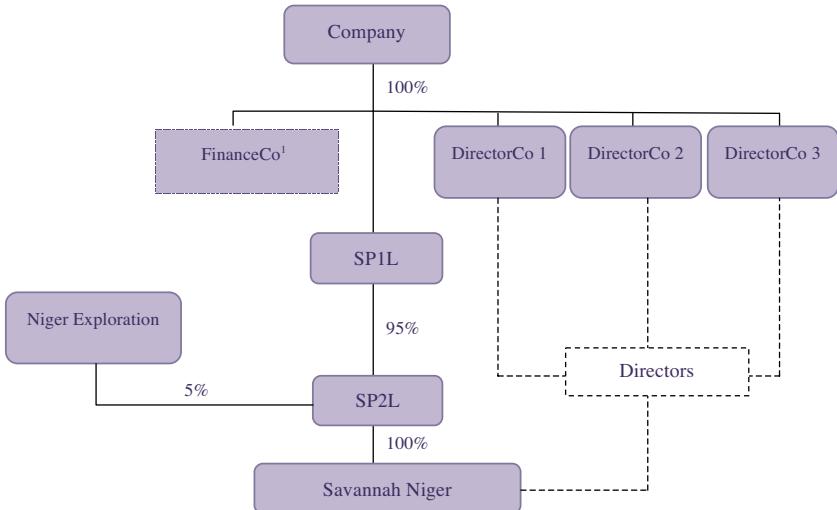
Savannah Niger is a *société anonyme unipersonnelle* (a public limited company) incorporated in Niger on 2 July 2014 with an issued share capital of 1,000 limited liability shares of XOF 10,000 each, all of which are fully paid and owned by SP2L, an indirect subsidiary of the Company. Savannah Niger is the principal operating company of the Group.

The Company also directly owns all of the issued share capital in each of SP1L, DirectorCo 1, DirectorCo 2 and DirectorCo 3 which companies constitute the board of directors of Savannah Niger. The Company is considering incorporating an additional subsidiary after Admission, called "FinanceCo" on the structure chart below, to facilitate the financing of Savannah Niger's operational costs.

SP1L owns 100,000 ordinary shares in the capital of SP2L. The remaining 5,264 ordinary shares in the capital of SP2L are owned by Niger Exploration, which is not a Group company. Niger Exploration is 95 per cent. beneficially owned and 100 per cent. controlled by Yacine Wafy, the Group's Niger Country Manager, about whom further details are set out in paragraph 9 of Part 1 of this document. A Group structure chart appears below, and additional information about each of the Group's companies can be found in paragraph 2 of Part 6 of this document.

Other than as discussed in this section, the Company does not have any other subsidiaries or investments in other companies.

**Fig 4: Corporate structure**



#### ***Initial Financing and EcoBank Guarantee***

In order to secure its ability to pay the Signature Bonus, SP1L entered into the following financing arrangements (the “**Finance Arrangements**”) with EcoBank Niger Limited (the “**Bank**”): (i) a bank guarantee facility for US\$38,000,000 (the “**Bank Guarantee Facility**”); and (ii) a short term loan facility of US\$19,000,000 (the “**Short Term Loan Facility**”), both pursuant to a facility agreement and offer letter dated 19 June 2014.

The bank guarantee under the Bank Guarantee Facility (the “**Guarantee**”) was issued by the Bank on 20 June 2014 (the “**Issue Date**”), and guarantees the liabilities of the Bank to the State of Niger and the other recipients of the Signature Bonus, in respect of a guarantee issued by it in respect of the Signature Bonus. The Bank Guarantee Facility expires no later than 90 days from the Issue Date.

US\$19,000,000 of the total amount of US\$21,030,000 raised by the SP1L Loan Notes has been placed in a restricted account with EBI SA Groupe Ecobank in Paris (the “**Cash Collateral**”). The Cash Collateral is to be held, as security, in accordance with the terms of a cash collateral agreement and a letter of set off between the Bank and SP1L. The Bank is entitled to use these funds to satisfy the obligations of SP1L in respect of any claims made against the Bank pursuant to the Guarantee when they become due for payment. The documentation in relation to the Finance Arrangements states that the Cash Collateral will be available only to satisfy claims made pursuant to the counter-indemnity of SP1L relative to the Guarantee, and not to satisfy any other sums that may be due or that may become due by SP1L to the Bank.

In the event that a claim is made under the Guarantee (which could happen if the Signature Bonus becomes due for payment but remains unpaid), the Bank may use the Cash Collateral together with funds made available under the Short Term Loan Facility to fund the Signature Bonus.

However, subject to all relevant parties (the Bank, SP1L, EcoBank Niger and the persons entitled to receive the Signature Bonus) agreeing a suitable release and pay-off procedure in relation to the issued guarantees (including the Guarantee), the Company intends that it will use the proceeds from the Placing, together with the sums held as Cash Collateral, to fund payment of the Signature Bonus. This would result in release of the Cash Collateral funds simultaneously with release in favour of the Bank of its obligations under the Guarantee. In that event, both the Bank Guarantee Facility and the Short Term Loan Facility would be terminated, and the Short Term Loan Facility would remain undrawn.

<sup>1</sup> FinanceCo may be incorporated following Admission subject to the receipt of appropriate advice.

### ***Pre-IPO Loan Notes***

Pursuant to the Loan Note Instruments, SP1L issued the SP1L Loan Notes. Simultaneously with the completion of the share exchange described in paragraph 3.3 of Part 6 of this document, the Company acquired by way of a novation agreement the SP1L Loan Notes from the SP1L Loan Noteholders in exchange for an issue to the SP1L Loan Noteholders of certificates evidencing the title to PLC Loan Notes. Immediately prior to Admission, \$18,280,000 principal of PLC Loan Notes will convert into 25,497,236 Ordinary Shares at a notional price per Ordinary Share of 42 pence, being 75 per cent. of the Placing Price. On Admission, the balance of the PLC Loan Notes (\$2,750,000 principal) will be redeemed for cash at a premium of 33 per cent., as opposed to the premium of 50 per cent. referred to in paragraph 3.4.2(ii) of Part 6 of this document. These PLC Loan Notes will be redeemed by Mark Iannotti and by LIP, a company owned by Andrew Knott. LIP will reinvest \$2,517,770 by subscribing for 2,633,871 Loan Note Redemption Shares at the Placing Price, and Mr Iannotti will reinvest \$866,125 by subscribing for 906,064 Loan Note Redemption Shares at the Placing Price. In each case, the amounts being re-invested by LIP and Mr Iannotti represent the net of tax redemption proceeds.

Additional details regarding the SP1L Loan Notes and the PLC Loan Notes can be found in paragraph 3.4 of Part 6 of this document.

### ***Relationship Agreement***

The Company and Strand Hanson have entered into a relationship agreement with certain Shareholders to regulate their degree of control over the Company. Please see paragraph 8.7 of Part 6 of this document for further details.

## **2. Key Investment proposition**

The objective of the Group is to deliver material value for its stakeholders through oil exploration, appraisal and development activity. The Directors believe that an investment in the Company should be attractive to prospective investors for the following reasons:

- The Group's principal asset is the rights in the R1/R2 PSC Area pursuant to the Savannah PSC. The primary Eocene oil exploration target in the R1/R2 PSC Area has been estimated by leading geoscience consultancy CGG Robertson to contain "Best Estimate" risked gross prospective resources of 573 mmbbls (un-risked 819 mmbbls), of which 544 mmbbls are net to the Company's circa 95 per cent. working interest;
- CGG Robertson also recognises substantial upside potential in the deeper Upper Cretaceous, Lower Cretaceous and Palaeocene horizons, although these have not been quantified;
- The R1/R2 PSC Area covers 30.5 per cent. of the original Agadem permit under the CNPC PSC, which has seen an estimated 77 discoveries having been made from 99 exploration wells over the past five years. CGG Robertson has stated that there is no reason why the prospectivity of the R1/R2 PSC Area should be less than on the acreage not covered by the R1/R2 PSC Area.
- The Group is operating in a country, Niger, which has demonstrated its receptiveness to inward investment and to the exploitation of the country's oil and gas resources, having created a business environment that has enabled CNPC to deliver first oil for Niger approximately three years after their acquisition of the original Agadem permit.
- The Group has an experienced management team with extensive developing country oil and gas industry experience and with a broad range of technical, operational and financial skills.
- The Company is, among western companies, an early mover into an emerging oil and gas province that is expected to see significant oil and gas infrastructure build-out over the coming years led by the Asian national oil companies CNPC and CPC Corporation (Taiwan).
- The Group intends to enhance shareholder value through:

- maintaining a strong focus around the exploration and appraisal of the resources in the R1/R2 PSC Area, by maximising, to the extent practicable and subject to available future funding, the amount of 3D seismic backed exploration wells drilled pursuant to the Savannah PSC over the coming years;
  - adopting a sustainable and socially responsible approach to working with the Government of Niger and other local stakeholders, thereby increasing the likelihood that the Group's oil and gas activities bring long-term benefits to all interested stakeholders; and
  - entering into potentially valuable possible new ventures within Niger.
- The Group's Directors have significant interests in the Group. They therefore share economic alignment with investors.

### **3. History and development**

The Company was incorporated on 3 July 2014 and is the holding company for the Group, which was originally established in July 2013 to acquire oil interests in Niger.

Since incorporation, the Group has been financially supported by LOGP as well as having been funded by way of a short-term loan and the proceeds from the SP1L Loan Notes and the PLC Loan Notes.

On 3 July 2014, Savannah Niger was awarded the Savannah PSC, pursuant to which the Group provided the Government of Niger and related parties with a bank guarantee of approximately US\$38 million for the Signature Bonus, in each case, as further detailed in this document.

### **4. Savannah PSC**

Savannah Niger entered into the Savannah PSC with the Republic of Niger on 3 July 2014.

Following its execution, the Savannah PSC shall come into effect on the first working day following satisfaction of the following conditions:

- the issue of an Exclusive Exploration Authorisation to Savannah Niger by the Republic of Niger;
- publication of an approval decree and an issuance order in the Official Gazette; and
- payment of the Signature Bonus by Savannah Niger to the Republic of Niger.

Savannah Niger filed an application for an Exclusive Exploration Authorisation on 7 July 2014. The EEA shall be granted by an order enacted by the Niger Ministry of Energy and Petroleum within 30 days following the date of signing of the PSC, that is to say by 4 August 2014.

The approval decree was published on 6 June 2014. The issuance order will be published following the grant of the EEA.

Further details relating to the payment of the Signature Bonus are set out under the heading "Initial Financing and EcoBank Guarantee" above.

#### ***Principal terms of the Savannah PSC***

On coming into effect, the following will be the principal terms of the Savannah PSC.

The Savannah PSC will remain in force for the duration of the EEA. The term of the EEA will be four years from the date of publication of the issuance order in the Official Gazette.

Following the initial grant, the EEA may be renewed twice for a period of two years per renewal period, provided that the total duration of the validity of the EEA resulting from the aggregation of the initial period of four years and renewal periods does not exceed eight years.

Savannah Niger's renewal application shall indicate the area that Savannah Niger wishes to retain, which shall not exceed 50 per cent. of the surface area defined for the current Exclusive Exploration Authorisation.

Subject to the issue of the Exclusive Exploration Authorisation or of each renewed Exclusive Exploitation Authorisation, Savannah Niger shall have the exclusive right to conduct petroleum operations in the RI/R2 PSC Area throughout the term of the relevant EEA.

Pursuant to the Savannah PSC, Savannah Niger has agreed to carry out the minimum work programme as outlined below.

If a commercial deposit is established, an application should be made for allocation of an Exclusive Exploitation Authorisation with an initial duration not exceeding 25 years, with the potential of a renewal for a maximum of a further ten years. Under the Exclusive Exploitation Authorisation, the Republic of Niger will have the right to acquire up to 20 per cent. of the rights arising thereunder.

#### ***Royalties, profit sharing and other payments***

Savannah Niger shall pay to the Republic of Niger a royalty on net production of hydrocarbons at a rate of 12.5 per cent. for crude oil and 2.5 per cent. for natural gas (post transportation costs).

Savannah Niger will fund 100 per cent. of the costs and can recover its costs up to a limit of 70 per cent. of net revenue (being revenue less transportation costs less royalty) per year. Any excess costs not yet recovered will be carried over to subsequent calendar years until full recovery or expiration of the Savannah PSC.

Profit oil will be split (depending on the ratio of revenues to costs) as follows:

- Savannah Niger – between 60 per cent. and 45 per cent.
- The Republic of Niger – between 40 per cent. and 55 per cent.

Savannah Niger will pay annual land royalties of 500 XOF per square kilometre for the initial period of four years of the EEA.

Savannah Niger will not be subject to any direct income or corporate taxes.

#### ***Minimum Work Programme***

During the initial four year period of the EEA, Savannah Niger has agreed to undertake the following minimum work programme:

- acquisition, processing and interpretation of 2,000 km of new 2D seismic profiles at least two thirds of which shall be carried out on Block R2;
- acquisition, processing and interpretation of 1,000 km<sup>2</sup> of new 3D seismic profiles at least 50 per cent. of which shall be carried out on the Block R1; and
- drilling of 5 Exploration Wells to a minimum depth of 2,500 metres with at least one well in each of Block R1 and Block R2.

During the first two year period of renewal of the EEA, Savannah Niger has agreed to undertake the following minimum work programme:

- acquisition, processing and interpretation of 1,000 km of new 2D seismic profiles at least two thirds of which shall be carried out on Block R2;
- acquisition, processing and interpretation of 500 km<sup>2</sup> of new 3D seismic profiles at least 50 per cent. of which shall be carried out on the Block R1; and
- drilling of 2 Exploration Wells to a minimum depth of 2,500 metres with at least one well in each of the Block R1 and Block R2.

During the second two year period of renewal of the EEA, Savannah Niger has agreed to undertake the following minimum work programme:

- acquisition, processing and interpretation of 500 km of new 2D seismic profiles at least two thirds of which shall be carried out on Block R2;

- acquisition, processing and interpretation of 500 km<sup>2</sup> of new 3D seismic profiles at least 50 per cent. of which shall be carried out on the Block R1; and
- drilling of 2 Exploration Wells to a minimum depth of 2,500 metres with at least one well in each of the Block R1 and Block R2.

Approximately \$12 million of the net proceeds of the Placing will be applied to fund initial elements of the seismic work programme during the initial four year period of the EEA as outlined above. Subject to the availability of sufficient capital (most likely via an industrial partnership) in the future, the Group is likely to commission further seismic work prior to commencing exploration drilling activity in 2015.

A summary of the key terms of the Savannah PSC is set out in Appendix II.

## **5. Niger – country, political & economic environment and oil and gas industry overview**

### ***Country overview***

Niger is a large state in West Africa landlocked between Nigeria and Benin to the South, Burkina Faso and Mali to the West, Algeria and Libya to the North and Chad to the East. Niger has a population of over 17 million people, and substantial mineral resources, yet remains one of the most underdeveloped countries in the world with an average GDP per capita of US\$395 (as estimated by the IMF in 2012). Niger is a constitutional democracy with a fast growing economy and western-facing government. GDP is forecast, by the World Bank, to grow 6.2 per cent. in 2014 and 6.0 per cent. in 2015.

### ***Political environment overview***

Niger has had an established democracy in place since 1999 save for a short a period of instability in 2009/2010 when the then president changed the constitution so he could serve an extra term. This in turn led to a military coup in February 2010 and the re-establishment of democratic rule in April 2011. The country has since enjoyed relative political stability which has led to a significant increase in foreign direct investment.

Like most West-African countries, there is a degree of civil unrest present. In Niger specifically, this has manifested itself in non-violent demonstrations by the opposition with ongoing food shortages, estimated to affect 20 per cent. of the population, corruption and an influx of refugees being the stated key concerns. The next presidential elections are scheduled for 2016.

### ***Economic environment overview***

According to the UN's Human Development Index, Niger is one of the world's least developed countries. Foreign direct investment, which has been mainly focused on the country's natural resources sector, has however been increasing substantially since the mid-2000s and, as a result, the Nigerien economy is expected to grow strongly in the medium term with GDP forecast, by the World Bank, to grow by 6.2 per cent. in 2014 and 6.0 per cent. in 2015. This growth is expected to be primarily driven by increased output in the uranium mining industry, currently dominated by France-based nuclear multinational Areva Inc., along with the continued development of other extractive industries, including oil and gas which is expected to become the largest single contributor to GDP within the foreseeable future, as the country moves to net exporter status.

Despite this strong forecast growth rate, Niger remains highly exposed to exogenous shocks due to its high dependence on uranium exports (which account for approximately 70 per cent. of all exports) and the agricultural sector's susceptibility to extreme weather. The country's membership of the Western African Economic and Monetary Union ("WAEMU") and the Economic Community of West African States ("ECOWAS"), as well as strong support from the IMF, in terms of an approximate US\$121 million extended credit facility, serve partly to mitigate this risk and increase investor confidence.

Corruption remains high in Niger relative to developed economies, although it is typically lower than other West African oil producing countries. President Issoufou was elected in 2011 on an anti-corruption platform, following which, the country's ranking in Transparency International's Annual Corruptions Perception Index has improved from 134th out of 182 countries in 2011 to 106th out of 177 countries in 2013. Niger is fully compliant with the Extractive Industry Transparency Directive having joined in 2005 and accredited with compliance in March 2011.

## ***Oil and gas industry overview***

Exploration activities in the Agadem region of Niger have been ongoing since the 1970s. Between 1974 and 2004, five discoveries were made from a total of 25 exploration wells, all of which were drilled based on 2D seismic backed geological models. Companies active at that time included Elf, Texaco, Conoco, Esso and Petronas. In 2008, CNPC acquired the exploration rights to the Agadem production sharing contract through paying a US\$300m signature bonus to acquire the five existing discoveries and the exploration rights to the area for eight years. Over the period 2008 – 2013, CNPC made an additional 77 discoveries and established an 832 mmbbl reserve base for the permit. In doing so, CNPC clearly demonstrated the pro-business environment of Niger, given the magnitude of the work programme pursued in a relatively short period of time, which included: (1) drilling more than 140 exploration, appraisal and development wells; (2) building a 462.5 km pipeline and the 20kboe/d Zinder refinery; and (3) acquiring approximately 12,000 km of 2D seismic and 8,500 sq km of 3D seismic.

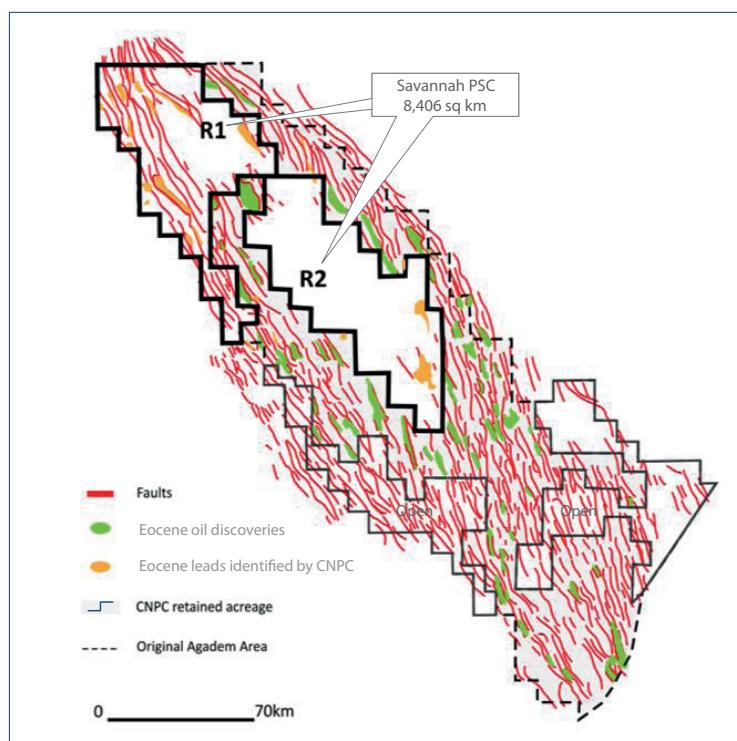
First production from the CNPC PSC license area (and the country) was achieved in 2011. CNPC completed the sale of 20 per cent. of the license to CPC Corporation (the Taiwanese national oil company) in early 2013. CNPC's official target date for commencing exports is 2016.

## **6. Description of principal interests**

The R1 and R2 license blocks are believed to be highly prospective for oil, located in sandstone reservoirs of mainly Eocene (Early Tertiary) age, although underlying Palaeocene and Cretaceous sediments are also thought to have exploration potential. The two blocks comprise acreage which has been recently relinquished by CNPC, under the terms of the CNPC PSC. Although individual discoveries are of relatively modest size in the area, averaging approximately 11 mmbbls of recoverable oil, the exceptionally high discovery rate has so far identified over 800 mmbbls of 2P reserves in the basin.

The R1 & R2 PSC Area acreage relinquished by CNPC in June 2013 lies in the central and northwestern parts of the Agadem area, and is surrounded by CNPC's retained acreage containing its discoveries together with earlier finds by various international oil companies in the period prior to CNPC's entry to Agadem. The R1 and R2 blocks are relatively lightly explored, with few wells drilled but the Directors believe that these blocks have the ultimate potential for oil discoveries which matches that seen in the areas retained by CNPC.

**Fig 5 – Agadem PSC – Location of R1/R2 PSC Area**



Source: Government of Niger

## 7. Potential development and production opportunities

The exploration potential of the blocks has been independently assessed by CGG Robertson, a geological and petroleum reservoir consultancy, and its Competent Person's Report is included as Part 5 of this document. The key observations and conclusions of their assessment are as follows:

- An active petroleum system has been demonstrated in the Agadem Basin, with all elements (source rock, maturity and migration, reservoir rocks and trapping structures) present within the Eocene section.
- 2P reserves of over 800 mmbbls have been identified by CNPC in the more heavily faulted flanks of the basin, in up to 77 separate discoveries in Eocene reservoir sands. The area encompassing these discoveries has been retained by CNPC.
- The R1 license block, in the northwest part of the basin, is expected to be geologically very similar to the areas retained by CNPC, with the Eocene reservoirs forming the principal exploration target. Although seismic data coverage is much sparser, there is no geological reason to suggest that the structural configuration will be any different or that, with high quality 3D seismic data coverage, there will be any less density of structural prospects identified.
- The R2 license block is more axial within the Agadem Basin, and appears to be less faulted in the Eocene section, although some broad structures can be seen. However, the Eocene petroleum system is expected to be fully operative in the area, and although there may be fewer accumulations in this block, they could be much larger than in R1.
- Additional potential exists in the underlying Palaeocene and Cretaceous section of the basin, particularly so on the R2 license block.
- Due to the large number of exploration wells drilled by CNPC and its predecessors within the Agadem Basin, it is possible to use a statistical approach to defining resource potential on the R1 and R2 licenses, based on an areal comparison of what are believed to be closely comparable segments of the same basin, within the same petroleum system.
- 1P, 2P and 3P reserve estimates recognised by the Niger Ministry of Energy and Petroleum, for the CNPC retained acreage (13,861 sq km) are shown on the left side of Table 1 below.
- The corresponding total oil resource estimates per sq km have then been applied to the areas of the R1 and R2 license blocks (4,003 sq km and 4,403 sq km respectively) to give estimated gross Yet-to-Find volumes.
- These volumes are then discounted by a Chance of Success to allow for individual prospect uncertainties, largely related to trap integrity. This is assessed at 81 per cent. for R1, which is approximately the success rate experienced by CNPC in their exploration drilling campaign.
- The corresponding CoS for R2 is assessed at 60 per cent., reflecting increased uncertainty associated with migration in the less faulted basin centre.

Table 1 – Gross Resource Estimation for R1 and R2 license blocks

Reserves Estimate	CNPC Retained acreage (sq km)				R1 Block (sq km)				R2 Block (sq km)				Total Risked MMbbl 2)	
	13,861				4,003				4,403					
	Disc.	YTF	Total	MMbbl /sqkm	Resource Estimate	YTF	Risk	Risked	YTF	Risk	Risked	MMbbl		
1P	342	171	513	0.037	MMbbl 1)	MMbbl 2)	CoS 2)	MMbbl	MMbbl 2)	CoS 2)	MMbbl	MMbbl 2)		
2P	832	518	1,350	0.097	--> Low	148	81%	120	163	60%	98	218		
3P	1,181	834	2,015	0.145	--> 'Best'	390	81%	316	429	60%	257	573		
					--> High	582	81%	471	640	60%	384	855		

1) Source: Niger Ministry of Energy & Petroleum

2) Source: CGG Robertson estimate

- Using this methodology, the ‘Best’ estimate gross resource potential on a risked basis for the R1 block is estimated to be 316 mmbbls, with 300 mmbbls net to the Company’s circa 95 per cent. working interest. The corresponding estimate for the R2 block is 257 mmbbls (net to the Company: 245 mmbbls), giving a total of over 570 mmbbls (net to the Company: 544 mmbbls). The High estimate is in excess of 850 mmbbls (net to the Company: 812 mmbbls).
- CGG Robertson has applied the Petroleum Resource Management System (SPE 2007) as the Standard in this evaluation, and has designated these Risked resource volumes as the Prospective Resource potential for the two license blocks.

It is not appropriate to put a valuation on these prospective resources, but the Company has generated high level ‘screening’ economic cases for 50, 100, 200 and 400 mmbbls developments in the Agadem Basin under the terms of the PSC. These have been verified by CGG Robertson. The assumptions and conclusions for the 200 mmbbls case (on a gross basis) are as follows:

- 200 mmbbls to be developed with 100 production wells. Initial production approximately 1,000 bopd per well, with oil export via the Chad-Cameroon pipeline to the south following construction of the spur from Niger to the existing pipeline in Chad.
- Total development cost approximately US\$1.1 billion.
- Total Government take, including 20 per cent. back-in rights, of 69 per cent. over the full project cycle.
- Net Present Value of the Savannah Niger interest, at 10 per cent. discounting (NPV10), estimated to be US\$1.6 billion based on a US\$100 oil price (real) – corresponding to approximately US\$8/barrel.
- The potential project appears to be robust under lower oil price scenarios (US\$85/bbl) and for smaller developments (50 mmbbls).

## **8. Financial information, current trading and prospects for the Group**

Parts 3 and 4 of this document, respectively, contain Historical Financial Information of the SP1L Group for the period from incorporation on 3 July 2013 to 30 April 2014, and an unaudited pro forma statement of net assets of the SP1L Group as at 30 April 2014. The Company has not yet commenced operations and, therefore, no separate Historical Financial Information of the Company is presented in this document.

The Directors are confident in the current business activities and future prospects of the Group, which will be centred around the continued execution of the Group’s business plan as set out in paragraph 4 of this Part 1, the evaluation of potential acquisition opportunities, which may or may not require the additional raising of finance, and the recruitment of further staff as operations expand. The Directors believe that, along with the support of Senior Managers, they have the necessary skills and experience to deliver on this strategy.

## **9. Directors, Senior Managers and employees**

### ***Directors***

#### ***Stephen (“Steve”) Ian Jenkins, aged 55 – Non-Executive Chairman***

Steve is widely recognised as one of the most capable oil and gas executives in the UK, having delivered for his investors as CEO of Nautical Petroleum a £414 million sale to Cairn Energy in Q3 2012. Prior to Nautical, Steve held a variety of senior roles at Nimir Petroleum, a private Saudi Arabian company with extensive global exploration and production interests. Steve is a geologist by profession and is currently Chairman of the Oil and Gas Independents Association, Circle Oil plc, Franklin Petroleum Ltd and Terrain Energy Ltd.

*Andrew Allister Knott, aged 33 – Chief Executive Officer*

The Group's executive management is headed by its Chief Executive Officer and principal founder, Andrew Knott. Andrew has held leading roles in the European oil and gas sector for the last decade with extensive energy and investment experience across emerging markets. Andrew was previously Head of Global Energy Investments for GLG Partners/MAN Group which, at December 2012, was the largest listed hedge fund in the world by assets. Prior to GLG Partners, Andrew held various roles at Merrill Lynch and Dresdner Kleinwort Wasserstein.

*David Lawrence Jamison, aged 69 – Non-Executive Director*

David was one of the founders of the modern day Vitol, having executed a management buyout of the company alongside three partners in 1976. He left Vitol in 1986 to operate as an independent venture capitalist in the upstream oil and gas industry.

David's principal investment vehicle today is DLJ Associates which seeks to act as agent and advisor on upstream oil and gas transactions. Previous companies Mr Jamison has held integral roles at include Russian focused oil and gas company Sibir Energy plc (founder director) and independent Gasoline company Blue Ocean Associates Limited (founder director).

*Marco ("Mark") Iannotti, aged 46 – Non-Executive Director*

Mark is an experienced capital markets professional with over 20 years' experience in EMEA equities, which has been largely focused around the Oil & Gas sector, most recently in a broader managerial capacity as a member of Bank of America Merrill Lynch's EMEA Executive Committee and Head of its EMEA Equity Research Division.

Mark began his career at Wood Mackenzie Consultants focussed on the Asian and Indian-sub Continent energy markets. He has subsequently held senior equity research positions at Cazenove & Co, Credit Suisse, Citigroup and most recently Bank of America Merrill Lynch.

**Senior Managers**

In addition to the Directors, the following Senior Managers are considered relevant in establishing that the Group has appropriate expertise and experience for the management of its business.

*Yacine Wafy, aged 30 – Country Manager, Niger*

Yacine is a Nigerien national. He joined Savannah from leading Niamey-based construction company Primo et Geb where he served as Chief Executive Officer. As such, he has significant experience managing large scale projects in Niger. He studied at George Washington University in Washington, D.C.

*Phil Magor, aged 59 – Chief Geologist*

Phil has enjoyed a 34 year career in the global oil and gas industry. He is a highly African-experienced geologist who has successfully managed onshore desert environment exploration programs throughout his career.

Phil joined Savannah from Maersk Oil, where he was a senior member of the exploration and development team for the multi-billion barrel Dunga project in Kazakhstan. Other countries in which Phil has lived and worked include Angola, Sudan, Malaysia, Ethiopia, Papua New Guinea, Pakistan, the United Arab Emirates and Libya.

**LOGP Services Agreement**

Following Admission, LOGP, which is a related party of the Company<sup>1</sup>, will provide the Group with administrative, financial, and accounting services and access to office space, in exchange for which the Company will pay to LOGP a monthly cost based fee of £20,000 plus VAT. LOGP will utilise the services of Critchleys LLP as and when needed to assist in the provision of certain book-keeping operations.

Prior to Admission, the Group has no employees. Effective from Admission, the Group is expected to have two employees.

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<sup>1</sup> Andrew Knott is a founding member of LOGP.

## **10. Details of the Placing**

Each of Mirabaud, Renaissance Capital and FirstEnergy has conditionally agreed, pursuant to the Placing Agreement, to act as agent for the Company and use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Mirabaud has appointed Ladenburg as their agent to use reasonable efforts to offer and sell Placing Shares at the Placing Price in the US. The Placing will raise approximately £29.3 million (approximately US\$50.0 million) for the Company (before commissions and expenses). The Placing Shares are being placed with institutional and other sophisticated investors.

Following Admission, the Placing Shares will collectively represent approximately 39.8 per cent. of the Enlarged Share Capital. The Placing, which is not underwritten, is conditional, *inter alia*, on Admission becoming effective by 1 August 2014 (or such later date as Mirabaud, Renaissance Capital and FirstEnergy, Strand Hanson and the Company may agree, not being later than 15 August 2014) and on the Placing Agreement not being terminated prior to Admission. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and the Loan Note Conversion Shares, including the right to receive all dividends and other distributions declared, paid or made after the date of issue, and will be placed free of any expenses and stamp duty. It is expected that the net proceeds of the Placing will be received by the Company by 1 August 2014. In the case of investors receiving Ordinary Shares in uncertificated form, it is expected that the appropriate CREST accounts will be credited with effect from 1 August 2014. In the case of investors receiving Ordinary Shares in certificated form, it is expected that certificates will be despatched by post, within 14 days of the date of Admission.

Following Admission, the Directors will, between them, hold 27,991,543 Ordinary Shares, representing approximately 21.3 per cent. of the Enlarged Share Capital, as referred to in paragraph 5.2 of Part 6 of this document. Following Admission, certain other Significant Shareholders, as referred to in paragraph 5.7 of Part 6 of this document, will each hold three per cent. or more of the Enlarged Share Capital. There will be a total of 131,337,172 Ordinary Shares (including the Placing Shares and the Loan Note Conversion Shares) in issue upon Admission. The existing aggregate shareholdings of Shareholders prior to the Placing and the issue of the Loan Note Conversion Shares on Admission will be diluted to 38.1 per cent. of the Enlarged Share Capital.

Further details of the Placing Agreement are set out in paragraph 8.1 of Part 6 of this document.

## **11. Reasons for Admission and use of proceeds**

The Directors' reasons for seeking Admission are as follows:

- to provide the Group with the required capital to enable it to initiate its planned exploration program in the R1/R2 PSC Area;
- to provide the Group with the required capital to repay any outstanding debts;
- to provide the Group with the required capital to establish an office and operations in Niger;
- to enable the Group to access a wide range of potential investors and broaden its investor base;
- to provide the Group with a flexible financial structure for further development, both organically and via potential acquisitions or joint ventures;
- to improve the Group's ability to access further funding from international capital markets to finance the future growth of the business consistent with its stated strategy;
- to maintain a high level of transparency and corporate governance within the Company;
- to raise the profile of the Group and assist the Group in recruiting, retaining and incentivising skilled employees; and
- to enhance the Group's reputation and financial standing with its key partners and suppliers and with potential vendors of additional assets.

The gross proceeds of the Placing to the Company are expected to be approximately £29.3 million (approximately US\$50.0 million) and are currently intended to be applied as follows:

**Table 2 – Use of Proceeds**

<i>Use</i>	<i>US\$ million</i>
Financing of the Signature Bonus <sup>1</sup>	20
Seismic survey	12
FTG Survey and Sub surface model construction	5
Working capital requirements	4
Expenses and commissions associated with Admission and the Placing	6.5
Other	2.5
<b>Total</b>	<b>50</b>

1 Includes Bank Guarantee Facility fee of US\$1 million

## 12. Corporate governance

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance. The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The Corporate Governance Code does not apply to companies admitted to trading on AIM and there is no formal alternative for AIM companies. The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (the “**QCA Code**”). However, the Directors intend to comply with the Corporate Governance Code (and the QCA Code), to the extent they consider it appropriate and having regard to the size, current stage of development and resources of the Company.

The Corporate Governance Code provides that the board of directors of a public company should include a balance of executive and non-executive directors, with independent non-executive directors comprising at least one-half of the board (excluding the Chairman). The Corporate Governance Code states that the board of directors should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director’s judgment.

Following Admission, the Board is anticipated to be comprised of four directors consisting of one executive Director and three non-executive Directors. It is the Board’s present intention to seek to recruit a further non-executive director following Admission. The Board considers that the non-executive Directors are independent within the meaning of the Corporate Governance Code. If necessary the non-executive Directors will take independent legal advice. Please refer to paragraph 9 of this Part 1 and paragraphs 5.5 to 5.6 of Part 6 of this document for more information in relation to each Director.

Set out below is a description of the Company’s proposed corporate governance practices.

### ***The Board***

The Board’s decision making process is not dominated by any one individual or group of individuals. Except as otherwise disclosed in this document, no Director has any potential conflicts of interest between their duties to the Company and their private interests and/or duties owed to third parties.

The Board will meet regularly and be responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls.

The Board will be responsible for establishing and maintaining the Group’s system of internal financial controls and importance is placed on maintaining a robust control environment. The key procedures which the Board intends to establish with a view to providing effective internal financial control include the following:

- the Company will institute a monthly management reporting process to enable the Board to monitor the performance of the Group;

- the Board will adopt and review a comprehensive annual budget for the Group. Monthly results will be examined against the budget and deviations will be closely monitored by the Board;
- the Board will be responsible for maintaining and identifying major business risks faced by the Group and for determining the appropriate courses of action to manage those risks; and
- fully consolidated management information will be prepared on a regular basis, at least half yearly.

The Board recognises, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Group will therefore be subject to regular review by the Board in light of the future growth and development of the Company and adjusted accordingly.

To enable the Board to discharge its duties it is intended that all of the Directors will receive timely information in respect of the affairs of the Group.

#### ***The audit committee***

The audit committee will comprise Steve Jenkins, Mark Iannotti (who will serve as committee chairperson) and David Jamison on Admission. The members will all be independent non-executive Directors of the Company. It shall meet not less than three times a year. The audit committee receives and reviews reports from management and from the Company's auditors relating to the interim and annual accounts and to the internal control procedures in use throughout the Group. It is responsible for ensuring that the financial performance of the Group is properly reported with particular regard to legal requirements, accounting standards and the AIM Rules for Companies. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The terms of reference of the audit committee are available on the Company's website.

#### ***The remuneration committee***

The remuneration committee will comprise Steve Jenkins, Mark Iannotti and David Jamison (who will serve as committee chairperson) on Admission. The members will all be independent non-executive Directors of the Company. It shall meet not less than twice a year. It is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of employment of executive directors and senior employees and the grant of options implemented from time to time.

The terms of reference of the remuneration committee are available on the Company's website.

#### ***Share Dealing Code***

The Directors will comply with Rule 21 of the AIM Rules relating to directors' and applicable employees' dealings in the Company's securities. Accordingly, the Company has adopted the Share Dealing Code for directors and applicable employees and the Company will take all reasonable steps to ensure compliance by its directors and applicable employees with the provisions of the AIM Rules relating to dealings in securities.

### **13. Dividend policy**

Given that the Group's current assets are generally at an early exploration and appraisal stage, it is not anticipated that there will be any significant earnings arising from the Group's activities in the short to medium term. Accordingly, the Board does not expect to recommend or pay any dividends in the foreseeable future.

The Directors will consider an appropriate dividend policy at such time as the Company is generating an operating profit. The declaration and payment by the Company of any future dividends, and the amount of such dividends, will ultimately be dependent upon the Group's financial condition, future prospects, profits legally available for distribution, the need to maintain an appropriate level of dividend cover and other factors deemed by the Board to be relevant at that time, in accordance with the Articles and subject to compliance with the Act.

Dividends can be paid by Savannah Niger to the Company by distribution of profits to Savannah Niger's immediate parent company, SP2L. The amount received in SP2L is then distributed *pro rata* to its shareholders' ownership (i.e., circa 95 per cent. to SP1L and circa 5 per cent. to Niger Exploration).

Amounts received by SP1L are distributed to the Company, and finally distributed to the Shareholders as dividends. In addition, Savannah Niger may be able to distribute profits by repaying debt funding loaned to it by other members of the Group, who can distribute such payments as dividends.

#### **14. Regulatory rights and obligations**

##### ***Disclosure and Transparency Rules***

Shareholders are required to comply with DTR 5 and to notify the Company when they acquire or dispose of a major proportion of their voting rights of the Company (either as Shareholder or through their direct or indirect holding or certain financial instruments, or a combination of such holdings) equal to or in excess of three per cent. of the nominal value of that share capital (and every one per cent. thereafter).

#### **15. The Takeover Code**

The Takeover Code is issued and administered by the Panel. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive. Following the implementation of the Directive by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules set out in the Takeover Code now have a statutory basis.

The Company is a public limited company incorporated in England & Wales and will be admitted to trading on AIM. Accordingly, the Takeover Code will apply to the Company.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required to make a general offer to all the shareholders of that company to acquire their shares. Similarly, when any person, together with persons acting concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company and does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, a general offer will normally be required in accordance with Rule 9.

An offer under Rule 9 must be made in cash (or be accompanied by a cash alternative) and at not less than the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the Takeover Code a concert party arises when persons acting together pursuant to an agreement or understanding (whether formal or informal) cooperate to obtain or consolidate control of, or frustrate the successful outcome of an offer for, a company subject to the Takeover Code. Control means an interest or interests in shares carrying an aggregate of 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

The Panel considers the Company's pre-Admission shareholders, which, for the avoidance of doubt, excludes those interested only in the PLC Loan Notes, all to be potentially acting in concert in relation to the Company. Immediately following Admission, the Company's pre-Admission shareholders will, in aggregate, be interested in approximately 48 per cent. of the Company's share capital. The Company, together with Strand Hanson, will consult with the Panel, following Admission, to clarify the composition of the pre-Admission shareholders' concert party, if any. Once clarified, an update will be provided via an announcement on a Regulatory Information Service. Given the pre-Admission shareholders' concert party is interested in approximately 48 per cent., which is between 30 and 50 per cent. of the voting rights of the Company, no member of the pre-Admission shareholders' concert party may acquire further shares in the Company, where such an acquisition would increase their interest in the Company, until the position has been clarified with the Panel.

Further information on the provisions of the Takeover Code can be found in paragraph 17 of Part 6 of this document.

## **16. Taxation**

**Information regarding taxation is set out in paragraph 16 of Part 6 of this document. These details are intended as a general guide only to the current tax position in the United Kingdom regarding withholding taxes and is not intended to constitute personal tax advice for any person. Prospective investors are strongly advised to consult their own independent professional tax advisers regarding the tax consequences of purchasing and owning Ordinary Shares.**

## **17. Settlement, dealings and CREST**

An application has been made to the London Stock Exchange for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 1 August 2014.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST).

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST requirement.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. It is expected that, where Placees have asked to hold their Ordinary Shares in uncertificated form, they will have their CREST accounts credited with Ordinary Shares on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched within fourteen Business Days of the date of Admission. No temporary documents of title will be issued. Pending the receipt of definitive share certificates in respect of the Placing Shares, transfers will be certified against the register.

Application will be made for the issued and to be issued Ordinary Shares to be admitted to AIM and separately for the issued and to be issued Ordinary Shares to be eligible for admission to CREST with effect from Admission. It is expected that Admission will take place and dealings in the Ordinary Shares will commence on 1 August 2014.

## **18. Lock-in and orderly market arrangements**

Each of the Two-Year Locked In Shareholders, included in which are all of the Directors, has undertaken to the Company, Mirabaud and Strand Hanson that, except in certain limited circumstances, he will not dispose of any interest in the Ordinary Shares held by him for a period of 12 months from the date of Admission and, for the 12 months following that period, that he will only dispose of his holdings with the consent of Mirabaud and then through Mirabaud from time to time. Each of the One-Year Locked In Shareholders has undertaken to the Company, Mirabaud and Strand Hanson that, except in certain limited circumstances, he will not dispose of any interest in the Ordinary Shares held by him (other than interests in Loan Note Conversion Shares, to which such restrictions do not apply) for a period of 12 months from the date of Admission.

In total, a number of Ordinary Shares representing 30.81 per cent. of the Enlarged Share Capital at Admission are subject to the prohibitions on disposals described in this paragraph 18.

## **19. Share option schemes**

The Company does not currently have in place, nor does it intend to adopt prior to Admission, any share option or equity based incentive scheme for its Directors, Senior Managers and employees. It is the Board's intention to adopt one or more such schemes following Admission. The terms and beneficiaries of any such schemes shall be determined by the Board and shall be approved by the Company's remuneration committee, but the aggregate number of any issued or unissued Ordinary Shares being the subject of any such schemes from time to time shall not in any circumstances exceed 15 per cent. of the Company's fully diluted share capital. It is intended that one half of the equity available under such scheme(s) shall be awarded to the Chief

Executive Officer, subject to the exercise condition that a trading price per Ordinary Share of 168 pence is achieved, and that such options will become exercisable with effect from the earlier of (i) the Company undergoing a change of control; and (ii) the date that is twelve months after the date of Admission.

## **20. Further Information**

You should read the whole of this document and not just rely on the information contained in this Part 1. Your attention is drawn to the information set out in Parts 2 to 6 (inclusive) of this document which contain further information on the Company.

## PART 2

### RISK FACTORS

The investment detailed in this document may not be suitable for all of its recipients and involves a high degree of risk. Before making an investment decision, prospective investors are advised to consult a professional adviser authorised under FSMA who specialises in advising on investments of the kind described in this document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

The exploration for and development of natural resources is a highly speculative activity which involves a high degree of risk. Accordingly, the Ordinary Shares should be regarded as a highly speculative investment and an investment in the Company should only be made by those with the necessary expertise to evaluate the investment fully.

The Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.

In addition to the other relevant information set out in this document, the Directors consider that the following risk factors, which are not set out in any particular order of priority, magnitude or probability, are of particular relevance to the Group's activities and to any investment in the Company. It should be noted that additional risks and uncertainties not presently known to the Directors or which they currently believe to be immaterial may also have an adverse effect on the Group's operating results, financial condition and prospects. Any one or more of these risk factors could have a materially adverse impact on the value of the Group and should be taken into consideration when assessing the Company and whether to participate in the Placing.

There can be no certainty that the Group will be able to implement successfully the strategy set out in this document. No representation is or can be made as to the future performance of the Group and there can be no assurance that the Group will achieve its objectives.

#### Risks relating to the business

##### *Risks relating to the Group's activities in the oil and gas industry*

There are numerous factors which may affect the success of the Group's business which are beyond its control including local, national and international economic, legal and political conditions. The Group's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. The operations of the Group in West Africa may expose it to potential civil unrest and political or currency risks.

##### *Title matters and payment obligations*

Although the PSC and various international treaties to which Niger is signatory offer a strong protection to the Group, an unforeseen defect in title, changes in law (or interpretations thereof) or political events may arise or occur to defeat or impair the claim of the Group to some or all of the rights in properties which it currently owns or is interested or may acquire which could result in a material adverse effect on the Group, including a reduction in any revenues generated.

##### *Early stage of operations*

The Group's operations are at an early stage of development and future success will depend, *inter alia*, on the Directors' ability successfully to manage and exploit the current asset portfolio and to take advantage of further opportunities which may arise. There can be no guarantee that the Group can or will be able to, or that it will be commercially advantageous for the Group to, develop its assets.

An investment in the Company is subject to certain risks related to the nature of the Group's business in the acquisition, appraisal, exploitation, development and production of oil and natural gas assets and their early stage of development. The Group has a limited operating history and no history of positive earnings, and there can be no assurance that the Group's business will be successful or profitable.

Further, the Group has no assets producing positive cash flow and its ultimate success will depend on, *inter alia*, the Group's success in discovering oil and/or natural gas, the Directors' ability to implement their strategy, generate cash flow from economically viable projects and access equity markets. Whilst the Directors are optimistic about the Group's prospects, there is no certainty that sustainable revenue streams and sustainable profitability will be achieved. The Group will not generate any material income until production has successfully commenced or producing assets have been acquired and in the meantime the Group will continue to expend its cash reserves.

The Group's business plan to exploit and commercialise its assets will require significant capital expenditure. The Group will also be required to make substantial capital expenditure for the identification, acquisition, appraisal, exploration, development and production of oil and gas resources and/or reserves in the future.

In the opinion of the Directors, the net proceeds of the Placing receivable by the Company will be sufficient to finance the activities described in Table 2 of paragraph 11 of Part 1 of this document, and beyond this, the Group will enter into arrangements for debt or equity financing for its operations or exploration, appraisal, development or production plans. However, there is no assurance that the Group will be able to generate sufficient internal cash flow, or that sufficient additional debt or equity financing will be available to meet the Group's funding requirements in the medium and longer term to pursue its future strategic decisions. Furthermore, if additional debt or equity financing is available, it may not be on terms acceptable to the Group given, for example in the context of debt financing, the limited amount of cash reserves the Group may have at that time. The Group's inability to access sufficient capital for its operations may have a material adverse effect on its business, financial condition, results of operations and prospects.

#### ***Use of proceeds of the Placing***

At present the Company intends to use the net proceeds of the Placing over the next 12 months to finance the activities described in Table 2 of paragraph 11 of Part 1 of this document and to fund other operating costs, research and development and resourcing costs. The very nature of the oil and gas industry in which the Group operates means that it will need to manage certain events which are outside of its control. For example, the stated use of proceeds and future work programme will be subject to the availability of drilling rigs and certain other associated long-lead items in the timeframes currently envisaged. Furthermore, the success or otherwise of the Group's exploration and drilling could lead to amendments to its future work programme, for example in the event that additional drilling is undertaken to further appraise a discovery.

#### ***Governmental relations may change and retention of key business relationships***

To protect the Group's licences and permits to operate and its ability to secure new resources it is important that the Group should maintain strong positive relationships with the governments of, and communities in, the countries where its business is conducted. The Group's business principles govern how the Group conducts its affairs. Failure – real or perceived – to follow these principles, or any of the risk factors described in this document materialising, could harm the Group's reputation, which could, in turn, impact the Group's licences, financing and access to new opportunities.

Although the Company believes it has good relations with the Nigerien Government, there can be no assurance that the actions of present or future governments in Niger and governments of other countries in which the Group may operate, directly or indirectly, in the future, will not materially adversely affect the business or financial condition of the Group.

The Group will rely significantly on strategic relationships with other entities, on good relationships with regulatory and governmental departments and upon third parties to provide essential contracting services. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed, and the Group could be adversely affected by changes to such relationships.

or difficulties in forming new ones. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact the Group, its business, operating results and prospects.

#### ***Prospective investments and growth strategy execution risks***

Whilst the Group is initially focused on the development of the R1/R2 PSC Area, it may seek to further expand its operation and therefore may expend significant costs on, *inter alia*, conducting due diligence into potential investment opportunities in further businesses, assets or prospects/projects that may not be successfully completed or result in any acquisition being made, which failure to complete or acquire, could have a material adverse effect on its business, operating results and financial condition.

#### ***Farm down of the Group's assets***

In due course the Group may, subject to receipt of any necessary consents, farm down part of its licence interests to third parties, some of which may act as operator. Operating agreements with third party operators typically provide for a right of consultation or consent in relation to significant matters and generally impose standards and requirements in relation to the operator's activities. However, in the event that the Group does not act as operator in respect of certain of its licence interests, the Group will generally have limited control over the day-to-day management or operations of those assets and will therefore be dependent upon the third party operator. A third party operator's mismanagement of an asset may result in significant delays or materially increased costs to the Group. The Group's return on assets operated by others will therefore depend upon a number of factors that may be outside the Group's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Generally, a failure by any licence partner (whether the operator or otherwise) to fulfil its financial obligations may increase the Group's exposure related to the licence in question. Any significant increase in costs as a consequence of joint and several liabilities may materially adversely affect the financial condition of the Group.

#### ***Dependence on key executives and personnel***

The future performance of the Group will to a significant extent be dependent on its ability to retain the services and personal connections or contacts of key executives and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel to form a high calibre management team. Such key executives are expected to play an important role in the development and growth of the Group, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers.

Further, the Group may struggle to recruit key personnel required to run an exploration and appraisal programme and other important members of the workforce required to run a full exploration or appraisal programme. Shortages of labour, or of skilled workers, may cause delays or other stoppages during exploration and appraisal activities. Many of the Group's competitors are larger, have greater financial and technical resources, as well as staff and facilities, and have been operating in a market-based competitive economic environment for much longer than the Group.

There can be no assurance that the Group will retain the services of any key executives, advisers or personnel who have entered, or will subject to Admission enter, into service agreements or letters of appointment with the Group. The loss of the services of any of the key executives, advisers or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group. In particular, given the importance of the direction and leadership of its existing Chief Executive Officer as founder of the Group, his local knowledge and relationships in the oil and gas industry in Niger and his industry expertise, the future success of the Group is, to an extent, dependent upon the continued service of the Chief Executive Officer. The Group currently has no key-man insurance policy in place and, therefore, there is a risk that the unexpected departure or loss of this individual could have a material adverse effect on the business, financial condition and results of operations of the Group, and there can be no assurance that the Group will be able to attract or retain a suitable replacement.

### ***Labour and health & safety***

Developing oil and gas resources and reserves into commercial production involves a high degree of risk. The Group's exploration operations are subject to all the risks common in its industry. These hazards and risks include encountering unusual or unexpected rock formations or geological pressures, geological uncertainties, seismic shifts, blowouts, oil spills, uncontrollable flows of oil, natural gas or well fluids, explosions, fires, improper installation or operation of equipment and equipment damage or failure.

If any of these types of events were to occur, they could result in loss of production, environmental damage, injury to persons and loss of life. They could also result in significant delays to drilling programmes, a partial or total shutdown of operations, significant damage to equipment owned or used by the Group and personal injury, wrongful death or other claims related to loss being brought against the Group. These events could result in the Group being required to take corrective measures, incurring significant civil liability claims, significant fines or penalties as well as criminal sanctions potentially being enforced against the Group and/or its officers. The Group may also be required to curtail or cease operations on the occurrence of such events. Any of the above could have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

While the Group intends to implement certain policies and procedures to identify and mitigate such hazards, develop appropriate work plans and approvals for high-risk activities and prevent accidents from occurring, these procedures may not be sufficiently robust or appropriately followed by the Group's staff or third-party contractors to prevent accidents.

### ***Risks associated with the need to maintain an effective system of internal controls***

The Group faces risks frequently encountered by developing companies such as under-capitalisation, under-capacity, cash shortages and limited resources. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

### ***Project development risks***

There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. Any failure of the Board to manage effectively the Group's growth and development could have a material adverse effect on the Group's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Group's current strategy will develop as anticipated and that the Group will be profitable.

### ***Risk of penalties if minimum works programme not completed***

Should Savannah Niger fail to satisfy its minimum works programme obligation, including the drilling of the requisite wells and shooting of the requisite 2D and 3D seismic, the Group may be subject to significant material monetary penalties.

### ***Foreign subsidiaries***

The Group conducts most of its operations through its subsidiary, Savannah Niger, which is located outside of the United Kingdom. Therefore, the success of the Group in the near term will be dependent on distributions from the Company and its financing subsidiaries to Savannah Niger in order that it may meet its obligations. At the point of production commencement, the ability of Savannah Niger to make payments to the Company may be constrained by, among other things, the level of taxation, particularly in relation to corporate profits and withholding taxes, in the jurisdiction in which it operates, and the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

### **Tax risks**

The Group is subject to taxation including, but not limited to, that as outlined in the Savannah PSC. The application of such taxes together with taxes levied in other applicable jurisdictions, may change over time due to changes in laws, regulations or interpretations by the relevant tax authorities. Whilst no material changes are anticipated in such taxes any such changes may have a material adverse effect on the Group's financial condition and results of operations.

### **Exchange rate fluctuations**

Currency fluctuations may affect the Group's operating cash flow since certain of its costs and revenues are likely to be denominated in currencies other than Pounds Sterling such as US Dollars and Communauté Financière Africaine francs (XOF). Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results (which are reported in US Dollars) which are not necessarily related to its underlying operations. The Group does not currently have a foreign currency hedging policy in place. If and when appropriate, the adoption of such a policy will be considered by the Board.

Following Admission, the Company's share price will be quoted on the London Stock Exchange in Pounds Sterling. As a consequence, shareholders may experience fluctuation in the market price of the Ordinary Shares as a result of, amongst other factors, movements in the exchange rate between Pounds Sterling, US Dollars and XOF.

### **Exchange controls**

Currently, there are no restrictions on transfers of funds into Niger, but any resident company intending to transfer foreign currency out of the country must provide supporting documentation. Residents are required to transfer any income in foreign currency to an approved intermediary. If restrictions on exchange controls are changed in a manner detrimental to the Group, the Group, its business, prospects, results of operations or financial conditions could be materially adversely affected, as would its ability to pay dividends on the Ordinary Shares, should any be declared.

### **Market perception**

Market perception of junior exploration and extraction companies, in particular those operating in energy markets, as well as all oil and gas companies in general, may change which could impact on the value of investors' holdings and the ability of the Group to raise further funds through the issue of further Ordinary Shares or otherwise.

### **Insurance coverage and uninsured risks**

While the Board will determine appropriate insurance coverage, it may elect not to have insurance for certain risks due to the high premium costs associated with insuring those risks or for other reasons, including an assessment in some cases that the risks are remote.

No assurance can be given that the Group will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it or the relevant operator obtains and proceeds of insurance will be adequate and available to cover any claims arising. The Group may become subject to liability for pollution, blow-outs or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible. The Group will exercise due care in the conduct of its business and obtain insurance prior to commencing operations in accordance with industry standards to cover certain of these risks and hazards. However, insurance is subject to limitations on liability and, as a result, may not be sufficient to cover all of the Group's losses. The occurrence of a significant event against which the Group is not fully insured, or the insolvency of the insurer of such event, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Any indemnities the Group may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources. In the event that insurance coverage is not available or the Group's insurance is insufficient to fully cover any losses, claims and/or liabilities incurred, or indemnities are difficult to enforce, the Group's business and operations, financial results or financial position may be disrupted and adversely affected. Further, even where the Group is insured, its contractors may themselves be insufficiently insured, or uninsured, in

respect of damage they may cause to the Group's property or operations. In such cases, the Group may be required to incur additional costs to extend its cover to its contractors, from whom it may be unsuccessful in recovering such costs in full or at all.

The payment by the Group's insurers of any insurance claims may result in increases in the premiums payable by the Group for its insurance cover and adversely affect the Group's financial performance. In the future, some or all of the Group's insurance coverage may become unavailable or prohibitively expensive.

The Directors and the Group have relied upon advice from various professional advisers engaged by the Group in relation to the preparation of this document and the Admission process. Such professional advisers' liability is subject to limitations. Accordingly, in the event any such advice proves to be have been incorrect, any amounts recoverable from the relevant adviser(s) may not be sufficient to cover all of the Group's resulting losses. This could have a material adverse effect on the Group's business and operations, financial condition and prospects.

#### ***Functioning insurance market***

Operational insurance policies are usually placed in one year contracts and the insurance market can withdraw cover for certain risks which can greatly increase the costs of risk transfer. Such increases are often driven by factors unrelated to the Group such as well control elsewhere in the world and wind storm damage.

#### ***Future litigation***

From time to time, the Group may be subject, directly or indirectly, to litigation arising out of its proposed operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Group's business, results of operations or financial condition. While the Group assesses the merits of each lawsuit and defends itself accordingly, it may be required to incur significant expenses or devote significant resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Group's business.

### **General exploration, development and production risks**

#### ***Exploration, development and production risks***

There can be no guarantee that any hydrocarbons discovered will be developed into profitable production, or that hydrocarbons will in fact be discovered in commercial quantities or developed to profitable production. Developing a hydrocarbon production field requires significant investment, generally over several years, to build the requisite operating facilities, drilling of production wells along with implementation of advanced technologies for the extraction and exploitation of hydrocarbons with complex properties. Making these investments and implementing these technologies, normally under difficult conditions, can result in uncertainties about the amount of investment necessary, operating costs and additional expenses incurred as compared with the initial budget, thereby negatively affecting the business, prospects, financial condition and results of operations of the Group. In addition, hydrocarbon deposits assessed by the Group may not ultimately contain economically recoverable volumes of resources and even if they do, delays in the construction and commissioning of production projects or other technical difficulties may result in any projected target dates for production being delayed or further capital expenditure being required.

The operations and planned drilling activities of the Group and its partners may be disrupted, curtailed, delayed or cancelled by a variety of risks and hazards which are beyond the control of the Group, including unusual or unexpected geological formations, formation pressures, geotechnical and seismic factors, environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharge of toxic gases, industrial accidents, occupational and health hazards, technical failures, mechanical difficulties, equipment shortages, labour disputes, fires, power outages, compliance with governmental requirements and extended interruptions due to inclement or hazardous weather and ocean conditions, explosions, blow-outs, pipe failure and other acts of God. Any one of these risks and hazards could result in work stoppages, damage to, or destruction of, the Group's or its partners' facilities, personal injury or loss of life, severe damage to or destruction of property, environmental damage or

pollution, clean-up responsibilities, regulatory investigation and penalties, business interruption, monetary losses and possible legal liability which could have a material adverse impact on the business, operations and financial performance of the Group. Although precautions to minimise risk are taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks. In addition, not all of these risks are insurable.

#### ***Hydrocarbon resource and reserve estimates***

No assurance can be given that hydrocarbon resources and reserves reported by the Group now or in the future are or will be present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. Hydrocarbon resource and reserve estimates may require revisions and/or changes (either up or down) based on actual production experience and in light of the prevailing market price of oil and gas. A decline in the market price for oil and gas could render reserves uneconomic to recover and may ultimately result in a reclassification of reserves as resources.

Unless stated otherwise, the hydrocarbon resources data contained in this document is taken from the Competent Person's Report. The resources data contained in this document has been certified by the Competent Person unless stated otherwise. There are uncertainties inherent in estimating the quantity of resources and reserves and in projecting future rates of production, including factors beyond the Group's control. Estimating the amount of hydrocarbon resources and reserves is an interpretive process and, in addition, results of drilling, testing and production subsequent to the date of an estimate may result in material revisions to original estimates.

The hydrocarbon resources data contained in this document and in the Competent Person's Report are estimates only and should not be construed as representing exact quantities. The nature of resource quantification studies means that there can be no guarantee that estimates of quantities and quality of the resources disclosed will be available for extraction. Any resource estimates contained in this document are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Group (which it may not necessarily have produced). The estimates may prove to be incorrect and potential investors should not place reliance on the forward looking statements contained in this document (including data included in the Competent Person's Report or taken from the Competent Person's Report and whether expressed to have been certified by the Competent Person or otherwise) concerning the Group's resources and reserves or production levels.

If the assumptions upon which the estimates of the Group's hydrocarbon resources have been based prove to be incorrect, the Group (or the operator of an asset in which the Group has an interest) may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this document and the Group's business, prospects, financial condition or results of operations could be materially and adversely affected.

#### ***Capital expenditure estimates may not be accurate***

Estimated capital expenditure requirements are estimates based on anticipated costs and are made on certain assumptions. Should the Group's capital expenditure requirements turn out to be higher than currently anticipated (for example, if there are unanticipated difficulties in drilling or connecting to infrastructure or price rises) the Group or its partners may need to seek additional funds which it may not be able to secure on reasonable commercial terms to satisfy the increased capital expenditure requirements. If this happens, the Group's business, cash flow, financial condition and operations may be materially adversely affected.

#### ***Appraisal and development results may be unpredictable***

Appraisal results for discoveries are also uncertain. Appraisal and development activities involving the drilling of wells across a field may be unpredictable and not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of the entire field be fully understood.

#### ***Production operations may produce unforeseen issues and drilling activities may not be successful***

Any production operations at the R1/R2 PSC Area would involve risks common to the industry, including blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations and abnormal geological pressures. In the event that any of these occur, environmental damage, injury to persons and loss of life, failure to produce oil or gas

in commercial quantities or an inability to fully produce discovered reserves could result. Drilling activities may be unsuccessful and the actual costs incurred in drilling, operating wells and completing well workovers may exceed budget. There may be a requirement to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. The occurrence of any of these events could have a material adverse effect on the Group's business, prospects, financial condition and operations.

***Exploration activities are capital intensive and there is no guarantee of success***

Exploration activities are capital intensive and their successful outcome cannot be assured. The Group intends to undertake exploration activities and incur significant costs with no guarantee that such expenditures will result in the discovery of commercially deliverable oil or gas. The Group intends to explore in geographic areas, where environmental conditions are challenging and costs can be high. The costs of drilling, completing and operating wells are often uncertain. As a result, there may be cost overruns or requirements to curtail, delay or cancel drilling operations because of many factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with environmental regulations, governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. Capital expenditure commitments may vary (or be increased) as a result of actual exploration performance. The risk of incurring such costs and the failure of such exploration may adversely affect the Company's profitability.

This risk factor is not intended to qualify the working capital statement set out at paragraph 12 of Part 6 of this document.

***Increase in drilling costs and the availability of drilling equipment***

The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development would affect the Group's ability to invest directly or indirectly in prospects and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations outside or in the Group's intended area of operations may reduce the availability of equipment and services to the Group and to the companies with which it operates. The reduced availability of equipment and services may delay the Group's ability, directly or indirectly, to exploit reserves and adversely affect the Group's operations and profitability.

***Delays in production, marketing and transportation***

Various production, marketing and transportation conditions may cause delays in oil production and adversely affect the Group's business. Drilling wells in areas remote from distribution and production facilities may delay production from those wells until sufficient reserves are established to justify expenditure on construction of the necessary transportation and production facilities. The Group's inability directly or indirectly to complete wells in a timely manner would result in production delays.

The marketability and price of oil and natural gas that may directly or indirectly be acquired or discovered by the Group will be affected by numerous factors beyond the control of the Group. The Group is also subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties related to the proximity of reserves to adequate pipeline and processing facilities, and extensive government regulations relating to price, taxes, royalties, licences, land tenure, allowable production, the export of oil and natural gas, and many other aspects of the oil and natural gas business. Moreover, weather conditions may impede the transportation and delivery of oil by sea. Any or all of these factors may result in an adverse impact on the financial returns anticipated by the Group.

Oil exploration and production and the sale of such production depends on adequate infrastructure. Reliable roads, bridges, power sources and water supplies are important determinants which affect capital and operating costs. Generally speaking, Niger suffers from underdeveloped infrastructure, communication problems (particularly internet access), energy shortages and high energy costs.

The Group will require access to a pipeline(s) in order to export its production. Whilst the Directors are aware that certain companies operating in Niger are planning a large scale pipeline development in the country and through certain neighbouring countries, at present there is no existing export pipeline infrastructure.

#### **Interruptions in availability of exploration, production or supply infrastructure**

The Group may suffer, indirectly, from delays or interruptions due to lack of availability of drilling rigs or construction of infrastructure, including pipelines, storage tanks and other facilities, which may adversely impact the operations and could lead to fines, penalties, criminal sanctions against the Group and/or its officers or its current or future licences or interests being terminated. Delays in obtaining licences, permissions and approvals required by the Group or its partners in the pursuance of its business objectives could likewise have a material adverse impact on the Group's business and the results of its operations.

#### ***Failure to meet contractual work commitments may lead to penalties***

The Group is subject to contractual work commitments, which include minimum work programmes to be fulfilled within certain time restraints. Specifically these commitments may cover certain depths of wells to be drilled, seismic surveys to be performed and other data acquisition. Failure to comply with such obligations, whether inadvertent or otherwise, may lead to fines, penalties, restrictions and withdrawal of licences with consequent material adverse effects.

#### ***Decommissioning costs may be greater than initially estimated***

The Group, through its licence interests, expects to assume certain obligations in respect of the decommissioning of its wells, fields and related infrastructure. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Group to make provisions for and/or underwrite the liabilities relating to such decommissioning. It is difficult to forecast accurately the costs that the Group will incur in satisfying its decommissioning obligations. When its decommissioning liabilities crystallise, the Group will be liable either on its own or jointly and severally liable for them with any other former or current partners in the field. In the event that it is jointly and severally liable with other partners and such partners default on their obligations, the Group will remain liable and its decommissioning liabilities could be magnified significantly through such default. Any significant increase in the actual or estimated decommissioning costs that the Group incurs may adversely affect its financial condition.

#### ***Risk of loss of oil and gas rights***

The Group's activities are dependent upon the grant, renewal and maintenance of appropriate leases, licences, concessions, permits and regulatory consents which may not be granted or may be withdrawn or made subject to qualifications. A block or authorisation may be revoked by the relevant regulatory authority if, *inter alia*, an interest holder is no longer deemed to be financially credible or defaults on its block obligations.

#### ***Natural disasters***

Any interest held by the Group is subject to the impacts of any natural disaster such as earthquakes, epidemics, fires and floods etc. No assurance can be given that the Group will not be affected by future natural disasters.

#### ***Environmental factors***

The Group's operations are, and will be, subject to environmental regulation (with regular environmental impact assessments and evaluation of operations required before any permits are granted to it) in Niger and any other regions in which the Group may operate. Environmental regulations may evolve in a manner that will require stricter standards and enforcement measures being implemented, increases in fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Compliance with environmental regulations could increase the Group's costs. Should the Group's operations not be able to comply with this mandate, financial penalties may be levied. Environmental legislation can provide for restrictions and prohibitions on spills, releases of emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. The Group's operations will be subject to such environmental policies and legislation.

Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards of enforcement and in more stringent fines and penalties for noncompliance. Environmental assessments of existing and proposed projects may carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditure, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a materially adverse effect on the Group's future financial condition or results of operations.

## **Risks relating to Niger and West Africa**

### ***Doing business in Niger***

The Group is currently dependent upon the Savannah PSC and the grant of an Exclusive Exploration Authorisation thereunder. Any adverse development affecting the Savannah PSC would have a material adverse effect on the Group, its business, prospects, results of operations and financial condition. Doing business in Niger brings with it a wide variety of risks, including political, legal, regulatory, social and economic.

### ***Terrorism, militant activity and civil unrest***

Niger faces a threat of terrorism. One element of this risk arises as a result of its proximity to various regional Islamist insurgencies. Whilst the Board believes that the Group's assets are remotely located some distance from historical terrorist incidents, there is no guarantee that this will be the case in the future.

### ***Risk of crime and corruption***

Countries in West Africa experience high levels of criminal activity and governmental and business corruption. Oil and gas companies operating in West Africa may be particular targets of criminal or terrorist actions. Criminal, corrupt or terrorist action against the Group and its directly or indirectly held properties or facilities could have a material adverse effect on the Group's business, results of operations or financial condition. In addition, the fear of criminal or terrorist actions against the Group could have an adverse effect on the ability of the Group adequately to staff and/or manage its operations or could substantially increase the costs of doing so.

Furthermore, alleged or actual involvement in corrupt practices or other illegal activities by the joint venture partners of the Group, or others with whom the Group directly or indirectly conducts business, could also damage the Group's reputation and business and adversely affect the Group's financial condition and results of operations. The UK Bribery Act 2010 ("**Bribery Act**") came into force in July 2011. Under the terms of the Bribery Act, an unlimited fine may be imposed on companies (which could potentially include the Company and other members of its Group) where they have failed to take appropriate steps ("**Adequate Procedures**") to ensure that the company and its associated persons, as defined in the Bribery Act (including, but not limited to, employees, subsidiaries, joint ventures, and agents) are not involved in any corrupt practices. There is concern in the oil and gas industry that, following the letter of the law, the Bribery Act prohibits certain practices which are not covered by the US Foreign Corrupt Practices Act 1977 (the "**FCPA**"), but which are regarded as standard industry practice (for example, facilitation payments). It may not be possible for the Group to detect or prevent every instance of fraud, bribery or corruption. Failure to detect or prevent any such instances may expose the Group to potential civil or criminal penalties under relevant applicable law and to reputational damage, which may have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

### ***Emerging markets risk***

Investors in emerging markets, such as Niger, should, be aware that these markets are subject to greater risk than more developed markets, including, in some cases, significant legal, fiscal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved in an investment in the Company and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging and developing markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved.

### ***Political, economic, fiscal, legal, regulatory and social environment risk***

The Group's interests in Niger are likely to be exposed to political, economic, fiscal, legal, regulatory and social environment risk. The Group's business will involve a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. These risks include, but are not limited to, corruption, civil strife or labour unrest, armed conflict, terrorism, limitations or price controls on oil exports, and limitations or the imposition of tariffs or duties on imports of certain goods.

If the existing body of laws and regulations in Niger are interpreted or applied, or relevant discretions exercised, in an inconsistent manner by the courts or applicable regulatory bodies, this could result in ambiguities, inconsistencies and anomalies in the enforcement of such laws and regulations, which, in turn, could hinder the long-term planning efforts of the Group and may create uncertainties in its operating environment.

Exploration and development activities in developing countries may require protracted negotiations with host governments, national oil companies and third parties and may be subject to economic and political considerations such as the risks of war, actions by terrorist or insurgent groups, community disturbances, expropriation, nationalisation or renegotiation of existing contracts. The two main protections granted to Savannah Petroleum under the PSC are (1) the stability of the legislation and the terms agreed under the PSC and the commitment that the Government of Niger shall never (a) directly or consequently increase the obligations and responsibilities imposed on Savannah Niger nor (b) infringe the latter's economic rights and advantages resulting from Law of 2007 (see definition on page 151) and the PSC and (2) the arbitration procedure according to which any dispute relating to the PSC which cannot be settle amicably shall be resolved by means of arbitration conducted in accordance with the Arbitration Rules of the International Centre for Settlement of Investment Disputes (ICSID Rules) and the Convention on the settlement of investment disputes between States and nationals of other States, the "Washington Convention". The PSC provides that the dispute shall be resolved in accordance with its provisions, the Law of 2007 and the provisions of international law applicable in the area.

The Niger Government owns the country's mineral resources and grants hydrocarbon exploration and production rights under fixed term production sharing contracts, which can be renewed in accordance with their terms. It thus retains control over the exploration and exploitation of hydrocarbon reserves. Any adverse changes in the Niger Government's policy with respect to the oil and gas industry, including any which may occur following the presidential elections in 2016 and a potential change in government, may adversely impact the interests of the Group.

Further, the strategy and business of the Group in Niger depend on it maintaining good relationships and cooperating with the relevant Nigerien authorities. While the Company believes that it has an effective working relationship with the Niger authorities, there is no guarantee that this positive relationship will continue or that actions by the current or future governments will not seriously affect the business or financial position of the Group. This relationship could be adversely impacted by future changes in the personnel or management of the Group or the Nigerien authorities.

### ***Uncertainties in the interpretation and application of laws and regulations***

A number of the Group's principal agreements including the Savannah PSC are governed under Niger law. The courts in Niger may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established economies. However, the Savannah PSC offers the option of a recourse to an international arbitration procedure in accordance with the International Centre for Settlement of Investment Disputes (ICSID Rules) and the Convention on the settlement of investment disputes between States and nationals of other States, the "Washington Convention". Nevertheless, the Group could face risks, such as: (i) effective legal redress in the courts being more difficult to obtain, whether in respect of a breach of law or regulation, or in an ownership dispute, (ii) a higher degree of discretion on the part of governmental authorities and, therefore, less certainty, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations. Enforcement of laws in Niger may also depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Group by local lawyers or even previously by the relevant local authority itself.

In Niger, the state asserts ownership of minerals and consequently, subject to the terms agreed in the Savannah PSC retains control of (and, in many cases, participates in) the exploration and production of hydrocarbon reserves. Transfers of interests typically require government approval, which may delay or otherwise impede such transfers.

#### ***Licensing and other regulatory requirements in Niger***

The Group's direct and/or indirect intended future operations will be subject to mineral leases, petroleum leases, licences, production sharing contracts, regulations and approvals of governmental authorities for exploration, development, construction, operation, production, marketing, pricing, transportation and storage of oil, taxation, and environmental and health and safety matters. The Group cannot guarantee that such documents applied for will be granted or, if granted, will not be subject to possibly onerous conditions, or their availability to the Group or its associated companies may adversely affect the Group's assets, plans, targets and projections.

The Group will be subject to extensive government laws and regulations governing prices, taxes, royalties, allowable production, waste disposal, pollution control and similar environmental laws, the export of oil and many other aspects of the oil business. There can be no assurance that the actions of present or future governments in Niger, or of governments of other countries in which the Group may operate in the future, will not materially adversely challenge the Group's title to any interest it may have in Niger with retrospective effect.

#### ***Adverse sovereign action involving expropriation or renationalisation***

The oil and gas industry is central to the economy and future prospects for development in Niger. Therefore, the industry can be expected to be the focus of continuing attention and debate. In certain developing countries, petroleum companies have faced the risks of expropriation or renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls, and other risks.

As with many countries, possible future changes in the government, major policy shifts or increased security arrangements could have, to varying degrees, an adverse effect on the value of investments. These factors could materially adversely affect the Group's business, prospects or financial results.

In the event of a dispute arising in connection with its interests, the Group is likely to be subject to the jurisdiction of the courts of Niger. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Group's exploration, development and production activities could be substantially affected by factors beyond the Group's control, any of which could have a material adverse effect on the Group.

### **Investment and AIM risks**

#### ***Share price volatility and liquidity***

Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies. Accordingly, AIM may not provide the liquidity normally associated with the Official List or some other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might otherwise be the case. An investment in shares traded on AIM carries a higher risk than those listed on the Official List.

The Company is principally aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price. Prospective investors should be aware that the value of an investment in the Company may go

down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment.

The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, (i) the performance of the Company and the overall stock market, (ii) large purchases or sales of Ordinary Shares by other investors, (iii) results of exploration, development and appraisal programmes and production operations, (iv) changes in analysts' recommendations and any failure by the Group to meet the expectations of the research analysts, (v) changes in legislation or regulations and changes in general economic, political or regulatory conditions (particularly in Niger), and (vi) other factors which are outside of the control of the Company.

Shareholders may sell their Ordinary Shares in the future to realise their investment. Sales of substantial amounts of Ordinary Shares following Admission and/or termination of the lock-in restrictions (the terms of which are summarised in paragraph 8.6 of Part 6 of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Ordinary Shares available for sale compared to the demand to buy Ordinary Shares. Such sales may also make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Ordinary Shares may decline below the Placing Price.

### ***US Shareholders***

Ordinary Shares held by US shareholders are subject to restrictions on transfer. The Ordinary Shares have not been registered, and are not intended to be registered, under the Securities Act or the securities laws of any US state. There will be no public market in the United States for the Ordinary Shares. Absent registration, the Ordinary Shares may be offered or sold only in transactions that are not subject to or are exempt from the registration requirements of the Securities Act and applicable US state securities laws. These restrictions could make it more difficult to resell Ordinary Shares, and this could have an adverse effect on their market value. Investors in the United States may not be able to locate suitable purchasers on suitable terms, or meet the requirements of the available exemptions from registration under the Securities Act or applicable state laws in order to effect a sale. As a result, investors in the US may not experience the same level of liquidity in the Ordinary Shares as investors located in other jurisdictions.

In addition, if the share capital of the Company is increased and new Ordinary Shares are issued for cash, existing holders of Ordinary Shares are, under the Company's constitutional documents, entitled to pre-emptive rights in respect of those Ordinary Shares unless such rights are waived by a shareholders' resolution. If the Company allots Ordinary Shares for cash in the future, even in circumstances where pre-emptive rights are not waived, holders of the Ordinary Shares outside the UK may not be able to exercise their pre-emptive rights for Ordinary Shares unless the Company decides to comply with applicable local laws and regulations and may suffer significant dilution as a result. US shareholders would not be able to exercise their pre-emptive rights to acquire the new Ordinary Shares unless an effective registration statement under the Securities Act were in place or an exemption from the registration requirements of the Securities Act were available for the offer, sale and issuance of new Ordinary Shares to such shareholders. There can be no assurance that the Company will file any such registration statement or that an exemption to the registration requirements of the Securities Act will be available.

### ***Investment risk***

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal. While various oil and gas investment opportunities are available, potential investors should consider the risks that pertain to oil and gas development projects in general.

### ***Modification or Cancellation of Placing***

The Company, Strand Hanson or the Agents may withdraw, cancel or modify the placing of the Ordinary Shares at any time without notice. The Ordinary Shares are offered subject to the right of the Company to reject any purchase in whole or in part, for any reason, or to allot to any investor less than the amount of the Ordinary Shares subscribed for by that investor.

### ***Determination of Placing Price***

Placees will subscribe for the Ordinary Shares at the Placing Price, which is a fixed price, prior to satisfaction of all conditions for the Ordinary Shares to be issued. The Placing Price may not reflect the trading value of the Ordinary Shares when issued, the actual value of the Ordinary Shares, the Company's potential earnings or results or any other recognized criteria of value.

### ***Dilution***

Shareholders not participating in future offerings may be diluted and pre-emptive rights may not be available to Shareholders, including, but not limited to Shareholders resident in jurisdictions with restrictions having the effect that they will not be granted subscription rights in connection with, or be able to subscribe for new shares in, such offerings. Statutory pre-emptive rights have been waived up to certain stated amounts as detailed in paragraph 3.6 of Part 6 of this document. The Company may in the future issue warrants and/or options to subscribe for new Ordinary Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options would result in dilution of the shareholdings of other investors.

### ***Dividends***

There can be no assurance as to the level of future dividends. Subject to compliance with the Act and the Company's Articles, the declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors, and will depend on, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits. A dividend may never be paid and at present, there is no intention to pay a dividend.

**It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware which may also have an adverse effect upon the Group.**

**If any of the risks referred to in this Part 2 crystallise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its Ordinary Shares could decline and investors may lose all or part of their investment.**

**Although the Directors will seek to minimise the impact of the risk factors listed above, investment in the Group should only be made by investors able to sustain a total loss of their investment.**

**PART 3**

**FINANCIAL INFORMATION**

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

**SAVANNAH PETROLEUM PLC**

The Company was incorporated on 3 July 2014. The Company has been incorporated under the Act with a financial year end of 31 July.

Since the date of its incorporation, the Company has not yet commenced operations and it has no material assets or liabilities, and therefore no financial statements have been prepared as at the date of this document, and no separate Historical Financial Information on the Company is presented in this document.

Refer to paragraph 3.3 of Part 6 of this document for details on the share for share exchange involving the Company and SP1L.

**ENTITIES INCLUDED WITHIN THE HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information for the SP1L Group for the period from incorporation to 30 April 2014, as presented in Part 3(B) of this document, includes SP1L and its subsidiary undertakings SP2L and Savannah Niger, from their date of incorporation or acquisition by SP1L.

SP1L initially had a financial year end of 31 July and this has subsequently been changed to 31 December.

The SP1L Group constitutes all of the trading entities of the Group from and after 22 July 2014, the date on which the Company acquired SP1L through the share for share exchange further described in paragraph 3.3 of Part 6 of this document.

## PART 3(A)

### ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE SP1L GROUP



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Our ref: TAS/JP/AS/Savannah

The Directors  
Savannah Petroleum plc  
45 King William Street  
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EC4R 9AN

29 July 2014

Dear Sirs

#### **Savannah Petroleum 1 Limited**

We report on the financial information set out in Part 3(B) of this AIM Admission Document, for the period from incorporation on 3 July 2013 to 30 April 2014. This financial information has been prepared for inclusion in the AIM Admission Document dated 29 July of Savannah Petroleum plc on the basis of the accounting policies set out in note 2 in the Notes to the Historical Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM Admission Document.

The Directors of Savannah Petroleum plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 29 July 2014, a true and fair view of the state of affairs of Savannah Petroleum 1 Limited as at 30 April 2014 and of its losses and changes in equity for the period from 3 July 2013 to 30 April 2014 in accordance with International Financial Reporting Standards adopted by the European Union.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

## PART 3(B)

### HISTORICAL FINANCIAL INFORMATION OF THE SP1L GROUP

#### Consolidated statement of comprehensive income

	Note	Period from 3 July 2013 to 30 April 2014	\$
General and administrative expenses	6	(973,152)	
<b>Loss from operations</b>		(973,152)	
<b>Loss before income tax</b>		(973,152)	
<b>Loss for the period and total comprehensive loss attributable to the owners of the parent</b>		(973,152)	

#### Consolidated statement of financial position as at 30 April 2014

	Note	As at 30 April 2014	\$
<b>Non-current assets</b>		—	
<b>Current assets</b>			
Trade and other receivables	8	2	
<b>Total assets</b>		2	
<b>Equity</b>			
Share capital	10	2	
Retained earnings	11	(973,152)	
<b>Total equity</b>	11	(973,150)	
<b>Current liabilities</b>			
Trade payables		973,152	
<b>Total liabilities</b>		973,152	
<b>Total equity and liabilities</b>		2	

#### Consolidated statement of cash flows

There have been no cash movements in the period from incorporation to 30 April 2014.

#### Consolidated statement of changes in equity

	Share capital \$	Retained earnings \$	Total \$
Issue of shares on incorporation	2	—	2
Loss and total comprehensive loss for the period	—	(973,152)	(973,152)
<b>Balance as at 30 April 2014</b>	<b>2</b>	<b>(973,152)</b>	<b>(973,150)</b>

The annexed notes form an integral part of and should be read in conjunction with this Historical Financial Information.

## **NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

### **1. General information**

Savannah Petroleum 1 Limited (formerly Savannah Petroleum Limited) is a limited company incorporated on 3 July 2013 and domiciled in the United Kingdom, company number SC453751. Savannah Petroleum Limited was renamed Savannah Petroleum 1 Limited on 3 July 2014.

Its registered office and principal place of business is:

50 Lothian Road  
Festival Square  
Edinburgh  
Scotland  
EH3 9WJ

During the period from incorporation to 30 April 2014, SP1L has issued 1,000,000,000 ordinary shares of \$0.00000001 each and 64 deferred shares of \$0.01 each. All shares were unpaid as of 30 April 2014.

No dividends have been declared or paid since incorporation.

### **2. Basis of preparation**

SP1L's directors are responsible for the preparation of this Historical Financial Information. This Historical Financial Information of the SP1L Group has been prepared for the sole purpose of publication within this Admission Document. It has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Historical Financial Information does not constitute statutory accounts within the meaning of section 434 of the companies Act 2006 and no statutory accounts have been prepared, audited or filed with the Registrar of Companies in England and Wales since incorporation.

The Historical Financial Information has been prepared on a going concern basis and under the historical cost convention.

The functional and presentational currency is US dollars.

### **3. New standards, interpretations and amendments**

For the purposes of this Historical Financial Information, SP1L has adopted new or revised IFRS published by the International Accounting Standards Board and endorsed by the European Union that are effective for financial periods beginning on 3 July 2013, these being the accounting standards adopted by SP1L in its Historical Financial Information. The accounting standards and policies applied by SP1L are consistent across all periods presented in the Historical Financial Information.

As a result, certain new standards, interpretations and amendments applicable for accounting periods beginning on or after 3 July 2013 apply to this Historical Financial Information. The new standards, amendments and interpretations to existing standards that were published by the International Accounting Standards Board and endorsed by the European Union that could be applicable for SP1L's Historical Financial Information are as follows:

- *IAS 12 (Amendment) 'Amendment to IAS 12: Deferred tax – Recovery of Underlying Assets'*
- *IFRS 10 'Consolidated Financial Statements' (IFRS 10)*
- *IFRS 11 'Joint Arrangements' (IFRS 11)*
- *IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12)*
- *IFRS 13 'Fair Value Measurement' (IFRS 13)*

- *IAS 27 (Revised) ‘Separate Financial Statements’*
- *IAS 28 (Revised) ‘Investments in Associates and Joint Ventures’*
- *IFRS 7 (Amendment) ‘Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7’*
- *Amendments to IAS 19 ‘Employee Benefits’ (IAS 19)*
- *‘Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27’*
- *‘Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12’*
- *‘Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32’*
- *‘Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)’*
- *‘Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)’*

Except as noted, the implementation of these standards does not have a material effect on SP1L and its subsidiary undertakings.

#### ***IFRS 10 ‘Consolidated Financial Statements’ (IFRS 10)***

IFRS 10 supersedes IAS 27 ‘Consolidated and Separate Financial Statements’ (IAS 27) and SIC 12 ‘Consolidation-Special Purpose Entities’. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the group’s investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the group’s investees held during the period.

#### **4. New standards, interpretations and amendments not yet effective**

There are no further standards in issue that have been adopted by the European Union which would be applicable for SP1L and its subsidiary undertakings.

#### **5. Accounting policies**

##### **a) Use of accounting estimates and judgements**

The Directors consider that in the proper preparation of this Historical Financial Information there were no critical or significant areas which required the use of accounting estimates and exercise of judgement by management while applying the SP1L’s accounting policies.

##### **b) Basis of consolidation**

The financial statements consolidate those of the parent company, Savannah Petroleum 1 Limited, and all of its subsidiaries. The parent controls a subsidiary if it has power over the investee to significantly direct the activities, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor’s returns. All subsidiaries have a reporting date of 30 April.

All transactions and balances between group companies are eliminated on consolidation

The Historical Financial Information incorporates the results of business combinations using the purchase method. In the statement of financial position, the acquiree’s identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

c) ***Financial assets***

The group does not have any financial assets which it would classify as fair value through profit or loss, available for sale or held to maturity. Therefore all financial assets are classed as loans and receivables as defined below.

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. The group's loans and receivables comprise intercompany loan accounts representing unpaid share capital.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty may default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups. The impairment loss estimate is then based on recent historical counterparty default rates and current economic conditions.

d) ***Financial liabilities***

The group does not have any financial liabilities that would be classified as fair value through the profit or loss. Therefore these financial liabilities are classified as financial liabilities at amortised cost, as defined below.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

e) ***Equity instruments***

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Equity comprises the following:

- ‘Share capital’ represents the nominal value of equity shares.
- ‘Retained earnings’ represents retained profits and losses.

f) ***Foreign currency***

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the statement of comprehensive income.

**6. General administrative expenses**

	Period from 3 July 2013 to 30 April 2014 \$
Professional fees	819,921
Foreign currency losses	3,231
Administrative expenses	<u>150,000</u>
	<u><u>973,152</u></u>

**7. Subsidiary**

Savannah Petroleum 1 Limited has formed a wholly-owned subsidiary, Savannah Petroleum 2 Limited, a company incorporated in England and Wales on 30 January 2014 with a \$1 share. During the period from incorporation to 30 April 2014, the company has not traded. All shares were unpaid as of 30 April 2014.

## 8. Trade and other receivables

	As at 30 April 2014 \$
Unpaid share capital	2

Due to the short term nature of trade and other receivables and as the credit risk has been adjusted for, the book value approximates to their fair value.

As at 30 April 2014 no trade receivables were past due but not impaired.

## 9. Financial instruments and risk management

A summary of the financial instruments held by category is provided below:

### *Financial assets – loans and receivables*

	As at 30 April 2014 \$
Unpaid share capital	2
<b>Total financial assets</b>	<b>2</b>

### *Financial liabilities – held at amortised cost*

	As at 30 April 2014 \$
Trade Payables	973,152
<b>Total financial liabilities</b>	<b>973,152</b>

### *Capital management*

SP1L's objective when managing capital is to preserve the entity's ability to operate on a going concern basis, so that it can continue to provide returns to shareholders and benefits for other stakeholders from its trading activities.

As the group is in its start-up phase, all costs in the period to 30 April 2014 have been financed by a related party, LOGP. Subsequently, a mixture of convertible loans and other short-term loans have been used (see Note 10 and Note 14).

## 10. Share capital

	As at 30 April 2014 \$
<b>Authorised</b>	
1,000,000,000 ordinary B shares of \$0.000000001 each	1
64 deferred shares of \$0.01 each	1
	<b>2</b>

### **Allotted, called up and un-paid**

1,000,000,000 ordinary B shares of \$0.000000001 each	1
64 deferred shares of \$0.01 each	1
	<b>2</b>

On 3 July 2013, 1 ordinary share of £1 was issued.

On 13 January 2014, the ordinary share of £1 was redenominated to \$1.64.

On 13 January 2014, the ordinary share of \$1.64 was subdivided to 1,000,000,000 ordinary B shares of \$0.00000001 each with full voting, dividend and capital distribution rights and 64 deferred shares of \$0.01 each with no voting, no dividend and no capital distribution rights.

## 11. Reserves

	<i>Profit and loss account</i> \$
Loss for the period	(973,152)
At 30 April 2014	<u>(973,152)</u>

## 12. Directors' remuneration

None of the company's directors received or were entitled to receive, any remuneration from the company for their services during the period from incorporation to 30 April 2014.

## 13. Ultimate controlling party

SP1L is wholly owned by Lothian Capital Partners 1 Limited.

## 14. Subsequent events

On 30 May 2014, a short term loan was provided for £230,000 at an interest rate of 1 per cent. The loan has since been repaid with 1 per cent. interest.

On 4 June 2014, convertible loan notes were issued for \$19.93 million. On 12 June 2014, convertible loan notes were issued for \$1.1 million.

On 20 June 2014, Ecobank issued a \$38 million bank guarantee on behalf of the SP1L Group to the government of Niger. The bank guarantee is 50 per cent. cash collateralised, with the remaining 50 per cent. to be financed via a bank loan at an initial rate of Libor + 6 per cent., if the bank guarantee is called.

On 3 July, 2014, Savannah Niger, a 95 per cent. subsidiary incorporated on 2 July 2014, signed a Production Sharing Contract over two blocks R1 and R2 with the Government of Niger.

LOGP has incurred costs in the amount of \$2,002,000 relating to the group's activity to date, including expenses, and management and consultancy services. SP1L was invoiced for \$600,000 (\$500,000 plus \$100,000 VAT) by LOGP for services rendered in the period to 30 April 2014. No further costs are to be recharged from LOGP to SP1L in relation to this prior to the admission date. Following admission, any further costs will only be recharged from LOGP to SPIL in accordance with the terms of the LOGP Services Agreement. LOGP is a related party.

Since 30 April 2014, SP1L received invoices for professional services received after the period ended 30 April 2014 in the amount of US\$458,438.

## PART 4

### **UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE SP1L GROUP**

Set out below is an unaudited pro forma statement of net assets of the SP1L Group which has been prepared on the basis of the net assets of the SP1L Group as at 30 April 2014, as adjusted for the issue of the SP1L Loan Notes (as replaced by the PLC Loan Notes), the execution of a bank guarantee and the Placing. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only, to provide information about the impact of entering into the PSC, the issue of the SP1L Loan Notes (as replaced by the PLC Loan Notes), the execution of a bank guarantee and the Placing on the SP1L Group as if they had occurred on 30 April 2014 and, because of its nature, will not represent the actual financial position of the SP1L Group at the date of Admission.

	<i>Issue of</i> <i>Company</i> <i>Note 1</i> <i>\$'000</i>	<i>Loan Notes</i> <i>Note 2</i> <i>\$'000</i>	<i>Ecobank</i> <i>Note 3</i> <i>\$'000</i>	<i>Net Placing</i> <i>Proceeds</i> <i>Note 4</i> <i>\$'000</i>	<i>Pro Forma</i> <i>Net Assets</i> <i>Note 5</i> <i>\$'000</i>
<b>Assets</b>					
<b>Non-current Assets</b>					
License costs	—	—	37,800	—	37,800
Total non-current assets	—	—	37,800	—	37,800
<b>Current Assets</b>					
Cash and cash equivalent	—	21,030	(18,900)	43,218	45,348
Total current assets	—	21,030	(18,900)	43,218	45,348
<b>Total assets</b>	<b>—</b>	<b>21,030</b>	<b>18,900</b>	<b>43,218</b>	<b>83,148</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and other payables	(973)	—	(1,257)	—	(2,230)
Short term borrowings	—	—	(18,900)	—	(18,900)
Total current liabilities	(973)	—	(20,157)	—	(21,130)
<b>Non-current liabilities</b>					
Convertible Loan Notes	—	(21,030)	—	21,030	—
Total non-current liabilities	—	(21,030)	—	21,030	—
<b>Total liabilities</b>	<b>(973)</b>	<b>(21,030)</b>	<b>(20,157)</b>	<b>21,030</b>	<b>(21,130)</b>
<b>Net assets</b>	<b>(973)</b>	<b>—</b>	<b>(1,257)</b>	<b>64,248</b>	<b>62,018</b>

Notes:

1. The financial information in respect of the SP1L Group as at 30 April 2014 has been extracted, without material adjustment, from the Historical Financial Information of the SP1L Group as at 30 April 2014, as set out in Part 3(B) of this document.
2. SP1L Group has issued the SP1L Loan Notes of \$21.03 million to the SP1L Loan Noteholders. Out of the total sum, \$19.93 million of SP1L Loan Notes were issued on 4 June 2014 and \$1.1 million of SP1L Loan Notes were issued on 12 June 2014. Simultaneous with the completion of the share exchange described in paragraph 3.3 of Part 6 of this document, the Company acquired the SP1L Loan Notes from the SP1L Loan Noteholders in exchange for an issue of the PLC Loan Notes to the SP1L Loan Noteholders. The PLC Loan Notes will be converted into Ordinary Shares pre-Admission and therefore, no liability will exist upon Admission.
3. On 20 June 2014, Ecobank issued a \$37.8 million bank guarantee on behalf of the SP1L Group to the government of Niger at a fee of 2.75 per cent. (\$1.04 million). The bank guarantee is 50 per cent. cash collateralised, with Ecobank prepared to finance the remaining \$18.9 million via a bank loan at a fee of 1.15 per cent. (\$217,000) and an initial rate of Libor + 6 per cent. The pro forma statement of net assets has been prepared on the basis that the bank loan will have to be drawn to fund the remainder of the licence cost of the acquisition. As the result, Ecobank fees add up to \$1.257 million (bank guarantee fee of \$1.040 million and a bank loan fee of \$0.217 million).

4. The pro forma net assets statement has been prepared on the basis that the SP1L Group will raise approximately \$50 million in gross proceeds from the Placing and that there will be approximately \$6.8 million of fees incurred in respect of this transaction, resulting in net Placing proceeds of approximately \$43.2 million. The PLC Loan Notes will be converted into Ordinary Shares pre-Admission and therefore, no liability will exist upon Admission.
5. This column represents the sum of the preceding columns, and represents the pro forma net assets of the SP1L Group.
6. Apart from the items described above, no other adjustments have been made for the SP1L Group to reflect any issues of equity, trading, expenditure, changes in working capital, changes in debt or other movements subsequent to 30 April 2014.

**PART 5**  
**COMPETENT PERSON'S REPORT**



Robertson

The Directors  
Savannah Petroleum PLC  
1st Floor, 45 King William Street  
London  
EC4R 9AN

AND

The Directors  
Strand Hanson Ltd.  
26 Mount Row  
London  
W1K 3SQ

1st July 2014

Dear Sir

**COMPETENT PERSONS REPORT FOR CERTAIN ASSETS IN THE AGADEM BLOCK,  
LICENCE R1/R2, NIGER**

CGG Robertson is a geological and petroleum reservoir consultancy that provides a specialist service in field development and the assessment and valuation of upstream petroleum assets.

CGG Robertson has prepared this Competent Persons Report (CPR) for Savannah Petroleum PLC and for Strand Hanson Ltd. for use in connection with the Company's (or the Company's holding Company's) proposed admission to AIM ("Admission"). This CPR is a technical and economic evaluation and has been undertaken by CGG Robertson personnel that have in excess of twenty years' experience in the estimation, assessment and evaluation of hydrocarbon reserves.

Except for the provision of professional services provided on a time based fee basis and products on a licence basis, CGG Robertson has no commercial arrangement or interest with Savannah Petroleum PLC or the assets which are the subject of the CPR or any other person or company involved in the interests. CGG Robertson has provided an independent assessment from Savannah Petroleum PLC.

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Robertson

general conditions, CGG Robertson additionally agrees to the publication of the CPR document, in full, on the Savannah Group's website in accordance with AIM rules.

Turlough Cooling

Has an MSc in Petroleum Engineering from Imperial College London University and 33 years' experience in the evaluation of oil and gas fields and acreage, preparation of development plans and assessment of reserves and resources. He has worked in operating oil & gas companies and joint ventures on the technical and commercial evaluation of oil, gas and condensate projects in sandstones and carbonates from new ventures/business development and exploration through asset development and production operations. He has consulted to independent oil companies, national oil companies and investors. He is a member of the Society of Petroleum Engineers.

Dr. Rob Crossley

Has a PhD on the Kenyan rift valley followed by ten years in a Senior Lecturer's position in geology at the University of Malawi. He then has 28 years' experience of petroleum geological evaluation of exploration acreage and development/production assets. Extensive study and publication mostly on Cenozoic and Mesozoic tectonics in Africa and Arabia, rift structures, sedimentation during rifting and onset of drifting, high temperature diagenesis, rift volcanism, sedimentation in humid and arid tropical rifts, experimental coring and SCAL, and Global Palaeo-Earth System Modelling including prediction of source facies and reservoir facies.

Dr. Arthur Satterley

Has PhD from the University of Birmingham on Upper Triassic reef limestones and post-doctoral research experience on platform carbonate margins. He has 20 years' experience of petroleum geological evaluations particularly in appraisal and development projects. He has broad experience of carbonate and clastic reservoirs and reservoir architecture in most major petroleum provinces including African experience in the Sirte Basin of Libya, in Tunisia, Nigeria and in the Gulf of Suez. He is principal advisor to an offshore production company on the Celtic Sea rift, its sedimentary fill and exploration potential.

David Fishman

Has 34 years' experience of economic and commercial analyses of petroleum assets including project economics, finance and corporate valuations, risked exploration economics, advising on fiscal system design and take, economic model building and audit and price and industry analysis including LNG.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Turlough Cooling".

Turlough Cooling  
Director of Petroleum Reservoir & Economics Group  
GeoConsulting  
Enclosed : Competent Persons Report



# Robertson

**COMPETENT PERSONS REPORT**  
**Agadem Exploration License R1/R2, Niger**

**FOR**  
**Savannah Petroleum PLC**  
**AND**  
**Strand Hanson Limited**

**Robertson (UK) Limited Reference No: BP443**  
**1<sup>st</sup> July 2014**

# GeoConsulting

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### Professional Qualifications

Robertson (UK) Limited is a geological and petroleum reservoir consultancy that provides a specialist service in field development and the assessment and valuation of upstream petroleum assets.

CGG Robertson has provided consultancy services to the oil and gas industry for over 50 years. The work for this report was carried out by Robertson (UK) specialists having between 20 and 40 years of experience in the estimation, assessment and evaluation of hydrocarbon reserves, CPR work and in African rift basins.

Except for the provision of professional services provided on a fee basis and products on a license basis, Robertson (UK) Limited has no commercial arrangement or interest with Savannah Petroleum PLC or the assets, which are the subject of the report or any other person or company involved in the interests.

### Data and Valuation Basis

In estimating petroleum in place and recoverable, we have used the standard techniques of petroleum engineering. There is uncertainty inherent in the measurement and interpretation of basic geological and petroleum data. There is no guarantee that the ultimate volumes of petroleum in place or recovered from the field will fall within the ranges quoted in this report. We have estimated the degree of this uncertainty to calculate the range of petroleum initially in place and recoverable using the SPE Petroleum Resource Management System standard (PRMS) as set out by the SPE/SPEE/AAPG/WPC as the internationally recognised standard required by the AIM Note.

We have independently assessed the proposed development schemes and validated estimates of capital and operating costs, modifying these where we judge it appropriate. We have carried out economic modelling based on our forecasts of costs and production. The capital and operating costs have been combined with production forecasts based on the reserves or resources at the P90 (Proved), P50 (Proved + Probable) and P10 (Proved + Probable + Possible) levels of confidence and the other economic assumptions outlined in this report in order to develop an economic assessment for these petroleum interests. Our valuations do not take into account any outstanding debt or accounting liabilities, nor future indirect corporate costs such as general and administrative costs.

We have valued the petroleum assets using the industry standard discounted cash flow technique. In estimating the future cash flows of the assets we have used extrapolated economic parameters based upon recent and current market trends. Estimates of these economic parameters, notably the future price of crude oil and natural gas, are uncertain and a range of values has been considered. There is no guarantee that the outturn economic parameters will be within the ranges considered.

In undertaking this valuation we have relied solely upon data supplied by Savannah Petroleum PLC in the form of geoscience reports, seismic data, engineering reports and economics data. This data was supplied to Savannah Petroleum PLC from the Niger Ministry of Energy and Petroleum. Robertson (UK) Limited has relied on Savannah Petroleum PLC for validation of the accuracy and completeness of the data set provided. The supplied data has been supplemented by public domain regional information where necessary.

Robertson (UK) Limited has used the working interest percentages that Savannah Petroleum PLC has in the Properties, as communicated by Savannah Petroleum PLC. Robertson (UK) Limited has not verified nor do we make any warrant as to Savannah Petroleum PLC's interest in the Properties.

Within this report, Robertson (UK) Limited makes no representation or warranty as to: (i) the amounts, quality or deliverability of reserves of oil, natural gas or other petroleum; (ii) any geological, geophysical, engineering, economic or other interpretations, forecasts or valuations; (iii) any forecast of expenditures, budgets or financial projections; (iv) any geological formation, drilling prospect or hydrocarbon reserve; (v) the state, condition or fitness for purpose of any of the physical assets, including but not limited to well, operations and facilities related to any oil and gas interests or (vi) any financial debt, liabilities or contingencies pertaining to the organisation, Savannah Petroleum PLC.

We affirm that from the as-of date of this report, 10<sup>th</sup> June 2014, to the date of issue of this report, 1<sup>st</sup> July 2014, that 1) there are no matters known to Robertson (UK) Limited that would require a change to this report, and 2) Robertson (UK) Limited is not aware of any matter in relation to this report that it believes should and may not yet have been brought to the attention of Savannah Petroleum PLC.

This report has been compiled in accordance with the guidelines on the scope and content of a Competent Persons' Report as set out in the AIM Note "Guidance for Mining and Oil and Gas Companies, June 2009" for the purpose of inclusion within an AIM Admission document.

### **Conditions of Usage**

The report was compiled during the period June 2014 with the effective cut-off date for inclusion of data being 10<sup>th</sup> June 2014. The effective date for valuation reporting is 1 July 2014 and this report is therefore valid for use for a period of six months from this date. Should it be required to publish this report at a date later than this, the report must be updated to incorporate all recent data.

Robertson (UK) Limited has made every reasonable effort to ensure that this report has been prepared in accordance with generally accepted industry practices and based upon the data and information supplied by Savannah Petroleum PLC for whom, and for whose exclusive and confidential use (save for where such use is for the Purpose), this report is made. Any use made of the report shall be solely based on Savannah Petroleum PLC's own judgement and Robertson (UK) Limited shall not be liable or responsible for any consequential loss or damages arising out of the use of the report.

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The accuracy of this report, data, interpretations, opinions and conclusions contained within, represents the best judgement of Robertson (UK) Limited, subject to the limitations of the supplied data and time constraints of

the project. In order to fully understand the nature of the information and conclusions contained within the report it is strongly recommended that it should be read in its entirety.

Robertson (UK) Limited Reference No: BP443				
Rev	Date	Originator	Checked & Approved	Issue Purpose
03	1 <sup>st</sup> July 2014	R. Crossley D. Fishman A. Satterley	AS DF	Final

Date	Originator	Checked & Approved
Signed:		

Prepared for:	Prepared By:
<p>Savannah Petroleum PLC 45 King William Street London EC4R 9AN</p> <p>AND</p> <p>Strand Hanson 26 Mount Row London W1K 3SQ</p>	<p>Turlough Cooling Robertson (UK) Limited Fugro House Hethercroft Road Wallingford OX10 9RB United Kingdom</p>

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## EXECUTIVE SUMMARY

This document is a Competent Persons Report relating to the R1/R2 License operated by Savannah Petroleum Niger R1/R2 in the Agadem Basin, Niger. The Basin is a part of a wider African rift system in which significant oil has been discovered (Figure 0.1).

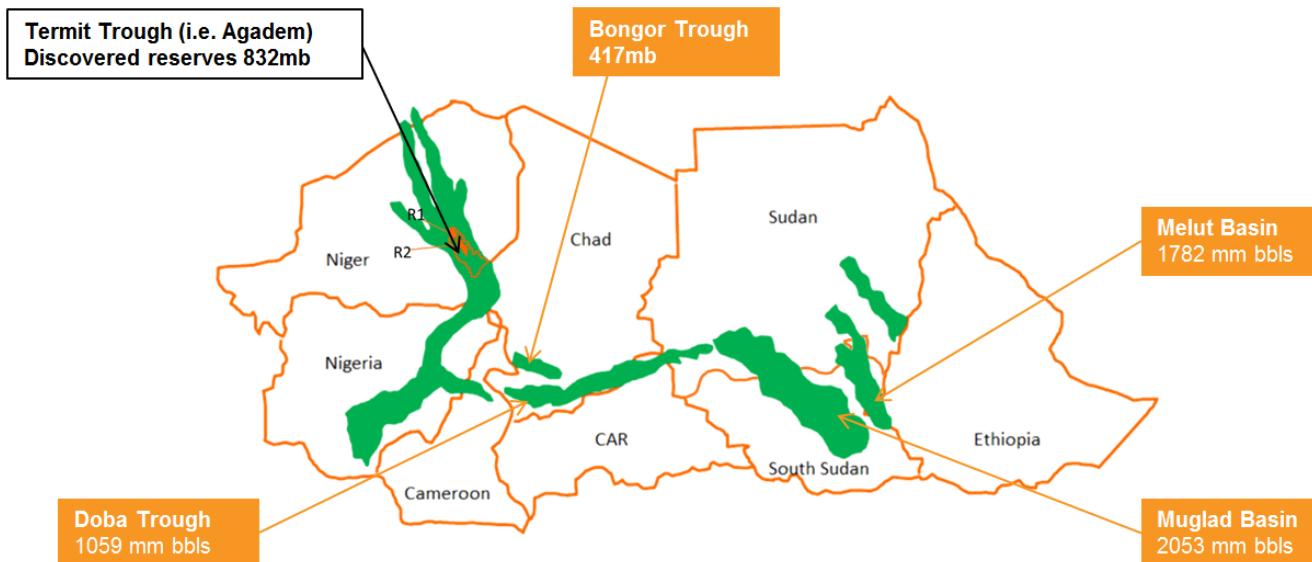


Figure 0.1 The Central African Rift System

Source: Savannah Petroleum PLC

Savannah Petroleum Niger R1/R2 is the Operator of the R1/R2 Licence with a 100% working interest in the Licence. Savannah Petroleum PLC has a 95% working interest in Savannah Petroleum Niger R1/R2.

The assessment is based on information provided by the Niger Ministry of Energy and Petroleum to Savannah Petroleum PLC, and on information in previous Robertson in-house studies of African rift systems. The work for this report was carried out by specialists having between 20 and 40 years of experience in reserve and resource estimation including CPRs and in African rift basins. The R1 portion of the Licence incorporates basin margin plus basin centre acreage. The R2 portion is primarily basin centre acreage. The Licence areas are illustrated in Figure 0.2 below.

The Agadem Basin of Niger occupies an area comparable to that of the North Sea rift; the R1/R2 Licence acreage operated by Savannah Petroleum Niger R1/R2 comprises some 8,406 km<sup>2</sup>. The R1/R2 Licence was obtained by Savannah Petroleum Niger R1/R2 after CNPC were required to relinquish 50% of their acreage. Until that time, CNPC had been shooting 3D seismic, identifying prospects and drilling them with a very high success rate, particularly along the heavily faulted flanks of the basin in an Eocene play. In these basin margin areas, approximately 80% of drilled prospects were oil discoveries (with an estimated 77 of 99 exploration wells drilled 2010-2013 resulting in oil discoveries). At the point of relinquishment, CNPC's rate of reserves addition was climbing steeply and showing no sign of flattening off, implying significant "yet-to-find" in the Eocene play within their acreage.

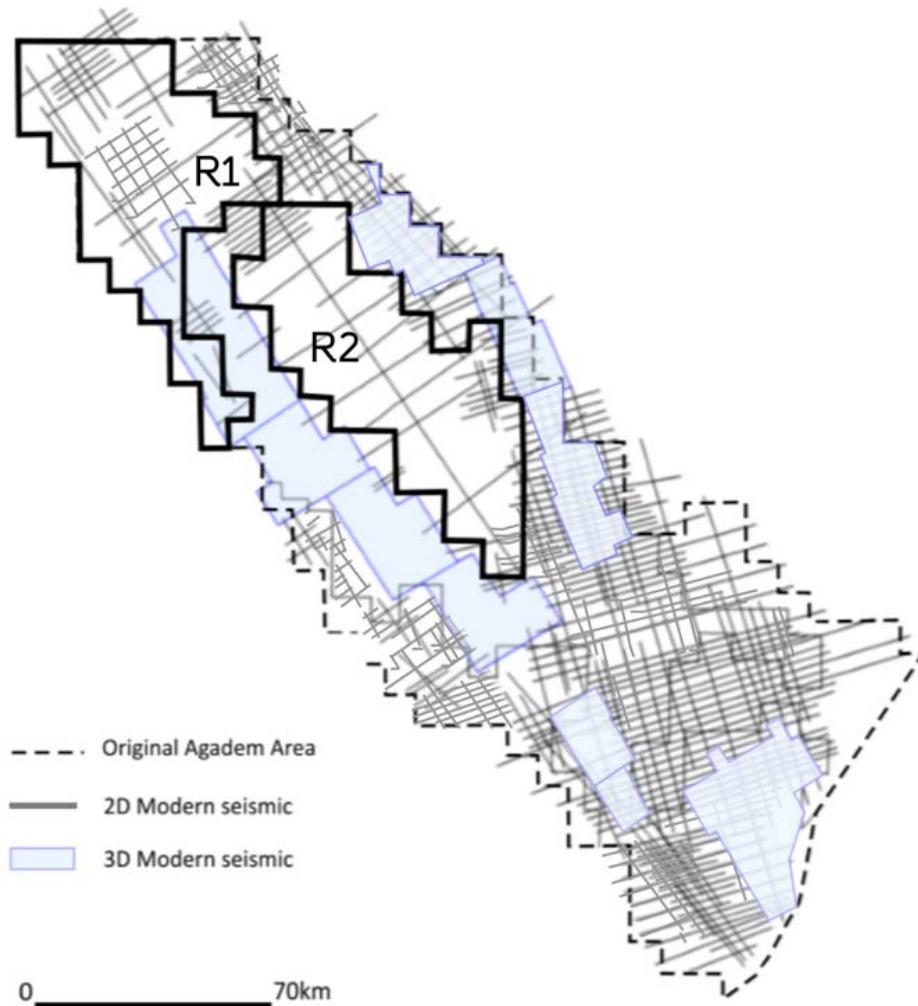


Figure 0.2 Map showing the position of the R1/R2 Block in the Agadem area, and location of CNPC seismic, date c.2013

Source: Niger Ministry of Energy & Petroleum, and in-house Robertson studies

Savannah Petroleum Niger R1/R2 have operatorship of geologically very similar, but largely unexplored and undrilled acreage in the R1 part of the Licence area. Our opinion is that there is no reason why the R1 area should turn out to be different from the areas drilled with such success by CNPC. In the R1 area, the primary objective may be said to be the Eocene play in the first instance, which has brought reliable and strong reserves growth in the CNPC retained acreage between 2010 and end 2013. There is strong potential for the delineation and exploitation of pre-Eocene plays, as yet largely unidentified in the area. For example, very positive well test rates comparable to those obtained from the Eocene have been achieved from Upper Cretaceous sands of the Yogou Formation.

With regard to the R2 part of Savannah's Licence, our opinion is that there is again no reason why the petroleum system will not be fully operative in that area, and no reason why the prospectivity should be worse than that of other parts of the basin. Indeed, some of the existing discoveries lie close to both the NW and SE boundaries of the R2 area, and in the central parts of the basin. However, the limited number of old 2D seismic lines that we have sighted suggests much less faulting in the R2 area, which will require a broader approach to the exploration of that portion of the R1/R2 Licence. In particular, it is our opinion that in the R2 area the search

for new plays must widen beyond that of the Eocene. Whilst there may be fewer purely structural traps, the potential for stratigraphic and pre-Eocene hydrocarbon accumulations is very good. The shooting of 3D seismic over the area will provide the higher structural definition that will be required to fully evaluate trapping potential and stratigraphic geometries. The pre-Eocene has the advantage that the source and reservoir are in close proximity and migration is not dependent upon vertical pathways through faults, on which the Eocene play relies. We further predict that although there could be fewer accumulations in the R2 area, they could be much larger as a result of less intensive faulting and larger-scale trapping potential.

We have estimated prospective resources for R1/R2 using the historical discoveries in the retained CNPC areas as an analogue. We use a discovered hydrocarbon volume per unit area from these known discoveries after taking account of "yet-to-find" potential in a further series of identified prospects that have not yet been drilled. The method employed assumes that no more prospects will be found by CNPC in their acreage and that a median historical discovery size will apply to the remaining undrilled prospects. Both of these assumptions are inherently conservative. The hydrocarbon volume per unit area derived in this way has then been applied to the areas in km<sup>2</sup> of the R1 and R2 Licence portions.

The resulting estimations of prospective resources relate to the Eocene play only:

	Prospective Resources (MMBO), Gross			Net to Savannah Petroleum PLC (MMBO)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
<b>R1 Area</b>	148	390	582	141	371	553
Risked at 81% CoS	120	316	471	114	300	448

Table 0.1 Prospective Resources in R1 Area, Eocene Play Only (MMBO), with Net Attributable to Savannah Petroleum PLC at 95% Working Interest\*

	Prospective Resources (MMBO), Gross			Net to Savannah Petroleum PLC (MMBO)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
<b>R2 Area</b>	163	429	640	155	408	608
Risked at 60% CoS	98	257	384	93	245	365

Table 0.2 Prospective Resources in R2 Area, Eocene Play Only (MMBO), with Net Attributable to Savannah Petroleum PLC at 95% Working Interest\*

\*The net attributable has been calculated on a working interest basis only, in which Savannah Petroleum PLC has a 95% share in Savannah Petroleum Niger R1/R2. The numbers above are not a reflection of the entitlement barrels in the PSC.

The application of exploration risk to the prospective resource numbers is necessary in our view because it is impossible to remove all risk from exploration activities. Very high Chance of Success\*\* (CoS) has been assigned to the Eocene play in the R1 portion of the Licence as we consider that it is likely to be a continuation of the proven trend successfully exploited by CNPC. We assign higher risk to the prospective resource volumes of the R2 portion of the Licence because the structure is not the same with the result that getting hydrocarbon charge into the Eocene reservoirs is, we consider, more difficult.

\*\*The Chance of Success, under the AIM Guidance Note, is the estimated likelihood that the Prospective Resources will be matured into Contingent Resources

Regarding the pre-Eocene section in the R1/R2 Licence, there is insufficient data available to create a quantitative resource estimation. The potential of pre-Eocene plays is considered very high.

The summary table of assets is provided in Table 0.3 below and is replicated in Appendix 1.

A standard "Summary of Reserves and Resources by Status" is provided in Appendix 2.

Asset	Operator	Interest (%)	Status	Licence Expiry Date	Licence Area (km <sup>2</sup> )
1. Block R1/R2	Savannah Petroleum Niger R1/R2	100%	Exploration	2018*	8,406 km <sup>2</sup>

**Notes:**

1. Savannah Petroleum Limited has a 95% working interest in Savannah Petroleum Niger R1/R2
2. The PSC has a 4 + 2 + 2 year structure, with 50% relinquishment at end Y4, followed by 50% of the remainder after a further 2 years.

Table 0.3 Summary Table of Assets

## 1 INTRODUCTION

This document is a Competent Persons Report relating to the R1/R2 License operated by Savannah Petroleum in the Agadem Basin, Niger (Figure 1-1, Figure 1.2, Figure 1.3).

The Licence R1/R2 lies in the Mesozoic to Cenozoic rift basin of eastern Niger. This rift basin is comparable in scale to the North Sea rift system. The rift basins of Niger are part of the Central African rift system. The Central African rift system is a proven hydrocarbon province in Niger, Chad, Sudan and South Sudan. Topography in the Licence area is relatively flat and although it is desert there are no significant dune fields. The area is 200km away from major cities. Wells drilled to date have been vertical and to the best of our knowledge have been completed using standard procedures and equipment.

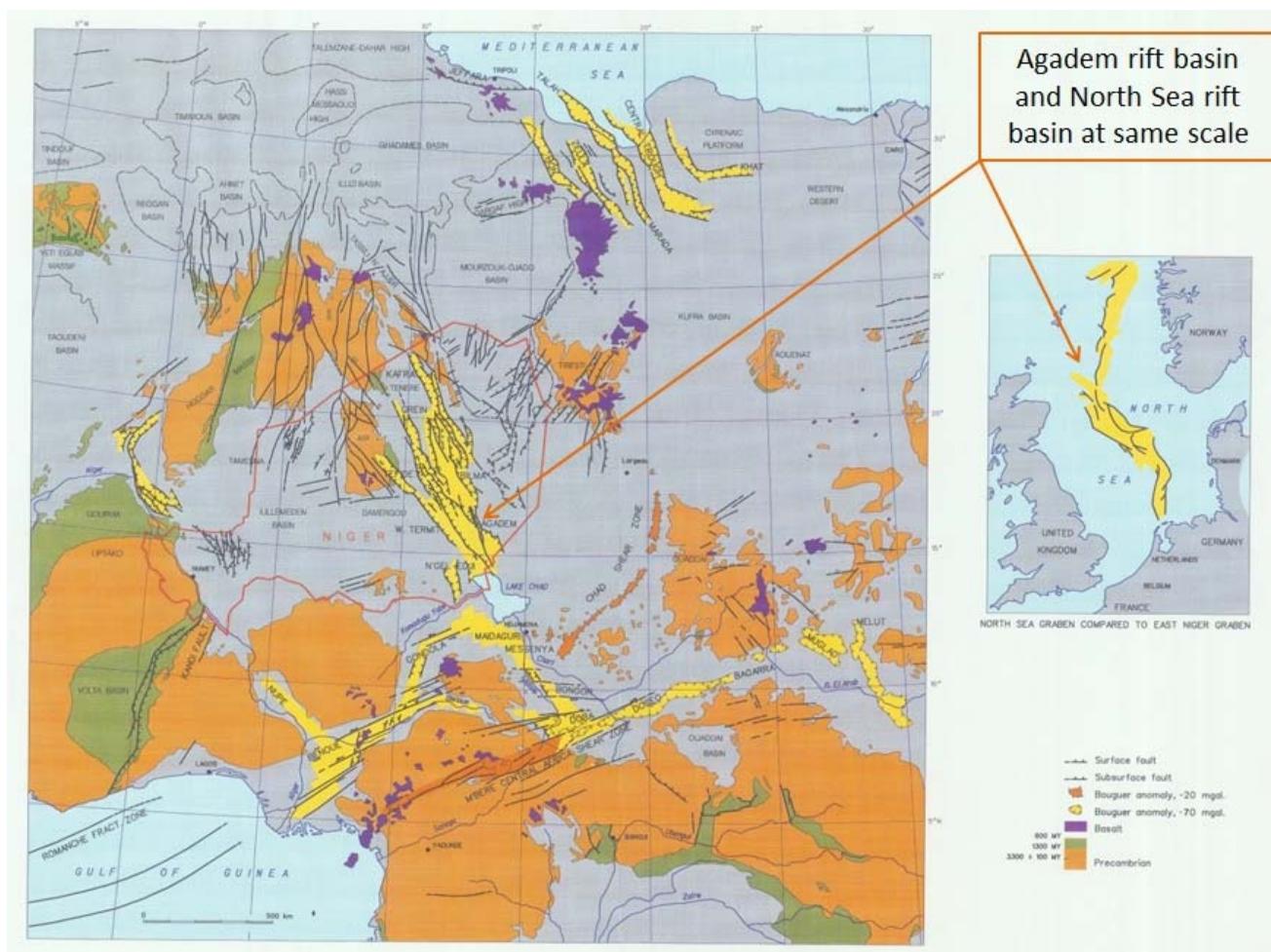


Figure 1-1 Map comparing magnitudes of the basins of Niger and the North Sea

Source: Niger Ministry of Energy & Petroleum, and in-house Robertson studies

This assessment is based on information provided by the Niger Ministry of Energy and Petroleum to Savannah Petroleum PLC, and on information in previous Robertson in-house studies of African rift systems.

Savannah Petroleum Niger R1/R2 is the Operator of the R1/R2 Licence with a 100% working interest. Savannah Petroleum PLC has a 95% share of Savannah Petroleum Niger R1/R2.

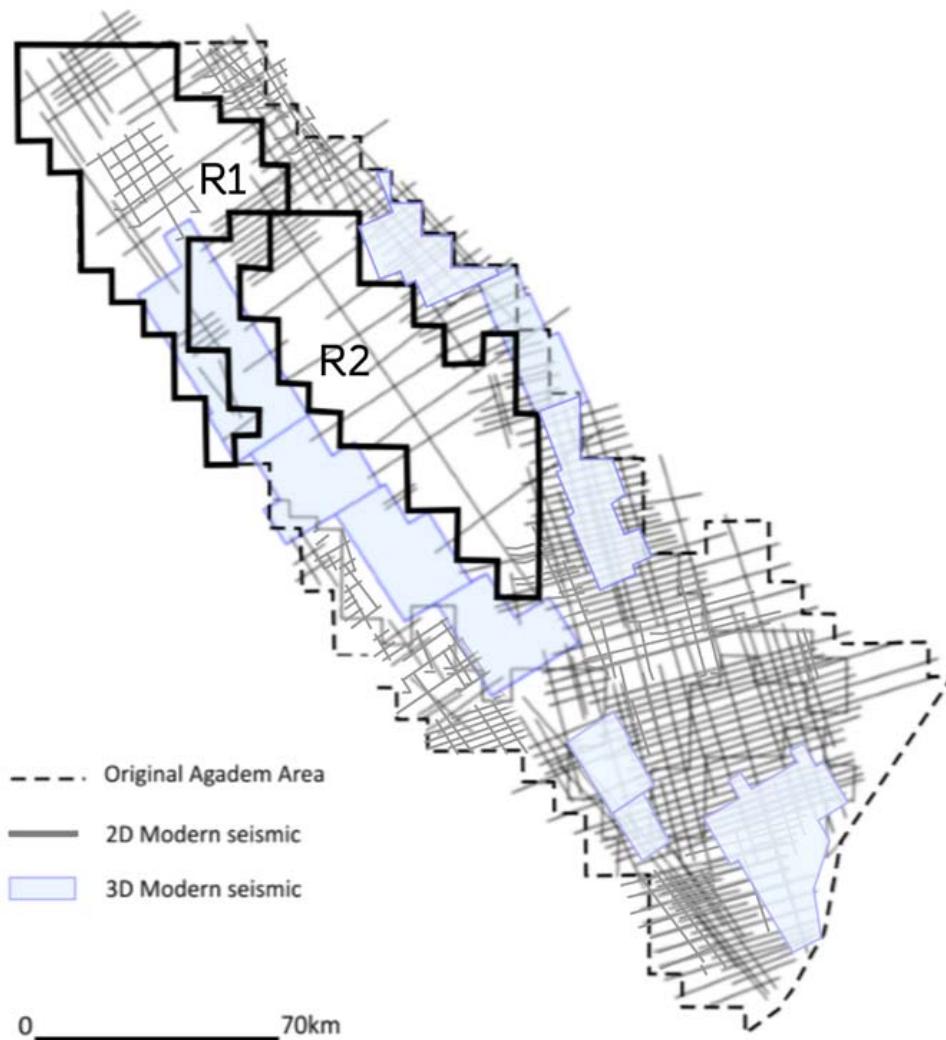


Figure 1.2 Map showing the position of the R1/R2 Block in the Agadem area, and location of CNPC seismic, date c.2013

Source: Niger Ministry of Energy & Petroleum

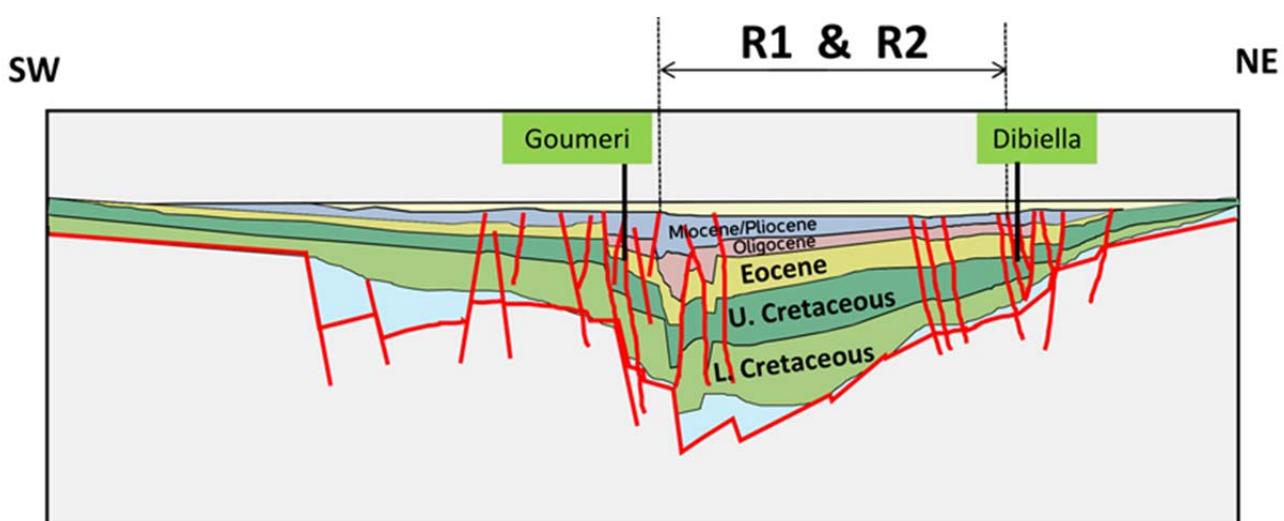


Figure 1.3 Schematic South-West to North-East Cross-Section through the Agadem Basin, Niger

Source: Niger Ministry of Energy & Petroleum and Savannah Petroleum PLC

## 2 RESOURCE DESCRIPTION: Agadem Exploration Licence R1/R2

### 2.1 Geology and Geophysics Introduction

CNPC previously held all the concessions in Agadem and subsequently was obliged to relinquish approximately 50% of the area. Up until relinquishment, the main focus of CNPC activity had been to develop existing discoveries including Sokor Field (which was discovered in 1982 by the Elf-Esso-Texaco partnership) and to drill along the established play.

Several companies evaluated the petroleum potential of the Agadem Basin in the pre-2004 period. These companies used vintage 2D seismic as a basis. Information concerning these estimates of petroleum potential supplied to us by Savannah Petroleum PLC suggests that this work identified potential of greater than 5 billion barrels of unrisked prospective oil resources in the permit area, spread over four principal areas:

- Circa 1.7 billion barrels in the Dinga Trough Area which is primarily mapped on the area retained by CNPC but with a northern extension into R1
- Circa 1 billion barrels prospective oil resources in the Northwest Area which is broadly R1
- Circa 700 million barrels in the Boujamah Area, which straddles R2 and the relinquished area
- Circa 1.6 billion barrels in the South East Area which is located exclusively on areas for which R1 and R2

Since 2008, CNPC has acquired 12,000km of 2D seismic and 8,500 sq km of 3D seismic data. The pattern of CNPC 2D and 3D seismic acquisition shows that the R1/R2 relinquished licence was not, on the whole, a site of major exploration effort by CNPC. The key geological question is therefore whether the R1/R2 licence was relinquished because it is not prospective. The conclusion from this independent petroleum geological review is that the R1/R2 licence is prospective. Indeed, in areas where sufficient seismic had been acquired, historic maps show prospects in the subsequently relinquished areas. It may be inferred that CNPC relinquishment was based more on retaining discovered assets than because the other areas were not prospective.

Review of available structural cross-sections and seismic images suggests that structural complexity at Eocene level may be less in the eastern part of R1 and across the R2 area, than over the Agadem area as a whole. However, it is also evident that the structural mapping shown is incomplete in the R1 and R2 areas, so the existing maps under-represent structural complexity (hence potential prospect distributions) in these areas. The Ourtinga discovery lies in the less structurally complex belt, illustrating some of the potential that may be on this trend.

#### 2.1.1 Source Rocks

The main known source rocks in the Agadem Basin are the Upper Cretaceous Donga and Yogou Formations. The Lower Cenozoic lacustrine Madama Formation also contains source rocks. The Cretaceous source facies were deposited in marine and coastal terrestrial depositional settings, whereas the source facies in the Madama Formation represent lacustrine and swamp environments.

The Madama Formation has not generally been buried deep enough to offer much charge potential in the basin. The Cretaceous source facies are likely to be thermally mature under much of the basin, but have not been penetrated by many wells. Available data suggest Cretaceous TOC values can range up to 6%.

Chemistry of the oils suggests that much of the charge is from marine to marginal marine source facies, though the elevated wax content in some oils suggests a lacustrine source contribution. It is not clear from the available data whether the lacustrine sources are at Cretaceous or Lower Cenozoic level. Oils typically show 12 to 18% wax content, a mid 20s pour point and low sulphur content.

Well-specific oil-source interpretations based on carbon isotopes include: Trakes-1, mixed marine and continental source; Goumeri-1, E0 reservoirs charged from a lacustrine source but reservoirs E1 and E2 charged from a marine Cretaceous source. Other oils interpreted to be from a marine Cretaceous source occur in wells Yogou-1, Yogou-2, Sokor-1 and Madama-1 (2013 Feasibility Study). However, pristine-phytane ratio work on the same oils gives Goumeri-1, E0 reservoirs charged from a lacustrine bog source but reservoirs E1 and E2 charged from a freshwater lacustrine source; with the oils in wells Yogou-1, Yogou-2, Sokor-1 and Madama-1 also being from a freshwater lacustrine source, and Madama-1 oils are closest to marine influence.

### 2.1.2 Reservoirs and Reservoir Performance

The reservoirs most extensively targeted by exploration are Eocene fluvial, deltaic and shallow lacustrine sandstones. An isopach map of the Eocene sequences is shown in Figure 2.1. The Eocene reservoirs are typically encountered at a depth of between 1,200 metres and 1,800 metres. The Eocene reservoirs are interbedded with lacustrine and alluvial mudstone, to give a heterolithic package often termed the "Alternances de Sokor". Log correlation suggests that some sandstones (possibly shallow lacustrine) can be correlated over several kilometres, whereas others (possibly fluvial) pinch-out between wells a few hundred metres apart (see cross-section in Figure 2.2). The "Alternances de Sokor" has been subdivided for mapping into five lithostratigraphic packages E1 (top) to E5 (base). The Eocene sandstones typically have permeabilities of 250mD with a range of 30-1,000 mD observed, as measured by core analysis, RFT and DST. Porosities, as measured by core analysis and log analysis, commonly lie in the 20-25% range.

Based on our understanding of well performance in the Eocene reservoirs, expected oil rates range between 1,000 and 3,000 BOPD from the 5 reservoir zones, E1-E5, when they are produced in combination.

The estimated recovery factor, assumed throughout this report for calculations, is 25% for primary recovery.

The Eocene sequence becomes increasingly sandy downwards, and is underlain by a sandstone-dominated Paleocene to Late Maastrichtian sequence approximately 200m thick termed the Madama Formation. The Madama Formation is mainly a fluvial sequence.

The Yogou Formation, which is a heterolithic package mainly of fluvial-alluvial sandstones and mudstones dated as Early Maastrichtian to Campanian, underlies the Madama Formation. This formation is prospective and has been encountered at depths of between 2,500 metres and 3,000 metres. Porosities and permeabilities in the Yogou formation are similar to those observed in the Eocene section resulting in similar flow rates. As discussed previously, oil quality increases with depth in the Agadem block.

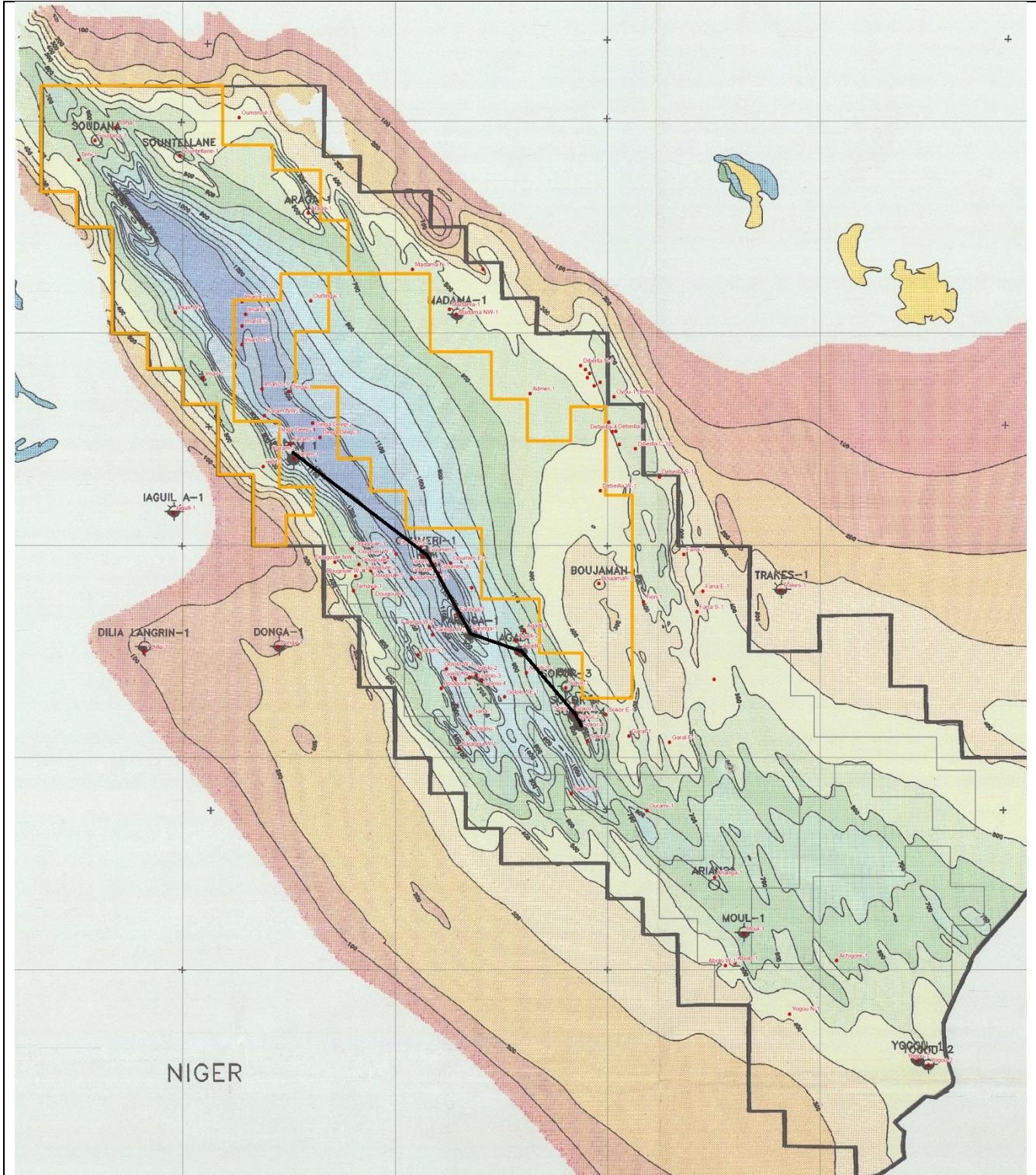


Figure 2.1 Early Eocene-Oligocene Isopach Map Showing Blocks R1 and R2, plus line of cross-section

Source: Niger Ministry of Energy & Petroleum, and in-house Robertson studies

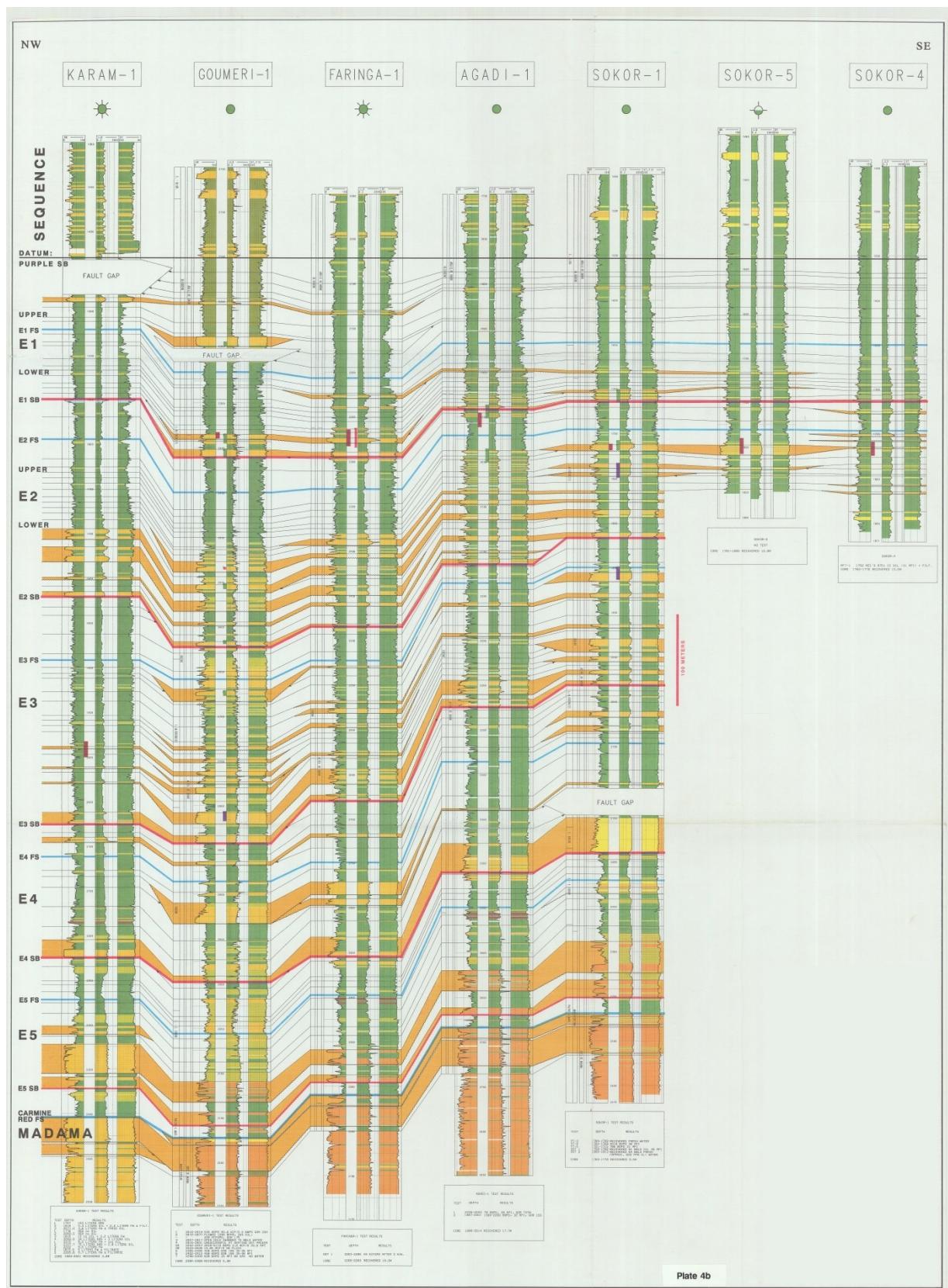


Figure 2.2 Lower Cenozoic Correlation – Strike

For line of section see Fig. 2.1. Source: Niger Ministry of Energy & Petroleum, and in-house Robertson studies

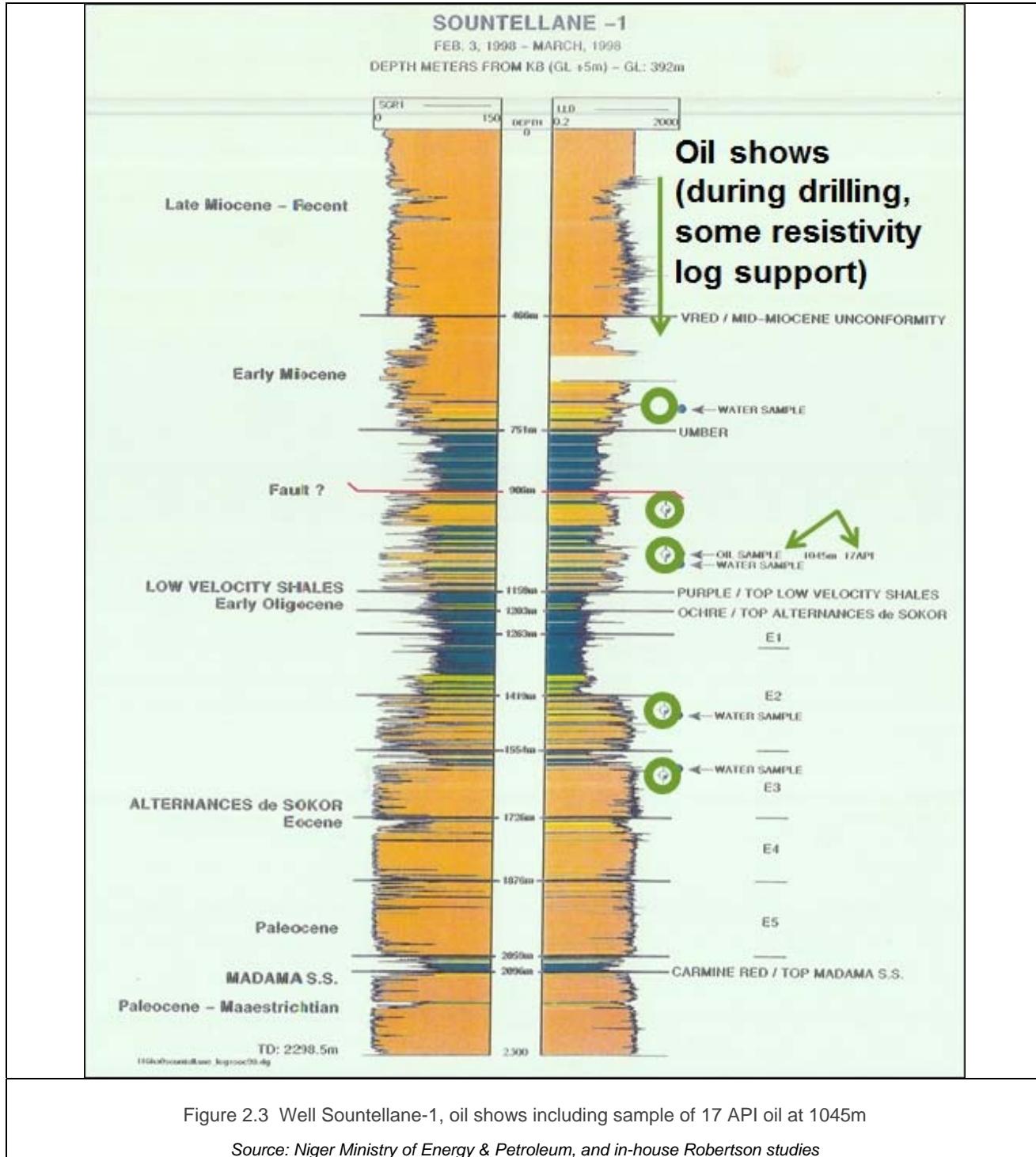


Figure 2.3 Well Sountellane-1, oil shows including sample of 17 API oil at 1045m

Source: Niger Ministry of Energy & Petroleum, and in-house Robertson studies

### 2.1.3 Seal Rocks

Much of the Cenozoic succession comprises alternating mudstones and sandstones, with the mudstones offering local top seals to each sandstone-mudstone couplet. The Eocene “Alternances de Sokor” sandstone-mudstone package generally becomes increasingly shaly upwards and is capped by a Lower Oligocene lacustrine mudstone often termed the ‘Low Velocity Shales’.

The top seal on the Madama Formation is a relatively thin mudstone-sandstone sequence, and so will tend to leak into the overlying E5 heterolithic reservoir-seal couplet sequence.

Seals for the Yogou Formation are mainly intraformational mudstones.

#### 2.1.4 Traps

The traps targeted to date are mainly in fault blocks which were created by a tectonic episode during the Early to Mid-Miocene. The heterogeneity of the Eocene section offers potential for stacked traps in the multiple shale-sand couplets at various levels through the E1 to E5 section.

The volume of these traps is critically dependant on the geometry of sand-mudstone connectivity across the fault planes. Given the lithostratigraphic heterogeneity of this section, the geometries of connectivity at the fault planes have little chance of being mapped using 2D seismic. The relatively high success ratio achieved by CNPC in recent years probably results from mapping using 3D seismic data. In future, as the understanding of the shale mechanical properties improves, it may be possible to include shale gouge ratio calculations in trap prediction for these fault seals. With regard to discovery size, the average to end 2013 is 11 MMBBL and none is larger than 60 MMBBL.

CNPC is understood to have made a series of discoveries in the Cretaceous Yogou Formation over the past 24 months, but little information is available in relation to these.

In the heterogeneous depositional settings at Cenozoic and Cretaceous levels, stratigraphic traps will be present. Their importance may be limited in the closely-faulted areas drilled to date, but additional combined stratigraphic-structural, or pure stratigraphic, traps offer an additional play opportunity in less structurally complex areas, such as within the R2 area. Individual oil pools could be much larger in the stratigraphic traps, and detailed stratigraphic work might identify areas with stacked stratigraphic play opportunities.

Several discoveries have been made in the basin axis areas; for example three were made during the course of 2013 immediately to the south of R2 area. In addition, the Ourtinga discovery lies in the less structurally complex belt, showing that modest structures can trap accumulations in this area.

Review of available structural cross-sections and seismic images does suggest that structural complexity at Eocene level is less in the R2 area than over the Agadem area as a whole. However, it is also evident that the structural mapping shown is incomplete in the R1 and R2 areas, so the existing maps under-represent structural complexity particularly in the R2 area (and hence potential prospect distributions). The few 3D seismic surveys already shot in the central basin axis area have already brought out greater structural complexity than was visible on old 2D lines. This is an important observation as it indicates that the basin centre, of which R2 is a part, may contain significant numbers of structural traps like those on the basin margins. Structural risk could be lower than thought if future 3D surveys continue to confirm increased faulting in R2 area.

The importance of 3D seismic acquisition to the identification of traps and the success of exploration drilling is clear from historical drilling successes. Prior to 2008, discoveries were made utilising 2D seismic only. The impact of 3D on discovery success is suggested by the following Table 2.1:

	pre-2008	post-2008
Wells drilled	25	99
Discoveries	5	77
Success rate	20%	78%

Table 2.1 Drilling Success Rate in the Agadem Area; pre- and post-2008

### 2.1.5 Charge

Review of structural sections suggests that the Agadem basin did not suffer major regional inversion during the Miocene tectonic episode. In the absence of much palaeotemperature data, present-day geothermal gradients are therefore taken as a reasonable guide to maximum thermal maturity in the basin fill.

Average geothermal gradients in the wells investigated are approximately 2.9°C/100m. This would place the main oil window at about 3000m (depending on kerogen type).

These gradients suggest that over most of the area the Cenozoic section has not reached the oil window. The widespread distribution of oil discoveries across the basin therefore requires that the main source kitchen is in the Cretaceous part of the basin fill.

The uncertainty surrounding the geometric complexity of the fault block traps means it is not possible to be sure whether charge volumes have been sufficient to charge these traps to spill.

Most of the oils discovered in the Agadem Block have an average API greater than 31 °API having been recovered to date. Oil API maxima increases with depth, therefore higher API oils are anticipated in the sub-Eocene sections.

### 2.1.6 Migration Paths

The sandstones of the Yogou Formation directly overlie, or are interbedded with, the upper part of the mudstone-dominated Donga Formation. The Donga Formation includes thermally mature source facies, so migration into the Yogou Formation should be short and efficient.

The Paleocene to Late Maastrichtian sandstone-rich Madama Formation appears to be laterally persistent, and so offers a regional migration pathway for hydrocarbons escaping from the underlying Cretaceous source kitchen. The isopach map from early Eocene to Oligocene gives a guide to potential migration pathways at Madama Formation level prior to Miocene faulting. The thickness of the Miocene to present-day section does not appear, from the data reviewed, to vary greatly across the Agadem area, so this isopach map also gives some indication of migration pathways at Madama Formation level, where not affected by faults, at the present day.

The Early to Mid-Miocene episode of faulting provided important migration pathways which allowed oil to reach the traps at Eocene “Alternances de Sokor” level. The faults could allow previously generated hydrocarbons to

escape the thick thermally mature Donga Formation mudstones, or could breach accumulations in reservoirs in the Yogou or Donga Formations.

The lower density of mapped faults in the R2 area means that there may be only a limited number of migration pathways from the Cretaceous into the Eocene section in this area. Whilst this represents a risk from the charge viewpoint, on the positive side it does mean that there is less risk of migration continuing to surface.

## 2.2 Petroleum Potential Beneath the Eocene

So far we have been concerned mainly with the Eocene reservoirs which have been so successfully explored, appraised and developed in recent years by CNPC. The underlying Palaeocene and Cretaceous sections provide substantial upside potential to these License Blocks, as discussed below.

It is clear that the Palaeocene and Cretaceous sequence in this basin are under-explored. The recent discoveries in the Yogou Formation show that producible reservoirs are present in this part of the stratigraphy. The question of whether the Palaeocene and Cretaceous reservoirs remain viable in the deeper part of the basin remains untested.

Compaction and diagenesis commonly do reduce reservoir quality with increasing burial depth, but there are many parts of the world where oil is produced from depths in excess of 3000m. Fluids may be trapped within reservoirs in mud-rich sequences, with resulting overpressure that reduces porosity loss by compaction. Reservoirs close to the inferred source kitchens, receive early charge, which may help limit diagenetic damage during burial. In the Agadem context, the Cretaceous reservoirs in particular are likely to be close to the source kitchens.

### 2.2.1 Igneous Rocks in the Cretaceous Sequence

Only one report of igneous rock in a wellbore, of any stratigraphic age, has been found during the current review of data. Well Iaguil-1 contains a mafic igneous sill, from 1222 to 1251m, in the Campanian mudstone-siltstone succession (Figure 2.4). This well lies west of the R1 area, on the basin margin and relatively close to the Cenozoic to Recent volcanic outcrops. The sill is described as gabbro/diorite, but the reported mineralogy includes biotite and the gamma signature is also high for gabbro/diorite. The sill is therefore tentatively interpreted as a potassic undersaturated mafic lithology. Since similar lithologies occur in the Cenozoic to Recent volcanics, it is interpreted to be of that age rather than as evidence of igneous activity contemporaneous with Cretaceous deposition.

### 2.2.2 Reservoir Rocks and Traps in the Early Maastrichtian and Campanian Sequence (Yogou and Lower Madama Formations)

The Madama-1 well, which lies immediately east of the R1 area, shows a Campanian and Maastrichtian sequence comprising about 1000m of alternating sandstones and shales. Shows of oil and gas are reported from the thinly bedded sandstones, but no shows are noted in the thicker sandstone sequences.

The interpretation placed on these relationships is that the sandstones were porous and permeable at the time of hydrocarbon expulsion, but only the hydrocarbons in the thinner sandstones have remained trapped –

presumably by stratigraphic pinch-out. The implication is that the thicker sandstones are not in a viable trap, but it is unlikely that traps at Cretaceous level could have been mapped properly at the stage in exploration when Madama-1 was drilled.

It is evident from the correlations (see for example, Figure 2.4) that the amount of sandstone in the Early Maastrichtian and Campanian sequences varies substantially between wells, so until the controls on reservoir facies distributions are known, it is not possible to predict potential sand thicknesses at this stratigraphic level within the R1/R2 Licence.

A further package of thick sandstones is present below the Donga mudstones in the wells drilled outside the Agadem block, these lie directly on Basement and are labelled as "Continental" as seen in Figure 2.4. This may be a fluvial sand sequence. However, the presence and extent of these basal sands within the R1/R2 Licence remains unknown. If current understanding of the deep structure of the basin is correct (and this is very poorly constrained), then these deep targets are likely to be gas bearing.

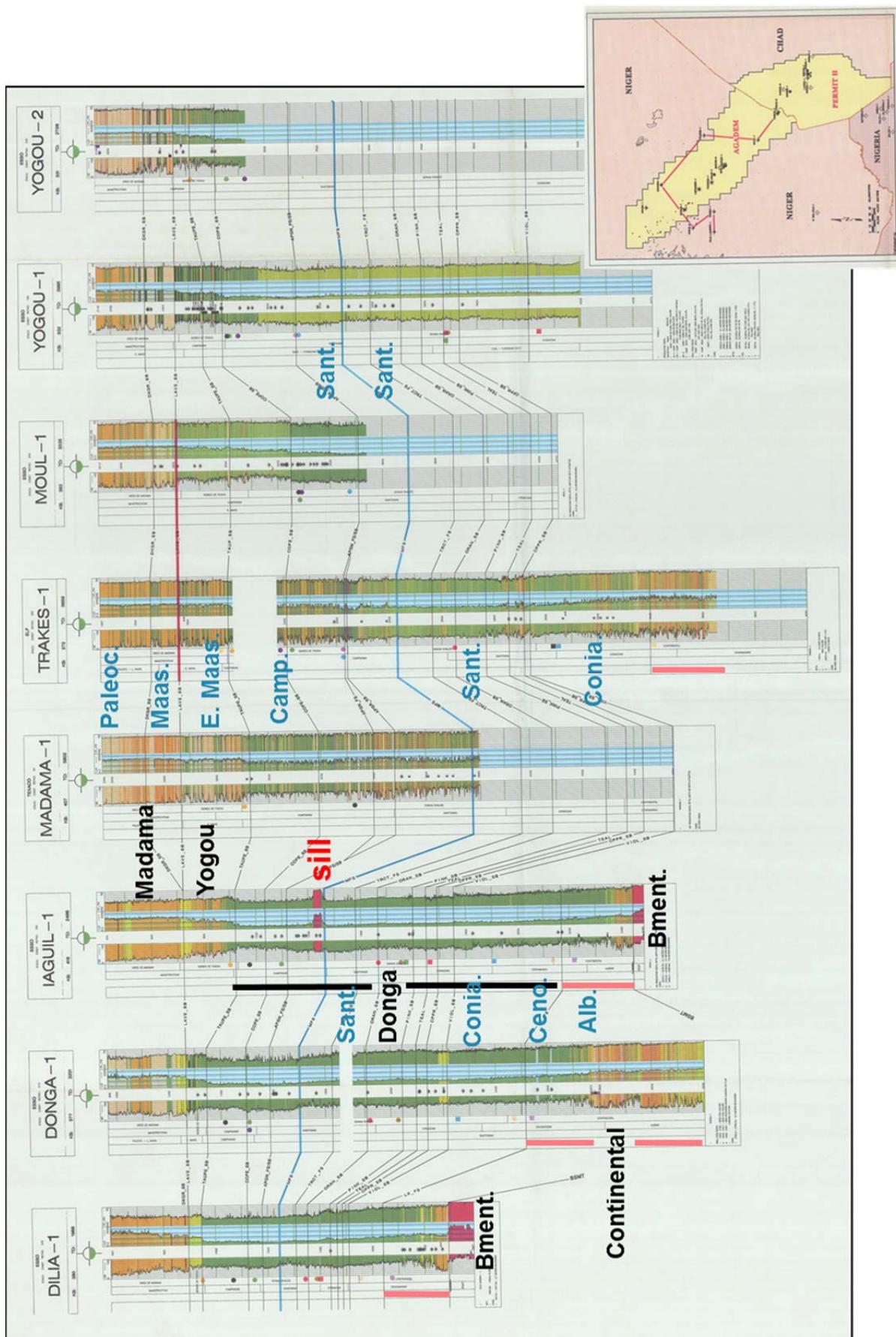


Figure 2.4 Cretaceous and Palaeocene stratigraphic correlations, hung on base Madama Formation

Source: Niger Ministry of Energy & Petroleum, and in-house Robertson studies

### 2.2.3 Reservoir Rocks and Traps in the Palaeocene Sequence (Upper Madama)

The upper part of this 100-200m thick sandstones succession has been penetrated by several wells and shown to be porous and permeable. It is likely to act as an important lateral migration pathway, and since it passes upwards into more shaly Eocene sections, the top of the Madama might offer some stratigraphic trapping potential.

### 2.2.4 Source Rocks in the Cretaceous Sequence

The source facies analyses from the Donga Formation in the Madama-1 well range from 1 to 1.8% TOC, with terrestrial organic matter mainly in the upper part, and mixed (algal/terrestrial) in the remainder of the section. This sequence is in the oil window in this well and the organic matter is predicted by Elf to generate oil with associated gas.

### 2.2.5 Migration Paths in the Palaeocene and Cretaceous Sequence

The sandstones of the Yogou Formation directly overlie, or are interbedded with, the upper part of the mudstone-dominated Donga Formation. The Donga Formation includes thermally mature source facies, so migration into the Yogou Formation should be short and efficient.

The Paleocene to Late Maastrichtian sandstone-rich Madama Formation appears to be laterally persistent, and so offers a regional migration pathway for hydrocarbons escaping from the underlying Cretaceous source kitchen.

## 2.3 Petroleum Geology: Conclusions

The available data for the wells in the R1/R2 Licence have been reviewed with these petroleum system elements in mind.

The oil and thermogenic gas discoveries in the Imari-Outinga area, the strong oil shows and thermogenic gas discovery in the northern part of R1, and the oil and gas discoveries along both margins of R2 indicate that the source system is very likely to be effective in the R1/R2 Licence area. Reservoir facies are encountered at multiple levels in the Cenozoic in both areas. The source and Cenozoic reservoir components are therefore not considered a significant geologic risk in the R1/R2 Licence area.

The key geological uncertainties that remain, which prevent a simple area/resource conversion between the retained licence and the R1 area at Eocene level, are the questions of trap and charge. The R1 area contains a relative high proportion of basin margin settings, and so might be sandier than the retained area as a whole. Trap seals may consequently be slightly less effective in parts of the R1 area than across the retained area as a whole, so some geological risk element for trap effectiveness is applied.

The NE side of the R1 area appears to be less faulted than the retained area as a whole, and so migration pathways from the Cretaceous to the Eocene level may be less common. This may well be a function of limited exploration effort in this area, but this presently remains an uncertainty, so a modest charge risk is applied.

The R2 area is less intensely structured than the retained area, so the density of structural traps is much lower than in the retained area. R2 is therefore likely to be more reliant on stratigraphic traps, and their potential effectiveness remains uncertain, so geological risk is associated with this.

The R2 licence area is less intensely faulted than the retained area. This implies that the effectiveness of vertical migration pathways from the Cretaceous kitchens to traps at Eocene level may be relatively low in the R2 area. The R2 area is well-placed in relation lateral migration away from the main axis of the basin. However, if faults suitably positioned to intercept migration are not present, the hydrocarbons could migrate beyond the limits of the R2 Licence. Seismic acquisition and more detailed structural mapping would be able to address this issue, but at this stage of exploration the effectiveness of fault-related migration to Eocene levels remain a risk.

The upside of the low density of faults in the R2 area is that, if migration pathways into stratigraphic traps are effective, then the resulting oil pools could be much larger than those found to date in the relatively heavily faulted retained area.

It is clear that the Cretaceous sequence in this basin is essentially un-explored. The recent discoveries in the Yogou Formation show that producible reservoirs are present in this part of the stratigraphy. The question of whether the Cretaceous reservoirs remain viable in the deeper part of the basin remains untested, but the inference that they are likely to be close to the source kitchens, and thus would receive early charge, may help limit diagenetic damage during burial.

### 3 RESOURCE ESTIMATION

Resources have been estimated using the above geological analysis as a foundation, which lends support to the concept that area R1 will be similar, though not necessarily identical, to the already explored and drilled area retained by CNPC. On this basis, resource estimation in the R1 area is based on an area/prospect density approach, reduced by the modest geological risk due to the remaining geological uncertainties in the R1 area.

In the case of area R2, it is evident that the fault and structural prospect density is less than in the retained area, so a different approach is required. In this case the volume of hydrocarbon available is calculated assuming that the retained area and R2 have similar hydrocarbon generation relationships by area. Potential reservoirs are considered similar in the R2 and retained areas, but geological risks are applied owing to uncertainties in trap distribution and charge pathways in the R2 area.

#### 3.1 Prediction of Prospective Resource in the R1 area

We use discovered volumes per unit area to estimate the prospective resource in area R1. Information on discoveries to date was supplied by the Niger Ministry of Energy and Petroleum. Assumed recovery factor is 25% for primary recovery.

Current understanding of the areas retained by CNPC suggests that at end 2013 some 342 MMBO Proved reserves have been found, rising to 832 MMBO Proved + Probable recoverable and 1181 MMBO in the Proved + Probable + Possible reserves category.

Rate of growth in reserves as declared by CNPC to the Niger Ministry of Energy and Petroleum shows no sign of decreasing. Instead, reserves growth remains on a straight line upward trend. This indicates that there is remaining “yet-to-find” in the CNPC acreage that should be estimated and taken account of in estimates of R1/R2 potential.

Regarding yet-to-find we have assumed that significant exploration prospectivity continues to exist on the retained Agadem acreage. We have statistically estimated 171 MMBO Proved, 518 MMBO Proved + Probable and 834 MMBO Proved + Probable + Possible. Inherent in our calculation are certain conservative assumptions including:

1. application of median historical discovery size to future discoveries (as opposed to mean) and;
2. that future discoveries will be limited to the areas already having 3D seismic over them at end 2013 (this acreage has less than 50% 3-D seismic coverage and we understand the operator intends to acquire significant additional 3-D seismic data over the coming years).

The above assumptions give total volumes in the retained area of 513 MMBO Proved, 1350 MMBO Proved + Probable and 2015 MMBO Proved + Probable + Possible. An oil volume per unit area may now be calculated that can be applied to the areas of R1/R2.

CNPC's retained acreage covers 13,861 km<sup>2</sup>, indicating average volumes of Proved of 0.037 MMBO/km<sup>2</sup>, Proved + Probable of 0.097 MMBO per km<sup>2</sup> and Proved + Probable + Possible of 0.145 MMBO/km<sup>2</sup>.

The area of R1 is 4003 km<sup>2</sup> which, assuming the above resources/km<sup>2</sup>, could contain the unrisked prospective resources shown in Table 3.1. There is an associated chance of success (CoS) associated with the stated prospective resource of 81%. This acknowledges the high degree of certainty that there is a functioning petroleum system operating in the area and that there are well developed reservoirs present. In our opinion the geological risks have been greatly reduced by the exploration success levels achieved by CNPC in the basin margin areas, however some trap and charge risks do remain as no exploration acreage can be risk free. The risking and geological chance of success is summarised in Table 3.2.

	Prospective Resources (MMBO), Gross			Net to Savannah Petroleum PLC (MMBO)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
<b>R1 Area</b>	148	390	582	141	371	553
Risked at 81% CoS	120	316	471	114	300	448

Table 3.1 Prospective Resources in R1 Area, Eocene Play Only (MMBO), with Net Attributable to Savannah Petroleum PLC at 95% Working Interest\*

\*The net attributable has been calculated on a working interest basis only, in which Savannah Petroleum PLC has a 95% share in Savannah Petroleum Niger R1/R2. The numbers above are not a reflection of the entitlement barrels in the PSC.

R1 area geological risks				Geological COS
Source	Reservoir	Trap	Charge	
1	1	0.85	0.95	<b>0.81</b>

Table 3.2 Geological Risking and Chance of Success, R1 Area, Eocene Play Only

### 3.2 Prediction of Prospective Resource in the R2 area

The same methodology has been applied for the R2 area as was used for the R1 area. We use discovered volumes per unit area to estimate the prospective resource in area R2. Information on discoveries to date was supplied by the Niger Ministry of Energy and Petroleum.

As stated in section 3.1, CNPC's retained acreage covers 13,861 km<sup>2</sup>, indicating average volumes of Proved of 0.037 MMBO/km<sup>2</sup>, Proved + Probable of 0.097 MMBO per km<sup>2</sup> and Proved + Probable + Possible of 0.145 MMBO/km<sup>2</sup>.

The area of R2 is 4,403 km<sup>2</sup> which gives the unrisked prospective resources shown in Table 3.3. The chance of success in R2 reflects higher perceived geological risks (Table 3.4). Whilst we believe the petroleum system is functioning in R2 area (a number of discoveries have been made along trend and close to the boundary of R2 already) and that there is no reason to think that reservoirs will not be present, the geological risks lie in trap

and charge and are greater than in area R1. The 60% CoS in R2 reflects this. Risked prospective resources are given in Table 3.3.

	Prospective Resources (MMBO), Gross			Net to Savannah Petroleum PLC (MMBO)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
<b>R2 Area</b>	163	429	640	155	408	608
Risked at 60% CoS	98	257	384	93	245	365

Table 3.3 Prospective Resources in R2 Area, Eocene Play Only (MMBO), with Net Attributable to Savannah Petroleum PLC at 95% Working Interest\*

\*The net attributable has been calculated on a working interest basis only, in which Savannah Petroleum PLC has a 95% share in Savannah Petroleum Niger R1/R2. The numbers above are not a reflection of the entitlement barrels in the PSC.

R2 area geological risks				
Source	Reservoir	Trap	Charge	Geological CoS
1	1	0.8	0.75	<b>0.60</b>

Table 3.4 Geological Risking and Chance of Success, R2 Area, Eocene Play Only

Risking shown in Table 3.4 may be understood in the following terms:

1. Source and reservoir are not in doubt in area R2
2. Trap risk is increased because certain vintage 2D seismic lines which we have sighted suggest that central parts of the basin have less faulting than the margins. However, the resolution of recent 3D seismic data at the margins is far higher than the old 2D lines, so modern data has potential to bring out hitherto unobserved structuration.
3. Charge risk is elevated in R2 area because we believe that hydrocarbons may have reduced numbers of vertical migration pathways to get into the Eocene section. Instead, the thick Madama sandstone at the base of the Tertiary section may act as a carrier bed for upward migrating hydrocarbons and carry them away, updip, toward basin margin locations. For successful charge of the Eocene to occur, the Madama sand must be crossed in order to charge the productive reservoirs which form the basis of the Eocene play.

### 3.3 Estimation of Resource in the pre-Eocene Section

Very little is known about the potential resource beneath the Eocene. There have already been some discoveries in the pre-Eocene section in the Agadem area which have flowed oil to surface at similar rates to that achieved in the Eocene. These wells therefore suggest that the petroleum system is working.

Geological review of the limited information indicates that source, reservoirs and traps are highly likely to be present and that migration pathways could be short; the source and reservoirs being in more direct communication than in the Eocene play (which relies on migration up faults for success). In addition, although there may be fewer traps in the R2 area, these could well be larger.

Considering the size of this basin, and that only one play has been identified and developed to date (the Eocene play), the chance of further plays being present must be considered extremely high.

The Cretaceous section, in our opinion, is highly prospective having all the components of a successful play within a proven rich hydrocarbon province. Pre-Eocene plays could be the key to unlocking the potential of the R2 area in particular, where less faulting presents a risk to the Eocene play.

However, in the absence of necessary data, we are unable to make a quantitative indication of resource potential in the deeper sections.

## 4 ECONOMIC EVALUATION

The R1/R2 licence contains solely prospective resources and therefore the estimation of Net Present Value is not appropriate. However, given the low risk associated with the discovery of oil in the licence it is instructive to look at the possible returns to development. In this section, we consider the economic parameters appertaining to Savannah Petroleum Niger R1/R2 (in which Company Savannah Petroleum PLC has a 95% working interest). Savannah has prepared development scenarios for reserves of 50, 100, 200 and 400 million barrels which have been reviewed and found to be reasonable. All the scenarios are similar but with costs and production scaled according to the reserve base. The 200 million barrel case will be described here with all costs and prices in real 2014 terms and expressed in US dollars.

### 4.1 Development Parameters

A phased, but rapid development ensues with first production just over a year after the end of the exploration and appraisal programme. Initial well productivity is assumed at just over 1,000 barrels per day per well in the first year that the well is brought on production with decline of 20% per annum thereafter. A total of 100 wells are assumed to be drilled with a unit well cost of \$5 million. Facilities and gathering pipelines cost of \$600 million are assumed thus giving total development cost of \$1100 million. A peak production of about 85,000 barrels per day is achieved in the third year of production, seven years after the start of the exploration programme. The sale of the oil is assumed to be via a short tie-in to a neighbouring export pipeline which will connect to the Chad-Cameroon pipeline to the south. The assumed tariff for the disposal of the oil is \$18 per barrel. The annual fixed operating cost is assumed at \$16 million with additional variable operating cost of \$8 per barrel meaning that the annual operating cost in the year of peak production is \$264 million. Decommissioning cost of \$427 million is provided for through the producing life of the field and is assumed to be cost recoverable.

### 4.2 Economic Assumptions and Fiscal Terms

A Brent oil price case of \$100 real was evaluated along with a sensitivity at \$85 real. A discount of 5% per barrel relative to the Brent oil price is assumed for the R1/R2 oil. Inflation of prices and costs of 2 per cent per annum was assumed. Production sharing terms of 12.5% royalty and a profit share based on an R factor calculation were applied. The royalty and profit share are applied on the revenue after taking account of the disposal tariff of \$18 per barrel. The R factor is calculated based on cumulative contractor revenue (cost recovery + contractor profit share) divided by cumulative investment (exploration/appraisal/development costs) and the opening profit share band is taken to be 60 per cent to the contractor until the R factor is greater than 1; 55 per cent to the contractor until the R factor is greater than 1.5; 50 per cent to the contractor until the R factor is greater than 2 and 45 per cent to the contractor when the R factor is greater than 2. No corporate income tax is applicable as this is to be provided for from the government portion of profit share. The government is assumed to have a right to back in to the development for a 20 per cent economic interest such that the government would receive 20 per cent of the contractor's share of profit oil in addition to the government share of profit oil.

#### 4.3 Results

With a Brent price of \$100 real, the contractor net revenue undiscounted is \$5673 million and the Net Present Value at a 10 per cent discount rate is \$2054 million considered from the beginning of the exploration period. The figures net to Savannah, after taking account of the 20 per cent government back in, are \$4569 million undiscounted and \$1628 million discounted at 10 per cent. With a Brent price of \$85 real, the figures net to Savannah are \$3478 million undiscounted and \$1181 million discounted at 10 per cent.

Government take (including the 20 per cent back in right) is 69 per cent of the economic surplus (revenue less costs) over the life cycle of exploration, development and production. The results demonstrate a robust commercial development with good economic returns to the contractor.

A major uncertainty of development of any reserves in the R1/R2 licence is the export route. The existing Agadem licence production is serving a refinery at Zinder that is meeting current Niger needs and thus any further reserves would clearly be destined for export. As mentioned, the contractor in the surrounding Agadem licence is seeking to install a new export pipeline for the Agadem reserve base to tie into the Chad-Cameroon pipeline that terminates at the port of Kribi where there are loading facilities for tankers. This would seem to be the preferred disposal route for the R1/R2 licence and as such has been the assumption in the economic modelling. However, if this route were not available, an alternative would be to construct a pipeline through Niger to the west and then south through Benin to a terminal on the coast. This scenario is seen to be viable with a reserve base of 200 million barrels and would provide economic returns to Savannah similar to those seen under the base case assumption with the tie in to the Chad-Cameroon pipeline.

## 5 APPENDIX 1: SUMMARY TABLE OF ASSETS

Asset	Operator	Interest (%)	Status	Licence Expiry Date	Licence Area (km <sup>2</sup> )
1. Block R1/R2	Savannah Petroleum Niger R1/R2	100%	Exploration	2018*	8,406 km <sup>2</sup>

**Notes:**

1. Savannah Petroleum PLC has a 95% working interest in Savannah Petroleum Niger R1/R2
2. The PSC has a 4 + 2 + 2 year structure, with 50% relinquishment at end Y4, followed by 50% of the remainder after a further 2 years.

## 6 APPENDIX 2: RESOURCE SUMMARY

### SUMMARY OF RESERVES AND RESOURCES BY STATUS

#### Oil and Gas - Prospective Resources

(all figures in MMBBL)	Gross to Savannah Petroleum Niger R1/R2			Net attributable to Savannah Petroleum Ltd.*			Risk Factor	Operator
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
R1 Area	148	390	582	140.6	370.5	552.9	81%	Savannah Petroleum Niger R1/R2
R2 Area	163	429	640	154.85	407.55	608	60%	Savannah Petroleum Niger R1/R2
Total Oil	311	819	1222	295.45	778.05	1160.9		

Source: Robertson (UK)

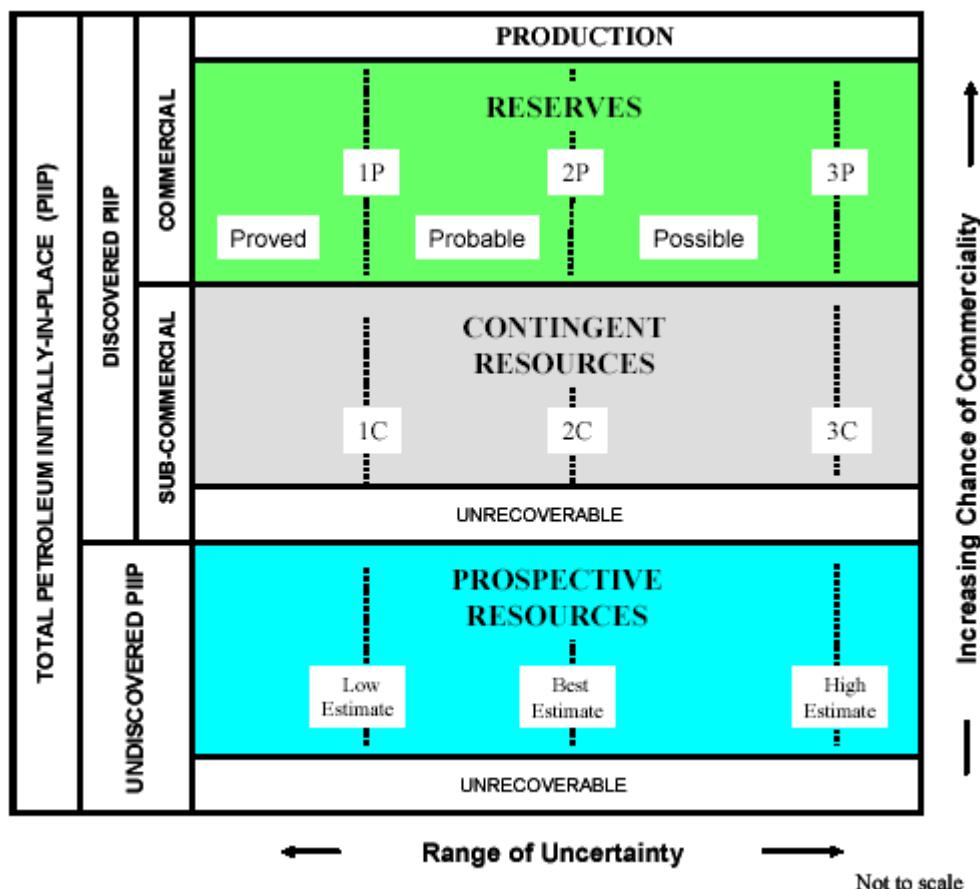
**Note:** "Risk Factor" for Prospective Resources, means the chance or probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface. This, then, is the chance of the Prospective Resource maturing into a Contingent Resource.

\*The net attributable has been calculated on a working interest basis only, in which Savannah Petroleum PLC has a 95% share in Savannah Petroleum Niger R1/R2. The numbers above are not a reflection of the entitlement barrels in the PSC.

## 7 APPENDIX 3: DEFINITIONS

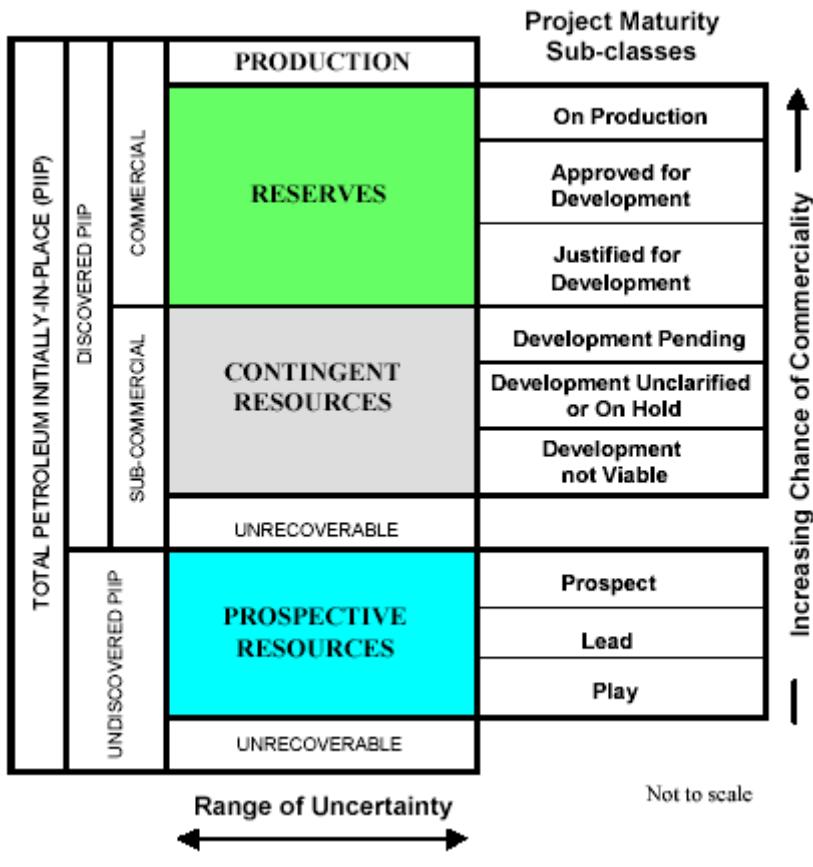
### 7.1 Definitions

The petroleum reserves and resources definitions used in this report are those published by the Society of Petroleum Engineers and World Petroleum Congress in 1998, supplemented with guidelines for their evaluation, published by the Society of Petroleum Engineers in 2001 and 2007. The main definitions and extracts from the SPE Petroleum Resources Management System (2007) are presented below.



Source: SPE Petroleum Resources Management System 2007

Figure 7.1 Resources Classification Framework



Source: SPE Petroleum Resources Management System 2007

Figure 7.2 Resources Classification Framework: Sub-classes based on Project Maturity

### 7.1.1 Total Petroleum Initially-In-Place

Total Petroleum Initially-In-Place is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to “total resources”).

### 7.1.2 Discovered Petroleum Initially-In-Place

Discovered Petroleum Initially-In-Place is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

### 7.1.3 Undiscovered Petroleum Initially-In-Place

Undiscovered Petroleum Initially-In-Place is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

## 7.2 Production

Production is the cumulative quantity of petroleum that has been recovered at a given date. Production is measured in terms of the sales product specifications and raw production (sales plus non-sales) quantities required to support engineering analyses based on reservoir voidage.

## 7.3 Reserves

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations, from a given date forward, under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status.

The following outlines what is necessary for the definition of Reserve to be applied.

- A project must be sufficiently defined to establish its commercial viability
- There must be a reasonable expectation that all required internal and external approvals will be forthcoming
- There is evidence of firm intention to proceed with development within a reasonable time frame
- A reasonable timetable for development must be in evidence
- There should be a development plan in sufficient detail to support the assessment of commerciality
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria must have been undertaken
- There must be a reasonable expectation that there will be a market for all, or at least the expected sales quantities, of production required to justify development
- Evidence that the necessary production and transportation facilities are available or can be made available
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated

The “decision gate” whereby a Contingent Resource moves to the Reserves class is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives.

### 7.3.1 Developed Producing Reserves

Developed Producing Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

### 7.3.2 Developed Non-Producing Reserves

Developed Non-producing Reserves include shut-in and behind-pipe reserves.

Shut-in reserves are expected to be recovered from:

- Completion intervals that are open at the time of the estimate but that have not yet started producing
- Wells that were shut-in for market conditions or pipeline connections, or
- Wells not capable of production for mechanical reasons.

Behind-pipe reserves are expected to be recovered from zones in existing wells that will require additional completion work or future recompletion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

### 7.3.3 Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments such as

- From new wells on undrilled acreage in known accumulations
- From deepening existing wells to a different (but known) reservoir
- From infill wells that will increase recovery, or
- Where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to:
  - Recomplete an existing well or
  - Install production or transportation facilities for primary or improved recovery projects

Incremental recoveries through improved recovery methods that have yet to be established through routine, commercially successful applications are included as Reserves only after a favourable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program, where the response provides support for the analysis on which the project is based.

Where reserves remain undeveloped beyond a reasonable timeframe, or have remained undeveloped due to repeated postponements, evaluations should be critically reviewed to document reasons for the delay in

initiating development and justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay is justified, a reasonable time frame is generally considered to be less than five years.

#### 7.3.4 Proved Reserves

Proved Reserves are those quantities of petroleum that, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

#### 7.3.5 Probable Reserves

Probable Reserves are those additional reserves that analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved + Probable Reserves (2P).

When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

#### 7.3.6 Possible Reserves

Possible Reserves are those additional reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved + Probable + Possible (3P), which is equivalent to the high estimate scenario.

When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

### 7.4 Contingent Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality.

The term accumulation is used to identify an individual body of moveable petroleum. The key requirement in determining whether an accumulation is known (and hence contains Reserves or Contingent Resources) is that each accumulation/reservoir must have been penetrated by a well. In general, the well must have clearly

demonstrated the existence of moveable petroleum in that reservoir by flow to surface, or at least some recovery of a sample of petroleum from the well. However, where log and/or core data exist, this may suffice provided there is a good analogy to a nearby, geologically comparable, known accumulation.

Estimated recoverable quantities within such discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves.

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively.

1C denotes low estimate scenario of Contingent Resources

2C denotes best estimate scenario of Contingent Resources

3C denotes high estimate scenario of Contingent Resources

Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

#### **7.4.1 Contingent Resources: Development Pending**

1C Contingent Resources are a discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future. The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are expected to be resolved within a reasonable time frame.

#### **7.4.2 Contingent Resources: Development Un-Clarified/On Hold**

2C Contingent Resources are a discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay. The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development.

#### **7.4.3 Contingent Resources: Development Not Viable**

3C Contingent Resources are a discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential. The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognised in the event of a major change in technology or commercial conditions.

### **7.5 Prospective Resources**

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective

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Resources have both an associated chance of discovery and a chance of development. They are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

#### **7.5.1 Prospect**

A Prospect is classified as a potential accumulation that is sufficiently well defined to represent a viable drilling target.

#### **7.5.2 Lead**

A Lead is classified as a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

#### **7.5.3 Play**

A Play is classified as a prospective trend of potential prospects that requires more data acquisition and/or evaluation in order to define specific Leads or Prospects.

### **7.6 Unrecoverable Resources**

Unrecoverable Resources are that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities that are estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

## 8 APPENDIX 4: NOMENCLATURE

acre	43,560 square feet	EUR	estimated ultimately recoverable
AOF	absolute open flow		(reserves)
API	American Petroleum Institute	FPSO	Floating production storage unit
	(°API for oil gravity, API units for gamma ray measurement)	ft/s	feet per second
av.	Average	G & A	general & administration
AVO	Amplitude vs. Off-Set	g/cm³	grams per cubic centimetre
BBO	billion ( $10^9$ ) barrels of oil	Ga	billion ( $10^9$ ) years
bbl, bbls	barrel, barrels	GIIP	gas initially in place
BCF	billion cubic feet	GIS	Geographical Information Systems
bcm	billion cubic metres	GOC	gas-oil contact
BCPD	barrels of condensate per day	GOR	gas to oil ratio
BHT	bottom hole temperature	GR	gamma ray (log)
BHP	bottom hole pressure	GWC	gas-water contact
BOE	barrel of oil equivalent, with gas converted at 1 BOE = 6,000 scf	H₂S	hydrogen sulphide
		ha	hectare(s)
BOPD	barrels of oil per day	HI	hydrogen index
BPD	barrels per day	HP	high pressure
Btu	British thermal units	Hz	hertz
BV	bulk volume	IDC	intangible drilling costs
c.	circa	IOR	improved oil recovery
CCA	conventional core analysis	IRR	internal rate of return
CD-ROM	compact disc with read only memory	J & A	junked & abandoned
cgm	computer graphics meta file	km	kilometres (1,000 metres)
CNG	compressed natural gas	km²	square kilometres
CO₂	carbon dioxide	kWh	kilowatt-hours
COE	crude oil equivalent	LoF	life of field
1-D, 2-D, 3-D	1-, 2-, 3-dimensions	LP	low pressure
DHI	direct hydrocarbon indicators	LST	lowstand systems tract
DHC	dry hole cost	LVL	low-velocity layer
DPT	deeper pool test	M & A	mergers & acquisitions
DROI	discounted return on investment	m	metres
DST	drill-stem test	M	thousands
DWT	deadweight tonnage	MM	million
E	East	m³/day	cubic metres per day
E & P	exploration & production	Ma	million years (before present)
EAEG	European Association of Exploration Geophysicists	mbdf	metres below derrick floor
e.g.	for example	mbsl	metres below sea level
EOR	enhanced oil recovery	MBOPD	thousand bbls of oil per day
ESP	Electrical Submersible Pump	MCFD	thousand cubic feet per day
et al.	and others	MCFGD	thousand cubic feet of gas per day
		mD	millidarcies

		poroperm	porosity-permeability
MD	measured depth		
mdst.	mudstone	ppm	parts per million
MFS	maximum flooding surface	psi	pounds per square inch
mg/gTOC	units for hydrogen index	RFT	repeat formation test
mGal	milligals	ROI	return on investment
MHz	megahertz	ROP	rate of penetration
million m <sup>3</sup>	million cubic metres	RT	rotary table
ml	millilitres	S	South
mls	miles	SCAL	special core analysis
MMBO	million bbls of oil	SCF	standard cubic feet, measured at 14.7
MMBOE	million bbls of oil equivalent		pounds per square inch and 60 degrees
MMBOPD	million bbls of oil per day		Fahrenheit
MMCFGD	million cubic feet of gas per day	SCF/STB	standard cubic feet per stock tank barrel
MMTOE	million tons of oil equivalent	SS	sub-sea
mmsl	metres below mean sea level	ST	sidetrack (well)
mN/m	interfacial tension measured unit	STB	stock tank barrels
MPa	megapascals	std. dev.	standard deviation
mSS	metres subsea	STOIP	stock tank oil initially in place
m/s	metres per second	Sw	water saturation
msec	millisecond(s)	TCF	trillion ( $10^{12}$ ) cubic feet
MSL	mean sea level	TD	total depth
N	north	TDC	tangible drilling costs
NaCl	sodium chloride	Therm	105 Btu
NFW	new field wildcat	TVD	true vertical depth
NGL	natural gas liquids	TVDSS	true vertical depth subsea
NPV	net present value	TWT	two-way time
no.	number (not #)	US\$	US dollar, the currency of the United States of America
OAE	oceanic anoxic event		
OI	oxygen index	UV	ultra-violet
OWC	oil-water contact	VDR	virtual dataroom
P90	proved	W	West
P50	proved + probable	WHFP	wellhead flowing pressure
P10	proved + probable + possible	WHSP	wellhead shut-in pressure
P & A	plugged & abandoned	WD	water depth
pbu	pressure build-up	wt%	percent by weight
perm.	permeability	XRD	X-ray diffraction (analysis)
PESGB	Petroleum Exploration Society of Great Britain		
pH	-log H ion concentration		
phi	unit grain size measurement		
Ø	porosity		
plc	public limited company		
por.	porosity		

## PART 6

### ADDITIONAL INFORMATION

#### **1 Responsibility**

- 1.1 The Directors, whose names and functions appear on page 15, and the Company accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.
- 1.2 Grant Thornton UK LLP, whose registered address is at Grant Thornton House, Melton Street, Euston Square, Euston, London, NW1 2EP, accepts responsibility for its report set out in Part 3(A) of this document. To the best of the knowledge and belief of Grant Thornton UK LLP (which has taken all reasonable care to ensure that such is the case), the information contained in its report is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 Robertson (UK) Limited, whose registered address is at CGG UK Imaging Centre UK, Crompton Way, Manor Royal Estate, Crawley, West Sussex, RH10 9QN, accepts responsibility for its report set out in Part 5 of this document. To the best of the knowledge and belief of Robertson (UK) Limited (which has taken all reasonable care to ensure that such is the case), the information contained in its report is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### **2 Incorporation and General**

- 2.1 The Company was incorporated in England and Wales on 3 July 2014, under the name of Savannah Petroleum plc (registered number 9115262), as a public limited company under the Act. Its registered office and its principal place of business is at c/o Lothian Oil & Gas Partners LLP, 1st Floor, 45 King William Street, London EC4R 9AN (telephone number 0203 102 6897 or, if dialling from outside the United Kingdom, +44 203 102 6897). It is domiciled in the United Kingdom. The principal legislation under which the Company operates, and under which the Placing Shares will be created, is the Act. On 22 July 2014 the Company obtained a certificate pursuant to section 761 of the Act entitling it to do business and borrow.
- 2.2 The Company's auditors are Grant Thornton UK LLP, a firm of chartered accountants registered with the institute of chartered accountants in Scotland and in England and Wales.
- 2.3 The Company is the ultimate holding company of the Group, and has the following subsidiary and other undertakings:

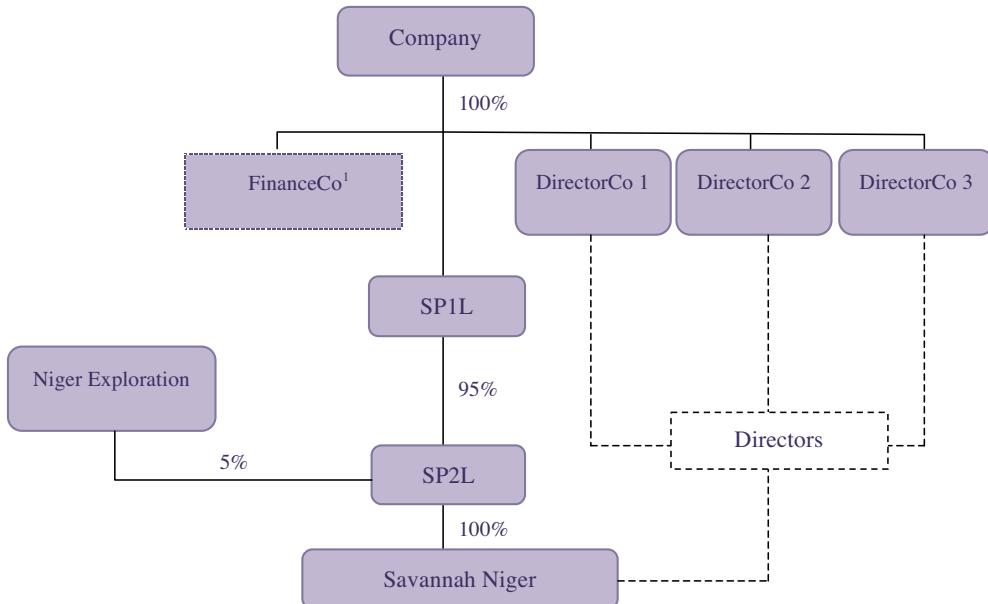
<i>Name (Jurisdiction)</i>	<i>Registered Office</i>	<i>Principal Activity</i>	<i>Issued share capital</i>
Savannah Petroleum 1 Limited (Scotland – SC453751) <sup>1</sup>	50 Lothian Road Festival Square Edinburgh Midlothian EH3 9WJ	Holding company	1,000,000,020 B ordinary shares of \$0.000000001 each

<sup>1</sup> SP1L was incorporated under the name "Savannah Petroleum Limited", which was changed to "Savannah Petroleum 1 Limited" on 3 July 2014.

<i>Name (Jurisdiction)</i>	<i>Registered Office</i>	<i>Principal Activity</i>	<i>Issued share capital</i>
Savannah Petroleum 2 Limited (Scotland – SC467099)	50 Lothian Road Festival Square Edinburgh Midlothian EH3 9WJ	Holding company	105,264 ordinary shares of \$0.00001 each
Savannah Petroleum Niger R1/R2 S.A. (Niger-RCCM: NI-NIA-2014-B1940)	61 rue NB-44 BP 07 Quartier Terminus, Niamey, Niger	Exploration and extraction of petroleum & natural gas	1,000 shares of F CFA 10,000 each
Savannah Niger Director 1 Limited (Jersey – 115995)	15 Esplanade, St Helier, Jersey, JE1 1RB	Provision of corporate directorial services	2 limited liability shares of £1.00 each
Savannah Niger Director 2 Limited (Jersey – 115996)	15 Esplanade, St Helier, Jersey, JE1 1RB	Provision of corporate directorial services	2 limited liability shares of £1.00 each
Savannah Niger Director 3 Limited (Jersey – 115997)	15 Esplanade, St Helier, Jersey, JE1 1RB	Provision of corporate directorial services	2 limited liability shares of £1.00 each

- 2.3.1 The Company owns directly 100 per cent. of the issued shares of SP1L, DirectorCo 1, DirectorCo 2, and DirectorCo 3, and can exercise 100 per cent. of the voting rights of such companies. The Company is considering incorporating an additional subsidiary after Admission, called “FinanceCo” on the structure chart below, to facilitate the financing of Savannah Niger’s operational costs.
- 2.3.2 The Company owns indirectly (via SP1L) 100,000 ordinary shares in the capital of SP2L, and Niger Exploration is the holder of 5,264 ordinary shares in the capital of SP2L. The articles of association of SP2L contain a “drag-along” provision pursuant to which SP1L can force Niger Exploration to sell its shares in SP2L in the event SP1L is selling the shares that it owns in SP2L. Niger Exploration is 95 per cent. beneficially owned and 100 per cent. controlled by Yacine Wafy, the Group’s Niger Country Manager.
- 2.3.3 SP2L owns directly 100 per cent. of the issued shares of, and SP2L can exercise 100 per cent. of the voting rights in, Savannah Niger.
- 2.3.4 Savannah Niger is the principal operating subsidiary of the Group. It is anticipated that following Admission, inter-company loan facilities will be put in place between other Group companies and Savannah Niger to finance Savannah Niger’s activities. Niger Exploration is not a Group company and is not expected to provide any loan facility to Savannah Niger, or any other Group company.

- 2.4 The following structure chart illustrates the Group structure that is, as at the Last Practicable Date, intended to be in place as at immediately prior to Admission:



### 3 Share Capital

- 3.1 Set out below are details of the issued share capital of the Company: (i) as at the Last Practicable Date; and (ii) as it will be immediately following the Placing and Admission (assuming that all Loan Note Conversion Shares and all Placing Shares are issued):

	Present Number	Nominal Value	Immediately following Admission Number	Nominal Value
Issued Ordinary Shares	50,000,001	£0.001	131,337,172	£0.001

- 3.2 On incorporation, the issued share capital of the Company was £0.01, comprised of ten Ordinary Shares (the “**Subscription Shares**”), legal title in which was owned by LCP1 and beneficial title in which was owned by Andrew Knott.
- 3.3 On 22 July 2014, the Company issued 49,999,991 Ordinary Shares (the “**New Shares**”) pursuant to a Share for Share Exchange Agreement dated on that date. Under the Share for Share Exchange Agreement, LCP1, at that time, the sole registered shareholder of the Company and of SP1L, subscribed for legal title to the New Shares in exchange for the Company’s acquisition of the legal title to all 1,000,000,020 B ordinary shares of £0.000000001 each in the capital of SP1L (the “**B Ordinary Shares**”). Simultaneously, the owners of the beneficial interests in the B Ordinary Shares subscribed for title to the beneficial interests in a number of Ordinary Shares so that the percentage of Ordinary Shares in which they held beneficial interests was equal to the percentage of B Ordinary Shares in which they held beneficial interests immediately prior to the completion of the share exchange described in this paragraph 3.3. Following completion of the said share exchange, SP1L was a wholly owned subsidiary of the Company.

#### 3.4 **Loan Notes**

- 3.4.1 Pursuant to the Loan Note Instruments, SP1L issued the SP1L Loan Notes. Simultaneously with the completion of the share exchange described in paragraph 3.3 of this Part 6, the Company acquired (by way of a novation agreement) the SP1L Loan Notes from the SP1L Loan Noteholders in exchange for an issue to the SP1L Loan Noteholders of certificates evidencing their ownership of the PLC Loan Notes. On or immediately prior to Admission, \$18,280,000 principal of the PLC Loan Notes shall convert in accordance with their terms into 25,497,236 fully paid Ordinary Shares at a price per Ordinary Share of 42 pence, being a discount of 25 per cent. to the Placing Price. On Admission, the balance of the PLC Loan

<sup>1</sup> FinanceCo may be incorporated following Admission subject to the receipt of appropriate advice.

Notes (\$2,750,000 principal) will be redeemed for cash at a premium of 33 per cent., as opposed to the premium of 50 per cent. referred to in paragraph 3.4.2(ii) of this Part 6. These PLC Loan Notes will be redeemed by Mark Iannotti and by LIP, a company owned by Andrew Knott. LIP will reinvest \$2,517,770 by subscribing for 2,633,871 Loan Note Redemption Shares at the Placing Price, and Mr Iannotti will reinvest \$866,125 by subscribing for 906,064 Loan Note Redemption Shares at the Placing Price. In each case, the amounts being re-invested by LIP and Mr Iannotti represent the net of tax redemption proceeds.

3.4.2 Unless previously converted, redeemed or purchased, if Admission does not occur, the PLC Loan Notes will be redeemed at a value equal to 150 per cent. of par:

- (i) at the Company's sole discretion, provided that the Company serves at least 20 Business Days' notice on the PLC Loan Noteholders notifying the Loan Noteholders of its intention to redeem all of the PLC Loan Notes outstanding at such time in full, with such notice stating therein the date of redemption;
- (ii) immediately prior to the completion of a transaction (other than a solvent reorganisation) where 100 per cent. of the share capital of the Company is beneficially owned by any person who does not at the date of the Loan Note Instrument beneficially own 50 per cent. or more of the share capital of the Company;
- (iii) on the date that is no more than 10 business days after the completion of a sale to a third party on arms' length and commercial terms of all or substantially all of the assets of the Company; or
- (iv) on 19 June 2015 (or if such day is not a Business Day, the immediately succeeding Business Day).

3.4.3 The PLC Loan Note documentation contains limited warranties and covenants in favour of the PLC Loan Noteholders. Such undertakings will lapse upon conversion/redemption of the PLC Loan Notes.

3.5 On 28 July 2014, legal title in all 50,000,001 issued Ordinary Shares transferred to the holders of the beneficial interests in such Ordinary Shares (other than those 20,591,376 Ordinary Shares in respect of which the beneficial owner has requested that LCP1 retains legal title in a nominee capacity).

3.6 The Placing Shares will be issued in accordance with resolutions of the Company passed on 26 July 2014, which:

3.6.1 generally and unconditionally authorised the Directors in accordance with Section 551 of the Act to allot Ordinary Shares in the Company up to an aggregate nominal value of £151,383.663, such authority to expire on the conclusion of the next annual general meeting of the Company;

3.6.2 empowered the Directors pursuant to Section 571 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority referred to in paragraph 3.6.1 in respect of: (i) the allotment of up to 52,300,000 Ordinary Shares in connection with the Placing; (ii) the allotment of up to 29,037,171 Ordinary Shares to satisfy the Loan Note Conversion Shares; (iii) the allotment of up to 43,779,057 Ordinary Shares in connection with a rights, open offer or other pre-emptive offer, and (iv) otherwise up to an aggregate nominal amount of £26,267.434 in the period ending on the conclusion of the next annual general meeting of the Company; and

3.6.3 approve the adoption of the Articles, the principal terms of which are summarised in paragraph 4 of this Part 6.

3.7 The provisions of Section 561 of the Act confer on Shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be, paid up in cash. Subject to certain limited exceptions, unless the approval of Shareholders is obtained in a general meeting of the Company, the Company must normally offer Ordinary Shares to be issued for cash to existing Shareholders on a *pro rata* basis.

- 3.8 By resolution of the Board passed on 26 July 2014, it was resolved conditionally upon (but effective immediately prior to) Admission taking place prior to 15 August 2014, to allot the Loan Note Conversion Shares and the Placing Shares for cash at the Placing Price.
- 3.9 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares through CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK and Ireland Limited and the Company's registrar, Computershare Investor Services plc (details of whom are set out on page 16).
- 3.10 The legislation under which the Placing Shares will be issued is the Act and regulations made under the Act.
- 3.11 The expected issue date of the Placing Shares is 1 August 2014.
- 3.12 The Ordinary Shares are denominated in Sterling.
- 3.13 Following the Placing and Admission (assuming that all Loan Note Conversion Shares and all the Placing Shares are allotted), the Existing Ordinary Shares will represent 38.1 per cent. of the Enlarged Ordinary Share Capital.
- 3.14 The Company does not have in issue any securities not representing share capital.
- 3.15 The Company does not hold any treasury shares and no Ordinary Shares or other shares in the Company were held by, or on behalf of, any member of the Group.
- 3.16 The International Security Identification Number for the Ordinary Shares is GB00BP41S218.
- 3.17 Save as disclosed in this paragraph 3,
  - 3.17.1 there are no convertible securities, exchangeable securities or securities with warrants;
  - 3.17.2 no person has any acquisition rights and or obligations over authorised but unissued capital, and there is no undertaking to increase the capital; and
  - 3.17.3 no capital of the Company or any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

## 4 Articles of Association

The Articles provide, amongst other things:

### 4.1 *Voting rights*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at a general meeting of the Company every member who is present in person (including any corporation present by its duly authorised representative) shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is a holder. The Directors may accept the appointment of a proxy contained in an electronic communication subject to such terms and conditions as the Directors may determine. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

### 4.2 *Restrictions on voting*

Unless the Board determines otherwise, no member is entitled to vote at a general meeting, either in person or by proxy, or to exercise any privilege as a member, or be reckoned in a quorum, in respect of any share held by him unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) have been paid to the Company.

#### **4.3 *Dividends***

- 4.3.1 Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board and no dividend shall be payable except out of the profits of the Company available for distribution.
- 4.3.2 Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Directors to be justified by the profits of the Company available for distribution.
- 4.3.3 Except as otherwise provided by the rights attached to shares, all dividends:
- (i) shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid;
  - (ii) shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions on the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly; and
  - (iii) may be declared in any currency.
- 4.3.4 All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Directors so resolve) be forfeited and shall cease to remain owing by the Company.
- 4.3.5 The Board may, with the authority of an ordinary resolution of the Company, or in the case of an interim dividend may without the authority of an ordinary resolution, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.
- 4.3.6 The Board may deduct from any dividend or other moneys payable to any person on or in respect of a share, all such sums as may be due to the Company on account of calls or otherwise in relation to the shares of the Company from him.

#### **4.4 *Distribution of assets on a winding up***

If the Company is wound up, the surplus assets remaining after payment of all creditors shall be divided among the members in proportion to the capital held by them respectively and, if the surplus assets are insufficient to repay the whole of the capital, the losses shall be borne by the members in proportion to the capital held. If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company. The resolution may provide for and sanction a distribution of any specific assets amongst different classes of members otherwise than in accordance with their existing right. In such an event, every member shall have the right of dissent.

#### **4.5 *Transfers of shares***

- 4.5.1 Every member may transfer all or any of his shares which are in certificated form by instrument of transfer in writing in any usual form or in any form approved by the Board, left at the registered office of the Company (or such other place as the Board may determine) and accompanied (except in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued or in the case of a renunciation) by the certificate of the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor (or person renouncing) and the due execution of the transfer or renunciation by him or, if the transfer

or renunciations is executed by some other person on his behalf, the authority of that person to do so. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members.

- 4.5.2 Unless the Directors otherwise determine, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been duly served with a notice under section 793 of the Act, has failed to supply the information required by such notice within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Directors that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised stock exchange or a sale to an unconnected party.

#### 4.6 *Variations of rights*

- 4.6.1 If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, with the consent of the holders of not less than three-quarters in nominal value of the issued shares of the class sanctioning the resolution at a general meeting of the holders of shares of the class. The quorum at any such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question and at an adjourned meeting not less than one person holding shares of the class in question or his proxy.
- 4.6.2 Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects.

#### 4.7 *Changes in capital*

Subject to the provisions of the Act, the Company in general meeting may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and sub-divide all or any of its shares into shares of smaller amount. The Company may also, subject to the provisions of the Act and to any rights for the time being attached to any shares, purchase its own shares and, by special resolution, reduce its share capital or any capital redemption reserve fund or any share premium account in any way.

#### 4.8 *Issue of shares*

- 4.8.1 Subject to the Act and to any relevant authority of the Company in general meeting required by the Act, the Board may offer, allot (with or without conferring rights of renunciation), grant options over or otherwise deal with or dispose of shares or grant rights to subscribe for or convert any security into shares to such persons, at such times and upon such terms as the Board may decide. No share may be issued at a discount.
- 4.8.2 Subject to the Act, the Company may at any time pass an ordinary resolution permitting the Directors to generally and unconditionally allot ordinary shares for a period of up to five years from the passing of the ordinary resolution.

#### 4.9 *Remuneration of Directors*

- 4.9.1 The salary or remuneration of any Director appointed to hold any employment or executive office in accordance with the Articles may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his service as Director in accordance with the Articles.

4.9.2 If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine.

#### 4.10 *Pensions and gratuities for Directors*

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or availability benefits or other allowances or gratuities (whether by insurance or otherwise) for any person who is or has at any time been a Director of the Company or any company which is a holding company or a subsidiary undertaking of or allied to or allocated with the Company or any such holding company or subsidiary undertaking or any predecessor in business of the Company or of any such holding company or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependant on him.

#### 4.11 *Directors' interests in contracts*

Subject to the Act and provided he has declared the nature and extent of his interest in accordance with the requirements of the Act, a Director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company may:

- 4.11.1 be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
- 4.11.2 act by himself or through his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
- 4.11.3 be or become a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested; or
- 4.11.4 hold any office or place of profit with the Company (except as auditor) in conjunction with his office of Director for such period and upon such terms, including as to remuneration as the Board may decide.

#### 4.12 *Restrictions on Directors' voting*

4.12.1 Save as provided in the Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Directors or of a committee of the Directors concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, unless the resolution concerns any of the following matters:

- (i) the giving by him of any security, guarantee or indemnity for any money or any liability which he, or any other person, has lent or obligations he or any other person has undertaken at the request, or for the benefit, of the Company or any of its Subsidiary undertakings;
- (ii) the giving of any security, guarantee or indemnity to any person for a debt or obligation which is owed by the Company or any of its subsidiary undertakings, to that other person if the Director has taken responsibility for some or all of that debt or obligation;
- (iii) a proposal or contract relating to an offer of any shares or debentures or other securities for subscription or purchase by the Company or any of its subsidiary undertakings, if the Director takes part because he is a holder of shares, debentures or other securities, or if he takes part in the underwriting or sub-underwriting of the offer;

- (iv) any arrangement for the benefit of employees of the Company or any of its Subsidiary undertakings which only gives him benefits which are also generally given to employees to whom the arrangement relates;
- (v) any arrangement involving any other company in the Director (together with any person connected with the Director) has any interest of any kind in that Company (including an interest by holding any position in that company or by being a shareholder of that company);
- (vi) a contract relating to insurance which the Company can buy or renew for the benefit of the Directors or a group of people which includes Directors; or
- (vii) a contract relating to a pension, superannuation or similar scheme or a retirement, death, disability benefits scheme or employees' share scheme which gives the Director benefits which are also generally given to the employees to whom the scheme relates.

4.12.2 The Board may authorise, to the fullest extent permitted by law any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company, provided that the Director in question, and any other interested Director, are not counted in the quorum at any board meeting at which such matter is authorised.

#### **4.13 *Number of Directors***

Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two but shall not be subject to any maximum number.

#### **4.14 *Directors' appointment and retirement***

4.14.1 Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director holds office only until the next annual general meeting and shall retire from office but shall be eligible for re-appointment. Each Director shall retire from office at the third annual general meeting after the annual general meeting or general meeting (as the case may be) at which he was previously appointed. A director shall not be required to hold any shares in the Company.

4.14.2 If: (i) at the annual general meeting in any year any resolution or resolutions for the appointment or re-appointment of the persons eligible for appointment or re-appointment of the persons eligible for appointment or re-appointment as Directors are put to the meeting and lost; and (ii) at the end of that meeting the number of Directors is fewer than any minimum number of Directors required, all retiring Directors who stood for re-appointment at that meeting shall be deemed to have been re-appointed as Directors and shall remain in office, but may only act for the purpose of convening general meetings of the Company and perform such duties as are essential to maintain the Company as a going concern, and not for any other purpose.

4.14.3 In addition to any power of removal conferred by the Act, the office of Director shall be vacated if he is requested to resign by all of the other Directors by notice in writing.

#### **4.15 *Borrowing powers***

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, to create and issue debenture and other securities and give security either outright or as collateral security for any debt, liability or obligation of the Company or any third party. The Board shall restrict the borrowings of the Company, and exercise all voting or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards the subsidiary undertakings only so far as by such exercise it can secure) that the

aggregate of the amounts borrowed by the Group and remaining outstanding at any time (excluding intra-Group borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed US\$2.5 billion.

#### 4.16 ***Untraced shareholders***

Subject to the Articles, the Company may sell any shares in the Company registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Directors. The proceeds will not carry interest.

#### 4.17 ***Meetings***

##### 4.17.1 *Annual General Meetings*

The Company shall comply with the requirements of the Act regarding the holding of an annual general meeting.

##### 4.17.2 *General Meetings*

All general meetings other than annual general meetings shall be called general meetings. General meetings may be called whenever the Board thinks fit or when one has been requisitioned in accordance with the Act.

A general meeting is to be called on at least 14 days' notice in writing exclusive of the day on which it is served or deemed to be served and the day on which the meeting is to be held. A general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent. Subject to Section 318(1) of the Act, two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

#### 4.18 ***Rights attaching to Ordinary Shares***

##### 4.18.1 The Ordinary Shares rank *pari passu* in the following respects:

- (i) they are in all respects identical;
- (ii) they are of the same nominal value and the same amount per Ordinary Share has been paid up;
- (iii) they carry the same rights as to unrestricted transfer, attendance and voting in general meetings and in all other respects; and
- (iv) they are entitled to dividends at the same rate and for the same period so that at the next ensuing distribution to the dividend payable on each Ordinary Share will be the same amount.

##### 4.18.2 All of the Existing Ordinary Shares are fully paid and freely transferable.

### 5 **Directors', Senior Managers' and other Interests**

5.1 The names of the Directors and Senior Managers of the Company are set out on page 15 of this document.

5.2 The interests (within the meaning of sections 820-825 of the Act) of each Director and Senior Manager and (so far as is known to the Directors and Senior Managers having made all reasonable enquiries) persons connected with them (within the meaning section 252 of the Act) and any member of the Director's and Senior Manager's family (as defined in the AIM Rules) in the issued share capital of Company,

5.2.1 all of which are beneficial (except as noted below) in the issued share capital of the Company, and all of which are beneficial and legal (except as noted below) in the PLC Loan Notes, as at the Last Practicable Date, and,

5.2.2 all of which are beneficial and legal (except as noted below), in the issued share capital of the Company immediately following Admission,

in each case, are as follows:

Names	As at 28 July 2014			Following Admission		
	Ordinary Shares	%	PLC Loan Note Principal	Convertible into Ordinary Shares	Ordinary Shares	%
<b>Directors</b>						
Andrew A Knott <sup>1</sup>	20,591,376	41.18%	2,000,000	2,633,871	23,225,247	17.68%
David Jamison <sup>2</sup>	250,000	0.50%	100,000	139,481	651,009	0.50%
Steve Jenkins	500,000	1.00%	—	—	500,000	0.38%
Mark Iannotti	2,500,000	5.00%	750,000	906,064	3,615,287	2.75%
<b>Senior Managers</b>						
Yacine Wafy <sup>3</sup>	—	—	—	—	523,056	0.40%
Phil Magor	50,000	0.10%	—	—	50,000	0.04%

- 1 Held through LCP1 and LIP, both of which are 100 per cent. beneficially and legally owned by Andrew Knott
- 2 Held through Lowquest Limited, which is 100 per cent. beneficially and legally owned by David Jamison
- 3 Held through Rosambo Portfolio S.A., which, on Admission, will be 100 per cent. beneficially and legally owned by Yacine Wafy

5.3 Save as disclosed in this Document, no Director or Senior Manager has any interest in the share capital or loan capital of the Company or any of the subsidiaries of the Company nor does any person connected with the Directors or Senior Managers (within the meaning of section 252 of the Act) have any such interests, whether beneficial or non-beneficial.

#### 5.4 *Other Interest of Directors in the Group*

Andrew Knott owns legal and beneficial title to one ordinary share in the capital of LCP1, comprising 100 per cent. of the issued share capital in LCP1, which,

- (i) as at the Last Practicable Date, owns the legal and voting interest in 50,000,001 Ordinary Shares, being 100 per cent. of the Ordinary Shares, but
- (ii) immediately following Admission, will own legal title to and voting interests in 20,591,376 Ordinary Shares

5.5 The Directors and Senior Managers hold or have held the following directorships (in addition to the Company) and/or are or have been a partner in the following partnerships within the five years prior to the date of this document:

Name	Previous directorships/ memberships	Current directorships/ memberships
<b>Directors</b>		
Andrew Allister Knott	Laurel Heights LLP	Owlbrook LLP Scotia Oil & Gas LLP Lothian Oil & Gas Partners LLP Lothian Partners Limited Scotia Oil & Gas Exploration Limited Lothian Capital Partners 1 Limited Savannah Petroleum 1 Limited Ariadne Petroleum Limited Golden Eagle Petroleum Limited Savannah Petroleum 2 Limited Osprey Petroleum Limited Wildcat Petroleum Limited GEP Castle Limited GEP Grey Owl Limited Franklin Petroleum Newfoundland Limited

Name	Previous directorships/ memberships	Current directorships/ memberships
David Lawrence Jamison	n/a	Lowquest Limited D.L.J. Associates (UK) Limited
Stephen (“Steve”) Ian Jenkins	Alba Resources (Holdings) Limited Alba Resources Limited First Mariner Limited Mountwest 560 Limited Mountwest 561 Limited Mountwest 562 Limited Nautical Holdings Limited Nautical Petroleum Limited The UK Oil & Gas Industry Association Limited UAH Limited	Circle Oil plc Groliffe Limited Hedgepig Growth Limited Oil & Gas Independents’ Association Limited Terrain Energy Limited
Marco (“Mark”) Iannotti	n/a	FT Energy Advisory Limited
<b>Senior Managers</b>		
Yacine Wafy	Primo et Geb S.A.R.L.	Rosambo Portfolio S.A. <sup>(1)</sup> Niger Exploration Limited Niger Exploration 1 Limited
Phil Magor	n/a	n/a

(1) To become a director on or prior to the day of Admission

#### 5.6 No Director or Senior Manager has:

- 5.6.1 any unspent convictions in relation to indictable offences or convictions in relation to fraudulent offences; or
- 5.6.2 been bankrupt or the subject of an individual voluntary arrangement; or
- 5.6.3 been a director of any company which had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors while he was a director or within the 12 months after he had ceased to be a director of that company; or
- 5.6.4 been a partner of any partnership which went into compulsory liquidation, administration or partnership voluntary arrangement, while he was a partner or within the 12 months after he ceased to be a partner in that partnership; or
- 5.6.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in a receivership while he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
- 5.6.6 had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- 5.6.7 been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.7 As at the Last Practicable Date, save as set out below, the Company is not aware of any person (other than any Director or Senior Manager) who is directly or indirectly interested in three per cent. or more, of the issued share capital or voting rights of the Company:

5.7.1 the following members own beneficial interests representing three per cent. or more of the Company's issued share capital as at the Last Practicable Date as follows:

<i>Name of member</i>	<i>Number of Shares</i>	<i>Percentage Held</i>	<i>PLC</i>	<i>Convertible into Ordinary Shares</i>
Andrew Knott <sup>1</sup>	20,591,376	41.18%	2,000,000	2,633,871
Aralia Capital S.A. <sup>2</sup>	11,819,730	23.64%	—	—
Ludivine Capital Limited	10,886,395	21.77%	400,000	557,927
Tor Boswick	2,500,000	5.00%	—	—
Mark Iannotti	2,500,000	5.00%	750,000	906,064

1 Held through LCP1 and LIP, both of which are 100 per cent. beneficially and legally owned by Andrew Knott

2 Includes the holding of Peleng Holding Corporation, which is wholly owned by the same investor as Aralia Capital S.A.

5.7.2 LCP1, the share capital of which is wholly owned by, and the sole director of which is, Andrew Knott, owns 100 per cent. of the voting and legal rights of the Existing Ordinary Shares as at the Last Practicable Date; and

5.7.3 the following members will own legal and beneficial interests representing three per cent. or more of the Company's issued share capital immediately following Admission as follows:

<i>Name of member</i>	<i>Number of Shares</i>	<i>Percentage Held</i>
Andrew Knott <sup>1</sup>	23,225,247	17.68%
Standard Life Investments Limited	13,076,000	9.96%
Aralia Capital S.A. <sup>2</sup>	11,819,730	9.00%
Ludivine Capital Limited	11,444,322	8.71%
Capital Group Companies Inc.	7,844,000	5.97%
Henderson Global Investors	6,276,000	4.78%

1 Held through LCP1 and LIP, both of which are 100 per cent. beneficially and legally owned by Andrew Knott

2 Includes the holding of Peleng Holding Corporation, which is wholly owned by the same investor as Aralia Capital S.A.

5.8 Save as disclosed in paragraph 5.7, as at the Last Practicable Date, so far as the Directors are aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

5.9 Save as disclosed in paragraph 5.7, as at the Last Practicable Date, so far as the Directors are aware, there are no arrangements the operation of which may at a later date result in a change of control of the Company.

5.10 Save as disclosed in paragraph 5.7, none of the Company's major holders of Ordinary Shares listed in paragraph 5.7 has voting rights which are different from other holders of Ordinary Shares.

5.11 There are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director or Senior Manager.

5.12 Save as disclosed in paragraph 9 of Part 6 of this document, in respect of the Directors and Senior Managers, there are no potential conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have.

5.13 Save as disclosed in this paragraph 5, no Director or any member of his immediate family nor any person connected with him (within the meaning of section 252 of the Act) has a related financial product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.

## **6 Directors' and Senior Managers' service contracts and remuneration**

The services of the Directors and Senior Managers are provided to the Group under the following agreements:

### **6.1 Executive Director**

Andrew Knott became a director of the Company on its incorporation on 3 July 2014 and entered into a service agreement with the Company effective from Admission. Mr Knott is appointed as Chief Executive Officer. The service agreement shall continue until terminated by the Company on 12 months' written notice, with an initial fixed term of two years. Under the terms of the agreement, Mr Knott will be entitled to an annual salary of £400,000, which will be payable on a monthly basis and, at the sole discretion of the Company's remuneration committee, a bonus of up to three times his annual salary. Mr Knott will also be eligible to participate in any management incentive program that the Group may adopt. Mr Knott will receive an employer's pension contribution equal to 10 per cent. of his annual salary. There is a right to place Mr Knott on gardening leave during all or any part of his notice period. The service agreement provides for early termination, *inter alia*, in the event of a serious breach of the agreement. Mr Knott's service agreement will be terminated in the event that Mr Knott ceases to be a Director.

### **6.2 Non-Executive Directors**

#### **6.2.1 David Jamison**

On 26 July 2014, Mr Jamison was appointed as a non-executive director. The appointment shall continue until terminated by either the Company or Mr Jamison on three months' written notice. From Admission, Mr Jamison shall be paid an annual fee of £25,000 payable monthly.

#### **6.2.2 Steve Jenkins**

On 26 July 2014, Mr Jenkins was appointed as non-executive chairman. The appointment shall continue until terminated by either the Company or Mr Jenkins on three months' written notice. From Admission, Mr Jenkins shall be paid an annual fee of £150,000 payable monthly.

#### **6.2.3 Mark Iannotti**

On 3 July 2014, at incorporation of the Company, Mr Iannotti was appointed as a non-executive director. The appointment shall continue until terminated by either the Company or Mr Iannotti on three months' written notice. For the first year following Admission, Mr Iannotti shall be paid an annual fee of £50,000 payable monthly, after which point the annual fee payable will reduce to £25,000 payable monthly.

### **6.3 Senior Managers**

#### **6.3.1 Yacine Wafy**

On 28 July 2014, Yacine Wafy and Rosambo Portfolio S.A., an international business company in Seychelles that will be wholly owned and controlled by Yacine Wafy at Admission (the "**Consultant Company**"), entered into a consultancy agreement pursuant to which the Consultant Company is obliged to cause Mr Wafy to provide services to the Company in the global oil and gas exploration and production and oil services sectors in Niger or such other location as the Company may reasonably request. The agreement may be terminated by any party on three months' written notice. Under the terms of the agreement with the Company, the Consultant Company will be entitled to a monthly fee of \$8,333, payable within 14 days of the Company's receipt of an invoice from the Consulting Company. Additionally, the contract obliges the Company to make a single payment of \$200,000 to the Consultant Company on the Commencement Date in respect of payment for services provided prior to the Admission Date (the "**Back Payment**") and a further payment of up to one and a half times the annual fees payable under the contract (excluding the Back Payment) no later than 31 July 2015. The Company will also reimburse the Consultant Company or Mr Wafy for reasonable documented costs incurred in performance of the services under the contract.

### 6.3.2 *Phil Magor*

On 28 July 2014, Phil Magor entered into a service agreement with the Company, which is effective from Admission. The service agreement shall continue until terminated by either Mr Magor or the Company on six months' written notice. Under the terms of the agreement, Mr Magor will be entitled to an annual salary of £150,000, which will be payable on a monthly basis and, at the sole discretion of the Company's remuneration, a bonus of up to one-half of his annual salary. Mr Magor will also be eligible to participate in any management incentive program that the Group may adopt. Mr Magor will not receive an employer's pension contribution. There is a right to place Mr Magor on gardening leave during all or any part of his notice period. The service agreement provides for early termination, *inter alia*, in the event of a serious breach of the agreement.

- 6.4 No Director or Senior Manager has received any remuneration for services performed for the Company prior to the Last Practicable Date.

### 6.5 Directors' Appointment Details

Name	Date of Appointment	Date of Expiration of Current Term of Office (as per Articles)
Andrew A Knott	3 July 2014	Company's next AGM
David Jamison	26 July 2014	Company's next AGM
Steve Jenkins	26 July 2014	Company's next AGM
Mark Iannotti	3 July 2014	Company's next AGM

## 7 Employees

- 7.1 As of the Last Practicable Date, the Company has no employees. As at Admission, the Company expects to employ two employees on the terms and conditions summarised in paragraphs 6.1 and 6.3, respectively.
- 7.2 As of the Last Practicable Date, there are no arrangements for involving the employees in the capital of the Company.

## 8 Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or any member of the Group during the two years preceding the date of this document and are or may be material or contain any provision under which any member of the Group has an obligation or entitlement which is material to the Group as at the date of this document:

### 8.1 *Placing Agreement and Financial Adviser Appointment*

A placing agreement dated 28 July 2014 was entered into between the Company, the Directors Mirabaud, Renaissance Capital, FirstEnergy (the “Agents”) and Strand Hanson pursuant to which the Agents agreed to use their respective reasonable endeavours to arrange for Placees to subscribe for 52,300,000 Placing Shares at the Placing Price. The agreement is conditional on, *inter alia*, Admission taking place on or before 8.00 am. on 1 August 2014 or such later date as Mirabaud (acting on its own behalf and on behalf of the other Agents), Strand Hanson and the Company may agree, but in any event not later than 15 August 2014. The Company and Strand Hanson entered into a letter agreement with effect from 4 July 2014, pursuant to which Strand Hanson was appointed to act as the Company's financial adviser in connection with the Placing.

The placing agreement and the letter agreement contain, *inter alia*, undertakings and warranties given by the Company and the Directors in favour of Strand Hanson and, in the case of the placing agreement, the Agents, as to the accuracy of information contained in this document and other matters relating to the Group and its business. The placing agreement also contains an indemnity from the Company and the Chief Executive Officer in favour of Strand Hanson and the Agents. The letter agreement contains certain undertakings from the Company relating to its conduct during the course of preparing for the Placing.

Pursuant to the placing agreement, the Company has agreed to pay (or procure to be paid) to the Agents:

- (i) £585,760, being a broking commission equal to 2.0 per cent. of the aggregate value of the gross proceeds to be raised pursuant to the Placing, which was allocated amongst each of the Agents and Ladenburg in a ratio determined by the Company prior to the date of this document.
- (ii) £585,760, being a broking commission equal to 2.0 per cent. of the aggregate value of the gross proceeds raised pursuant to the Placing, split in a ratio determined by the Company on or around the time of Admission in its sole discretion among each of the Agents and Ladenburg; and
- (iii) a discretionary amount, if any, of up to £585,760, being a broking commission equal to 2.0 per cent. of the aggregate value of the gross proceeds raised pursuant to the Placing, split in a ratio determined by the Company on or around the time of Admission in its sole discretion; provided that none of any Agent or Ladenburg is entitled to, and the Company is not obliged to make, any payment pursuant to this sub-clause (iii) other than at the Company's sole and absolute discretion.

Pursuant to the letter agreement with Strand Hanson, the Company has agreed to pay (or procure to be paid) to Strand Hanson a fee in the event of Admission occurring. Certain other fees are payable in the event that Admission does not occur but where the Company engages in a sale or a public listing in the 12 months following the date on which a party terminates the letter agreement other than as engaged with Strand Hanson pursuant to the letter agreement.

In addition to the fees and commissions referred to above, the Company has agreed under the placing agreement to pay or bear any out of pocket expenses any of the Agents and Strand Hanson may reasonably and properly incur, including any legal expenses, to the extent that such expenses (i) have been incurred in connection with the performance of their duties pursuant to the Placing; and (ii) have been pre-agreed by the Company following notification from the relevant Agent and Strand Hanson in increments of up to £3,000.

Any of Strand Hanson or the Agents may terminate its obligations under the placing agreement in certain circumstances prior to Admission, principally in the event of the Company's failure, in a material respect, to comply with any of its obligations under the agreement, or a breach of the warranties which in either case is material in the context of the Placing and/or Admission. Where there shall have occurred a change in financial, political, economic or market conditions or in market sentiment which, in any of Strand Hanson's or the Agents' opinion, acting in good faith, is materially adverse, any of the Agents and Strand Hanson may, after having to the extent practicable in the circumstances consulted with the Company, give notice in writing to the Company prior to Admission to rescind the placing agreement without incurring any liability to any other party thereto.

Either the Company or Strand Hanson can terminate the letter agreement appointing Strand Hanson as financial adviser with one month's prior notice.

## 8.2 **Nominated Adviser Agreement**

The Company and Strand Hanson entered into an agreement on 28 July 2014 whereby, conditional on Admission, the Company appointed Strand Hanson to act as its nominated adviser for an annual retainer fee (payable quarterly in advance from the date of Admission), plus any applicable VAT. Strand Hanson may terminate at any time upon 30 days' notice the agreement or if the Company has materially breached the agreement and such breach, if remediable, remains unremedied for a period of 7 days. The Company is deemed to have materially breached the agreement in certain circumstances including, *inter alia*, the Company's failure to pay any sum payable under the agreement within 14 days of the due date or the Company suffering an insolvency event. The Company may terminate the agreement upon 30 days' notice but not prior to the end of the initial 12-month period, or if Strand Hanson has materially breached the agreement and such breach, if remediable, remains unremedied for a period of 30 days. The agreement contains certain customary indemnities from the Company.

### 8.3 ***Broker Agreement***

The Company and Mirabaud entered into an agreement on 28 July 2014 whereby, conditional on Admission, the Company appointed Mirabaud to act as its broker for an annual retainer fee of £30,000. The amount of any fee due to Mirabaud shall be reduced by the amount of any commission generated through capital market transactions and paid to Mirabaud in any year following Admission. Either party may terminate Mirabaud's appointment by giving not less than three months' notice in writing, such notice not to occur earlier than the first anniversary of the date of the agreement. In the event of a material breach by Mirabaud or if Mirabaud suffers an insolvency event the Company may terminate the appointment forthwith at any time. Mirabaud may terminate the appointment forthwith at any time in certain circumstances, *inter alia*, if the Company does not pay any sum payable under the agreement within 28 days of the due date, if there is a material breach by the Company that remains unremedied within 14 days' of the Company's receipt of notice of such breach or if the Company suffers an insolvency event. The agreement contains certain customary warranties, indemnities and undertakings given by the Company to Mirabaud.

### 8.4 ***Financing Arrangements***

SP1L entered into a facility agreement and offer letter dated 19 June 2014 (the "**Facility Documents**"), in respect of the following financing arrangements (the "**Finance Arrangements**") with EcoBank Niger Limited (the "**Bank**"):

- a bank guarantee facility for US\$38,000,000 (the "**Bank Guarantee Facility**"); and
- a short term loan facility of US\$19,000,000 (the "**Short Term Loan Facility**"),

in order to secure its ability to pay the Signature Bonus.

The bank guarantee under the Bank Guarantee Facility (the "**Guarantee**") was issued by the Bank on 20 June 2014 (the "**Issue Date**"), and guarantees the liabilities of EcoBank Niger to the State of Niger and the other recipients of the Signature Bonus, in respect of a guarantee issued by it in respect of the Signature Bonus. The Bank Guarantee Facility expires no later than 90 days from the Issue Date.

US\$19,000,000 raised by the SP1L Loan Notes has been placed in a blocked account with EBI SA Groupe Ecobank in Paris (the "**Cash Collateral**"). The Cash Collateral is to be held, in security, in accordance with the terms of a cash collateral agreement and a letter of set off between the Bank and the SP1L. The Bank is entitled to use these funds to satisfy the obligations of the SP1L in respect of any claims made against the Bank pursuant to the Guarantee when they become due for payment. The documentation in relation to the Finance Arrangements states that the Cash Collateral will be available only to satisfy claims made pursuant to the counter-indemnity of the Company relative to the Guarantee, and not to satisfy any other sums that may be due or that may become due by the Company to the Bank.

In the event that a claim is made under the Guarantee (which could happen if the Signature Bonus becomes due for payment but remain unpaid), the Bank may use the Cash Collateral together with funds made available under the Short Term Loan Facility to fund the Signature Bonus.

The Short Term Loan Facility is only to be utilised by the SP1L if Admission does not complete or if the proceeds from the Placing are insufficient, and the Company is unable to meet and pay the Signature Bonus. It will be utilised either (i) if there has been a call on the Guarantee; or (ii) prior to a call having been made on the Guarantee, by two business days prior written notice from the SP1L to the Bank, if the SP1L has not been able to raise sufficient funding to meet the Guaranteed Payments. The Short Term Loan Facility is repayable 270 days from the date of expiry and/or call on the Guarantee.

Under the terms of the Facility Documents, the following fees are payable to the Bank:

1. **Guarantee fee.** There is a fee of 2.75 per cent. on the Bank Guarantee Facility. 50 per cent. of the fee was payable upon issuance of the Bank Guarantee and the remaining 50 per cent. was payable on the signing of the PSC;

2. **Funding Fee.** 1.0 per cent. flat payable on first utilization of the Short Term Loan Facility; and
3. **Transfer charges.** 0.15 per cent. flat per transfer payable following utilization of the Short Term Loan Facility.

Interest is payable on the Short Term Loan Facility as follows:

1. For the first 135 days payable from initial drawdown of the Short Term Loan Facility, at the rate of USD LIBOR (based on a 90 day interest period, or such other period as agreed between the Bank and the SP1L) + 6 per cent. per annum; and
2. From day 136 after initial drawdown of the Short Term Loan Facility, at the rate of USD LIBOR (based on a 90 day interest period or such other period as agreed between the Bank and the Company) + 10 per cent. per annum.

Interest will accrue daily (on the basis of a 360 day year) and will be payable 270 days from the date of expiry and/or call on the Bank Guarantee. If any interest due on the Short Term Loan Facility is not paid after 14 days from the due date of payment, it will be capitalised, added to the outstanding amount of the Short Term Loan Facility and will bear interest from such date.

Default interest (at the Bank's prevailing interest rate on unauthorised overdrafts in addition to late payment charges (currently 1 per cent. flat)) is payable on any overdue instalments, interest or charges of either of the Bank Guarantee Facility and the Short Term Loan Facility.

The Bank Guarantee Facility and the Short Term Loan Facility will become immediately due and repayable if, *inter alia*, the SP1L undergoes a change of control, breaches the agreement, undergoes an insolvency event defaults on other debts exceeding \$3 million.

#### **8.5 LOGP Services Agreement**

The Company and LOGP entered into a services agreement on 28 July 2014 effective from Admission pursuant to which LOGP shall provide the Group with administrative, financial, and accounting services and access to LOGP's London office at 45 King William Street, London. LOGP shall be entitled to a monthly fee of £20,000 plus VAT payable in arrears in exchange for the provision of the foregoing services. Either party may terminate the services agreement on or after the date that is 12 months after Admission on giving not less than six months' written notice.

#### **8.6 Lock In Agreements**

The Company, Strand Hanson, Mirabaud and the Locked-In Shareholders entered into one of two Lock In Agreements on 28 July 2014 whereby all of the Locked In Shareholders have agreed not, without the prior written consent of each of Strand Hanson and Mirabaud (acting in their absolute discretion), to dispose of any part of their interests in Ordinary Shares held by them or their associates at Admission for the period of 12 months from Admission (the "**Restricted Period**"); provided that no such restrictions shall apply to any interests in Loan Note Conversion Shares held by any One-Year Locked In Shareholder. The Two-Year Locked In Shareholders have further agreed they will, during the period of 12 months from the expiry of the Restricted Period, only dispose of any part of their interests in Ordinary Shares held by them or their associates at Admission with the prior consent of Mirabaud and that such disposal shall be effected, subject to some provisos, through Mirabaud or the Company's broker from time to time in such manner so as to ensure an orderly market in the Ordinary Shares. The restrictions in the Lock In Agreements are subject to certain customary limited exceptions.

#### **8.7 Relationship Agreement**

A Relationship Agreement dated 28 July 2014 has been entered into by the Company, Strand Hanson (in its capacity as nominated advisor to the Company) and each of LCP1, Steven Knott, Michael Knott, Aralia Capital S.A., Peleng Holding Corporation, Turab Musayev and Tor Stephen Boswick, (the "**Related Shareholders**") pursuant to which each of the Related Shareholders has undertaken, *inter alia*, that each Related Shareholder will exercise its/his voting rights to procure (subject at all times to any applicable statutory, fiduciary and other duties as a director and

obligations generally under the law and/or applicable rules and regulations) that, *inter alia*, (i) the Group is capable of carrying on its business independently of the Related Shareholders and their associates; (ii) the Directors act in the best interests of all Shareholders, independent of the Related Shareholders and their associates such that policy or decisions are not focussed on the interests or wishes of the Related Shareholders at the expense of the other Shareholders; (iii) no additional directors are appointed and no Directors are removed except following consultation with Strand Hanson (having taken account of Strand Hanson's reasonable requests); and (iv) there are at all times no fewer than two directors who do not have a significant business, financial or commercial relationship with the Related Shareholders. These obligations remain incumbent upon the Related Shareholders until such time as there are no non-independent directors on the Board and/or the Related Shareholders and their associates hold less than 20 per cent. of the voting rights attaching to the Company's shares. In the event the conditions in the previous sentence are no longer met, the Substantial Shareholders and their associates are required to enter into an agreement with the Company on substantially the same terms as the Relationship Agreement to the extent applicable.

#### 8.8 **Intellectual Property License**

The Company has received from Andrew Knott (the “**Licensor**”) a non-exclusive, royalty free, transferable, perpetual world-wide right and license, with the right to sublicense (including to members of the Group), in all intellectual property rights in and relating to “Savannah” and such other intellectual property rights as the Licensor may deliver to the Company (the “**IPR**”), including the domain name <http://www.savannah-petroleum.com>. The license terminates only upon the Company materially breaching the agreement (and leaving such breach unremedied for 30 days), becoming insolvent, or undergoing a change in control. The Company may not use the licensed IPR for any purpose other than in connection with oil and gas exploration and production activities. Other than the initial consideration of £1, paid to obtain the license, there is no fee payable to the Licensor in respect of the license other than to reimburse such costs (e.g., trademark fees) as the Licensor may incur in connection therewith. In the event a sub-licensor misuses the licensed IPR, the Company indemnifies the Licensor for any losses suffered thereby.

#### 8.9 **Registrar’s Agreement**

A registrar’s agreement dated 10 July 2014 (the “**Registrar’s Agreement**”) was entered into between the Company and the Registrar, pursuant to which the Company appointed the Registrar to act as its registrar and provide services in relation to such appointment. In consideration of the services to be provided, the Company has agreed to pay the Registrar an annual fee of £3,840, payable monthly in arrears, which is increased in the event the number of paper based and intra-CREST transfers collectively dealt with in any month exceeds a number equal to 0.025 of the number of holders on the register of Shareholders in that month. Any additional services that the Company may require during the Registrar engagement are set out in the schedule of fees to the Registrar’s Agreement.

Subject to earlier termination, the Registrar’s Agreement is for a fixed term of three years. Either party may terminate the Registrar’s Agreement on or after the termination of the three-year term by giving not less than six months’ notice. Either party may terminate the Registrar’s Agreement at any time in certain other circumstances including, *inter alia*, the other party being in material breach remaining unremedied for 21 days or undergoing an insolvency event.

The Registrar’s maximum liability under the Registrar’s Agreement in respect of any 12 month period is capped at an amount equal to two times the fees payable by the Cayman company to the Registrar in that 12 month period. The parties give certain standard indemnities in favour of each other in the Registrar’s Agreement.

#### 8.10 **SP1L Loan Notes and PLC Loan Notes**

The SP1L Loan Notes were issued pursuant to the terms of the Loan Note Instruments and were subsequently novated to the Company. A summary of the principal terms of the SP1L Loan Notes and the PLC Loan Notes is set out in paragraph 3.4 of this Part 6.

## **9 Related party transactions**

The following related party transactions have been entered into by members of the Group during the period covered by the financial information contained in Part 3 of this document and up to the Last Practicable Date:

- (i) immediately following Admission, the Company will pay \$500,000 plus VAT to LOGP<sup>1</sup>, a related party to the Company, which payment comprises \$26,250 for administrative costs, \$223,000 for professional/legal costs, \$38,250 for office costs, \$112,500 for technical costs, and \$100,000 for salaries, in each case for the period preceding Admission;
- (ii) the LOGP Services Agreement described in paragraph 8.5 of Part 6 of this document;
- (iii) the intellectual property license described in paragraph 8.8 of Part 6 of this document; and
- (iv) the redemption by LIP and Mark Iannotti of certain PLC Loan Notes as described in paragraph 3.4 of Part 6 of this document.

## **10 Investments**

There are no investments made, being made by the Company or to be made in the future in respect of which firm commitments have been made.

## **11 Property**

The Company's principal establishments (all of which are leased and are used as office facilities) are located at First Floor, 45 King William Street, London EC4R 9AN, access to which is governed by the LOGP Services Agreement discussed in paragraph 8.5 of this Part 6.

## **12 Working capital**

The Company is of the opinion that, after having made due and careful enquiry, the working capital available to the Company and its Group is sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

## **13 Litigation**

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings and the Company is not aware of any such proceedings pending or threatened by or against the Group during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Group.

## **14 No significant change statement**

Save as set out in this document, there has been no significant change in the trading or financial position of the Group since 30 April 2014, the date to which the last unaudited accounts of the Group were prepared.

## **15 General**

- 15.1 The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company, are estimated to be approximately £3.8 million (exclusive of value added tax). The expected net proceeds of the Placing, after deduction of such costs and expenses (excluding value added tax), is £25.5 million.

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<sup>1</sup> Andrew Knott is a founding member of LOGP.

- 15.2 The Competent Person's Report is included, in the form and context in which it is included, with the consent of Robertson (UK) Limited which has authorised the contents of its report for the purposes of the AIM Rules. Robertson (UK) Limited has also given and not withdrawn its written consent to the inclusion of references in this document to its name in the form and context in which they appear.
- 15.3 The Accountant's Report in Part 3(A) of this document is included, in the form and context in which they are included, with the consent of Grant Thornton UK LLP which has authorised the contents of its report for the purposes of the AIM Rules. Grant Thornton UK LLP has also given and not withdrawn its written consent to the inclusion of references in this document to its name in the form and context in which they appear.
- 15.4 Strand Hanson Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 15.5 Mirabaud Securities LLP has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 15.6 The accounting reference date of the Company is 31 December.
- 15.7 It is expected that definitive share certificates will be despatched by hand or first class post by 4 August 2014. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 1 August 2014.
- 15.8 Save as disclosed in Part 1 of this document, the Directors are unaware of any exceptional factors which have influenced the Group's activities.
- 15.9 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and trade suppliers and (i) Hawksford, the Company's advisers engaged to incorporate DirectorCo 1, DirectorCo 2 and DirectorCo 3, who were paid a fee of £10,900, (ii) Crowell & Moring LLP, the Company's advisers engaged to provide advice in relation to the Company's compliance with US Securities laws, whose fees will be approximately US\$32,000, and (iii) Baker Botts LLP, the Company's advisers engaged to advise on US and UK compliance laws in respect of the Savannah PSC, whose fees will be approximately US\$96,000) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.
- 15.10 The Placing Price of 56 pence represents a premium of 55,900 per cent. above the nominal value of one tenth of a penny per Ordinary Share. The Placing Price is payable in full on application.
- 15.11 Where information has been sourced from a third party, the information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render such information inaccurate or misleading.
- 15.12 Save as disclosed in this document, so far as the Directors are aware there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 15.13 The Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Group is dependent.
- 15.14 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.
- 15.15 There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

15.16 Save as disclosed in this document, the Directors are unaware of:

- (a) any significant trends in production, sales and inventory and costs and selling prices since 30 April 2014 to the date of this document; and
- (b) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

15.17 The Articles contain no restriction on the objects of the Company.

## **16 UK taxation**

### **16.1 General**

These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

The comments are based on UK tax law and understanding of published HM Revenue and Customs ("HMRC") practice at the date of this document, all of which are subject to change, possibly with retrospective effect. The comments are a general guide only and do not apply to certain categories of Shareholder, such as persons owning shares as securities to be realised in the course of a trade, persons owning more than a 10 per cent. stake in the Company, persons who are not resident in the United Kingdom, or are resident but not domiciled in the United Kingdom, or persons who do not acquire their Placing Shares under the Placing.

Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Ordinary Shares in connection with their employment or as an office holder may be taxed differently and are not considered. Furthermore, the following paragraphs do not apply to potential investors who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or persons with special tax treatment such as pension funds, trustees of discretionary trusts or charities. The following is not intended to be, nor should it be considered to be, legal or tax advice to any particular investor. Accordingly, all potential investors are advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Placing Shares.

### **16.2 Dividends**

The Company will not be required to withhold any UK tax on dividend payments in respect of the Placing Shares.

Subject to comments below regarding the availability of a UK tax credit, a UK resident individual Shareholder will be subject to UK income tax at the appropriate rate on the cash dividend received. For the tax year 2014-2015, the appropriate rate for a shareholder who is liable to income tax at the basic rate will be 10 per cent.; for a Shareholder liable to income tax at the higher rate it will be 32.5 per cent.; and for a Shareholder liable to income tax at the additional rate it will be 37.5 per cent.

A UK resident Shareholder who is an individual will generally be entitled on receipt of a dividend to a notional tax credit equal to one ninth of the net dividend (i.e. one tenth of the aggregate of the net dividend and associated tax credit). The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and the associated tax credit, falls within the threshold for lower or basic rate tax is 10 per cent. Accordingly, the tax credit will discharge such Shareholder's liability to UK income tax on the dividend. To the extent that the tax credit exceeds that Shareholder's liability to UK income tax, such Shareholder will not be entitled to claim payment of the excess from HMRC.

The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and associated tax credit, falls above the threshold for higher rate tax (but below the additional rate threshold of £150,000), is 32.5 per cent., which taking into account the 10 per cent. tax credit gives an effective rate of tax of 25 per cent. on the net cash dividend received. The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and associated tax credit, falls above £150,000 per annum, is 37.5 per cent., which taking into account the 10 per cent. tax credit gives an effective rate of tax of 30.6 per cent. on the net cash dividend received.

A company that is resident in the UK for tax purposes will generally be exempt from corporation tax on dividends received. There are various exceptions to this exemption, depending on the size of the corporate shareholder. In particular, for “small” recipient companies (where a “small company” is one which meets the definition of a small or micro enterprise as defined in the Annex to Commission Recommendation 2003/361/EC of 6 May 2003), dividends may be within the charge to UK corporation tax. Anti-avoidance provisions also exist. It is anticipated that the majority of UK resident corporate Shareholders will be exempt from corporation tax on dividends received, but they should confirm their tax position with a specialist tax adviser.

If the Company’s dividends are not exempt they will be included in the UK resident corporate Shareholder’s profits chargeable to corporation tax and taxed at the appropriate rate of corporation tax (currently, in the 2014-15 financial year, a maximum of 21 per cent.).

### 16.3 *Capital Gains*

A disposal of Placing Shares by a Shareholder resident or, in the case of an individual, ordinarily resident for UK tax purposes in the United Kingdom may, depending on the Shareholder’s circumstances and subject to any available exemptions, allowances or reliefs (such as entrepreneurs relief), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

To the extent that a Shareholder acquires Placing Shares pursuant to the Placing, such Placing Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the Placing. The amount paid for the Placing Shares will generally constitute the base cost of a Shareholder’s holding.

A disposal of Ordinary Shares by a Shareholder who is resident in the United Kingdom for United Kingdom tax purposes or who is not so resident but carries on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains or capital gains, depending on the Shareholder’s circumstances and subject to any available exemption or relief.

For individual Shareholders who are UK tax resident or only temporarily non-UK tax resident, capital gains tax at the rate of tax of 18 per cent. (for basic rate taxpayers) or 28 per cent. (for higher or additional rate taxpayers) may be payable on any gain (after any available exemptions, reliefs or losses). For Shareholders that are bodies corporate any gain will be within the charge to corporation tax.

Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance) depending on their circumstances. Shareholders that are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index, but will not create or increase an allowable loss. There are also exemptions for bodies corporate that can exempt gains where certain conditions are met with regards a disposal of Ordinary shares.

#### **16.4 Stamp duty and stamp duty reserve tax**

Currently dealings in Ordinary Shares will normally be subject to stamp duty or stamp duty reserve tax (“SDRT”). The transfer on sale of Ordinary Shares will usually be liable to ad valorem stamp duty at the rate of 0.5 per cent. (rounded up, if necessary, to the next multiple of £5) of the amount or value of the consideration paid.

Stamp duty will normally be paid by the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date on which the agreement became unconditional. SDRT will normally be the liability of the purchaser or transferee of the Ordinary Shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth. in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes should usually be collected and accounted for to HMRC through the CREST system.

The above statements are intended to be a general guide to the current stamp duty and SDRT position.

Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate than that referred to above or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities should not give rise to a liability to stamp duty or SDRT.

Effective from 28 April 2014, stamp duty and SDRT on shares quoted on growth markets such as AIM has been abolished for certain exempt securities.

### **17 Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares**

#### **17.1 Mandatory bid**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

#### **17.2 Squeeze-out**

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

### **17.3 Sell-out**

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

### **18 Documents available for inspection**

Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices Strand Hanson at 26 Mount Row, London W1K 3SQ for a period of a month from the date of this document:

- 18.1 the memorandum and articles of association of the Company; and
- 18.2 the Accountant's Report on the Historical Financial Information of the SP1L Group from Grant Thornton UK LLP set out in Part 3(A) of this document.

### **19 Copies of this document**

Copies of this document will be available to the public free of charge at the offices of Strand Hanson, 26 Mount Row, London W1K 3SQ during normal business hours on any weekday (other than Saturdays, Sundays and public holidays), for a period of at least one month from the date of Admission. This document will also be available for download from the Company's website at [www.savannah-petroleum.com](http://www.savannah-petroleum.com).

Dated: 29 July 2014

## APPENDIX I

### TERMS AND CONDITIONS OF THE PLACING MADE BY CONTRACT NOTES

#### For invited placees only – Important Information

The information contained herein is restricted and is not for publication, release or distribution in or into the United States, any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland, subject to certain limited exemptions.

**Each Placee should consult with its own advisers as to legal, tax, business and related aspects in relation to any purchase of Placing Shares.**

**Savannah Petroleum plc (the “Company”)**

**Proposed Placing (the “Placing”) of new Ordinary Shares in the capital of the Company (the “Placing Shares”) at a price per share (the “Placing Price”) expected to be 56 pence to raise approximately £29.3 million (gross)**

**Important information on the Placing for placees procured by Mirabaud Securities LLP, Renaissance Capital Limited and FirstEnergy Capital LLP (together the “Agents” only).**

These Terms and Conditions (the “**Terms and Conditions**”) do not constitute an offer or invitation to acquire, underwrite or dispose of, or any solicitation of any offer or invitation to acquire, underwrite or dispose of, any Ordinary Shares or other securities of the Company to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation in such jurisdiction. Persons who seek to participate in the Placing must inform themselves about and observe any such restrictions and must be persons who are able to lawfully receive this document in their jurisdiction (all such persons being “**Relevant Persons**”). In particular, this document does not constitute an offer or invitation (or a solicitation of any offer or invitation) to acquire, underwrite or dispose of or otherwise deal in any Ordinary Shares or other securities of the Company in the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, subject to certain limited exemptions, or in any other jurisdiction in which any such offer, invitation or solicitation is or would be unlawful.

Members of the public are not eligible to take part in the Placing. In the UK, the Terms and Conditions are directed only at persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses and who have professional experience in matters relating to investments falling within the definition of “investment professionals” in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) or are high net worth body corporates, unincorporated associations or partnerships or trustees of high value trusts as described in Article 49 of the Order or to whom it may otherwise lawfully be communicated.

The Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or under any other securities legislation of any state of the United States or registered or qualified under the applicable securities laws of any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland. Accordingly, the Placing Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, within the United States, any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland or offered or sold to, or for the account or benefit of, US persons (as defined in Regulation S of the Securities Act (“**Regulation S**”) or a national, citizen or resident of any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland. The Placing Shares are being offered and sold outside the United States in transactions complying with Regulation S, which provides an exemption from the requirement to register the offer and sale under the Securities Act. In certain cases, the Placing Shares may be offered and sold in the United States, pursuant to Rule 144A under the Securities Act (“**Rule 144A**”) to “qualified institutional buyers” (as defined in Rule 144A; “**Qualified Institutional Buyers**”), or to the placing agent in the United States pursuant to Regulation D under Securities Act (the “**US Offering**”).

These Terms and Conditions apply to persons who offer to purchase Placing Shares in the Placing. Each person (a “**Placee**”) to whom these Terms and Conditions apply, as described above, who confirms his agreement, whether by telephone or otherwise, with the Agents to purchase Placing Shares in the Placing, hereby agrees with the Agents to be legally and irrevocably bound by these Terms and Conditions which will be the Terms and Conditions on which the Placing Shares will be acquired in the Placing. Capitalised terms not otherwise defined in this Appendix I are as defined in the placing proof of the Admission Document (the “**Placing Proof Admission Document**”) to which this is an appendix and of which it forms a part.

The Terms and Conditions must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Terms and Conditions set out herein relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Acceptance of any offer incorporating the Terms and Conditions (whether orally or in writing or evidenced by way of a contract note) will constitute a binding irrevocable commitment by a Placee, subject to the Terms and Conditions set out below, to subscribe and pay for the relevant number of Placing Shares (the “**Placing Participation**”). Such commitment is not capable of termination or rescission by the Placee in any circumstances except fraud. All such obligations are entered into by the Placee with the Agents in their capacity as agents for the Company and are therefore directly enforceable by the Company.

In the event that the Agents have procured acceptances from Placees in connection with the Placing prior to the date of the despatch of this Placing Proof Admission Document to a Placee, the Agents will, prior to Admission, request confirmation from any such Placee that its Placing Participation as agreed in any earlier commitment remains firm and binding upon the Terms and Conditions of this document and referable to the contents of the Placing Proof Admission Document of which these terms form part. Upon such confirmation being given (whether orally, in writing or by conduct (including without limitation by receipt of the relevant placing proceeds by the Agents)) any agreement made in respect of the Placing Shares shall be varied, amended and/or ratified in accordance with the Terms and Conditions and based upon this Placing Proof Admission Document and no reliance may be placed by a Placee on any earlier version of this document.

### **Terms of the Placing**

Application will be made to the London Stock Exchange for the admission of the Placing Shares to be issued pursuant to the Placing to trading on AIM. Except as otherwise set forth herein, it is anticipated that dealings in the Placing Shares will commence on AIM on 1 August 2014 for normal account settlement and that admission of the Placing Shares to AIM will become effective on that date (“Admission”). The Placing Shares will not be admitted to trading on any stock exchange other than AIM. Each Placee will be deemed to have read this Appendix I in its entirety. Each of the Agents is acting for the Company and no one else in connection with the Placing and will not regard any other person (whether or not a recipient of these Terms and Conditions) as a client in relation to the Placing and to the fullest extent permitted by law and applicable FCA rules, none of the Agents nor any of their affiliates will have any liability to Placees or to any person other than the Company in respect of the Placing.

The Placing Shares will rank equally in all respects with the existing Ordinary Shares of the Company on Admission, including the right to receive dividends or other distributions, if any.

### **Conditions**

Your Placing Participation is in all respects conditional upon:

- (i) Strand Hanson Limited (“**Strand Hanson**”), the Agents, the Company, the Company’s directors and all other relevant parties entering into a Placing Agreement relating to the placing of the Placing Shares (the “**Placing Agreement**”) and the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms;
- (ii) all board and/or shareholder consents to the extent required for the Placing, having been obtained; and
- (iii) Admission having become effective, in each case by 1 August 2014 or such later time and/or date as the Company, Strand Hanson and Mirabaud (acting for itself and on behalf of the other Agents) agree, but in any event being no later than 15 August 2014.

Pursuant to the Placing Agreement, each of the Agents will agree on behalf of and as agent for the Company, to use its reasonable endeavours to procure persons who will subscribe for the Placing Shares at the Placing Price, subject to these Terms and Conditions. The Placing will not be underwritten.

The Placing Agreement will (*inter alia*) contain certain warranties and indemnities from the Company and its directors for the benefit of Strand Hanson and the Agents. Each of Strand Hanson and the Agents may, in their absolute discretion, terminate the Placing Agreement if prior to Admission, *inter alia*, a force majeure event occurs, there is a breach of any of the warranties or undertakings or any fact or circumstance arises which causes a warranty to become untrue, inaccurate or misleading in any material respect or the Company or the Company's directors fail to comply with their respective obligations under the Placing Agreement in any material respect. The exercise by Strand Hanson or the Agents of any right of termination or any right of waiver exercisable by Strand Hanson or the Agents contained in the Placing Agreement or the exercise of any discretion under the Placing Proof Admission Document and the Terms and Conditions set out herein is within the absolute discretion of Strand Hanson and the Agents and they will not have any liability to you whatsoever in connection with any decision to exercise or not exercise any such rights.

By accepting the Placing Shares referred to in the Placing Proof Admission Document to which this Appendix I is annexed, you agree that, without having any liability to you, each of Strand Hanson and the Agents may, in their absolute discretion, exercise the right, (i) not to enter into the Placing Agreement; (ii) to extend the time for fulfilment of any of the conditions in the Placing Agreement (provided that your commitment is not extended beyond 15 August 2014), (iii) to waive, in whole or in part, fulfilment of certain of the conditions; or (iv) to terminate the Placing Agreement, in each case without consulting you.

If (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will not proceed and all funds delivered by you to the Agents or the Company pursuant to the Placing Proof Admission Document and this Appendix I will be returned to you at your risk without interest, and your rights and obligations hereunder shall cease and determine at such time and no claim shall be made by you in respect thereof.

## **Settlement**

The Company has applied for the Ordinary Shares to be held in CREST so that Shareholders have the choice of whether they want to hold their Ordinary Shares in certificated or uncertificated form. Shareholders who elect to hold their Ordinary Shares in uncertificated form will be bound by the terms of the CREST system. Shareholders can withdraw their Ordinary Shares back into certificated form at any time using standard CREST messages.

Placing Shares will be delivered direct into your CREST account, provided payment has been made in terms satisfactory to us and the details provided by you have provided sufficient information to allow the CREST system to match to the CREST account specified. Placing Shares comprised in your Placing Participation are expected to be delivered to the CREST account which you specify by telephone to your usual sales contact at the relevant Agent.

Subject to the conditions set out above, payment in respect of your Placing Participation is due as set out below. You should provide your settlement details in order to enable instructions to be successfully matched in CREST. The relevant settlement details are as follows:

CREST participant ID of Mirabaud:	834
CREST participant ID of Renaissance Capital Limited:	OHMAY
CREST participant ID of FirstEnergy Capital LLP:	Pershing 601
Expected Trade date:	28 July 2014
Settlement date:	1 August 2014
ISIN code for the Placing Shares:	GB00BP41S218
Deadline for you to input instructions into CREST:	12.00 p.m. (UK time) on 28 July 2014

In the event that the Placing Agreement does not become unconditional in all respects or is terminated, the Placing will not proceed. Once the Placing Shares are allotted and issued, such Placing Shares will be admitted to CREST with effect from Admission. It is expected that dealings on AIM in the Placing Shares will commence on or about 1 August 2014.

Notwithstanding the foregoing, any Placing Shares held in certificated form by a person in the United States or a US Person who (i) acquired such Placing Shares in the Placing, (ii) acquired such Placing Shares from a US Person who acquired such Placing Shares in the Placing, or (iii) is otherwise connected by an unbroken series of purchasers in the US to a US Person who acquired such Placing Shares in the Placing, will bear a legend containing notice of transfer restrictions. The Registrar would require a legal opinion from the Company as to the status of the certificate holder and making representations regarding compliance with United States securities laws.

### **Further Terms, Confirmations and Warranties**

In accepting the Placing Participation referred to in the Placing Proof Admission Document, you make the following confirmations, acknowledgements, warranties and/or undertakings to the Agents and the Company and their respective directors/agents and advisers:

- 1 You represent and warrant that you have read this Appendix I in its entirety and acknowledge that your participation in the Placing will be governed by the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings of this Appendix I.
- 2 You acknowledge and agree that your acceptance of your Placing Participation on the terms set out in the Placing Proof Admission Document and this Appendix I is legally binding, irrevocable and is not capable of termination or rescission by you in any circumstances.
- 3 You confirm, represent and warrant that you have not relied on, received nor requested nor do you have any need to receive, any prospectus, offering memorandum, listing particulars or any other document, other than the Placing Proof Admission Document describing the business and affairs of the Company which has been prepared for delivery to prospective investors in order to assist them in making an investment decision in respect of the Placing Shares, any information given or any representations, warranties agreements or undertakings (express or implied), written or oral, or statements made at any time by the Company or the Agents or by any subsidiary, holding company, branch or associate of the Company or the Agents, or any of their respective officers, directors, agents, employees or advisers, or any other person in connection with the Placing, the Company and its subsidiaries or the Placing Shares and that in making your application under the Placing you will be relying solely on the information contained in the Admission Document when published and this Appendix I and you will not be relying on any agreements by the Company and its subsidiaries or the Agents or any director, employee or agent of the Company or the Agents other than as expressly set out in the Admission Document when published and this Appendix I for which none of the Agents, the Company or any of their directors and/or employees and/or person(s) acting on behalf of any of them shall to the maximum extent permitted under law have any liability except in the case of fraud. You further confirm, represent and warrant that you have reviewed the Placing Proof Admission Document, including the discussion of the conditions of the Placing Agreement, commissions to the Agents, and risks related to the Company, its operations, the Ordinary Shares and this Offering and disclosure of commissions contained therein.
- 4 You confirm, represent and warrant that you are sufficiently knowledgeable to understand and be aware of the risks associated with, and other characteristics of, the Placing Shares and, among others, of the fact that you may not be able to resell the Placing Shares except in accordance with certain limited exemptions under applicable securities legislation and regulatory instruments.
- 5 You confirm, represent and warrant, if a company, that you are a valid and subsisting company and have all the necessary corporate capacity and authority to execute your obligations in connection with the Placing Participation.

- 6 You agree that the exercise by the Agents or Strand Hanson of any right of termination or any right of waiver exercisable by the Agents or Strand Hanson contained in the Placing Agreement or the exercise of any discretion including without limitation the right not to enter into the Placing Agreement is within the absolute discretion of the Agents or Strand Hanson and the Agents or Strand Hanson will not have any liability to you whatsoever in connection with any decision to exercise or not exercise any such rights. You acknowledge that if (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will lapse and your rights and obligations hereunder shall cease and determine at such time and no claim shall be made by you in respect thereof.
- 7 You acknowledge and agree that each of the Agents is not acting for, and that you do not expect such Agent to have any duties or responsibilities towards, you for providing protections afforded to its customers or clients under the Financial Conduct Authority Conduct of Business Source Book or advising you with regard to your Placing Participation and that you are not, and will not be, a customer or client of such Agent as defined by the Financial Conduct Authority Conduct of Business Source Book. Likewise, we will not treat any payment by you pursuant to this agreement as client money governed by the Financial Conduct Authority Conduct of Business Source Book.
- 8 You undertake and agree that you will be responsible for any stamp duty or stamp duty reserve tax and that neither the Agents nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax.
- 9 You confirm, represent and warrant that you may lawfully acquire the Placing Shares comprising your Placing Participation and that you have complied with and will comply with all applicable provisions of FSMA with respect to anything done by you in relation to the Placing Shares in, from or otherwise involving, the United Kingdom.
- 10 The agreement confirmed by the Placing Proof Admission Document is a legally binding contract and the Terms and Conditions of your Placing Participation will be governed by, and construed in accordance with, the laws of England and Wales to the exclusive jurisdiction of whose courts you irrevocably agree to submit.
- 11 You acknowledge and agree that time shall be of the essence as regards obligations pursuant to the contract.
- 12 It is the responsibility of any person outside of the United Kingdom wishing to subscribe for or purchase Placing Shares to satisfy himself that, in doing so, he complies with the laws of any relevant territory in connection with such subscription or purchase and that he obtains any requisite governmental or other consents and observes any other applicable formalities.
- 13 You acknowledge and agree that the Placing Proof Admission Document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Placing Shares in any jurisdiction in which such an offer or solicitation is unlawful. Accordingly, you acknowledge and agree that the Placing Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, into the United States, any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland or offered or sold to, or for the account or benefit of, a national, citizen or resident of the United States, any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland, subject to limited exemptions.
- 14 You acknowledge and agree that the Placing Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or jurisdiction of the United States, or the relevant Canadian, Japanese, Australian, South African or Irish securities legislation and therefore the Placing Shares may not be offered, sold, transferred or delivered directly or indirectly into the United States, Canada, Japan, Australia, the Republic of South Africa or the Republic of Ireland or their respective territories and possessions, subject to limited exemptions, and in the case of the United States, pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and in compliance with United States securities laws.

- 15 You warrant that you have complied with all relevant laws of all relevant territories, obtained all requisite governmental or other consents which may be required in connection with your Placing Participation, complied with all requisite formalities and that you have not taken any action or omitted to take any action which will or may result in the Agents, the Company or any of their respective directors, officers, agents, employees or advisers acting in breach of the legal or regulatory requirements of any territory in connection with the Placing or your application.
- 16 You acknowledge and agree that your purchase of Placing Shares does not trigger, in the jurisdiction in which you are resident or located: (i) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; (ii) any disclosure or reporting obligation of the Company; or (iii) any registration or other obligation on the part of the Company.
- 17 You are acting as principal and for no other person and that your acceptance of the Placing Participation will not give any other person a contractual right to require the issue by the Company of any Placing Shares.
- 18 You warrant that in accepting your Placing Participation you are not applying for registration as, or as a nominee or agent for, a person who is or may be a person mentioned in sections 67 to 72 inclusive and sections 93 to 97 inclusive of the Finance Act 1986.
- 19 You confirm that, to the extent applicable to you, you are aware of your obligations in connection with the Criminal Justice Act 1993, the Terrorism Act 2006, the UK Anti Terrorism Crime and Security Act 2001, the Money Laundering Regulations 2007, the Proceeds of Crime Act 2002 and Part VIII of the Financial Services and Markets Act 2000 (as amended), you have identified your clients in accordance with the Money Laundering Regulations 2007 and you have complied fully with your obligations pursuant to those Regulations.
- 20 All times and dates in this Placing Proof Admission Document and the Terms and Conditions set out in this Appendix I, may be subject to amendment and the Agents shall notify you of any such amendments.
- 21 You acknowledge and agree that no term of the agreement confirmed by the Placing Proof Admission Document shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by any person other than the Company or any affiliate of the Agents.
- 22 You acknowledge that any of your monies held or received by the Agents will not be subject to the protections conferred by the FCA's Client Money Rules.
- 23 You understand that the Placing Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold or otherwise transferred in the United States, except pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, and, in connection with any such transfer, the Company will have the right to obtain, as a condition to transfer, a legal opinion of counsel, in form and by counsel reasonably satisfactory to the Company, that no such Securities Act registration is or will be required along with appropriate certifications by the transferee as to appropriate matters.
- 24 You have not distributed, forwarded, transferred or otherwise transmitted this Placing Proof Admission Document or any other presentation or offering materials concerning the Placing Shares within the United States, nor will you do any of the foregoing. You understand that the information in this Placing Proof Admission Document, including financial information, may be materially different from any disclosure that would be provided in a US offering.
- 25 You are not a Plan (which term includes (a) employee benefit plans that are subject to Section 406 of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the "Code"), (b) plans, individual retirement accounts and other arrangements that are subject to provisions under applicable US federal, state, local or other laws or regulations that are substantially similar to Section 406 of the ERISA or

Section 4975 of the Code (“**Similar Laws**”) and (c) entities the underlying assets of which are considered to include “plan assets” of such plans, accounts and arrangements) and are not purchasing the Placing Shares on behalf of, or with the “plan assets” of, any Plan.

26. If you are not purchasing the Placing Shares in the United States, you agree, represent and warrant as follows:
  - 26.1 You are, at the time of the offer and acceptance of the Placing Shares, outside the United States for the purposes of Regulation S;
  - 26.2 You are not a US Person and are not acquiring the Placing Shares for the account or benefit of a US Person;
  - 26.3 You will not offer or sell the Placing Shares in the United States or to US Persons absent registration or an exemption from registration under the Securities Act;
  - 26.4 You are aware that the Placing Shares are being offered outside the United States in reliance on Regulation S;
  - 26.5 You did not purchase or otherwise acquire the Placing Shares based on or due to directed selling efforts (as defined in Rule 902 under the Securities Act), including based on an advertisement in a publication with a general circulation in the United States, nor have you seen or been aware of any activity that, to your knowledge, constitutes directed selling efforts in the United States;
27. If you are purchasing the Placing Shares in the United Kingdom, you are a person falling within the exemption contained in Section 86(1)(a) of the Financial Services and Markets Act 2000 (as amended) or falling within one or more of the categories of persons set out in Article 19 (Investment Professionals) or Article 49 (High net worth companies, unincorporated associations etc.) of the Order.
28. If you are purchasing the Placing Shares in the United States, you agree, represent and warrant as follows:
  - 28.1 You are a Qualified Institutional Buyer (or, in the case of the initial purchaser only, an accredited investor, as defined in Rule 501 of Regulation D under the Securities Act) and (i) if you are acquiring the Placing Shares as a fiduciary or agent for the account of one or more other persons, you have full investment discretion with respect to each such account and have full power and authority to make the confirmations, acknowledgements, warranties and undertakings herein on behalf of each such account; and (ii) you are purchasing the Placing Shares for your own account or for the account of a Qualified Institutional Buyer for which you have full investment discretion, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution (within the meaning of the United States securities laws) of the Placing Shares;
  - 28.2 You agree that the Company may require a certification from you in support of any transfer, in form and substance satisfactory to the Company, and agree that the Company, the registrar, CREST or any transfer agent may reasonably require additional evidence or documentation supporting compliance with applicable securities laws, and prior to any sale or transfer, the Company may require the delivery of such certifications, notifications, agreements and warranties and legal opinions of duly qualified counsel as it may reasonably require to confirm that the proposed sale or other transfer complies with the foregoing restrictions;
  - 28.3 You acknowledge that the Company reserves the right to make inquiries of any holder of the Placing Shares or interests therein at any time as to such person’s status under the US securities laws, and to require any such person that has not satisfied the Company that such person is holding appropriately under the US securities laws to transfer such Placing Shares or interests therein immediately to the Company;

- 28.4 You understand and acknowledge that neither the Company nor any of its respective affiliates, makes any representation as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Placing Shares;
- 28.5 You agree that the Placing Shares are not being registered under the Securities Act or U.S. state securities law and are being offered pursuant to an exemption therefrom arising under Rule 144A (or, in the case of the initial purchaser only, Regulation D under the Securities Act) and that the Placing Shares are “restricted securities” for US securities law purposes which may not be deposited into any unrestricted depositary facility established or maintained by a depository bank. As such, you agree not to offer or sell the Placing Shares to any person other than in compliance with the following restrictions which apply to all your Placing Shares and which shall be affixed in the form of a legend to any certificates of Placing Shares:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ITS PREDECESSOR) HAVE NOT BEEN REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES, AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED, HEDGED OR OTHERWISE TRANSFERRED, EXCEPT (A) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT (AND IS NOT ACTING IN A PREARRANGED TRANSACTION RESULTING IN THE RESALE OF THESE SECURITIES INTO THE UNITED STATES); (B) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT; (C) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, SUBJECT, IN THE CASES OF CLAUSES (A), (B) AND (C), TO THE RIGHT OF THE ISSUER TO OBTAIN, IF THE ISSUER SO REQUESTS, AN OPINION, IN FORM AND SUBSTANCE AND FROM COUNSEL SATISFACTORY TO THE ISSUER AT THE EXPENSE OF THE HOLDER OF THIS CERTIFICATE, WHICH PROVIDES THAT SUCH OFFER, SALE, PLEDGE, HEDGE OR TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.

EXCEPT AS OTHERWISE DETERMINED BY THE ISSUER, THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ITS PREDECESSOR) MAY NOT BE DEMATERIALISED INTO CREST OR ANY OTHER PAPERLESS SYSTEM UNLESS THE PARTY REQUESTING SUCH DEMATERIALISATION FIRST OBTAINS A LETTER FROM THE TRANSFeree STATING THAT SUCH TRANSFeree IS NOT A US PERSON (AND IS NOT ACTING IN A PREARRANGED TRANSACTION RESULTING IN THE RESALE OF THESE SECURITIES INTO THE UNITED STATES) OR MAKES SUCH OTHER REPRESENTATIONS REQUESTED BY THE ISSUER.”

The Placee agrees, on its own behalf and on behalf of any accounts for which the Placee is acting, that, if the Placee should offer, resell, pledge or otherwise transfer any Placing Shares it will do so only (i) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act (and not in a prearranged transaction resulting in the resale of such Placing Shares into the US), (ii) in a transaction meeting the requirements of Rule 144 under the Securities Act, (iii) in accordance with another exemption from the registration requirements of the Securities Act, or (iv) pursuant to an effective registration statement under the Securities Act, provided that the Placee notify the Company of such proposed transaction and that the Placee intends to make such sale in accordance with the terms of this paragraph, and that such offer, resale, pledge or transfer must, and will, be made in accordance with any applicable securities laws of any US state or other jurisdiction

of the United States. The Placee understands and acknowledges that any offer, resale, pledge or transfer made other than in compliance with the restrictions contained in this paragraph may not be recognised by the Company;

- 28.6 The Placing Shares shall only be eligible for settlement through CREST if approved by the Company, and, if requested by the Company, the purchaser provides a signed letter addressed to the Company, containing certain representations regarding compliance with US securities laws;
- 28.7 You have not purchased the Placing Shares as a result of “general solicitation” or “general advertising” (within the meaning of Rule 502(c) under the Securities Act), including advertisements, articles, research reports, notices or other communications published in any newspaper, magazine, on a website or in or on any similar media, or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising; and
- 28.8 You will inform each purchaser who purchases the Placing Shares from you of the transfer restrictions stated herein and that if in the future such purchaser of the Placing Shares decides to offer, resell, pledge, or otherwise transfer such Placing Shares, any offer, resale or transfer must be made in compliance with the Securities Act.
- 28.9 If you are a limited liability company, partnership, corporation or trust, you have been duly formed, are validly existing, have full power and authority to make this investment, and have not been formed for the specific purpose of investing in the Ordinary Shares. The person executing these Terms and Conditions and the other documents in connection with the Placing on your behalf has been duly authorized to execute such documents. Your execution, delivery and compliance does not conflict with, or constitute a default under, any of your governing instruments, any applicable law, regulation or order, or any contract to which you are a party or are otherwise bound. This Terms and Conditions and all other documents executed in connection with this purchase of Ordinary Shares are your valid and binding obligations, enforceable against you in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors’ rights and subject to general principles of equity that restrict the availability of specific performance, injunctive relief or any other equitable remedies; provided that the indemnification provisions contained in Terms and Conditions may be limited by applicable US federal or state securities laws.
- 28.10 Neither you, any of your direct beneficial owners, nor any other person for whose account you are acquiring the Ordinary Shares, appear on the Specially Designated Nationals and Blocked Persons List of U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”). You further represent that the monies used to fund the investment in the Ordinary Shares are not, to your knowledge, derived from, invested for the benefit of, or related in any way to, governments of, or persons within, any country (a) under the U.S. Embargo enforced by OFAC, (b) that has been designated as a “non-cooperative country or territory” by the Financial Action Task Force on Money Laundering, or (c) that has been designated by the U.S. Secretary of the Treasury as a “primary money laundering concern.” You further represent that you do not know or have any reason to suspect that (y) the monies used to fund the investment in the Ordinary Shares have been derived from or related to any illegal activities, including, but not limited to, money laundering activities, and (z) the proceeds of the investments in the Ordinary Shares will be used to finance any illegal activities.
- 28.11 You acknowledge that you have had the opportunity to consult with your independent attorney(s) and/or tax advisors before the execution hereof. By accepting these Terms and Conditions, and, as a purchaser of the Ordinary Shares, you hereby (a) specifically disclaim and waive any duty of care that the Company’s counsel may otherwise owe to you with respect to any matter arising as a result of such counsel’s representation of the Company in connection with this Agreement and (b) acknowledges that the Company’s counsel does not represent you in connection with the transactions contemplated by this Agreement.

- 29 In making the investment decision with respect to the Placing Shares, for yourself and on behalf of any person for whose account you are acquiring the Placing Shares, you have:
- 29.1 not relied on the Company or any of its respective affiliates;
  - 29.2 the ability to bear the economic risk of your investment in the Placing Shares and have no need for liquidity with respect to your investment in the Placing Shares;
  - 29.3 such knowledge and experience in financial and business matters that you are capable of evaluating the merits, risks and suitability of investing in the Placing Shares, and are able to sustain a complete loss of any investment in the Placing Shares;
  - 29.4 had access to such financial and other information concerning the Company and the Placing Shares as you deem necessary in connection with your decision to purchase the Placing Shares; and
  - 29.5 investigated independently and made your own assessment and satisfied yourself concerning the relevant tax, legal, currency and other economic considerations relevant to your investment in the Placing Shares, including any federal, state and local tax consequences, affecting you in connection with your purchase and any subsequent disposal of the Placing Shares.

You acknowledge that the Company, Strand Hanson, the Agents, CREST, the Registrar, any transfer agent, any distributors or dealers and their respective affiliates and others will rely on the truth and accuracy of the foregoing warranties, acknowledgements, representations, undertakings and agreements, and you agree to notify the Company, Strand Hanson and the Agents promptly in writing if any of your warranties, acknowledgements, representations, undertakings or agreements herein cease to be accurate and complete and to indemnify and hold harmless the Company, Strand Hanson and the Agents and any of their respective officers, directors, agents, employees or advisers (the “**Indemnified Persons**”) from and against any and all loss, damage, liability or expense, including reasonable costs and attorneys’ fees and disbursements, which an Indemnified Person may incur by reason of, or in connection with, any representation or warranty made herein not having been true when made, any misrepresentation made or any failure by you to fulfill any of the undertakings or agreements set forth herein or any other document you provide to the Company, Strand Hanson or the Agents. You irrevocably authorise each of the Company, Strand Hanson and the Agents to produce a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

### **CREST and certificated Placing Shares**

Placing Shares will, once the Placing Shares are issued, be admitted to CREST with effect from Admission. Placees will receive Placing Shares placed with them in uncertificated form registered in their CREST member account. If you do not provide any CREST details or if you provide insufficient CREST details to match within the CREST system to your details, the Agents may at their discretion deliver your Placing Participation in certificated form provided payment has been made in terms satisfactory to the Agents and all conditions in relation to the Placing have been satisfied or waived.

The Terms and Conditions set out in this Appendix I and the Placing Proof Admission Document of which it forms part have been issued by the Company and are the sole responsibility of the Company.

## APPENDIX II

### SUMMARY OF THE KEY TERMS OF THE SAVANNAH PSC (“PSC”)

This is a summary of key terms of the PSC and is not designed to be an exhaustive treatment of the subject. Definitions for this Appendix II are set out on page 145.

#### **1.1. Exploration and Exploitation Process and Timelines**

Below is a description of the process and timelines under the PSC for development of the Contractual Areas governed by the PSC.

***Stage 1 – Exploration phase (Articles 33 to 58 of the Law of 2007, Articles 122 to 158 of the Implementing Decree, Articles 8 to 11 of the PSC)***

Pursuant to Article 8.1 of the PSC, the State shall issue the Contractor an Exclusive Exploration Authorization via an order by the Minister of Energy and Petroleum, within thirty (30) days following the signature of the PSC. Pursuant to Articles 39.1 of the Law of 2007 and 8.1 of the PSC, the term of the said Exclusive Exploration Authorization shall be four (4) years as from the date of issuance, i.e. the date of Official Gazette publication (hereafter referred to as “the Initial Period” of the Issuance Order. Pursuant to Article 39.2 of the Law of 2007 and to Article 8.2 of the PSC, the Exclusive Exploration Authorization shall be renewed on request of the Contractor, two times only, and for a period requested by the Contractor in his renewal application.

The Contractor’s renewal application shall indicate the area that the Contractor wishes to retain, which shall not exceed fifty per cent (50 per cent.) of the surface area defined for the current Exclusive Exploration Authorization (Article 41 of the Law of 2007 and Article 129 of the Implementing Decree of 2007), but with deduction made for any Contractual Areas for which an Exclusive Exploitation Authorization will be in effect as at the expiration date for the current period.

According to Article 9 of the PSC, during the Initial Period, the Contractor undertakes to execute the following Minimum Works Programme: (i) acquisition, processing and interpretation of 2000 km of new 2D seismic profiles whose 2/3 at least shall be effected on the Block R2; (ii) acquisition, processing and interpretation of 1000 km<sup>2</sup> of new 3D seismic profiles whose at least 50 per cent. shall be effected on the Block R1; (iii) drilling of 5 Exploration Wells to a minimum depth of two thousand, five hundred (2,500) metres with at least one (1) well in each of the Block R1 and Block R2.

If a renewal exploration period is granted (each of which is up to two years in length), the Contractor shall implement the following Minimum Works Programme:

- For the first renewal period: (i) acquisition, processing and interpretation of 1000 km of new 2D seismic profiles whose 2/3 at least shall be effected on the Block R2; (ii) acquisition, processing and interpretation of 500 km<sup>2</sup> of new 3D seismic profiles whose at least 50 per cent. shall be effected on the Block R1; (iii) drilling of 2 Exploration Wells to a minimum depth of two thousand, five hundred (2,500) metres with at least one (1) well in each of the Block R1 and Block R2.
- For the second renewal period: (i) acquisition, processing and interpretation of 500 km of new 2D seismic on the Block R2; (ii) acquisition, processing and interpretation of 500 km<sup>2</sup> of new 3D seismic profiles whose at least 50 per cent. shall be effected on the Block R1; (iii) drilling of 2 Exploration Wells to a minimum depth of two thousand, five hundred (2,500) metres with at least one (1) well either on Block R1 or Block R2.

If the Contractor fails to satisfy the Minimum Works Programme obligation either at the Initial Period or if due to the total renunciation or the withdrawal of the EEA during these periods, the works have not achieved the minimum undertakings required for that period, the Contractor shall pay the Government, as a lump sum payment, within thirty (30) Days after the end of the period concerned, the effective date of the total renunciation or the date of the withdrawal of the Exclusive Exploration Authorization, a penalty equivalent to: (i) one million (1,000,000) dollars for each undrilled Well; (ii) eight hundred

thousand (800,000) dollars for each kilometer of 2D seismic profiles not acquired, processed or interpreted; (iii) two thousand five hundred (2,500) dollars per square kilometer of 3D seismic profiles not acquired, processed or interpreted.

***Stage 2 – Discovery/Feasibility/Commercial Deposit phase (Article 10 of the PSC)***

As per Article 10.1 of the PSC, the Contractor must notify the Government as soon as possible of any Discovery made within the Contractual Exploration Area and no later than two (2) Working Days from this Discovery. Within thirty (30) Days of the Discovery, the Contractor shall send a report concerning this Discovery to the Management Committee containing all available information about this Discovery.

Pursuant to Article 10.2.1 of the PSC, no later than ninety (90) Days after the notification of the Discovery and if the Contractor considers that this Discovery should be assessed, it shall submit the planned programme for the Feasibility Study and the corresponding Budget to the Management Committee.

On completion of the Feasibility Study, the decision to proceed with the Development Operations of the discovered Oilfield, that shall serve as the declaration confirming the existence of a Commercial Oilfield, shall be taken in the Management Committee by the Contractor, as provided under Article 10.4 of the PSC.

***Stage 3 – Exploitation phase (Articles 59 to 80 of the Law of 2007, Articles 159 to 200 of the Implementing Decree, Articles 12 to 20 of the PSC)***

In accordance with Article 12.1 of the PSC, if the Contractor concludes that an Oilfield is a Commercial Oilfield, or that several Oilfields are Commercial Oilfields, it may request an Exclusive Exploitation Authorization and shall be entitled to obtain a separate Exclusive Exploitation Authorization for each Commercial Oilfield or a joint one for more than one of these Commercial Oilfields, at the Contractor's choice. Pursuant to Article 12.6 of the PSC, The Exclusive Exploitation Authorization shall be issued by a Decree approved by the Council of Ministers, for the period requested by the Contractor, and this period cannot exceed twenty-five (25) years from the date of its issuance.

Pursuant to Article 12.7 of the PSC, the Contractor is entitled to apply for a maximum ten-year extension of the period of each Exclusive Exploitation Authorization and such extension will be granted if the Contractor has met its contractual obligations under the Exclusive Exploitation Authorization and has demonstrated that the relevant hydrocarbon deposits will remain commercially exploitable beyond the initial period of Exclusive Exploitation Authorization. This application for an extension must be submitted at least two (2) years prior to the expiration of the initial period of the Exclusive Exploitation Authorization.

***Government of Niger participation (Article 65 of the Law of 2007, Article 14 of the PSC)***

Pursuant to Article 14.1 of the PSC, on issuance of any Exclusive Exploitation Authorization, the Government, shall be entitled, to require the transfer of a participating interest up to twenty percent (20 per cent.) in the rights and obligations arising from such Exclusive Exploitation Authorization either directly to or through a Public Corporation.

If the Government decides to take such a participating interest in the Exclusive Exploitation Authorization, the Government must carry out the following acts to the extent of its participating interest in the Exclusive Exploitation Authorization (Article 14.4 of the PSC):

- Reimburse immediately without interest, its proportional share of the Petroleum Costs relating to the Exploration Operations and to the preparation and negotiation of the PSC; and
- Contribute an equivalent amount with the other Joint Holders of the Authorization to the financing of the Petroleum Costs relating to the Development, Exploitation and Abandonment Operations from the date of the issuance of the Exclusive Exploitation Authorization.

According to Article 14.5 of the PSC, all costs for which the Government is liable to reimburse or finance shall be effected as advances of the other Joint Holders apart from the Government or the Public Corporation up to the Public Participation Interests of 20 per cent. Such advances shall not be interests-bearing.

## **1.2. Economics of the PSC**

### **1.2.1. *Ad Valorem Tax (i.e. Royalty)***

*(Article 113 of the Law of 2007, Articles 40 and 43 of the PSC)*

Pursuant to Article 40 of the PSC, once commercial production has begun, the Contractor is required to pay the Government an Ad Valorem Tax at a rate of 12.5 per cent. for crude oil and 2.5 per cent. for natural gas (following the subtraction of transportation costs to market). The Ad Valorem Tax shall be wholly or partly paid either in cash or in kind (Article 43.1 of the PSC).

### **1.2.2. *Cost Recovery***

*(Article 41 of the PSC)*

Article 41 of the PSC provides that a portion of the Net Production of Hydrocarbons, net of Ad Valorem Tax and originating from each Contractual Exploitation Area during the Calendar Year shall be allocated to the reimbursement of the Petroleum Costs actually borne by the Contractor in relation to the Contractual Exploitation Area concerned, within the limit of the Cost Stop that represents 70 per cent. of the Net Production of Hydrocarbons, net of Ad Valorem Tax.

Pursuant to Article 41.2.1, unrecovered costs in each Calendar Year are carried forward to the subsequent Calendar Year until total recovery or expiry of the Contract.

### **1.2.3. *Profit sharing***

*(Article 108 of the Law of 2007, Article 42 of the PSC)*

The Profit Oil from each Exclusive Exploration Authorization is allocated between the Government and the Contractor in accordance with an “R-Factor” determined each quarter for each Exclusive Exploration Authorization using the following formula:

$$R\text{-Factor} = \frac{W^1 - X^2}{Y^3 + Z^4}$$

**Notes:**

- 1 “W” means the total of the amount of the share of Crude Oil at the Ex-Field Market Price applicable for each Quarter from the start of production, and, where applicable, of the share of Natural Gas to which the Contractor is entitled as Cost Oil and Profit Oil for the Quarter in question, from the date of the issue of the Exclusive Exploitation Authorization up till the last Day of the Quarter preceding the Quarter for which the R-Factor is determined.
- 2 “X” means the total of the costs of the Exploitation Operations incurred by the Contractor from the date of the issue of the Exclusive Exploitation Authorization until the last Day of the Quarter preceding the Quarter for which the R-Factor is determined.
- 3 “Y” means the total of the costs of the Development Operations for the Contractual Exploitation Area concerned incurred by the Contractor from the date of the issue of the Exclusive Exploitation Authorization up till the last Day of the Quarter preceding the Quarter for which the R-Factor is Determined
- 4 “Z” means the total of the Exploration Costs allocated to this Contractual Exploitation Area in accordance with Article 41 above.

Profit Oil is shared between the Government and the Contractor based on the applicable R-Factor as follows:

<i>R-Factor</i>	<i>Percentage of Profit Oil to the Contractor</i>	<i>Percentage of Profit Oil to the Government of Niger</i>
Less than or equal to 1	60	40
Between 1 and 1.5	55	45
Between 1.5 and 2	50	50
Between 1.5 and 2	45	55

#### **1.2.4. *Infrastructure***

*(Article 5.3 of the PSC)*

Pursuant to Article 3 of the PSC, the Contractor is entitled to use the public installations required for the Petroleum Operations, including airports, roads, building sites and other similar installations, subject to the payment of fees due for such use, where applicable.

In addition, the Contractor is entitled to execute or have executed on these lands, all construction works and infrastructure required or necessary for the Petroleum Operations, including the setup of markers and boundary markers, the construction of the installations required for the storage of materials, equipment, products and waste, and for ballasting and the elimination of pollution and the transport of materials, equipment and extracted products, without prejudice to the observance of the rules relating to the execution of construction works and infrastructure applicable in the protection areas that may be established around built-up areas, cultivated areas, plantations, water points, archaeological sites, cultural sites and burial sites, by the Nigerien authorities.

#### **1.2.5. *Access to pipeline and rights for the construction of pipelines***

In accordance with the provisions of Article 83 of the Petroleum Code, Article 19 and the Annex F of the PSC the Exclusive Exploitation Authorisation issued to Savannah Niger Petroleum R1/R2 SA shall entitle the latter to transport its share of the products to the storage, processing, loading, major consumption or delivery points or have it so transported.

If Savannah Petroleum Niger R1/R2 SA determines that such transport requires the construction and operation of one or more Pipelines transport systems for hydrocarbons, the Government must, subject to the compliance by the Transport Contractor with the formalities and conditions provided to this effect by Petroleum Legislation (1) sign a transport agreement with the Transport Contractor and (2) issue an Internal Transport Authorisation to the latter.

Savannah Petroleum Niger R1/R2 SA may also request to be authorized to transport the hydrocarbons produced by a pipelines transport system constructed by another person without having priority but the granting of such authorisation shall be automatic if all the conditions required by Petroleum Legislation are met. The transport tariff relating to a pipelines transport system for hydrocarbons must be agreed between the Transport Contractor and the Government. In particular, this tariff must (a) include a utilisation coefficient for the installations (b) take into account the operating costs of this pipelines transport system, (c) take into account the depreciation of installations and pipelines, the distances and (d) enable the Transport Contractor to achieve an internal rate of return (IRR) not exceeding 12,5 per cent. over the whole duration of the related Transport Operations.

Concerning international transportation of hydrocarbons produced, the PSC guarantees that the Government and Savannah Petroleum Niger R1/R2 SA will cooperate mutually so as to negotiate and bring to finalisation international transport agreements with the foreign states concerned. The Government will make its best efforts so that the Transport Contractor can obtain all authorisations or licences required by the related foreign State relative to the export transport system.

#### **1.2.6. *Abandonment***

*(Article 37 of the PSC)*

Article 37.2 of the PSC states that if the Contractor estimates that seventy-five per cent (75 per cent.) in total of the proven reserves of an Exclusive Exploitation Authorization shall be produced during the next Calendar Year, it shall submit the Abandonment Operations programme that it proposes to execute within the Contractual Exploitation Area relating to the Exclusive Exploitation Authorization concerned to the Government no later than 31st August of the current Calendar Year, with a plan for the restoration of the site, a programme of the proposed works, and a detailed estimate of all costs associated with these Abandonment Operations.

Pursuant to Article 37.3.1 of the PSC, the annual amount of the provision for Abandonment Operations made by the Contractor at the end of a Calendar Year for each Contractual Exploitation Area shall be calculated as follows:

$$\text{Contribution to Abandonment Fund} = \frac{(ECAO^1 - TPAO^2) \times TPH^3}{TPR^4}$$

**Notes:**

- 1 “ECAO” means the estimated costs of the Abandonment Operations.
- 2 “TPAO” means the total provisions made for Abandonment Operations related to the same Exclusive Exploitation Authorization and effected during the Calendar Years preceding the one for which the provision is calculated.
- 3 “TPH” means the total production of Hydrocarbons from the Contractual Exploitation Area for this Calendar Year.
- 4 “TPR” means the total of the proven reserves developed and still to be produced at the beginning of this Calendar Year within the Contractual Exploitation Area in question.

#### 1.2.7. Taxes

(Article 109 to 129 of the Law of 2007, Articles 224 to 230 of the Implementing Decree, Article 38 to 49 of the PSC)

- **Land royalties (Article 112 of the Law of 2007, Article 47 of the PSC)**

The Contractor must pay annual land royalties calculated in accordance with the following schedule (in XOF):

(a) Exclusive Exploration Authorization:

- First validity period: 500F/km<sup>2</sup>/year
- Second validity period: 1 500F/km<sup>2</sup>/year
- Third validity period: 2 500F/km<sup>2</sup>/year
- Extension : 5 000F/km<sup>2</sup>/year

(b) Exclusive Exploitation Authorization:

- First validity period: 1 500 000F/km<sup>2</sup>/year
- Second validity period: 2 000 000F/km<sup>2</sup>/year

- **Capital gains tax on Assets Transfer (Article 114.3 of the Law of 2007, Articles 147 to 150 and 189 to 192 of the Implementing Decree, Article 48 of the PSC)**

Pursuant to Article 48.1 of the PSC, the capital gains resulting from the transfer of assets relating to an Authorization executed by the Contractor or any of its constituent entities shall be subject to an exceptional twenty-five percent (25 per cent.) tax payable by the Assignor.

As per Article 48.2, the provisions of Article 48.1 shall not apply to capital gains on the transfer of materials, equipment and other items used for the execution of the Petroleum Operations.

As provided under Article 48.3 of the PSC, the basis for the capital gains tax shall be the difference between:

- The price for the Assets Transfer on one hand, and
- The cost price of the assets concerned.

The transfer price is made up of the price actually received, in cash or in kind, less any reimbursement of advances to the Contractor for the asset concerned. Pursuant to Article 48.3.3 of the PSC, notwithstanding the provisions above, the financial valuation of the Exploration Operations that the Assignee agrees to perform on behalf of the Assignor is not

included in the sale price of the assets, provided that the relevant Exploration Operations are conducted after the date of the disposal of the Assets. Consequently, the financing of such costs by the Assignee shall not be subject to capital gains tax.

The cost price of the assets concerned shall be constituted by the Petroleum Costs relating to these assets not yet recovered, increased by the value of intangible assets not valued in these Petroleum Costs as at the date of the transfer, including all costs leading to the signing of the Contract and relating to the issue of an Authorization, especially the unrecoverable share of the signature bonus.

Pursuant to Article 48.4 of the PSC, the capital gains tax shall be paid by the Assignor within thirty (30) Days of the issue of the transfer authorization. The Assets Transfer concerned shall only take effect from the submission of a declaration by the Contractor concerning the capital gain of the Assets Transfer, validated by the tax authorities of the Republic of Niger, and of the payment of the exceptional corresponding capital gains tax.

It shall be noted that pursuant to Article 48.2 of the PSC, the transfer of Assets triggering capital gains tax shall be “*direct transfers of rights and obligations carried out by the Assignors: (i) either in the Authorization concerned; or (ii) in the PSC in relation to all or part of the Authorizations issued to the Contractor*”.

Consequently, in case of sale of shares of a parent company controlling the Niger entity holding the Assets, no capital gains tax shall apply in Niger.

- **General tax exemption (Article 123 of the Law of 2007, Article 49.1 of the PSC)**

Pursuant to Article 49.1.1 of the PSC, apart from the fees stipulated in Article 110 of the Petroleum Code, the exceptional capital gains tax on Asset Transfers, the Ad Valorem Tax, the land royalties, the Government's share of Profit Oil, stamp duties and registration fees (except where an exception is stipulated in the PSC), and the provisions of Paragraph 49.4 of the PSC related to withholdings, each of the Contractor's constituent entities shall be exempt from all taxes, deductions, charges, imposts and other obligatory contributions:

- Either by virtue of the activities executed in application of the PSC; or
- By virtue of the payments received or effected as part of the execution of the PSC.

#### 1.2.8. **Liability**

(Article 6.5 of the PSC)

Pursuant to Article 6.5 of the PSC, within the limits of and in accordance with the modalities stipulated by the PSC relating to the Contractor's liability and obligations in the conduct of the Petroleum Operations, and to the settlement of disputes, the Contractor must indemnify the Government for any direct damage caused to the Government imputable to the Contractor, its managers, employees or agents and the persons that it has substituted for the execution of the Contract.

The Contractor shall be solely liable for direct damage caused to Third Parties due to the Petroleum Operations or by the acts of its agents, employees or any other person that it may have substituted in the execution of the Contract. For the application of this paragraph, the Government shall be deemed to be a Third Party in relation to the damage caused to public works, buildings and other public property. This would also be the case in case of direct damage to the environment as soon as this damage exceeds the environmental impact level generally accepted in the international petroleum industry and by Petroleum Legislation.

#### 1.2.9. **Applicable Law**

(Article 58 of the PSC)

Pursuant to Article 58.1 of the PSC, the Petroleum Legislation and the PSC as well as principles of international law shall constitute the law of the Parties subject to (i) with respect to the conventional rules of international law, that they are not the result of international agreements that

have not been duly ratified by the State and taking into account the reservations expressed by the State in the implementation of the said international agreement (ii) with respect to the other rules and principles of international law, the State has not demonstrated in one way or other, before the conclusion of the Contract, its intention to be bound by these rules.

As provided under Article 159 of the Law of 2007 and Article 58.2 of the PSC, the Nigerien Government guarantees that the Contractor shall not be subject to a modification of the Petroleum Legislation or any existing legislation at the date of signing of the PSC without its prior consent whose effect shall be to:

- Directly or consequently increase the obligations and responsibilities imposed on the Contractor by the provisions of Petroleum Legislation or of this Contract immediately or in the future;
- Infringe the Contractor's economic and fiscal rights and advantages resulting from Petroleum Legislation and this Contract.

## **DEFINITIONS OF TERMS UNDER THE PSC**

Abandonment Operations	The management, supervision and execution of the operations terminating in the definitive cessation of the exploitation of an Oilfield and the corresponding wells, wholly or partially, the Service Shutdown and Securing of the whole or a part of the Contractual Area concerned, and the restoration of sites, especially by the Dismantling of installations. The Abandonment Operations shall particularly include the preparation and updating of the abandonment plan, the definitive cessation of production operations, service shutdown of processing units, the Dismantling, transport and storage of materials, and the Engineering works associated with the execution of these operations
Assessment Area	The area of the Contractual Exploration Area where the Contractor intends to carry out a Feasibility Study enabling the determination of the commercial character or lack thereof of any Oilfield discovered in this Contractual Area
Assets Transfer	Direct transfer of rights and obligations carried out by the Assignor: (i) either in the Authorization concerned; or (ii) in the PSC in relation to all or part of the Authorizations issued to the Contractor
Assignee	Any person who has acquired rights and obligations resulting from its Exclusive Exploration Authorization or from one or more Exclusive Exploitation Authorization(s) from any of the Contractor's constituent entities, entity including persons that have acquired these rights subsequent to the constitution of a guarantee or by subrogation or substitution of Lenders. The status of Assignee shall also be given to any person who has taken control of any of the Contractor's constituent entities or of a person succeeding in any way to all or part of the rights and obligations of such an entity
Assignor	The Contractor or any of its constituent entities executing a transfer of assets relating to an Authorization
Authorization	In the singular, as the case may be, any Exclusive Exploration Authorization or Exclusive Exploitation Authorization or Internal Transport Authorization issued by the Government in accordance with Petroleum Legislation
	In the plural, at least two of these authorizations taken together
Calendar Year	A period of twelve (12) consecutive months from January 1st to December 31st of the same year
Commercial Oilfield	an Oilfield whose economic profitability and technical feasibility have been demonstrated by a Feasibility Study, and which the Contractor believes can be developed and exploited under economic conditions, in accordance with international petroleum industry practice
Consortium	At any time, this is the group of companies or other legal entities formed, where applicable, subsequent to the conclusion of the Contract, whose members are joint holders of the Exclusive Exploration Authorisation or, where applicable, of an Exclusive Exploitation Authorisation, it being specified that any Assignee

	succeeding to all or part of the rights and obligations of one of the aforementioned companies or other entities in the Exclusive Exploration Authorisation or in any Exclusive Exploitation Authorisation shall become a member of the Consortium with respect to the Authorisation in which it participates.
Contract	The PSC, its annexes and any amendments, substitutions, extension or renewal of these presents by agreement between the Parties. However, whenever reference is made to the Contract in an Annex, this term shall refer to this document solely
Contractor	Savannah Petroleum Niger R1&R2 S.A. or the Consortium formed subsequent to the conclusion of this Contract or any Assignee succeeding to all the Contractor's constituent entities. Whenever any reference is made to any of the Contractor's constituent entities, this shall refer to Savannah Petroleum Niger R1&R2 S.A. or any entity constituting the Consortium or an Assignee succeeding to all the Contractor's constituent entities
Contractual Area	In the singular, the Contractual Exploration Area or a Contractual Exploitation Area, as the case may be, and in the plural, at least two of these Contractual Areas taken together
Contractual Exploitation Area	The area within an Exclusive Exploitation Authorization at any time
Contractual Exploration Area	The area within the Exclusive Exploration Authorization at any time, after deduction of the areas surrendered by the Contractor, where applicable
Cost Oil	The portion of the Net Production from an Exclusive Exploitation Authorization, net of the Ad Valorem Tax, allocated for the reimbursement of the Petroleum Costs actually incurred by the Contractor for the execution of the Petroleum Operations that are the object of the Contract
Cost Stop	The maximum percentage of the Net Production of an Exclusive Exploitation Authorization, net of Ad Valorem Tax, that may be allocated for the reimbursement of Petroleum Costs for the Calendar Year, in accordance with the provisions of Article 41 of the PSC
Council of Ministers	The group of Ministers entitled to adopt the final version of the PSC through the issuance of a decree, as provided under Article 125 of the Implementing Decree
Crude Oil	Crude mineral oil, asphalt, ozokerite and other liquid Hydrocarbons in the natural state or obtained from Natural Gas by condensation or extraction, including Natural Gas condensates and liquids
Current Legislation	Any law or Act with the same legal value, derived from an international treaty or agreement properly ratified by the Republic of Niger, any administrative regulatory or individual act, any case law in force in the Republic of Niger as at the Effective Date that is not contrary to Petroleum Legislation or the Contract, to which the Contractor is subject for all issues not governed by Petroleum Legislation or the Contract

Default	The default invoked by the Government of Niger towards the Contractor and which shall entitle the State to terminate the Contract
Delivery Point	Any point for the transfer of the ownership of the Hydrocarbons by the Contractor to its customers, stipulated by mutual agreement between the Parties, whether at the F.O.B. shipping point at the Port of Loading on the maritime coast or at any other point located within or outside of the Republic of Niger
Development and Exploitation Plan	The plan submitted by the Contractor in accordance with the provisions of Article 12 of the PSC
Development Operations	All operations and activities undertaken by the Contractor in the event of the Discovery of a Commercial Oilfield and after the issue of an Exclusive Exploitation Authorization for the commencing production on this Oilfield. These operations particularly comprise the preparation of the Development and Exploitation Plan, the Drilling of development and exploitation wells, construction of installations and equipment, collection pipes, pipelines, factories and other infrastructure required for the production, storage and transport of Hydrocarbons (except for the works falling under the area of Transport Operations), and the preliminary works and production tests carried out prior to the commencement of the commercial production of Hydrocarbons
Discovery	The discovery by the Contractor, during its Exploration Operations, of Hydrocarbons whose existence was unknown up till that time
Dismantling	The operation consisting of the permanent disengagement from a Contractual Area and the recovery of pipes, connection cables, accessories and other equipment used for the Petroleum Operations
Drilling	Preparatory works associated particularly with the selection of various options, observation of the course of the operations, identification and management of risks and responsibilities, the preliminary and detailed studies supporting each operations phase, the safety studies, the studies conducted for the construction of industrial installations, the Environmental Impact Studies, preparation of the documentation required by current legislation and regulations, implementation of the consultation processes, verification and evaluation by independent third parties commissioned by the Contractor
Effective Date	The date on which the Contract comes into force as stipulated in Article 3 of the PSC
Engineering	Preparatory works associated particularly with the selection of various options, observation of the course of the operations, identification and management of risks and responsibilities, the preliminary and detailed studies supporting each operations phase, the safety studies, the studies conducted for the construction of industrial installations, the Environmental Impact Studies, preparation of the documentation required by current legislation and regulations, implementation of the consultation processes, verification and evaluation by independent third parties commissioned by the Contractor

Environmental Impact Study	The study that the Contractor is obliged to carry out obtain the environmental certificate of conformity, under the terms of Article 36 of the PSC
Exclusive Exploitation Authorization	Any exclusive exploitation authorization issued to the Contractor in accordance with Petroleum Legislation and authorizing it to undertake Hydrocarbons Development Operations and Exploitation Operations in the corresponding Contractual Exploitation Area
Exclusive Exploration Authorization	The exclusive exploration authorization as defined by the Petroleum Code, issued to the Contractor in accordance with the provisions of Petroleum Legislation and authorizing it to undertake Hydrocarbons Exploration Operations in the Contractual Exploration Area
Ex-Field Market Price	The price of the Crude Oil from any Contractual Exploitation Area at the Measurement Point, determined in accordance with the provisions of Paragraph 39.1 of the PSC
Exploitation Operations	Exploitation activities, activities associated with the extraction and processing of Hydrocarbons for commercial purposes, particularly operations relating to the production, storage and evacuation of Hydrocarbons to the connection point to the Pipeline Transport System for Hydrocarbons and associated activities such as the abandonment of Oilfields, surface and subsurface installations, apart from the Development Operations carried out by virtue of the Exclusive Exploitation Authorization and in accordance with the modalities stipulated in the Contract
Exploration Operations	The activities defined in Article 33 of the Petroleum Code carried out by virtue of the Exclusive Exploration Authorization and in accordance with the modalities stipulated in the Contract
Feasibility Study	The evaluation and delimitation of an Oilfield within a Contractual Area and any economic and technical study enabling the establishment of the commercial character of the Oilfield or the absence thereof, as described more extensively in Paragraph 10.2 of the PSC
F.O.B.	Freight on board
Government or State	The Government of Republic of Niger
Hydrocarbons	Crude Oil and Natural Gas
Implementing Decree	Décret d' Application, the Decree No. 2007-082 of 28 March 2007, issued for the application of the Petroleum Code
Initial Period	The first exploration period, i.e. the period of four (4) years from the date of issue of the Exclusive Exploration Authorization, i.e. the date of publication in the Official Gazette of the related Ministerial Order
Internal Transport Authorization	Any internal transport authorization issued to the Transport Contractor in accordance with Petroleum Legislation and authorizing it to construct and operate a pipeline transport system for Hydrocarbons
International Transport Agreements	The agreements and conventions concluded between the Governments and the governments of the territories in which any pipeline transport system for Hydrocarbons that must cross the

	territory of one or more third party countries shall be constructed and operated in order to organize this construction and operation and to define the status of the works and of the Transport Contractor
Issuance Order	The order granting the Exclusive Exploration Authorization in accordance with the provisions of the Contract and Petroleum Legislation
Joint Holder	Any entity which is a joint holder with others of the Exclusive Exploration Authorization and, where applicable, of an Exclusive Exploitation Authorization
Law of 2007 or Petroleum Code	The Law n° 2007-01 dated 31 January 2007 laying down the Petroleum Code of the Republic of Niger
Lenders	Persons participating in financing or refinancing of the Petroleum Operations, apart from contributions to capital, including any guarantor or underwriter of loans subscribed to this effect by the Contractor and all assignees, representatives, fiduciaries or companies affiliated to these persons
Management Committee	The committee whose establishment, powers and operating modalities are stipulated in Article 23 of the PSC
Minimum Works Programme	The minimum works and expenses stipulated in Article 9 of the PSC for each exploration period that the Contractor undertakes to execute
Minister of Energy and Petroleum	The Minister representing the Government of Niger and acting for the purposes of the Contract by virtue of the powers conferred on him by Article 101 of the Law of 2007
Natural Gas	Dry gas or wet gas, produced separately or in association with the Crude Oil and all other gaseous components extracted from the Wells
Net Production	The total production of Hydrocarbons from a Contractual Exploitation Area less all water, all sediments produced and all quantities of Hydrocarbons re-injected into the Oilfield or Oilfields, used or lost during the Petroleum Operations
Official Gazette	The Official Gazette of the Republic of Niger
Oilfield	A geological structure impregnated with Hydrocarbons
Parties	The Republic of Niger and Savannah Petroleum Niger R1/R2 S.A.
Petroleum Code	See "Law of 2007"
Petroleum Costs	All costs, charges and expenses incurred by the Contractor with a view to or as part of the execution of the Petroleum Operations stipulated in the Contract, and calculated according to the modalities of the accounting procedure in Annex B of the PSC. These comprise: <ul style="list-style-type: none"> <li>(a) costs of Exploration Operations;</li> <li>(b) costs of the Development Operations;</li> <li>(c) costs of the Exploitation Operations;</li> <li>(d) costs of the Abandonment Operations.</li> </ul>

Petroleum Legislation	All of the legislation applicable to the area of petroleum in the Republic of Niger as at the date of this document, including the Petroleum Code and the Implementing Decree
Petroleum Operations	<p>Exploration Operations, Development Operations, Exploitation Operations, Abandonment Operations, including the activities relating to the construction and operation of transport systems within the Contractual Area or between Contractual Exploitation Areas or between the exploitation areas of the various Oilfields belonging to the same Contractual Exploitation Area, and including the Associated Activities undertaken by virtue of the Contract, with the exclusion of:</p> <ul style="list-style-type: none"> <li>(a) activities relating to the refining of Hydrocarbons, and the storage and distribution of Petroleum Products; and</li> <li>(b) the construction and operation of the Hydrocarbons Pipeline Transport System which shall be undertaken by virtue of an Internal Transport Authorisation and a Transport Agreement granted and concluded with the Transport Contractor, as the case may be.</li> </ul>
Profit Oil	Net Production of Hydrocarbons from each Contractual Exploitation Area, less the Ad Valorem Tax and the portion deducted as Cost Oil determined in accordance with the provisions of Article 41 of the PSC
Public Corporation	Industrial or commercial public establishments, state-owned corporations or semi-public companies in the sense of Order No. 86-001 of 10th January 1986 concerning the general regime of public establishments, state-owned corporations and semi-public corporations or the subsequent texts concerning public or para-public enterprises, formed for the execution of one or more Petroleum Operations or empowered to execute such activities in accordance with the laws and regulations in force in the Republic of Niger
Public Participating Interest	The participating interest of a maximum of twenty percent (20 per cent.) in the rights and obligations attached to the Exclusive Exploitation Authorization granted either directly to the Government, or through a Public Corporation
Quarter	A period of three (3) consecutive months commencing on the first day of January, April, July and October of each Calendar Year
R-Factor	The ratio determined in accordance with the provisions of Article 42 of the PSC that shall act as the basis for the calculation of the share of Profit Oil to which the Parties are entitled
Remediation Date	The deadline stipulated in the formal notice dispatched by the Government to the Contractor within which the Contractor shall remedy the Defaults invoked
Service Shutdown and Securing	The operations comprising the movement of consumable materials and supplies that can be used for the Petroleum Operations, the emptying and cleaning of processing systems, the phased shutdown of general services and safety systems with the aim of securing the installation and preparing for Dismantling

Third Party	Any person other than the Contractor, a shareholder, an affiliated company, an Assignee or any other person subrogated in the rights of the Contractor. Subcontractors that do not have the status of shareholder, affiliated company or Assignee shall also be classified as Third Parties under the Contract
Transport Contractor	The company formed to act as the holder of one or more Internal Transport Authorizations and to carry out the Transport Operations
Transport Operations	All operations relating to the Hydrocarbons pipeline transport system(s), particularly the operations related to design, assembly, construction, operation, management, maintenance, repair and upgrading
Working Day	Any day deemed to be a working day in accordance with current legislation





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AIM Admission Document