

**This document is important and requires your immediate attention**

The definitions and interpretation commencing on page 7 of this Circular apply *mutatis mutandis* to this cover page.

If you are in any doubt as to what action to take, please consult your CSDP, broker, banker, accountant, attorney or other professional adviser.

**Action required**

If you have disposed of all your SacOil Ordinary Shares, please forward this Circular to the broker, banker, accountant or agent through whom you disposed of your SacOil Ordinary Shares.

The General Meeting convened in terms of this Circular will be held in the boardroom, 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg on Thursday, 31 March 2011 at 10:00.

**Certificated Shareholders and Dematerialised Shareholders with Own Name Registration**

A form of proxy (*yellow*) is attached for use by Certificated Shareholders, and Dematerialised Shareholders with Own Name Registration, who cannot attend the General Meeting. It should be properly completed and in order to be effective must be lodged with the Transfer Secretaries, Link Market Services, 11 Diagonal Street, 16th Floor, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to reach them by no later than 48 hours before the time set down for the General Meeting. If required, additional forms of proxy may be obtained from the Transfer Secretaries.

**Dematerialised Shareholders, other than those with Own Name Registration**

Dematerialised Shareholders, other than those with Own Name Registration, must inform their CSDP or broker of their intention to attend the General Meeting and obtain the necessary Letter of Representation from their CSDP or broker to attend the General Meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the General Meeting in Person, but wish to be represented thereat. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or broker concerned.



**SacOil**

**SACOIL HOLDINGS LIMITED**

*(Formerly SA Mineral Resources Corporation Limited)*

(Incorporated in the Republic of South Africa)

(Registration number 1993/000460/06)

Share code: SCL ISIN: ZAE000127460

("SacOil" or "the Company")

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**CIRCULAR TO SACOIL SHAREHOLDERS**

regarding:

- the proposed transfer by Semliki, a 50 per cent subsidiary of SacOil, of the Block 3 Interest to Total;
- the proposed specific issue of SacOil Ordinary Shares to the executive directors of SacOil in the event that the Bonuses are settled in whole or in part through the issue of SacOil Ordinary Shares;
- the proposed specific issue of SacOil Ordinary Shares to Renaissance, in the event of Renaissance electing to convert any amount repaid by SacOil under the Facility into SacOil Ordinary Shares;
- the proposed specific issue of 796 577 SacOil Ordinary Shares at an issue price of R2.16 per SacOil Ordinary Share to Renaissance in part settlement of the fee due to Renaissance for advisory services rendered in respect of the Transfer;
- the proposed grant of Call Options to Renaissance in terms of the Call Option Confirmations, which grant shall constitute a specific issue of options for cash by SacOil; and
- the approval of the Encha Memorandum of Agreement and a specific issue of SacOil Ordinary Shares to Encha, a related party, in the event of SacOil electing to settle any remuneration due to Encha in terms of the Encha Memorandum of Agreement through the issue of SacOil Ordinary Shares;

and incorporating:

- a notice of General Meeting of SacOil Shareholders; and
- a form of proxy (to be completed by Certificated Shareholders and Dematerialised Shareholders with Own Name Registration only) (*yellow*).

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The Directors whose names appear on page 16 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and certify that, to the best of their knowledge and belief, there are no facts which have been omitted which would make any statement in this Circular false or misleading and that they have made all reasonable inquiries to ascertain such facts and that this Circular contains all information required by law and the Listings Requirements.

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**Sponsor**



**Independent reporting accountants and auditor**



**Independent Technical Expert for Block 3 Rights**



**Transfer Secretaries**



**Legal Advisers**



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Date of issue: Wednesday, 16 March 2011

Copies of this Circular, in English only, may be obtained from the registered office of the Company at the address as set out in the Corporate Information (page 1) from Wednesday, 16 March 2011 to Wednesday, 30 March 2011.

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## CORPORATE INFORMATION

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### Company Secretary

Fusion Corporate Secretarial Services (Proprietary) Limited  
(Registration number 2007/008376/07)  
56 Regency Road  
Route 21 Corporate Park, Nellmapius Drive  
Irene, Pretoria, 0157  
(PO Box 68528, Highveld, 0169)

### Registered Office of SacOil

(Registration number 1993/000460/06)  
2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston, 2021  
(Postnet Suite 211, Private Bag X75  
Bryanston, 2021)

### Registered Office of SacOil (Proprietary) Limited

(Registration number 2007/024617/07)  
2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston, 2021  
(Postnet Suite 211, Private Bag X75  
Bryanston, 2021)

### Independent reporting accountants and auditors

BDO South Africa Inc.  
(Registration number 1995/002310/21)  
13 Wellington Street  
Parktown, 2193  
(Private Bag X60500, Houghton, 2041)

Date of incorporation: 30 August 2007

### Sponsor

BDO Corporate Finance (Proprietary) Limited  
(Registration number 1983/002903/07)  
7 West Street  
Houghton, 2198  
(PO Box 1574, Houghton, 2041)

### Corporate legal adviser

Deneys Reitz Inc.  
(Registration number 1984/003385/21)  
15 Alice Lane  
Sandton, 2196  
(PO Box 784903, Sandton, 2146)

### Independent Technical Expert in respect of the Block 3 Rights

Bayphase Limited  
St Georges House  
Knoll Road  
Camberley  
Surrey  
GU15 3SY  
United Kingdom

### Bankers

The Standard Bank of South Africa Limited  
(Registration number 1969/017128/06)  
2nd Floor, Standard Bank Building  
Corner Hendrik Verwoerd and South Streets  
Pretoria, 0002  
(PO Box 62325, Marshalltown, 2107)

### Transfer secretaries

Link Market Services South Africa (Proprietary) Limited  
(Registration number 2000/007239/07)  
16th Floor  
11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

### Independent expert

Mazars Corporate Finance  
(Proprietary) Limited  
(Registration number 2003/029561/07)  
2nd Floor Mazars House  
5 St Davids Place, Parktown, 2193  
(PO Box 6697, Johannesburg, 2000)

Date of incorporation: 1 February 1993  
Place of incorporation: Pretoria, South Africa

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## TABLE OF CONTENTS

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The definitions and interpretation commencing on page 7 of this Circular apply *mutatis mutandis* to this page.

	<i>Page</i>
<b>CORPORATE INFORMATION</b>	1
<b>SALIENT FEATURES</b>	3
<b>IMPORTANT DATES AND TIMES</b>	6
<b>DEFINITIONS AND INTERPRETATION</b>	7
<b>CIRCULAR TO SACOIL SHAREHOLDERS</b>	16
1. Introduction and purpose of this Circular	16
2. Details of the Transfer	17
3. The Specific Issues	21
4. The Encha Memorandum of Agreement	25
5. Financial information relating to SacOil	27
6. Information relating to the Directors	30
7. Information relating to the Company	36
8. Working capital statement	52
9. Directors' opinion and recommendation	52
10. Consents	52
11. Expenses	53
12. Directors' responsibility statement	53
13. General Meeting of Shareholders	53
14. Code of Corporate Practices and Conduct	53
15. Documents available for inspection	54
<b>Annexure 1</b> Unaudited <i>pro forma</i> balance sheet and income statement of SacOil	55
<b>Annexure 2</b> Report of the Independent reporting accountants of SacOil on the unaudited <i>pro forma</i> financial information relating to the Transactions	70
<b>Annexure 3</b> Historical financial information of the 85 per cent interest in the Block 3 Rights	72
<b>Annexure 4</b> Independent reporting accountants' report on the historical financial information of the 85 per cent interest in the Block 3 Rights	75
<b>Annexure 5</b> Extracts of the salient terms of the Encha Memorandum of Agreement	78
<b>Annexure 6</b> Price history of SacOil Ordinary Shares on the JSE	80
<b>Annexure 7</b> The Block 3 Rights Independent Technical Expert's Report	82
<b>Annexure 8</b> Code of Corporate Practices and Conduct	114
<b>Annexure 9</b> Details of vendors	119
<b>Notice of General Meeting of Shareholders</b>	121
<b>Form of proxy</b> ( <i>yellow</i> )	Attached

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## SALIENT FEATURES

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The definitions and interpretation commencing on page 7 of this Circular apply *mutatis mutandis* to the salient features.

The salient features summarise the most important information set out in this Circular. SacOil Shareholders should, however, read this Circular in its entirety.

### INTRODUCTION

SacOil Shareholders were advised in the Announcement and a further announcement, dated 11 March 2011, of the following:

- the proposed transfer by Semliki of the Block 3 Interest to Total;
- the Bonus Issues, which are to related parties;
- the proposed specific issue of SacOil Ordinary Shares to Renaissance in the event of Renaissance electing to convert any amount repaid by SacOil under the Facility into SacOil Ordinary Shares in terms of the Facility Agreement;
- the proposed specific issue of 796 577 SacOil Ordinary Shares at an issue price of R2.16 to Renaissance in part settlement of the fee due to Renaissance for advisory services rendered in respect of the Transfer;
- the proposed grant of Call Options to Renaissance in terms of the Call Option Confirmations, which grant shall constitute a specific issue of options for cash by SacOil; and
- the approval of the Encha Memorandum of Agreement and a specific issue of SacOil Ordinary Shares to Encha, a related party, in the event of SacOil electing to settle any remuneration due to Encha in terms of the Encha Memorandum of Agreement through the issue of SacOil Ordinary Shares.

This Circular sets out details of the above Transactions and includes a notice of General Meeting which contains the ordinary resolutions to give effect to the Transactions. The salient features relating to the Transactions are set out below.

### DETAILS OF THE TRANSFER

Semliki, a 50 per cent subsidiary of SacOil, has concluded the Total Farm-In Agreement pursuant to which Semliki will transfer the Block 3 Interest to Total and Total will become the operator of Block 3. The Transfer is subject to the conditions precedent set out in paragraph 2.12 of the Circular. Following the implementation of the Transfer, SacOil will retain a 12.5 per cent indirect interest in the Block 3 Rights through SacOil's shareholding in Semliki.

The principal benefits of the Total Farm-In Agreement to SacOil Shareholders are:

- immediate gross cash realisation of US\$7.5 million for the Company;
- settlement of a loan advanced by SacOil to DIG in an amount of US\$1.4 million;
- future potential additional cash realisation of, in aggregate, US\$54.0 million for the Company;
- SacOil retains a 12.5 per cent effective interest in Block 3;
- SacOil financially de-risked in Block 3 as Total carries SacOil's entire exploration expenditure obligations until final investment decision;
- Total's commitment to use all reasonable endeavours to meet Block 3 Work Programme obligations and to reach final investment decision within three years of the Completion Date;
- SacOil technically and operationally de-risked with Total as operator; and
- knowledge and technical skills transfer from Total to SacOil resulting from SacOil's representation on the management committee of Block 3.

The aggregate consideration payable by Total to Semliki for the Block 3 Interest is as follows:

- the Initial Consideration amounting to US\$15.0 million; and
- the Contingent Consideration amounting to US\$108.0 million.

On the Completion Date, SacOil will receive 50 per cent of the Initial Consideration amounting to US\$7.5 million as a distribution from Semliki. In addition, SacOil could receive future additional cash amounting to US\$54.0 million in respect of the Contingent Consideration as a distribution from Semliki.

In addition, DIG will settle a loan from SacOil amounting to US\$1.4 million out of DIG's 50 per cent of the Initial Consideration. Details of the loan advanced by SacOil to DIG are set out in paragraph 2.13 of the Circular.

Details of the Transfer are set out in paragraph 2 of the Circular.

## **THE BONUS ISSUES**

In terms of their service contracts, dated 17 November 2010, and the supplemental agreements thereto, dated 24 February 2011, with the Company, Mr R Vela and Mr C Bird are entitled to the AIM Admission Bonuses. Mr R Vela, Mr C Bird and Mrs C de Beer are also entitled to the Annual Bonuses. The Remuneration Committee of the Board may, at its election, settle all or a portion of the Bonuses through Bonus Issues.

Details of these Bonus Issues are set out in paragraph 3.1 and 3.2 of the Circular.

## **SPECIFIC ISSUE TO RENAISSANCE**

On 5 January 2011, SacOil entered into the Renaissance Service Agreement in terms of which Renaissance undertook to act as exclusive financial adviser to SacOil with respect to any potential investment by Total S.A. or its affiliates, directly or indirectly, in Block 3. The fee payable by SacOil for financial advisory services rendered by Renaissance, in terms of the Renaissance Service Agreement, is US\$0.5 million, of which US\$0.25 million is settled through the issue of 796 577 of SacOil Ordinary Shares to be issued at R2.16 per SacOil Ordinary Shares being the higher of: (1) the 30-day VWAP of SacOil's Ordinary Shares up to the last trading day prior to the Announcement and (2) the closing price of SacOil's Ordinary Shares on the last trading day prior to the Announcement; converted at R6.88 to US\$1.00, being the closing Rand/US\$ exchange rate on the last trading date prior to the Announcement.

Details of the Specific Issue to Renaissance are set out in paragraph 3.3 of the Circular.

## **CONVERSION OF THE FACILITY**

On 18 February 2011 SacOil entered into the Facility Agreement which was subsequently amended and restated by the Supplemental Facility Agreement entered into by SacOil on 3 March 2011 to raise a maximum of US\$30.9 million. In terms of the Facility Agreement, Renaissance shall have the right to convert any amount repaid by SacOil under the Facility into SacOil Ordinary Shares in accordance with the following calculation: the Rand value of the amount being repaid, converted from US\$ into Rand by the Calculation Agent at the spot rate available to Renaissance on the Utilisation Date, divided by the conversion price calculated as a 10 per cent discount to the 30-day VWAP on the Utilisation Date. The Facility Agreement also provides for Renaissance to elect to cash settle the Conversion Issue.

At the Last Practicable Date Tranche A had already been drawn down by SacOil and an amount of US\$12.0 million had been repaid in cash. In terms of the Supplemental Facility Agreement Renaissance has elected to cash settle the Conversion Issue that arose in connection with the repayment of Tranche A. An amount of US\$2.8 million, comprising: interest of US\$0.1 million; facility fees of US\$0.9 million; and a cash settlement amount of US\$1.8 million, will remain outstanding as a loan under Tranche A and will continue to bear interest at an interest rate of 30 per cent per annum. This outstanding balance of Tranche A shall not be subject to the Conversion Issue.

Details of the Conversion of the Facility are set out in paragraph 3.4 of the Circular.

## **CALL OPTIONS**

In terms of the Call Option Confirmations, Renaissance has been granted Call Options by SacOil in respect of SacOil's Ordinary Shares with an expiration date of 20 February 2012. The number of options granted in respect of Tranche A is 6 394 888 Call Options calculated with reference to 10 per cent of the US\$ value of Tranche A converted at R7.20 to US\$1.00, divided by the Tranche A Strike Price. These options are exercisable at the Tranche A Strike Price. The number of options granted in respect of Tranche B is 5 626 234 Call Options calculated with reference to 10 per cent of Tranche B converted at R6.97 to US\$1.00, divided by the Tranche B Strike Price. These options are exercisable at the Tranche B Strike Price. The Call Options shall be transferable and exercisable by Renaissance at any time.

Details of the Call Options are set out in paragraph 3 of the Circular.

## **THE ENCHA MEMORANDUM OF AGREEMENT**

On 28 February 2011 SacOil entered into the Encha Memorandum of Agreement in terms of which Encha undertook to utilise its reasonable commercial endeavours to:

- assist SacOil with Capital Raising;
- assist SacOil with the procurement of security for third party funding which security may include, at the election of Encha, a Share Pledge; and
- introduce Relevant Business Opportunities to SacOil and facilitate the implementation of Designated Transactions.

Encha is entitled to receive remuneration from SacOil in relation to the provision of these services in the form of cash or SacOil Ordinary Shares, at the election of SacOil, as follows:

- in respect of Capital Raising, a fee equivalent to 2.5 per cent of the capital raised;
- in respect of a Share Pledge, a fee equivalent to 3 per cent of the aggregate value of the SacOil Ordinary Shares subject to the Share Pledge; and
- in respect of a Designated Transaction, a fee equivalent to 1.5 per cent of the value of the Designated Transaction.

In the event of SacOil electing to settle any remuneration due to Encha in terms of the Encha Memorandum of Agreement through the issue of SacOil Ordinary Shares, such issue will comprise a specific issue of shares for cash in terms of the Listings Requirements and SacOil will be required to obtain a fairness opinion (which must be fair) from a JSE approved Independent Expert at each settlement date.

Details of the Encha Memorandum of Agreement and the Specific Issue to Encha are set out in paragraph 4 of the Circular.

## **FINANCIAL EFFECTS OF THE TRANSACTIONS**

The *pro forma* financial effects of the Transactions are set out in paragraph 5.1 of this Circular.

## **GENERAL MEETING OF SACOIL SHAREHOLDERS**

A General Meeting of SacOil Shareholders will be held in the boardroom, 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg on Thursday, 31 March 2011 at 10:00 to approve the requisite ordinary resolutions to give effect to the Transactions.

## **INDEPENDENT TECHNICAL EXPERT'S REPORT**

Bayphase Limited, a United Kingdom-based company, was appointed to provide SacOil Shareholders with an Independent Technical Experts Report on the Block 3 Rights.

The Block 3 Rights Independent Technical Expert's Report is included in Annexure 7 of this Circular.

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## IMPORTANT DATES AND TIMES

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The definitions and interpretation commencing on page 7 of this Circular apply *mutatis mutandis* to this page.

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**2011**

Last day for receipt of forms of proxy for the General Meeting by no later than 10:00 on	Tuesday, 29 March
General Meeting of Shareholders to be held at 10:00 on	Thursday, 31 March
Results of the General Meeting of Shareholders released on SENS on	Thursday, 31 March
Results of the General Meeting of Shareholders released in the press on	Friday, 1 April
Specific Issue to Renaissance SacOil Ordinary Shares issued and listed, subject to Shareholder approval on	Monday, 4 April

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**Notes:**

1. The above dates and times are subject to amendment and any amendment made will be published in the press and released on SENS as well as on the Company's website ([www.sacoilholdings.com](http://www.sacoilholdings.com)).
2. All times given are South African local times.

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## DEFINITIONS AND INTERPRETATION

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Throughout this Circular, unless otherwise stated or the context otherwise requires, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words signifying one gender include the others and words denoting natural persons include juristic persons and associations of persons and *vice versa*:

“Act”	the Companies Act, 61 of 1973 (as amended) or, following its commencement, the Companies Act, 71 of 2008 (as amended);
“Admission”	admission of all the SacOil Ordinary Shares to trading on AIM on or about 8 April 2011;
“AIM”	Alternative Investment Market of the London Stock Exchange;
“AIM Admission Bonuses”	bonuses payable to Mr R Vela and Mr C Bird under their respective service agreements within 30 days of the Admission;
“Amended and Restated DIG Loan Agreement”	the agreement between DIG and SacOil entered into on 22 July 2010 in terms of which the provisions of the Initial DIG Loan Agreement have been amended and restated;
“Anniversary Date”	anniversary of the commencement date of Mr R Vela, Mr C Bird and Mrs C de Beer’s service agreements with the Company, being 1 October 2010;
“Announcement”	the announcement, dated 4 March 2011, including details of the Transfer;
“Annual Bonuses”	bonuses payable to Mr R Vela, Mr C Bird and Mrs C de Beer under their respective service agreements within 30 days of the Anniversary Date;
“the Articles”	the Articles of Association of SacOil;
“Avenant”	the avenant amending the Block 3 Production Sharing Agreement concluded between the DRC Government and SacOil (Proprietary) Limited, dated June 2010;
“Bayphase”	Bayphase Limited (Registration number 2023879), a company registered and incorporated in accordance with the laws of the United Kingdom;
“Bid Consortium”	collectively, EER, Essar and SacOil;
“Bid Vendors”	collectively, SPDC, NAOC and Total Nigeria;
“Block 3”	Block 3, Albertine Graben in the DRC;
“Block 3 Contractant”	the Contractant as contemplated in the Block 3 Production Sharing Agreement, being a partnership between SacOil and Cohydro and any other entity to which an entity of the Contractant may transfer an interest in the rights and obligations arising under the Block 3 Production Sharing Agreement;
“Block 3 Guarantee”	a bank guarantee in the amount of US\$0.15 million in favour of the DRC Government to be provided by the Block 3 Contractant under the Block 3 Production Sharing Agreement;
“Block 3 Supplementary Signature Bonus”	an amount of US\$2.0 million payable by the Block 3 Contractant to the DRC Government on execution of the Avenant as a supplementary signature bonus;

“Block 3 Production Sharing Agreement”	the agreement in respect of Block 3 entitled “Contrat de Partage de Production” concluded between the DRC Government, SacOil (Proprietary) Limited and Cohydro on 4 December 2007, as amended by the Avenant;
“Block 3 Interest”	an undivided 60 per cent legal and beneficial participating interest in the Block 3 Rights;
“Block 3 Rights”	the rights and obligations of the Block 3 Contractant under the Block 3 Production Sharing Agreement;
“Block 3 Rights Independent Technical Expert’s Report”	the Independent Technical Expert’s Report in respect of the Block 3 Rights set out in Annexure 7 of this Circular;
“Block 3 Work Programme”	a minimum work programme in respect of Block 3 which includes geological and geochemical field studies, acquisition of 200 kilometres of 2D seismic data and 200 square kilometres of 2D or 3D seismic data and drilling of two exploration wells during the exploration period of five years;
“the Board” or “the Directors”	the current board of directors of SacOil whose names are reflected on page 16 of this Circular;
“Bonuses”	collectively, the AIM Admission Bonuses and the Annual Bonuses;
“Bonus Issues”	issues of SacOil Ordinary Shares to Mr R Vela, Mrs C de Beer and/or Mr C Bird in the event that the Remuneration Committee of the Board elects to settle some or all of the Bonuses through the issue of SacOil Ordinary Shares;
“Brown”	Ms Andrea Brown (Identification number: 720117 0039 082), the controlling shareholder of DIG;
“Business Day” or “Business Days”	any day other than a Saturday, Sunday or official public holiday in the RSA;
“Call Options”	the call options granted to Renaissance in terms of the Tranche A Call Option Confirmation and Tranche B Call Option Confirmation;
“Call Option Confirmations”	collectively, the Tranche A Call Option Confirmation and the Tranche B Call Option Confirmation;
“Capital Raising”	the raising of capital by SacOil;
“Carried Costs”	Semliki and Cohydro’s share of the Block 3 exploration costs to be carried by Total from the Completion Date to the FID Date;
“Certificated Shareholders”	Shareholders who hold SacOil Ordinary Shares, represented by a share certificate or by other physical documents of title, which have not been surrendered for Dematerialisation in terms of the requirements of Strate;
“the/this Circular”	this circular to SacOil Shareholders, dated Wednesday, 16 March 2011 relating to the Transactions, including all annexures and incorporating a notice of General Meeting and a form of proxy ( <i>yellow</i> );
“Cohydro”	Les Congolaise des Hydrocarbures, an entity existing under the laws of the DRC;
“Columbia”	Columbia Falls Properties 114 (Proprietary) Limited (Registration number: 2008/004800/07), a private company duly incorporated in accordance with the laws of South Africa;

“Common Monetary Area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Completion Date”	the date occurring five Business Days after satisfaction or waiver of the last of the conditions precedent to the Total Farm-In Agreement;
“Contingent Consideration”	the contingent consideration payable by Total to Semliki in respect of the Block 3 Interest under the Total Farm-In Agreement, as follows: <ul style="list-style-type: none"> <li>• a bonus payment of US\$58.0 million within three Business Days of the FID Date; and</li> <li>• a bonus payment of US\$50.0 million within three Business Days of the First Oil Date;</li> </ul>
“Conversion Issue”	the issue of SacOil Ordinary Shares to Renaissance pursuant to the Conversion of the Facility;
“Conversion of the Facility”	the conversion of any amount repaid by SacOil under the Facility into SacOil Ordinary Shares at the election of Renaissance;
“CSDP”	a Central Securities Depository Participant, appointed by individual SacOil Shareholders for the purpose of and in regard to Dematerialisation in terms of the Security Services Act, No. 36 of 2004, as amended;
“Dematerialise” or “Dematerialisation”	the process whereby physical share certificates are replaced with electronic records evidencing ownership of SacOil Ordinary Shares for the purposes of Strate, as contemplated in the Securities Services Act, No. 36 of 2004, as amended;
“Dematerialised Shareholders”	SacOil Shareholders who have Dematerialised their SacOil Ordinary Shares in terms of the Strate system;
“Designated Transactions”	transactions implemented by SacOil in respect of Relevant Business Opportunities introduced to SacOil by Encha in terms of the Encha Memorandum of Agreement;
“DIG”	Divine Inspiration Group (Proprietary) Limited (Registration number: 2007/003931/07), a private company incorporated in accordance with the laws of South Africa, which is controlled by Brown (Identification number: 720117 0039 082);
“DPR”	the Nigerian Department of Petroleum Resources;
“DRC”	the Democratic Republic of the Congo;
“DRC Government”	the Government of the DRC;
“EER”	Energy Equity Resources Limited (Registration number: 5308516), a company duly incorporated in accordance with the laws of England and Wales;
“EERNL”	Energy Equity Resources (Norway) Limited (Registration number: 5216866), a private company incorporated in accordance with the laws of the United Kingdom and a party, together with SacOil, to an unincorporated joint venture in Nigeria;
“EER 233”	EER 233 Nigeria Limited, a private company incorporated in accordance with the laws of Nigeria;
“Encha”	Encha Group Limited (Registration number: 2005/003490/06), a public company incorporated in accordance with the laws of South Africa and controlled by the Moseneke Family. Its major shareholders

are Timtex Investments (Proprietary) Limited, controlled by Tiego Moseneke (Identification number: 621108 5074 083) and Swanvest 344 (Proprietary) Limited, controlled by Sedise G Moseneke (Identification number: 760622 5360 087);

“Encha Capital”	Encha Capital (Proprietary) Limited (Registration number: 2007/004923/07), a special purpose vehicle formed by Encha and Investec Bank Limited, which holds a substantial shareholding in SacOil;
“Encha Memorandum of Agreement”	the agreement entered into by Encha and SacOil on 28 February 2011 in terms of which Encha has undertaken to provide SacOil with certain services, the salient details of which are set out in Annexure 5 of this Circular;
“Essar”	Essar Exploration and Production Limited, a company incorporated in accordance with the laws of Mauritius;
“Exchange Control Regulations”	Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933) of South Africa, as amended;
“EZRE”	exclusive zone of reconnaissance and exploration;
“Facility”	the term loan facility that Renaissance shall make available to SacOil in three tranches, being Tranche A, Tranche B and Tranche C;
“Facility Agreement”	the agreement entered into between SacOil, Encha, Renaissance and Renaissance Securities on 18 February 2011 (as amended and restated by the Supplemental Facility Agreement) and which sets out the terms and conditions of the Facility;
“Farm-In Parties”	collectively, Semliki and Total;
“FID Date”	the date on which the Farm-In Parties have obtained the necessary DRC Government approvals to launch a development, including the issue of the “Permis d’Exploitation”, and have made the decision as per the Block 3 joint operating agreement to launch development works based on a firm budget;
“finnCap”	finnCap Limited (Registration number: 6198898), a company duly incorporated in accordance with the laws of England and Wales;
“First Oil Date”	the date on which first production of petroleum occurs in Block 3 with a commercial purpose (excluding production testing, extended well testing or commissioning);
“General Meeting”	the general meeting of SacOil Shareholders to be held in the boardroom, 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg at 10.00 on Thursday, 31 March 2011;
“the Group”	SacOil and its subsidiaries from time to time;
“IFRS”	International Financial Reporting Standards;
“Income Tax Act”	the Income Tax Act, 1962 (Act 58 of 1962) of South Africa, as amended;
“Independent Technical Expert’s Report”	a public report prepared on oil and gas assets and projects, and signed by the independent technical expert;

“Initial Consideration”	the initial consideration payable by Total to Semliki in respect of the Block 3 Interest under the Total Farm-In Agreement amounting to US\$15.0 million on the Completion Date, which amount is deemed to include 60 per cent of Semliki’s share of sunk costs as at the Completion Date;
“Initial DIG Loan Agreement”	the agreement entered into by DIG and SacOil on 17 March 2008 in terms of which SacOil advanced an amount of US\$1.4 million (with a Rand value of R11.7 million assuming an exchange rate of R8.08 to US\$1.00 being the exchange rate on 24 October 2008, the date that the circular regarding the Initial SacOil Transaction was posted to shareholders) to DIG, paid directly by SacOil to the DRC Government in respect of the signature bonus obligations under the agreement in respect of Block 1, Albertine Graben in the DRC entitled “Contrat de Partage due Production” concluded between the DRC Government, DIG, Cohydro, H Oil Congo Limited, Congo Petroleum and Gas SPRL and Compagnie Petroliere Sud Oil SPRL on 21 January 2008;
“Initial SacOil Transaction”	the original transaction as detailed in the Circular to SacOil Shareholders, dated 24 October 2008, regarding the proposed acquisition by the Company of the entire issued share capital and shareholder loan accounts of SacOil (Proprietary) Limited from DIG, Encha, Columbia and Moosa;
“Issue to PIC”	the general issue of 46 666 666 SacOil Ordinary Shares to PIC for an aggregate subscription price of R70.0 million as announced on 21 February 2011;
“Joseph Modibane”	Joseph Gadifele Modibane, the plaintiff in respect of the litigation detailed in paragraph 7.4 of the Circular;
“JSE”	JSE Limited (Registration number: 2005/022839/06), a company duly registered and incorporated with limited liability under the company laws of South Africa and licensed as an exchange under the Securities Services Act, No. 36 of 2004, as amended;
“Last Practicable Date”	10 March 2011, being the last practicable date prior to the finalisation of this Circular;
“Listings Requirements”	the Listings Requirements of the JSE, as amended;
“Lonsa”	Lonsa (Proprietary) Limited (registration number: 2004/000228/07) a private company incorporated in accordance with the laws of South Africa, controlled by Netgame Investments (Proprietary) Limited, a company that is controlled by Robin Vela, and whose business is the provision of investment and corporate finance advisory services. Robin Vela, the Chief Executive Officer of SacOil, is also a director of Lonsa;
“Market Capitalisation”	aggregate market value of all of the Company’s listed equity securities;
“Memorandum of Agreement”	a memorandum of agreement entered into between SacOil, DIG and Brown on 20 January 2011;
“MJVA”	the master joint venture agreement entered into SacOil and EERNL on 24 September 2010;
“Moosa”	Kulsum Moosa Family Trust, a trust duly constituted in accordance with the laws of South Africa with Master’s reference number IT3317/98, the trustees of which are: Akhter Hoosen Moosa, Kulsum Moosa, Zunaid Tayob and Abdur Rahman Moosa, and the capital beneficiaries of which shall be selected by the trustees in their discretion from the ranks of Akhter Hoosen Moosa, Kulsum Moosa, and their children,

and all legal descendants of the latter beneficiaries and the income beneficiaries of which will include all the capital beneficiaries, and at the trustees' discretion any institution that is exempted from tax in terms of any provision of the Income Tax Act;

"NAOC"	Nigerian Agip Oil Company Limited, a company incorporated in accordance with the laws of Nigeria;
"NIGDEL"	NIGDEL United Oil Company Limited (Registration number: RC 651219), a private limited liability company incorporated in accordance with the laws of Nigeria;
"Nigeria"	the Federal Republic of Nigeria;
"Nigerian Government"	the government of Nigeria;
"NNPC"	the Nigerian National Petroleum Corporation;
"OML 40"	oil mining lease 40 granted to SPDC by the Nigerian Government on 6 March 1964;
"OML 42"	oil mining lease 42 granted to SPDC by the Nigerian Government on 6 March 1964;
"OML 42 Bid"	the bid submitted by the Bid Consortium to the Bid Vendors in respect of OML 42;
"OPL 233"	oil prospecting licence No. 233 over concession block 233 in Nigeria;
"OPL 233 Acquisition"	the proposed acquisition by SacOil, through a wholly-owned Nigerian subsidiary, of the OPL 233 Interest;
"OPL 233 Farmees"	collectively, SacOil 233 and EER 233;
"OPL 233 Farm-In Agreement"	the farm-in agreement in respect of OPL 233 concluded between NIGDEL, EER 233 and SacOil 233 on 30 November 2010;
"OPL 233 Interest"	a 20 per cent undivided interest in the rights, benefits and obligations established by OPL 233;
"OPL 233 Production Sharing Contract"	the production sharing contract in respect of OPL 233 concluded between NIGDEL and NNPC on 7 May 2007;
"OPL 281"	oil prospecting licence No. 281 over concession block 281 in Nigeria;
"OPL 281 Acquisition"	the proposed acquisition by SacOil, through a wholly-owned Nigerian subsidiary, of the OPL 281 Interest;
"OPL 281 Deed of Amendment and Novation"	the deed of amendment and novation concluded by the OPL 281 Investors, Transcorp and TEL, dated 21 January 2011;
"OPL 281 Farm-Out Agreement"	the farm-out agreement in respect of OPL 281 concluded between Transcorp, EER 281 and SacOil 281 on 6 October 2010;
"OPL 281 Interest"	a 20 per cent undivided interest in the rights, benefits and obligations established by OPL 281;
"OPL 281 Investors"	collectively, SacOil 281 and EER 281;
"OPL 281 Production Sharing Contract"	the production sharing contract in respect of OPL 281 to be concluded between the OPL 281 Investors, TEL and NNPC;
"OPL 281 Residual Signature Bonus"	the amount of US\$8.75 million;
"OPL 281 Signature Bonus"	an amount of US\$30.0 million payable by Transcorp to the Nigerian Government as a condition of the award of OPL 281 to Transcorp;

“Own Name Registration”	the holding by SacOil Shareholders of Dematerialised Ordinary Shares with a CSDP in the name of the SacOil Shareholder;
“PIC”	Public Investment Corporation Limited (Registration number: 2005/009094/06), a public company incorporated in accordance with the laws of South Africa;
“Presidential Ordinances”	ordinances issued by the President of the DRC;
“Prime Rate”	reference interest rate used by banks;
“Rand” or “ZAR” or “cents”	the official currency of South Africa;
“Relevant Business Opportunity”	an energy-related business opportunity introduced to SacOil by, and facilitated by, Encha in terms of the Encha Memorandum of Agreement;
“Relevant Consideration”	Initial Consideration and any Contingent Consideration (exclusive of Carried Costs);
“Renaissance”	Renaissance BJM Securities (Proprietary) Limited (Registration number: 1987/000175/07), a private company incorporated in accordance with the laws of South Africa and which is SacOil’s exclusive financial adviser in relation to the Transfer. Renaissance is a subsidiary of Renaissance Securities Holdings (SA) (Proprietary) Limited which is part of the Renaissance Group;
“Renaissance Group”	a world-wide group of companies that is involved in a wide range of banking, investment and other financial businesses, both for its own account and for clients;
“Renaissance Securities”	Renaissance Securities (Cyprus) Limited (Registration number: HE72487), a company incorporated in accordance with the laws of Cyprus which is the arranger and calculation agent in terms of the Facility Agreement. Renaissance Securities is part of the Renaissance Group;
“Renaissance Service Agreement”	the agreement entered into by Renaissance and SacOil on 5 January 2011, in terms of which Renaissance acts as SacOil’s exclusive financial adviser with respect to the potential investment by the Total Group, directly or indirectly, in Block 3;
“Restructure”	the restructure of SacOil’s proposed investment in the Block 3 Rights and the Block 1 Rights as detailed in the circular to SacOil Shareholders, dated 4 September 2010;
“RSA” or “South Africa”	the Republic of South Africa;
“SacOil 233”	SacOil 233 Nigeria Limited, a private company incorporate in accordance with the laws of Nigeria;
“SacOil 281”	SacOil 281 Nigeria Limited, a private company incorporated in accordance with the laws of Nigeria;
“SacOil” or “the Company”	SacOil Holdings Limited (Registration number: 1993/000460/06), a public company incorporated in accordance with the laws of South Africa and listed on the JSE;
“SacOil Ordinary Shares”	ordinary shares with no par value in the stated capital of SacOil;
“SacOil (Proprietary) Limited”	South Africa Congo Oil Company (Proprietary) Limited (Registration number: 2007/024617/07), a private company incorporated in accordance with the laws of South Africa and which company’s shares are held 50 per cent by SacOil and 50 per cent by DIG;

“SacOil Loan Agreement”	the agreement concluded between SacOil (Proprietary) Limited and SacOil on 17 March 2008 whereby SacOil advanced an amount of US\$2.0 million (with a Rand value of R16.2 million assuming an exchange rate of R8.08 = US\$1.00) to SacOil (Proprietary) Limited payable directly to the DRC Government in respect of signature bonus obligations under the Block 3 Production Sharing Agreement;
“SADC”	the Southern African Development Community, being an international organisation with legal personality, consisting of a 15-state regional block, with South Africa, Botswana, Angola, Lesotho, Swaziland, Madagascar, Mauritius, Mozambique, Namibia, Zambia, the DRC, Malawi, Tanzania, Seychelles and Zimbabwe as member states;
“Semliki”	Semliki Energy SPRL (Registration number: KG8779/M), a company incorporated in the DRC and which company’s shares are held 50 per cent by SacOil and 50 per cent by DIG;
“Semliki Group”	Semliki and its affiliates from time to time;
“SENS”	the Securities Exchange News Service of the JSE;
“Share Pledge”	the cession and pledge of SacOil Ordinary Shares held by Encha to a funder of SacOil <i>in securitatem debiti</i> , as contemplated in the Encha Memorandum of Agreement;
“Shareholders” or “SacOil Shareholders”	the holders of SacOil Ordinary Shares;
“SPDC”	Shell Petroleum Development Company of Nigeria Limited, a company incorporated in accordance with the laws of Nigeria;
“Specific Issues”	collectively, the Bonus Issues, the Specific Issue to Renaissance, the Conversion Issue and the Call Options;
“Specific Issue to Encha”	a specific issue of SacOil Ordinary Shares to Encha, a related party, in the event of SacOil electing to settle any remuneration due to Encha in terms of the Encha Memorandum of Agreement through the issue of SacOil Ordinary Shares;
“Specific Issue to Renaissance”	the proposed specific issue of 796 577 SacOil Ordinary Shares at an issue price of R2.16 to Renaissance in part settlement of fees due to Renaissance for advisory services rendered in respect of the Transfer;
“Sponsor” or “BDO”	BDO Corporate Finance (Proprietary) Limited (Registration number: 1983/002903/07), a private company incorporated in accordance with the laws of South Africa;
“Strate”	Strate Limited (Registration number: 1998/022242/06), a public company incorporated in South Africa which is responsible for the electronic clearing and settlement system used by the JSE to settle trades;
“Supplemental Facility Agreement”	a supplementary agreement entered into between SacOil, Encha, Renaissance and Renaissance Securities on 3 March 2011 and which amends and restates the terms and conditions of the Facility Agreement;
“TEL”	Transcorp Energy Limited (Registration number: RC 769725), a private company incorporated in accordance with the laws of Nigeria, being a subsidiary of Transcorp;

“Total”	Total E&P RDC (Registration number: 712 081 382 RCS), a company incorporated in accordance with the laws of France and a party to the Total Farm-In Agreement;
“Total Farm-In Agreement”	an agreement dated 1 March 2011 entered into by the Farm-In Parties on 2 March 2011 in terms of which Semliki will transfer the Block 3 Interest to Total;
“Total Group”	Total and its affiliates from time to time;
“Total Nigeria”	Total E&P Nigeria limited, a private company duly incorporated in accordance with the laws of Nigeria;
“Tranche A”	Tranche A of the Facility amounting to the Rand equivalent of US\$12.9 million;
“Tranche A Call Option”	6 394 888 call options granted to Renaissance in terms of the Tranche A Call Option Confirmation;
“Tranche A Call Option Confirmation”	the letter of confirmation, dated 18 February 2011, between SacOil and Renaissance setting out the terms of the Tranche A Call Option;
“Tranche A Strike Price”	R1.45 being a 10 per cent discount to the 30-day VWAP on 18 February 2011;
“Tranche B”	Tranche B of the Facility amounting to a maximum of the Rand equivalent of US\$12.0 million;
“Tranche B Call Option”	5 626 234 call options granted to Renaissance in terms of the Tranche B Call Option Confirmation;
“Tranche B Call Option Confirmation”	the letter of confirmation dated 28 February 2011, between SacOil and Renaissance, setting out the terms of the Tranche B Call Option;
“Tranche B Strike Price”	R1.48 being a 10 per cent discount to the 30-day VWAP on 28 February 2011;
“Tranche C”	Tranche C of the Facility amounting to the Rand equivalent of US\$6.0 million;
“Transactions”	collectively, the Transfer, the Specific Issues, the approval of the Encha Memorandum of Agreement and the Specific Issue to Encha;
“Transcorp”	Transnational Corporation of Nigeria PLC (Registration number: RC 769 725), a public company incorporated in accordance with the laws of Nigeria;
“Transfer”	the proposed transfer by Semliki of the Block 3 Interest to Total;
“Transfer Secretaries” or “Link Market Services”	Link Market Services South Africa (Proprietary) Limited (Registration number: 2000/007239/07), a private company incorporated in accordance with the laws of South Africa;
“US\$”	United States Dollar, the official currency of the United States;
“Utilisation Date”	the date on which Tranche A, Tranche B or Tranche C is advanced to SacOil in terms of the Facility Agreement; and
“VWAP”	volume weighted average price of SacOil Ordinary Shares.



## **SACOIL HOLDINGS LIMITED**

**(Formerly SA Mineral Resources Corporation Limited)**

(Incorporated in the Republic of South Africa)

(Registration number 1993/000460/06)

Share code: SCL ISIN: ZAE000127460

("SacOil" or "the Company")

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### **Directors**

Richard Linnell\* (*Chairman*), Colin Bird\* (*British*), Carina de Beer (*Finance Director*), Gontse Moseneke\*, Robin Vela (*British*) (*Chief Executive Officer*)

\* Non-executive

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## **CIRCULAR TO SACOIL SHAREHOLDERS**

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### **1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR**

SacOil Shareholders were advised in the Announcement that SacOil had entered into the Total Farm-In Agreement in terms of which Semliki, a subsidiary of SacOil, will transfer the Block 3 Interest to Total. In addition to this, SacOil Shareholders were provided with information in an announcement, dated 11 March 2011, relating to the Specific Issues, the Encha Memorandum of Agreement and the Specific Issue to Encha.

The purpose of this Circular is to provide SacOil Shareholders, in compliance with the Listings Requirements, with relevant information regarding:

- the proposed transfer by Semliki of the Block 3 Interest to Total which constitutes a Category 1 transaction in terms of the Listings Requirements;
- the Bonus Issues which are to related parties and constitute specific issues of shares for cash in terms of the Listings Requirements;
- the Conversion Issue in the event of Renaissance electing to convert any repayment amount repaid by SacOil under the Facility Agreement into SacOil Ordinary Shares which constitutes a specific issue of shares for cash in terms of the Listings Requirements;
- the proposed issue of 796 577 SacOil Ordinary Shares at an issue price of R2.16 to Renaissance in part settlement of the fee due to Renaissance for advisory services rendered in respect of the Transfer which constitutes a specific issue of shares for cash in terms of the Listings Requirements;
- the proposed grant of the Call Options to Renaissance in terms of the Call Option Confirmations which grant constitutes a specific issue of options for cash by SacOil;
- the Encha Memorandum of Agreement and a specific issue of SacOil Ordinary Shares for cash to Encha, a related party, in the event of SacOil electing to settle any remuneration due to Encha in terms of the Encha Memorandum of Agreement through the issue of SacOil Ordinary Shares; and
- the convening of a General Meeting of SacOil Shareholders in order for them to consider and, if deemed fit, approve the requisite ordinary resolutions to effect the Transactions set out in the notice of General Meeting attached to, and forming part, of this Circular.

## 2. DETAILS OF THE TRANSFER

### 2.1 Background

On 4 December 2007 the DRC Government, SacOil (Proprietary) Limited and Cohydro concluded the Block 3 Production Sharing Agreement. The Block 3 Production Sharing Agreement provides for the granting by the DRC Government to the Block 3 Contractant of exclusive rights for reconnaissance and exploration of hydrocarbons in Block 3 and the right to obtain an exploration permit in respect of Block 3 on the terms and subject to the conditions of the Block 3 Production Sharing Agreement. The respective interests under the Block 3 Production Sharing Agreement of the entities comprising the Block 3 Contractant are SacOil (Proprietary) Limited as to 85 per cent and Cohydro as to 15 per cent.

The provisions of the Block 3 Production Sharing Agreement were amended by the Avenant concluded between the DRC Government and SacOil (Proprietary) Limited, dated June 2010. Cohydro was not party to the Avenant. The Avenant varies the provisions of the Block 3 Production Sharing Agreement, *inter alia*, by providing that:

- the Block 3 Supplementary Signature Bonus is payable as at the date of the Avenant; and
- a 15 per cent interest in the Block 3 Production Sharing Agreement shall be allocated to the DRC within 60 days of the coming into force and effect of the Avenant.

The coming into force and effect of the Block 3 Production Sharing Agreement and the Avenant were subject to the issue of Presidential Ordinances approving the Block 3 Production Sharing Agreement and the Avenant. In June 2010 Presidential Ordinances approving the Block 3 Production Sharing Agreement and the Avenant were gazetted.

Under DRC law hydrocarbon rights must be held by an entity incorporated in the DRC. The Block 3 Production Sharing Agreement required the Block 3 Contractant to constitute a DRC public limited liability company within six months of the date of the Block 3 Production Sharing Agreement coming into force and effect. On 19 November 2010 the Company and DIG incorporated Semliki, a private company incorporated in the DRC. The Company and DIG each hold 50 per cent of the issued share capital of Semliki. The statutes of Semliki provide that the Company and DIG shall transfer to the DRC or a public entity nominated by the DRC 15 per cent of the issued share capital of Semliki. Semliki will launch an application to be converted into a public limited liability company in due course. The DRC Government has furnished its consent for the initial incorporation of Semliki as a private limited liability company (as distinct from a public limited liability company) and for the current shareholding arrangement. To date the DRC Government has not made an election as to whether it intends to hold its interest in Semliki directly or through Cohydro or an alternative public entity. If the DRC Government elects not to hold its participating interest through Cohydro then it may be necessary to amend the provisions of the Block 3 Production Sharing Agreement.

The rights and obligations of the Block 3 Contractant under the Block 3 Production Sharing Agreement were transferred to Semliki by operation of DRC law with effect from 19 November 2010.

The Block 3 Production Sharing Agreement provides that the DRC Government shall be entitled to terminate the Block 3 Production Sharing Agreement in the event that the Block 3 Contractant has breached the provisions of the Block 3 Production Sharing Agreement and has not remedied the breach within a stipulated period. There are currently ongoing discussions with the DRC Government in relation to the Block 3 Supplementary Signature Bonus and as of date of the Announcement the Block 3 Contractant has not paid the Block 3 Supplementary Signature Bonus to the DRC Government nor has it provided the Block 3 Guarantee to the DRC Government. The DRC Government has not to date issued any notice of breach under the Block 3 Production Sharing Agreement in regard thereto.

Under DRC law Semliki will only be entitled to commence reconnaissance in, and exploration works in Block 3 once Semliki has applied for, and has been granted, an EZRE. Semliki has not to date launched such an application. In terms of DRC law, pursuant to granting of the EZRE, Semliki shall have full and exclusive rights to conduct exploration works in Block 3 with effect from the date of the granting of the Presidential Ordinance approving the Block 3 Production Sharing Agreement, on 18 June 2010 until 17 June 2015. Semliki has not to date commenced the Block 3 Work Programme.

## 2.2 Rationale for the Transfer

The Board has concluded that, in order to effectively explore and evaluate Block 3, it is necessary to form a partnership with a major international oil company, like Total, which has the necessary financial capacity, technical skills and operating expertise to operate the asset. Following careful consideration of a number of potential partners, SacOil entered into detailed discussions with Total during 2010. These discussions have resulted in the conclusion of the Total Farm-In Agreement.

The Board believes that the implementation of the Total Farm-In Agreement will significantly derisk SacOil in respect of commercialising the Block 3 Rights, executing the Block 3 Work Programme and the financial risk in relation to funding of the operations of Block 3 since Total will be the operator. The implementation of the agreement will also permit cash flow to be released from the transaction which can be utilised to fund SacOil's Nigerian activities.

In terms of the Total Farm-In Agreement, Total, in its capacity as operator, will use its reasonable endeavours to ensure that one exploration well is drilled by the Block 3 Contractant before 31 December 2012 or by the earliest date thereafter. Total has further undertaken to use its reasonable endeavours to ensure that: (i) the FID Date is achieved within three years of the Completion Date and (ii) the First Oil Date is achieved within two years of the FID Date. Total has the necessary infrastructure including pipelines in place to extract and supply crude oil.

The Board is of the view that, due to the nature of the Total Farm-In Agreement, it is not possible to accurately assess the accretion of value to SacOil pursuant to the Total Farm-In Agreement. However, in evaluating the merits of the Total Farm-In Agreement, the Board has considered the following:

- in aggregate, a potential US\$61.5 million will be paid by Total to SacOil by the First Oil Date;
- it estimates the quantum of SacOil's share of the Carried Costs in relation to the exploration costs to be in the region of US\$35.0 million;
- the value of SacOil's residual effective 12.5 per cent interest in the Block 3 Rights will be considerably higher with the assistance of Total, in comparison to the value that its current effective 42.5 per cent interest in the Block 3 Rights would have in the absence of the Total Farm-In Agreement; and
- it estimates the value of SacOil's residual 12.5 per cent effective interest in the Block 3 Rights, on the assumption that the First Oil Date is reached, to be in the region of US\$200.0 million.

The Board's assessment of value above reflects a subjective assessment and is not based on any formal value analysis. Accordingly, and considering that Block 3 is unevaluated and unexplored, this assessment may vary materially from any value ultimately extracted from Block 3.

## 2.3 Description of Block 3

Block 3 is located in the Albertine Graben area of the Rift Valley, close to the border between the DRC and Uganda. The Albertine Graben area is a proven petroleum region. Bituminous shales are known to be present in the Albertine Graben area and are known to be mature, as evidenced by numerous oil seeps and recent positive drill results in adjacent oil concessions. To date over 800 million barrels of recoverable oil have been discovered in the Albertine Graben, the largest fields being Kingfisher (200 million barrels) and Giraffe-Buffalo (300 million barrels). The total resource base is estimated at 2 billion barrels. To date, the majority of the exploration has been within the borders of Uganda, but the DRC concessions are considered to be highly prospective with Block 3 being close to recent significant discoveries.

**Notwithstanding the existence of positive evidence in the region, Shareholders are advised that oil exploration prospects of this nature are highly risky and will remain so until the resources are satisfactorily proven. Should they be successfully proven, however, the accretion of value becomes exponential.**

SacOil has appointed Mr Glen Penfield as its senior exploration advisor in respect of Block 3. Mr Penfield has more than 30 years of professional experience in hydrocarbon and mineral exploration, geophysical contracting, project management and business development in more than 30 countries, but primarily in Africa and specifically within the DRC. Mr Penfield is both a geologist and geophysicist. He is a noted mentor of scientific talent, having supervised or trained a number of now prominent geoscientists, many during his eight year tenure as Manager of Integrated Interpretation Services at the Western Atlas International group of companies.

A full description of the Block 3 Rights is set out in Annexure 7 of this Circular.

#### **2.4 Historical financial information of the 85 per cent interest in the Block 3 Rights for the six months ended 31 August 2010 and the three years ended 28 February 2010**

The historical financial information relating to the 85 per cent interest in the Block 3 Rights for the six months ended 31 August 2010 and the three years ended 28 February 2010 is set out in Annexure 3 of the Circular. The report of the independent reporting accountants on the historical financial information of the 85 per cent interest in the Block 3 Rights for the six months ended 31 August 2010 and the three years ended 28 February 2010 is set out in Annexure 4 of the Circular.

#### **2.5 Details relating to Total**

Total is a company incorporated in France and has its registered office at 2, place Jean Millier, 92078, Paris la Defense.

Total S.A. is a leading multi-national energy company with operations in more than 130 countries. Together with its subsidiaries and affiliates, Total S.A. is the fifth largest publicly-traded integrated international oil and gas company. Total S.A. engages in all aspects of the petroleum industry, including upstream operations (oil and gas exploration, development and production, LNG) and downstream operations (refining, marketing and the trading and shipping of crude oil and petroleum products). Total S.A. is also a major act player in chemicals (base and speciality chemicals).

The Total global exploration expenditure budget for 2010 amounts to US\$1.8 billion. The Total S.A. strategy for exploration involves developing partnerships with industry players who have already identified resources, the acquisition of resources and the establishment of partnerships with host and national companies.

In consideration for the Block 3 Interest, Total shall make the following payments to Semliki:

- the Initial Consideration in an aggregate amount of US\$15.0 million; and
- the Contingent Consideration, payable as follows:
  - (a) a bonus payment of US\$58.0 million within three Business Days of the FID Date; and
  - (b) a further bonus payment of US\$50.0 million within three Business Days of the First Oil Date.

On the Completion Date, SacOil will receive 50 per cent of the Initial Consideration amounting to US\$7.5 million. In addition, SacOil could receive future additional cash amounting to US\$54.0 million in respect of the Contingent Consideration.

The directors and major SacOil Shareholders, whose shareholdings are disclosed in paragraphs 6.2 and 7.3 of the Circular, are not related parties in respect of the Transfer.

#### **2.6 The Total Farm-In Agreement**

On 2 March 2011 Semliki and Total concluded the Total Farm-In Agreement dated 1 March 2011 in terms of which Semliki agreed to transfer the Block 3 Interest to Total on the terms and subject to the conditions set out therein as described more fully below:

#### **2.7 Warranties**

The type of warranties that would normally be included in an agreement of this nature have been given to Total by Semliki in respect of the Transfer in the Total Farm-In Agreement.

A summary of the material warranties is as follows:

- Semliki is the legal and beneficial owner of the Block 3 Interest;
- the Block 3 Production Sharing Agreement is in full force and effect. No act or omission of Semliki or any other party to the Block 3 Production Sharing Agreement has occurred which would entitle any party to revoke the Block 3 Production Sharing Agreement or any part thereof and no written notice has been given to Semliki or any other party to the Block 3 Production Sharing Agreement, of any intention to revoke the Block 3 Production Sharing Agreement or any part thereof;

- the areas covered by the Block 3 Production Sharing Agreement are not in the course of being revoked or surrendered in whole or in part. All relinquishments of areas as required in terms of the Block 3 Production Sharing Agreement (as from time to time waived or varied by the DRC Government) have been made;
- no encumbrance exists over the Block 3 Interest, other than those arising under the Block 3 Production Sharing Agreement and the Avenant, nor is there in effect any agreement or commitment to create the same; save as set out in the Interest Documents. There is no agreement or arrangement in place restricting free disposal of hydrocarbons attributed to the Interest or requiring the delivery of hydrocarbons or the proceeds attributable from the sale thereof at some future date without receiving payment therefore at or after delivery;
- the Semliki Group is not party to any litigation or arbitration or administrative proceedings in relation to the Block 3 Interest and no such litigation, arbitration or administrative proceedings are threatened or pending either by Semliki Group or, so far as Semliki Group is aware, against Semliki Group; there are no claims or disputes in relation to the Block 3 Interest and no such claims or disputes are threatened or pending either by Semliki Group or, so far as Semliki Group is aware, against Semliki Group and so far as Semliki Group is aware, none of the other parties to the Block 3 Production Sharing Agreement is a party to any litigation or arbitration or administrative proceedings or claims or disputes, in relation to the Block 3 Interest and, so far as Semliki Group are aware, no such litigation, arbitration, administrative proceedings, claims or disputes are threatened or pending;
- all licenses, permissions, consents, approvals and agreements required for the conduct of the operations under the Block 3 Production Sharing Agreement and the Avenant for Block 3 have been obtained and complied with and are in full force and effect;
- there is no agreement with the DRC Government in respect of any early production scheme under the Block 3 Production Sharing Agreement;
- so far as Semliki is aware, no provisions of the Block 3 Production Sharing Agreement or the Avenant suspending or excusing performance are in operation;
- the Block 3 Interest has been owned and operated in accordance with good and prudent oil and gas field practices and all applicable laws and Semliki is not in breach of the Block 3 Production Sharing Agreement or the Avenant;
- no joint bidding agreement or areas of mutual interest agreement or similar arrangement to which Semliki or any of its affiliates is a party is in effect in relation to Block 3; and
- the Farm-In Parties record that Article 14 of the Statutes of Semliki provides that the shareholders of Semliki shall transfer to the DRC or a public entity nominated by the DRC 15 per cent of the issued share capital of Semliki. Semliki acknowledges and agrees that it has sole responsibility for effecting this transfer and warrants that the shareholding of Total in Semliki shall not be reduced or diluted by such transfer.

The aforesaid warranties are qualified by certain disclosures made by Semliki to Total under the Total Farm-In Agreement.

## **2.8 General representations**

The Total Farm-In Agreement does not preclude Total from carrying on business in competition with the Group. No restraint of trade agreements have been concluded between SacOil and Total.

## **2.9 The Transfer consideration**

In consideration for the Block 3 Interest, Total shall make the following payments to Semliki under the Total farm-In Agreement:

- the Initial Consideration in an aggregate amount of US\$15.0 million; and
- the Contingent Consideration, payable as follows:
  - (a) a bonus payment of US\$58.0 million within three Business Days of the FID Date; and
  - (b) a further bonus payment of US\$50.0 million within three Business Days of the First Oil Date.

On the Completion Date, SacOil will receive 50 per cent of the Initial Consideration amounting to US\$7.5 million as a distribution from Semliki. In addition, SacOil could receive future additional cash amounting to US\$54.0 million in respect of the Contingent Consideration.

## **2.10 Application of the Initial Consideration**

The Total Farm-In Agreement provides that Semliki will receive the Initial Consideration in cash and will distribute same to its shareholders. SacOil will receive its portion of the Initial Consideration in cash which will be utilised towards funding its near production exploration activities in Nigeria.

## **2.11 Sell on premium**

The Total Farm-In Agreement provides that in the event that, within five years from the Completion Date, Total completes the sale of a part of or the entire Block 3 Interest to a third party and the subsequent consideration received by Total exceeds 10 times the Relevant Consideration, Total will pay to Semliki, 50 per cent of the excess received over 10 times the Relevant Consideration.

## **2.12 Conditions precedent to the Transfer**

In terms of the Total Farm-In Agreement the Transfer is subject to the fulfilment or waiver of, *inter alia*, the following conditions precedent, by no later than the date falling 30 days after the date of the agreement (or a later date mutually agreed between the parties):

- the written approval of the Minister of Hydrocarbons of the DRC for the Transfer;
- the confirmation of Total as the Operator of Block 3;
- the completion to the satisfaction of Total of a due diligence investigation of the Block 3 Interest;
- the approval of the shareholders of Semliki and SacOil for the transactions contemplated in the Total Farm-In Agreement; and
- the approval of the executive committee of the Total Group for the transactions contemplated in the Total Farm-In Agreement.

The Effective Date of the Transfer is the date which is five business days after satisfaction or waiver of the last of the conditions precedent.

## **2.13 Settlement of the loan advanced to DIG by SacOil**

As a part of the Restructure, DIG undertook in terms of the Amended and Restated DIG Loan Agreement to repay in cash a total of US\$1.6 million (with a Rand value of R13.1 million) to SacOil being the loan advanced in terms of the Initial DIG Loan Agreement of US\$1.4 million (with a Rand value of R11.7 million assuming an exchange rate of R8.08 to US\$1.00) to SacOil and deemed interest thereon in an agreed amount of US\$188 637 (with a Rand equivalent of R1.4 million assuming an exchange rate of R7.62 = US\$1.00).

The repayment obligations of DIG under the Amended and Restated DIG Loan Agreement were secured by a cession and pledge by DIG to SacOil of 10 per cent of its shares in, and its shareholder claims against, SacOil (Proprietary) Limited in terms of an agreement between SacOil and DIG entered into on 22 July 2010.

DIG will repay SacOil US\$1.4 million in full and final settlement of the loan advance to DIG in terms of the Amended and Restated Divine Loan Agreement by assigning to SacOil under the Memorandum of Agreement its right to receive a distribution in this amount from Semliki in respect of the Initial Consideration, net of US\$0.2 million in costs in relation to the Block 3 Rights.

## **3. THE SPECIFIC ISSUES**

### **3.1 AIM Admission Bonuses**

In terms of their service contracts dated 17 November 2010 and the amendments thereto, dated 24 February 2011 with the Company, Mr R Vela and Mr C Bird are entitled to AIM Admission Bonuses. Mr R Vela and Mr C Bird are entitled to an amount equal to 1.5 per cent and 0.5 per cent, respectively, of the increase in the Market Capitalisation of the Company from 20 September 2010 to the date of the Admission.

The AIM Admission Bonuses are payable, at the discretion of the SacOil Remuneration Committee, either:

- in cash; or
- by the allotment and issue of such number of SacOil Ordinary Shares, credited as fully paid, at the 30-day VWAP of SacOil's Ordinary Shares as at the date of Admission.

The SacOil Remuneration Committee has approved the AIM Admission Bonuses.

The maximum number of SacOil Ordinary Shares that may be issued to Mr R Vela and Mr C Bird on a cumulative basis in terms of the Bonus Issues at each Anniversary Date is limited to 3 per cent and 1 per cent, respectively, of the total number of issued SacOil Ordinary Shares in the stated capital of the Company.

Mr R Vela and Mr C Bird are both executive directors of SacOil and, accordingly, if the AIM Admission Bonuses are settled through the issue of SacOil Ordinary Shares, the issues will be to related parties and will require approval by a 75 per cent majority of the votes cast in favour of such resolution by all SacOil Shareholders present or represented by proxy at a general meeting, excluding Mr R Vela and Mr C Bird and their associates. The required SacOil Shareholder approval will be sought at the General Meeting.

Mr R Vela and Mr C Bird will be non-public shareholders as contemplated in the Listings Requirements.

The SacOil Ordinary Shares that may be the subject of the AIM Admission Bonuses will be of a class already in issue.

Application will be made to the JSE for the listing of the SacOil Ordinary Shares in the event that the AIM Admission Bonuses are settled through the issue of SacOil Ordinary Shares.

The unaudited *pro forma* financial effects of the AIM Admission Bonuses are set out in paragraph 5.1 of the Circular.

The SacOil Ordinary Shares that may be the subject of the AIM Admission Bonuses will be issued at the 30-day VWAP as at the date of the Admission and, therefore, no fairness opinion in respect of the AIM Admission Bonuses is required in terms of paragraph 5.51(f) of the Listings Requirements.

Copies of Mr R Vela and Mr C Bird's service contracts with the Company are available for inspection as detailed in paragraph 15 below.

### **3.2 Annual Bonuses**

In terms of their service contracts, dated 17 November 2010, and the supplemental agreements thereto, dated 24 February 2011, with the Company, Mr R Vela, Mr C Bird and Mrs C de Beer are entitled to Annual Bonuses. The amounts of the Annual Bonuses are as follows:

- Mr R Vela is entitled to an amount equal to 1.5 per cent of the increase in the Market Capitalisation of the Company during the 12 months preceding each Anniversary Date calculated as the sum of the Market Capitalisation on the last day of trading of each calendar month of the 12 calendar months immediately preceding the relevant Anniversary Date divided by 12 less the Market Capitalisation on the first Business Day being 12 months prior to the relevant Anniversary Date;
- Mr C Bird is entitled to an amount equal to 0.5 per cent of the increase in the Market Capitalisation of the Company during the 12 months preceding each Anniversary Date calculated as the sum of the Market Capitalisation on the last day of trading of each calendar month of the 12 calendar months immediately preceding the relevant Anniversary Date divided by 12 less the Market Capitalisation on the first Business Day being 12 months prior to the relevant Anniversary Date; and
- Mrs C de Beer may be awarded an amount as determined by SacOil's Remuneration Committee but limited to 2 times her basic annual salary.

The Annual Bonuses are payable, at the discretion of the SacOil Remuneration Committee, either:

- in cash; or
- by the allotment and issue of such number of SacOil Ordinary Shares, credited as fully paid, at the 30-day VWAP on each Anniversary Date (or in the case of Mrs C de Beer, on the date of issue of the SacOil Ordinary Shares).

The SacOil Remuneration Committee has approved the Annual Bonuses.

The maximum number of SacOil Ordinary Shares that may be issued to Mr R Vela and Mr C Bird on a cumulative basis in terms of the Bonus Issues at each Anniversary Date is limited to 3 per cent and 1 per cent, respectively, of the total number of issued SacOil Ordinary Shares in the stated capital of the Company.

Mr R Vela, Mr C Bird and Mrs C de Beer are executive directors of SacOil and, accordingly, if the Annual Bonuses are settled through the issue of SacOil Ordinary Shares, the issues will be to related parties and will require approval by a 75 per cent majority of the votes cast in favour of such resolution by all SacOil Shareholders present or represented by proxy at a general meeting, excluding Mr R Vela, Mr C Bird and Mrs C de Beer and their associates. The required SacOil Shareholder approval will be sought at the General Meeting.

Mr R Vela, Mr C Bird and Mrs C de Beer will be non-public shareholders as contemplated in the Listings Requirements.

The SacOil Ordinary Shares that may be the subject of the Annual Bonuses will be of a class already in issue.

Application will be made to the JSE for the listing of the SacOil Ordinary Shares in the event that the Annual Bonuses are settled through the issue of SacOil Ordinary Shares.

The unaudited *pro forma* financial effects of the Annual Bonuses are set out in paragraph 5.1 of the Circular.

The SacOil Ordinary Shares that may be the subject of the Annual Bonuses will be issued at the 30-day VWAP on each Anniversary Date (or in the case of Mrs C de Beer, on the date of issue of the SacOil Ordinary Shares) and, therefore, no fairness opinion in respect of the AIM Admission Bonuses is required in terms of paragraph 5.51(f) of the Listings Requirements.

Copies of Mr R Vela, Mr C Bird and Mrs C de Beer's service contracts with the Company are available for inspection as detailed in paragraph 15 below.

### **3.3 Specific Issue to Renaissance**

On 5 January 2011, SacOil entered into the Renaissance Service Agreement in terms of which Renaissance undertook to act as exclusive financial adviser to SacOil with respect to any potential investment by the Total Group, directly or indirectly, in Block 3. The fee payable by SacOil for financial advisory services rendered by Renaissance in terms of the Renaissance Service Agreement is US\$0.5 million and is payable as follows:

- US\$0.25 million in cash; and
- 796 577 SacOil Ordinary Shares to be issued at R2.16 per SacOil Ordinary Share being the higher of: (1) the 30-day VWAP of SacOil's Ordinary Shares up to the last trading day prior to the Announcement and (2) the closing price of SacOil's Ordinary Shares on the last trading day prior to the Announcement, converted at R6.88 to US\$1.00, being the closing Rand/US\$ exchange rate on the last trading date prior to the Announcement.

The above fee is payable to Renaissance, subject to SacOil Shareholder approval, within seven Business Days following the payment by Total to SacOil of any consideration relating to the Transfer.

The Specific Issue to Renaissance requires approval by a 75 per cent majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at a general meeting. The required Shareholder approval will be sought at the General Meeting.

The Renaissance Group did not hold any shares in SacOil at the Last Practicable Date. However, in the event of the Specific Issue to Renaissance, the Conversion of the Facility and the exercise of the Call Options, the Renaissance Group will hold more than 10 per cent of the issued SacOil Ordinary Shares and will be non-public shareholders as contemplated in the Listings Requirements.

The SacOil Ordinary Shares that will be the subject of the Specific Issue to Renaissance will be of a class already in issue.

Application has been made to the JSE for the listing of the SacOil Ordinary Shares that will be issued in terms of the Specific Issue to Renaissance.

The unaudited *pro forma* financial effects of the Specific Issue to Renaissance are set out in paragraph 5.1 of the Circular.

A copy of the Renaissance Service Agreement is available for inspection as detailed in paragraph 15 below.

### 3.4 Conversion of the Facility

On 18 February 2011 SacOil entered into the Facility Agreement which was subsequently amended and restated by the Supplemental Facility Agreement entered into by SacOil on 3 March 2011 to raise a maximum of US\$30.9 million. The Facility may be drawn down in three tranches, as follows:

- Tranche A: the amount of US\$12.9 million;
- Tranche B: a maximum of the Rand equivalent of US\$12.0 million; and
- Tranche C: a maximum of the Rand equivalent of US\$6.0 million. Tranche C may only be drawn down upon 30 days' notice to Renaissance.

In terms of the Facility Agreement, Renaissance shall have the right to convert any amount repaid by SacOil under the Facility into SacOil Ordinary Shares in accordance with the following calculation: the Rand value of the amount being repaid, converted from US\$ into Rand by Renaissance Securities at the spot rate available to Renaissance on the Utilisation Date divided by the conversion price calculated as a 10 per cent discount to the 30-day VWAP on the Utilisation Date. The Facility Agreement also provides for Renaissance to elect to cash settle the Conversion Issue.

Cash settlement of the Conversion Issue will take place in accordance with the following formula:

The greater of:

- zero; and
- the Conversion Issue \* (the 30-day VWAP on the date of repayment of the relevant amount – the conversion price calculated as a 10 per cent discount to the 30-day VWAP on the Utilisation Date) + all principal, interest, costs and expenses due under the Facility Agreements on the date of repayment of the relevant amount.

At the Last Practicable Date Tranche A had already been drawn down by SacOil and an amount of US\$12 million had been repaid in cash. In terms of the Supplemental Facility Agreement Renaissance has elected to cash settle the Conversion Issue that arose in connection with the repayment of Tranche A. An amount of US\$2.8 million comprising interest of US\$0.1 million, facility fees of US\$0.9 million and a cash settlement amount of US\$1.8 million will remain outstanding as a loan under Tranche A and will continue to bear interest at an interest rate of 30 per cent per annum. This outstanding balance of Tranche A shall not be subject to the Conversion Issue.

The Facility Agreement contemplates a number of events of default which, if triggered, will entitle Renaissance to cancel the Facility and to declare that all or part of the loans together with accrued interest and other outstanding amounts are to be immediately due and payable. These events of default include the following transaction-specific events of default:

- SacOil failing to pay any portion of the purchase price payable by it in relation to the OML 42 Bid on due date;
- Semliki repudiating the Total Farm In-Agreement;
- Total failing to pay the Initial Consideration for any reason;
- EER becoming subject to an insolvency event;
- EER repudiating any of the OML 42 Bid documents; and
- the SacOil Ordinary Shares not admitted to trading on AIM by 15 April 2011.

In terms of the Facility Agreement, the outstanding amount under the Facility together with any unpaid interest thereon shall be repaid by the earlier of: (1) the date falling 12 months after the Admission; (2) the date on which any debt raising or public offering is completed; and (3) 12 months after the date of the Facility Agreement if the AIM listing does not occur by 15 April 2011.

The Conversion of the Facility constitutes a specific issue of shares for cash in terms of Section 5 of the Listings Requirements.

The Conversion of the Facility will require approval by a 75 per cent majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at a general meeting. The required Shareholder approval will be sought at the General Meeting.

The Renaissance Group did not hold any shares in SacOil at the Last Practicable Date. However, in the event of the Specific Issue to Renaissance, the Conversion of the Facility and the exercise of the Call Options, the Renaissance Group will hold more than 10 per cent of the issued SacOil Ordinary Shares and will be non-public shareholders as contemplated in the Listings Requirements.

The SacOil Ordinary Shares that will be the subject of the Conversion of the Facility will be of a class already in issue.

Application will be made to the JSE for the listing of the SacOil Ordinary Shares in the event that Renaissance Securities elects to convert any repayment amount into SacOil Ordinary Shares.

The unaudited *pro forma* financial effects of the Conversion of the Facility are set out in paragraph 5.1 of the Circular.

A copy of the Facility Agreement is available for inspection as detailed in paragraph 15 below.

### **3.5 Call Options**

In terms of the Call Option Confirmations, Renaissance has also been granted Call Options over SacOil's Ordinary Shares with an expiration date of 20 February 2012. The number of options granted in respect of Tranche A is 6 394 888 Call Options calculated with reference to 10 per cent of the US\$ value of Tranche A converted at R7.20 to US\$1.00, divided by the Tranche A Strike Price. These options are exercisable at the Tranche A Strike Price. The number of options granted in respect of Tranche B is 5 626 234 Call Options calculated with reference to 10 per cent of Tranche B converted at R6.97 to US\$1.00, divided by the Tranche B Strike Price. These options are exercisable at the Tranche B Strike Price.

The Call Options will require approval by a 75 per cent majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at a general meeting. The required Shareholder approval will be sought at the General Meeting.

The Renaissance Group did not hold any shares in SacOil at the Last Practicable Date. However, in the event of the Specific Issue to Renaissance, the Conversion of the Facility and the exercise of the Call Options, the Renaissance Group will hold more than 10 per cent of the issued SacOil Ordinary Shares and will be non-public shareholders as contemplated in the Listings Requirements.

The SacOil Ordinary Shares that will be the subject of the Call Options will be of a class already in issue.

Application will be made to the JSE for the listing of the SacOil Ordinary Shares in the event that Renaissance Securities exercises the Call Options.

The unaudited *pro forma* financial effects of the Specific Issue of Call Options are set out in paragraph 5.1 of the Circular.

A copy of the Facility Agreement is available for inspection as detailed in paragraph 15 below.

## **4. THE ENCHA MEMORANDUM OF AGREEMENT**

On 28 February 2011 SacOil entered into the Encha Memorandum of Agreement in terms of which Encha undertook to utilise its reasonable commercial endeavours to:

- assist SacOil with Capital Raising;
- assist SacOil with the procurement of security for third party funding which security may include, at the election of Encha, a Share Pledge; and
- introduce Relevant Business Opportunities to SacOil and facilitate the implementation of Designated Transactions.

Encha is entitled to receive remuneration from SacOil in relation to the provision of these services in the form of cash or SacOil Ordinary Shares, at the election of SacOil, as follows:

- in respect of Capital Raising, a fee equivalent to 2.5 per cent of the capital raised;
- in respect of a Share Pledge, a fee equivalent to 3 per cent of the aggregate value of the SacOil Ordinary Shares subject to the Share Pledge; and
- in respect of a Designated Transaction, a fee equivalent to 1.5 per cent of the value of the Designated Transaction.

Subject to Shareholder approval, the Encha Memorandum of Agreement will commence on 1 February 2011 and shall endure thereafter indefinitely, subject to the right of either party to terminate the Encha Memorandum of Agreement on 90 days' written notice to the other party.

Extracts of the salient terms of the Encha Memorandum of Agreement are set out in Annexure 5 to the Circular.

#### **4.1 Rationale for the Encha Memorandum of Agreement**

Encha has a long track record of successfully concluding transactions in the resources industry particularly with diamonds, gold, platinum and oil and gas. Examples of successful transactions are as follows:

- New Diamond Corporation sold into Lonhro Mining plc, an Australian-listed entity;
- Tjate Platinum Asset sold to Jubilee Platinum plc; and
- gold interests sold to Simmer and Jack plc.

Getting involved at an early stage and taking resources up the value curve, de-risking the same, and then partnering up with blue-chip corporates has been Encha's success model. Encha continues to see a vast number of potential value accretive transactions in all mineral resource industry sectors and recently in the Oil and Gas sector. Encha would act as a deal flow initial screen, evaluate and assess Oil and Gas opportunities on behalf of SacOil and then offer the same to SacOil, on an exclusive basis, as investment opportunities.

It is recorded that the following business opportunities are being considered by SacOil having been introduced by Encha: Angolan, East African and Nigerian oil block acquisitions.

#### **4.2 Condition precedent**

The Encha Memorandum of Agreement is subject, *inter alia*, to the fulfilment or waiver of the following condition precedent, by no later than 30 April 2011:

- the approval of the Encha Memorandum of Agreement by Shareholders, excluding Encha and its associates, in the General Meeting.

#### **4.3 Specific Issue to Encha**

In terms of the Encha Memorandum of Agreement, SacOil may elect to settle any remuneration due to Encha in terms of the Encha Memorandum of Agreement through the issue of SacOil Ordinary Shares. The prices at which such SacOil Ordinary Shares will be issued to Encha and the number of SacOil Ordinary Shares to be issued are as follows:

- in respect of a Capital Raising fee, Encha will be issued with such number of SacOil Ordinary Shares as have an aggregate value equivalent to the Capital Raising fee. The value of the SacOil Ordinary Shares to be issued shall be deemed to be the closing price of a SacOil Ordinary Share on the JSE on the date of first receipt of funds by SacOil under the relevant Capital Raising;
- in respect of a Designated Transaction fee, Encha will be issued with such number of SacOil Ordinary Shares as have an aggregate value equivalent to the Designated Transaction fee. The value of the SacOil Ordinary Shares to be issued shall be deemed to be the closing price of the SacOil Ordinary Shares on the JSE on the implementation date of the Designated Transaction; and
- in respect of a Share Pledge fee, Encha will be issued with such number of SacOil Ordinary Shares as have an aggregate value equivalent to the Share Pledge fee. The value of the SacOil Ordinary Shares to be issued shall be deemed to be the closing price of the SacOil Ordinary Shares on the JSE on the date of the Share Pledge.

The Specific Issue to Encha constitutes a specific issue of shares for cash in terms of Section 5 of the Listings Requirements.

Encha is a material shareholder of SacOil. Accordingly, the SacOil Ordinary Shares issued in terms of the Specific Issue to Encha will be to a related party and will require approval by a 75 per cent majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at a general meeting. The required Shareholder approval will be sought at the General Meeting.

Encha held 331 238 805 SacOil Ordinary Shares at the Last Practicable Date and is a non-public shareholder as contemplated in the Listings Requirements.

The SacOil Ordinary Shares that will be the subject of the Specific Issue to Encha will be of a class already in issue.

Application will be made to the JSE for the listing of the SacOil Ordinary Shares in the event that SacOil elects to convert any remuneration due to Encha into SacOil Ordinary Shares.

The SacOil Ordinary Shares that will be subject of the Specific Issue to Encha will be issued to a related party, therefore, SacOil will be required to obtain a fairness opinion (which must be fair) from a JSE approved Independent Expert at each settlement date in accordance with paragraph 5.51(f) of the Listings Requirements. The details relating to each settlement of remuneration due to Encha through the issue of SacOil Ordinary Shares will be announced on SENS and in the press.

A copy of the Encha Memorandum of Agreement is available for inspection as detailed in paragraph 15 below.

## 5. FINANCIAL INFORMATION RELATING TO SACOIL

### 5.1 Unaudited *pro forma* financial effects of the Transactions

The table below sets out the unaudited *pro forma* financial effects of the Transactions on SacOil's basic earnings per share, headline earnings per share, net asset value per share and tangible net asset value per share.

The unaudited *pro forma* financial effects have been prepared to illustrate the impact of the Transactions on the reported financial information of SacOil for the six months ended 31 August 2010, adjusted for the OPL 233 Acquisition which was announced on 7 December 2010, the Issue to PIC which was announced on 21 February 2011, the OPL 281 Acquisition which was announced on 1 March 2011 and the Restructure which was approved by SacOil Shareholders in general meeting on 20 September 2010. The unaudited *pro forma* financial effects are based on the assumption that the Transactions occurred on 1 March 2010 for income statement purposes and on 31 August 2010 for balance sheet purposes.

The *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited annual financial statements of SacOil for the year ended 28 February 2010.

The *pro forma* financial effects of the following have been shown separately in the table below:

- the Transfer;
- the Bonus Issues;
- the Conversion Issue; and
- the Call Options.

The *pro forma* financial effects of the Transfer and the Specific Issue to Renaissance have been shown, collectively, as the Specific Issue to Renaissance forms part of the transaction costs relating to the Transfer.

The *pro forma* financial effects in respect of the Bonus Issues have been calculated based on the following assumptions:

#### **AIM Admission Bonuses**

- the AIM Admission Bonuses will be settled through the issue of SacOil Ordinary Shares;
- the increase in the Market Capitalisation has been calculated for illustrative purposes as the Market Capitalisation on 3 March 2011, based on 674 090 410 SacOil Ordinary Shares in issue on that date and the closing SacOil Ordinary Share price on 3 March 2011 of R2.16, less the Market Capitalisation on 20 September 2010; and
- the number of SacOil Ordinary Shares to be issued to Mr R Vela and Mr C Bird have been calculated for illustrative purposes using the 30-day VWAP to 3 March 2011 of R1.79.

## Annual Bonuses

- the Annual Bonuses will be settled through the issue of SacOil Ordinary Shares;
- the increase in the average Market Capitalisation has been calculated for illustrative purposes as the Market Capitalisation on 3 March 2011, based on 674 090 410 SacOil Ordinary Shares in issue on that date and the closing SacOil Ordinary Share price on 3 March 2011 of R2.16, less the Market Capitalisation on 1 October 2010;
- the Annual Bonus payable to Mrs C de Beer will be equal to 2 times her annual basic salary; and
- the number of SacOil Ordinary Shares to be issued to Mr R Vela, Mr C Bird and Mrs C de Beer have been calculated for illustrative purposes using the 30-day VWAP to 3 March 2011 of R1.79.

The *pro forma* financial effects of the Conversion Issue have been calculated based on the following assumptions:

- Tranche B and Tranche C were repaid and Renaissance elected to convert such repayments into SacOil Ordinary Shares on 1 March 2010. The Rand amounts repaid in respect of Tranche B and Tranche C were calculated for illustrative purposes using the exchange rate of R6.89 to US\$1.00 on 3 March 2011 and the illustrative number of SacOil Ordinary Shares to be issued to Renaissance following the Conversion Issue has been calculated based on a 10 per cent discount to the 30-day VWAP to 3 March 2011 of R1.79.

The *pro forma* financial effects of the Call Options have been calculated based on the following assumptions:

- the IFRS 2 charge was calculated based the grant of 6 394 888 Call Options at the Tranche A Strike Price and 5 626 234 Call Options at the Tranche B Strike Price; and
- the dilutionary effect of the Call Options has been calculated using the SacOil Ordinary Share price on 18 February 2011 of R1.85 in respect of Tranche A and 28 February 2011 of R1.96 in respect of Tranche B.

The unaudited *pro forma* financial effects set out below are the responsibility of the Directors and have been prepared for illustrative purposes only and because of their nature may not fairly present the financial position, changes in equity, results of operations or cash flows of SacOil after the Transactions.

The reporting accountants' limited assurance report on the unaudited *pro forma* financial effects is set out in Annexure 2 to this Circular.

	Before the Transactions <sup>1</sup>	After OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition <sup>2</sup>	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer <sup>3</sup>	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Bonus Issues <sup>4</sup>	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Conversion Issue <sup>5</sup>	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Call Options <sup>6</sup>	After the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transactions <sup>7</sup>	Per cent change <sup>8</sup>
Loss per share (cents)	(2.21)	(2.59)	(25.48)	(13.60)	(5.27)	(3.13)	(32.61)	(1 161)
Diluted loss per share (cents)	(2.21)	(2.59)	(25.48)	(13.60)	(5.27)	(3.11)	(32.42)	(1 153)
Headline loss per share (cents)	(2.21)	(2.59)	(6.59)	(13.60)	(5.27)	(3.13)	(17.85)	(590)
Diluted headline loss per share (cents)	(2.21)	(2.59)	(6.59)	(13.60)	(5.27)	(3.11)	(17.74)	(586)
Net asset value per share (cents)	13.39	30.05	52.76	28.20	52.67	29.51	67.34	124
Tangible net asset value per share (cents)	13.39	(27.35)	(32.34)	(25.67)	5.20	(27.89)	0.54	102
Weighted average number of shares in issue ('000)	314 800	361 467	362 263	385 593	438 508	361 467	463 431	28.21
Diluted weighted average number of shares in issue ('000)	314 800	361 467	362 263	385 593	438 508	364 201	466 165	28.96
Number of shares in issue ('000)	321 635	368 302	369 098	392 428	445 343	368 302	470 266	27.69

**Notes:**

1. The "Before the Transactions" basic earnings, diluted earnings, headline earnings and diluted headline earnings per share have been extracted without adjustment from the unaudited, published results of SacOil for the six months ended 31 August 2010. The "Before the Transactions" net asset value and tangible net asset value per share have been calculated from the financial information presented in the unaudited, published results of SacOil for the six months ended 31 August 2010.
2. The "After the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition" assumes:
  - (a) payment by SacOil of 50 per cent of the US\$0.3 million upon execution of the OPL 233 Farm in agreement, converted at R6.87 to US\$1.00, being the closing rate on 3 December 2010, which has been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources;
  - (b) a short-term obligation of 50 per cent of US\$7.8 million, converted at R6.87 to US\$1.00, in respect of that portion of the OPL 233 farm-in fee payable upon receipt of consent from the Federal Government of Nigeria for the Farm in and which have been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources;
  - (c) a long-term obligation of US\$10.0 million, converted at R6.87 to US\$1.00, in respect of SacOil's 20 per cent share of the costs of the minimum Work Programme and which have been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources;
  - (d) the issue of 46 666 666 SacOil Ordinary Shares to PIC at an issue price of R1.50 per SacOil Ordinary Share for cash;
  - (e) payment by SacOil of 50 per cent of the US\$20.0 million upon execution of the OPL 281 farm-in agreement, converted at R7.12 to US\$1.00, being the closing rate on 24 February 2011, which has been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources;
  - (f) a long-term obligation of US\$12.5 million, converted at R7.12 to US\$1.00, in respect of SacOil's 20 per cent share of the costs of the minimum Work Programme and which have been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources;
  - (g) the payment of transaction costs of R0.3 million relating to the OPL 233 Acquisition, R1.8 million relating to the Issue to PIC and R0.3 million relating to the OPL 281 Acquisition.
3. The "After the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer" assumes:
  - (a) adjustments in respect of notes 2a to 2g above;
  - (b) SacOil (Proprietary) Limited acquired the Block 3 Rights as a part of the Restructure and has been consolidated into SacOil as SacOil controls the management and decisions of SacOil (Proprietary) Limited. The Block 3 Rights held by SacOil (Proprietary) Limited were fair valued following the Restructure;
  - (c) transfer of the Interest for a consideration of US\$15.0 million, converted at R6.89 to US\$1.00 on 3 March 2011. Due to its nature the Contingent Consideration has not been raised in respect of the Transfer as the probability of the Contingent Consideration materialising cannot be measured reliably at this stage;
  - (d) a loss on Transfer of R68.4 million by SacOil and the allocation to outside shareholders of their share of the loss on Transfer amounting to R68.4 million;
  - (e) settlement of the loan to DIG amounting to R12.6 million through the receipt of R9.9 million (US\$1.44 million converted at R6.89 to US\$1.00 on 3 March 2011) from DIG in cash and capitalisation of costs amounting R2.7 million;
  - (f) the payment of transaction costs of R4.19 million relating to the Transfer as detailed in paragraph 11 below. The transaction costs include an amount of R1.72 million due to Renaissance in part settlement of advisory fees due to Renaissance in respect of the Transfer and which will be settled through the issue of 0.8 million SacOil Ordinary Shares at an issue price of R2.16 per SacOil Ordinary Share in terms of the Specific Issue to Renaissance as detailed in paragraph 3.3 above.
4. The "After the OPL 233 Acquisition, Issue to PIC, the OPL 281 Acquisition and the Bonus Issues " assumes:
  - (a) adjustments in respect of notes 2a to 2g above;
  - (b) the issue of 9 672 425 and 3 224 142 SacOil Ordinary Shares at the 30-day VWAP to 3 March 2011 of R1.79 to Mr R Vela and Mr C Bird, respectively, in settlement of the *pro forma* liability in respect of the AIM Admission Bonuses calculated as detailed in the assumptions above;
  - (c) the issue of 7 288 813 and 2 429 604 SacOil Ordinary Shares at the 30-day VWAP to 3 March 2011 of R1.79 to Mr R Vela and Mr C Bird, respectively, in settlement of the *pro forma* liability in respect of the Annual Bonuses calculated as detailed in the assumptions above;
  - (d) the issue of 1 511 184 SacOil Ordinary Shares at the 30-day VWAP to 3 March 2011 of R1.79 to Mrs C de Beer in settlement of the *pro forma* liability in respect of her Annual Bonus calculated as detailed in the assumptions above.
5. The "After the OPL 233 Acquisition, Issue to PIC, the OPL 281 Acquisition and the Conversion Issue" assumes:
  - (a) adjustments in respect of notes 2a to 2g above;
  - (b) the conversion of Tranche B and Tranche C on 3 March 2010 into 77 041 627 SacOil Ordinary Shares at a 10 per cent discount to the 30-day VWAP on 3 March 2011 of R1.61 resulting in an IFRS 2 charge of R13.8 million.
6. The "After the OPL 233 Acquisition, Issue to PIC, the OPL 281 Acquisition and the Call Options" assumes:
  - (a) adjustments in respect of notes 2a to 2g above;
  - (b) the granting of 6 394 888 Call Options on 1 March 2010 at a 10 per cent discount to the 30-day VWAP on 18 February 2011 of R1.45 resulting in an IFRS 2 charge of R1.03 million; and
  - (c) the granting of 5 626 234 Call Options on 1 March 2010 at a 10 per cent discount to the 30-day VWAP on 28 February 2011 of R1.49 resulting in an IFRS 2 charge of R0.9 million.

7. The "After the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transactions" assumes all of the adjustments detailed in notes 2 to 6 above.
8. Measured as the "After the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure, and the Transactions" column as a percentage of the "After the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition" column.

## 5.2 Unaudited *pro forma* balance sheet and income statement

The unaudited *pro forma* balance sheet and income statement of SacOil are set out in Annexure 1 to this Circular.

## 5.3 Independent reporting accountants' report

The independent reporting accountants' report on the unaudited *pro forma* financial information of SacOil relating to the Transactions is set out in Annexure 2 to this Circular.

## 6. INFORMATION RELATING TO THE DIRECTORS

### 6.1 Directors

Details relating to the Directors of the Company follow:

NAME	ADDRESS	DESIGNATION	BRIEF CURRICULUM VITAE
Richard John Linnell (South African) (65)	2nd Floor, The Gabba, Dimension Data Campus 57 Sloane Street Bryanston, 2021	Independent non-executive Chairman of SacOil	Appointed 19 September 2002. Richard Linnell is an experienced geologist, who has worked with various companies which now form part of the BHP Billiton (SA) Group, culminating in running the Samancor manganese operations and Billiton's exploration and development activities in South Africa. He is a former non-executive director of BHP Billiton (SA) Limited and is Chairman of Coal of Africa Limited. Richard was instrumental in the establishment of the Bakubung Initiative, a multi-stakeholder project designed to rejuvenate the South African mining industry. He is a director of several listed junior mining companies.

<b>NAME</b>	<b>ADDRESS</b>	<b>DESIGNATION</b>	<b>BRIEF CURRICULUM VITAE</b>
Colin Bird (British) (66)	Plot 1, MGV Montgomerie Maisonettes Dubai UAE	Independent non-executive Director of SacOil and a director of Pioneer Coal	Appointed 20 April 2008. Colin Bird has a Diploma in Mining Engineering, is a Fellow of the Institute of Materials, Minerals and Mining and is a certified Mine Manager, both in the United Kingdom and South Africa. The formative part of his career was spent with the National Coal Board in the United Kingdom and thereafter he moved to the Zambia Consolidated Copper mines and then to South Africa to work in a management position with Anglo American Coal. On his return to the United Kingdom he was Technical and Operations Director of Costain Mining Limited, which involved responsibility for gold operations in Argentina, Venezuela and Spain. In addition to his coal mining activities he has been involved in the management of nickel, copper, gold and other diverse mineral operations. He has founded and floated several public companies in the resource sector and served on resource company boards in the United Kingdom, Canada and South Africa.
Carina de Beer (South African) (40)	2nd Floor, The Gabba, Dimension Data Campus 57 Sloane Street Bryanston, 2021	Financial Director of SacOil and a director of Pioneer Coal	Appointed 10 August 2010. Carina de Beer is a Chartered Accountant (SA). She completed her articles with PricewaterhouseCoopers. She has extensive experience in corporate financial management and reporting, company secretarial practice and corporate governance. She is a member of the South African Institute of Chartered Accountants, the Chartered Secretaries of South Africa and the Institute of Directors. Carina is the Finance Director of the Company and the Audit Committee is satisfied that she has sufficient expertise and experience to fulfil this role.

<b>NAME</b>	<b>ADDRESS</b>	<b>DESIGNATION</b>	<b>BRIEF CURRICULUM VITAE</b>
Gontse Moseneke (South African) (29)	119 Rosen Office Park 37 Invicta Road Midrand 1685	Non-executive Director of SacOil	Appointed 31 August 2009. Gontse Moseneke has an extensive background in financial management and investment banking. He is part of the executive team at Encha, a diversified investment holding company. As the Chief Executive of Encha Tech (Proprietary) Limited he oversees and actively manages Encha's investments in Siemens Southern Africa, and in Nokia Siemens Networks South Africa. Through his integral involvement in the conceptualisation, set-up and initial operations of New Oil Trading Limited (British Virgin Islands), an oil and gas trading company with a global focus, Gontse has gained wide experience, and built a competent rapport with some key players in the oil and gas sector globally. He has also been involved in a project by the South African Oil and Gas Alliance to develop and market South Africa's engineering and related services capability, with the aim of capitalising and exploiting the burgeoning oil and gas activities off the east and west coasts of sub-Saharan Africa. Gontse holds a Bachelor of Science degree in Statistics and Actuarial Sciences from the University of Cape Town, and a Diploma in Actuarial Techniques from the Institute of Actuaries (London, United Kingdom).

<b>NAME</b>	<b>ADDRESS</b>	<b>DESIGNATION</b>	<b>BRIEF CURRICULUM VITAE</b>
Robin Vela (British) (39)	2nd Floor, The Gabba, Dimension Data Campus 57 Sloane Street Bryanston, 2021	Chief Executive Officer of SacOil and a director of the following subsidiaries of SacOil: <ul style="list-style-type: none"> <li>• Baltimore Manganese Mine (Proprietary) Limited;</li> <li>• Bushveld Pioneer (Proprietary) Limited;</li> <li>• RDK Mining (Proprietary) Limited; and</li> <li>• Pioneer Coal (Proprietary) Limited</li> </ul>	Appointed 25 February 2008. Robin is the Chief Executive Officer of SacOil. Robin is a professionally qualified and experienced investment banker/investment executive. He is also a UK-qualified Chartered Accountant, member of the UK Chartered Securities Institute and the prize-winner in his sitting of the UK Chartered Securities Institute's diploma corporate finance examination. Robin graduated with an honours degree in economics and accounting from Bristol University. Prior to his involvement with SacOil, Robin co-founded two separate equity investment funds and worked for top tier bulge bracket financial institutions in the City of London as a senior private equity/investment banking executive for more than thirteen years. Robin is also an appointed consultant to the World Bank and IFC. He has a verifiable track record of leading and closing corporate and investment-related transactions in the South African Development Community and the City of London.

The Directors will not change following the Transactions.

## 6.2 Directors' interests

At the Last Practicable Date, the Directors had the following direct and indirect, beneficial and non-beneficial interests in the share capital of the Company:

### Before the Transactions:

	Direct beneficial	Total	Shareholding per cent
C Bird	5 300 000	5 300 000	0.79
R Vela	5 349 591	5 349 591	0.79
C de Beer	200 000	200 000	0.03
<b>Total</b>	<b>10 849 591</b>	<b>10 849 591</b>	<b>1.61</b>

### After the Transactions (excluding the Conversion)\*:

	Direct beneficial	Total	Shareholding per cent
C Bird	12 040 904	12 040 904	1.71
R Vela	25 572 303	25 572 303	3.64
C de Beer	1 711 184	1 711 184	0.24
<b>Total</b>	<b>39 324 392</b>	<b>39 324 392</b>	<b>5.59</b>

### After the Transactions\*\*:

	Direct beneficial	Total	Shareholding per cent
C Bird	12 040 904	12 040 904	1.54
R Vela	25 572 303	25 572 303	3.28
C de Beer	1 711 184	1 711 184	0.22
<b>Total</b>	<b>39 324 392</b>	<b>39 324 392</b>	<b>5.04</b>

#### Note:

\* Based on the maximum aggregate number of SacOil Ordinary Shares which may be issued to Mr R Vela and Mr C Bird on a cumulative basis at each Anniversary Date of 3 per cent and 1 per cent, respectively, of the total number of issued shares in the stated capital of the Company amounting to 20 222 720 and 6 740 907 SacOil Ordinary Shares; 1 511 184 SacOil Ordinary Shares issued to Mrs C de Beer assuming that her Annual Bonus is equal to 2 times her annual salary and the SacOil Ordinary Shares are issued at the 30-day VWAP to 3 March 2011 of R1.79; and 796 577 SacOil Ordinary Shares issued to Renaissance assuming that the advisory fee of US\$0.25 million is converted at R6.89 to US\$1.00 on 3 March 2011 and the SacOil Ordinary Shares are issued at the 30-day VWAP to 3 March 2011 of R1.79.

\*\* Based on the above issues and the issue of 77 041 627 SacOil Ordinary Shares to Renaissance Securities assuming that Tranche B and Tranche C are converted at R6.89 to US\$1.00 on 3 March 2011 at a 10 per cent discount to the 30-day VWAP on 3 March 2011 of R1.61.

As at the Last Practicable Date, the Directors held the following share options:

Name	Option Scheme	Grant date	Latest exercise date	Option price	Number of options held
R Vela	Samroc	21 Nov 2008	21 Nov 2018	R0.82	8 397 227
C Bird	Samroc	21 Nov 2008	21 Nov 2018	R0.82	12 595 841
R Linnell	Samroc	21 Nov 2008	21 Nov 2018	R0.82	12 595 841
R Vela	SacOil	08 Jul 2010	08 Jul 2020	R0.29	4 198 614
G Moseneke	SacOil	08 Jul 2010	08 Jul 2020	R0.29	3 132 916
C de Beer	SacOil	08 Jul 2010	08 Jul 2020	R0.29	2 500 000

### 6.3 Directors' interests in transactions

None of the Directors had any interest in any transaction which is or was unusual in its nature or conditions or material to the business of SacOil and which was effected during the current or immediately preceding financial year or during an earlier financial year which remain in any respect outstanding or unperformed.

None of the Directors or Bayphase has, or within two years of the date of the Circular had, any direct or indirect beneficial interest in any asset of SacOil which has been acquired or disposed of, or leased to or by, SacOil or any interest in any consideration passing to or from SacOil.

### 6.4 Directors' remuneration

The remuneration paid to the Directors for the year ended 28 February 2010 is set out below:

	<b>Fees R</b>
<b>Executive director</b>	
R Vela	120 000
<b>Non-executive directors</b>	
R J Linnell	180 000
C Bird	180 000
B H Christie (resigned 31 August 2009)	60 000
G Moseneke (appointed 31 August 2009)	60 000
<b>Total</b>	<b>600 000</b>

The Directors do not receive any benefits from the Company as part of their remuneration packages.

There will be no variation in the remuneration receivable by any of the Directors as a consequence of the Transactions.

1. Other than as set out above, SacOil has not paid any amounts (whether in cash or in securities), nor given any benefits to any Directors or to any company in which the Directors are, directly or indirectly, beneficially interested, or to any partnership, syndicate or other association of which the Directors are members, or to any other Director as an inducement to become a Director or otherwise, or associate entity in connection with the promotion or formation of SacOil during the preceding three years.
2. Details of share options granted to Directors are detailed in paragraph 6.2 above.
3. In terms of the Articles, any Director who is required to perform extra services or to reside abroad or shall otherwise be specially occupied about the Company's business or perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, shall be entitled to receive remuneration to be fixed by the Directors either as an addition to, or in substitution for any Director's remuneration paid to him.
4. Other than the management and administrative services that Encha proposes to provide to the Company in terms of the Encha Memorandum of Agreement, the salient features of which are set out in Annexure 5 of the Circular, business of the Group is not being managed nor is it proposed to be managed by a third party.
5. No other benefits or bonuses have been paid to any Director during the financial year, apart from the fees paid to Lonsa (of which Mr R Vela is a director) amounting to R11.9 million as approved by SacOil Shareholders in a general meeting held on 20 September 2010.

### 6.5 Directors' service contracts

Each of the Directors has been appointed as such on the terms set out in the Articles. At every annual general meeting, one-third of the Directors must retire from office, which one-third of Directors shall be those who have been longest in office since their last election. Retiring Directors shall be eligible for re-election.

In terms of the Articles, an executive Director may be appointed for a maximum period of three years.

The Company has entered into normal fixed term service contracts with each of the executive directors, copies of which are available for inspection as detailed in paragraph 15 below.

## 7. INFORMATION RELATING TO THE COMPANY

### 7.1 Description of business and prospects

The Group is Party to transactions pertaining to Block 3 in the DRC and OPL 281 and OPL 233 in Nigeria, as detailed below:

#### Oil and Gas

##### **DRC**

On 4 December 2007, the DRC Government, SacOil (Proprietary) Limited and Cohydro concluded the Block 3 Production Sharing Agreement. The Block 3 Production Sharing Agreement provides for the granting by the DRC Government to the Block 3 Contractant of exclusive rights for reconnaissance and exploration of hydrocarbons in Block 3 and the right to obtain an exploration permit in respect of Block 3 on the terms and subject to the conditions of the agreement. The respective original interests (as amended by the Avenant) under the Block 3 Production Sharing Agreement of the entities comprising the Block 3 Contractant are SacOil (Proprietary) Limited as to 85 per cent and Cohydro as to 15 per cent.

The provisions of the Block 3 Production Sharing Agreement were amended by an Avenant concluded between the DRC Government and SacOil (Proprietary) Limited, dated June 2010. Cohydro was not party to the Avenant. The Avenant varies the provisions of the Block 3 Production Sharing Agreement, *inter alia*, by providing that:

- (i) the Block 3 Supplementary Signature Bonus is payable as at the date of the Avenant; and
- (ii) a 15 per cent interest in the Block 3 Production Sharing Agreement shall be allocated to the DRC within 60 days of the coming into force and effect of the Avenant.

The coming into force and effect of the Block 3 Production Sharing Agreement and the Avenant were subject to the issue by the President of the DRC of ordinances approving the Block 3 Production Sharing Agreement and the Avenant. In June 2010 Presidential Ordinances approving the Block 3 Production Sharing Agreement and the Avenant were gazetted.

Under DRC law hydrocarbon rights must be held by an entity incorporated in the DRC. The Block 3 Production Sharing Agreement required the Block 3 Contractant to constitute a DRC public limited liability company within six months of the date of the coming into force and effect of the agreement. On 19 November 2010, the Company and DIG incorporated Semliki, a private company incorporated in the DRC. The Company and DIG each hold 50 per cent of the issued share capital of Semliki. The statutes of Semliki provide that the Company and DIG shall transfer to the DRC or a public entity nominated by the DRC 15 per cent of the issued share capital of Semliki. Semliki will launch an application to be converted into a public limited liability company in due course. The DRC Government has furnished its consent for the initial incorporation of Semliki as a private limited liability company (as distinct from a public limited liability company) and for the current shareholding arrangement. To date the DRC Government has not made an election as to whether it intends to hold its interest in Semliki directly or through Cohydro or an alternative public entity. If the DRC Government elects not to hold its participating interest through Cohydro then it may be necessary to amend the provisions of the Block 3 Production Sharing Agreement.

The rights and obligations of the Block 3 Contractant under the Block 3 Production Sharing Agreement were transferred to Semliki by operation of DRC law with effect from 19 November 2010.

The Block 3 Production Sharing Agreement provides that the DRC Government shall be entitled to terminate the Block 3 Production Sharing Agreement in the event that the Block 3 Contractant has breached the provisions of the agreement and has not remedied the breach within a stipulated period. There are currently ongoing discussions with the DRC Government in relation to the Block 3 Supplementary Signature Bonus and as of date of the Announcement the Block 3 Contractant has not paid the Block 3 Supplementary Signature Bonus to the DRC Government nor has it provided the Block 3 Guarantee to the DRC Government. The DRC Government has not to date issued any notice of breach under the Block 3 Production Sharing Agreement in regard thereto.

Under DRC law Semliki will only be entitled to commence reconnaissance in, and exploration works in Block 3 once Semliki has applied for, and has been granted, an EZRE. Semliki has not to date launched such an application. In terms of DRC law, pursuant to granting of the EZRE,

Semliki shall have full and exclusive rights to conduct exploration activities on Block 3 with effect from the date of the granting of the presidential ordinance approving the Block 3 Production Sharing Agreement, on 18 June 2010, until 17 June 2015. Semliki has not to date commenced the Block 3 Work Programme.

On 1 March 2011 Semliki and Total concluded the Total Farm-In Agreement, details of which are set out in paragraph 2 above.

### ***Nigeria***

In the important Nigerian oil and gas market, SacOil has formed a joint venture with the established Nigerian oil and gas company, EER, to acquire and/or develop oil and gas assets in Nigeria as announced by the Company on 12 October 2010. This joint venture partnership benefits SacOil in that through this joint venture it can now acquire oil and gas assets disposed of by international oil companies in compliance with Nigeria's indigenisation legislation.

### ***OPL 281 Interest***

Oil concession block 281 is an onshore block covering some 138 km<sup>2</sup>, and is located in the western delta region of Nigeria approximately 25 km due east from the Forcados terminal. Two discovery wells were drilled, namely Obote-I in 1970 which encountered hydrocarbons at four levels between 8,720 ft and 12,350 ft, while Ekor-I drilled in 1967 discovered eight hydrocarbon sands between 8,260 ft and 10,761 ft. It has discovered but undeveloped oil assets with an estimated recoverable contingent resource for the block of 100 mmbbl (P50 as reported by TRACS, an oil and gas industry recognised independent expert) and a peak potential production rate of up to 30,000 bbls per day.

In 2006 the DPR allocated OPL 281 to Transcorp subject to various conditions including the payment of the OPL 281 Signature Bonus. However, in 2007 the DPR withdrew the allocation of OPL 281 to Transcorp as the OPL 281 Signature Bonus had not been paid in full. No production sharing contract has been concluded in respect of OPL 281 to date. On 26 January 2011 the DPR re-allocated OPL 281 to Transcorp on condition that the outstanding balance of the OPL 281 Signature Bonus (being the amount of US\$8.75 million) be paid by Transcorp within 90 days of receipt of the re-allocation letter.

On 6 October 2010 Transcorp, SacOil 281 and EER 281 concluded the OPL 281 Farm-Out Agreement in terms of which Transcorp agreed to assign and transfer to each of SacOil 281 and EER 281 a OPL 281 Interest. The coming into force and effect of the operative provisions of the OPL 281 Farm-Out Agreement is subject to the fulfilment of certain stipulated conditions precedent including: (i) the re-allocation of OPL 281 to Transcorp and (ii) all necessary Nigerian Government consents being procured for the implementation of the transactions contemplated in the agreement. No date is stipulated for fulfilment of these conditions. However, the agreement provides that it will terminate if the transfer of interests has not been implemented by the first anniversary of the effective date of the agreement. The OPL 281 Farm-Out Agreement provides that, in consideration for the assignment of the interests in OPL 281, the OPL 281 Investors shall pay to Transcorp an aggregate amount of US\$32.5 million (including an amount equal to the OPL 281 Residual Signature Bonus which shall be paid directly to the Nigerian Government) and shall carry Transcorp's 60 per cent share of costs arising under the production sharing contract and joint operating agreement to be concluded in respect of OPL 281 for a period commencing on 16 October 2010 and ending on the date of commencement of the production of petroleum in oil concession block 281. The agreement provides that the OPL 281 Investors are entitled to recover the aforesaid costs from the net proceeds arising from the disposal of petroleum to which Transcorp has the right to take delivery under the production sharing contract and joint operating agreement pertaining to OPL 281.

Transcorp subsequently nominated its subsidiary, TEL, as the corporate entity which would be party to the OPL 281 Production Sharing Contract. The OPL 281 Investors consented to this nomination and the OPL 281 Investors, Transcorp and TEL then entered into the OPL 281 Deed of Amendment and Novation pursuant to which TEL acceded to the OPL 281 Farm-Out Agreement and the joint operating agreement and technical assistance agreement pertaining to OPL 281. The OPL 281 Deed of Assignment and Novation records that it has come to the attention of the OPL 281 Investors and Transcorp that the structure of the OPL 281 Farm-Out Agreement which contemplates that the assignment of the OPL 281 Interests to the OPL 281 Investors shall take place prior to the payment by the OPL 281 Investors of the Residual OPL 281 Signature Bonus to the Nigerian Government

is not acceptable to the DPR. The OPL 281 Deed of Amendment and Novation therefore provides that the OPL 281 Residual Signature Bonus shall be paid directly to the Nigerian Government prior to the assignment and transfer of the OPL 281 Interests and by no later than 28 February 2011.

Transcorp, TEL and the OPL 281 Investors have entered into a parent company guarantee, dated January 2011, in terms of which, *inter alia*, Transcorp guarantees the due performance by TEL of all obligations of TEL under the OPL 281 Farm-Out Agreement.

### **OPL 233 Interest**

Oil concession block 233 in Nigeria is located offshore in the shallow water area of the Niger Delta and contains discovered but undeveloped oil assets. Oil concession block 233 is a 126 km<sup>2</sup> block with a water depth of 30 ft and less and is located immediately off the coast of the central delta region of Nigeria, some 120 km due south-southeast from the Forcados terminal. The block is adjacent to giant Apoi field (>600MMbo). The TRACS petrophysical interpretation of the Olobia-I well logs indicates 103 ft of net oil and 54 ft of gas and condensate in the well. Most of the block is not yet covered by seismic surveys and so represents a primary target for the upside potential in oil concession block 233.

OPL 233 was awarded to NIGDEL during the Federal Government of Nigeria bid round in 2006 and a production sharing contract was executed by NIGDEL and NNPC on 7 May 2007 with a stipulated exploration period of five years. The appraisal period is split into two phases, namely:

- Phase 1 (expired 7 May 2010) – drill one well and 100sq km of 3D; and
- Phase 2 (expires 7 May 2012) – drill two wells and 100sq km of 3D seismic.

The 2011 appraisal well is assumed to be recompleted as a future producer, with further producers expected to be drilled in 2012 – 2013. First production is assumed mid-2013 at plateau rates of 7,200, 8,600, and 10,000 bbls per day (facilities constrained) for the P90-P50-P10 cases, respectively.

As announced by the Company on 6 December 2010, SacOil 233 concluded the OPL 233 Farm-In Agreement with NIGDEL and EER 233 on 30 November 2010 in terms of which NIGDEL agreed to assign and transfer an undivided 20 per cent participating interest in OPL 233 to SacOil 233 and a further undivided 20 per cent interest in OPL 281 to EER 233. NIGDEL retains the remaining 60 per cent participating interest in OPL 233. The coming into force and effect of the agreement is subject to the satisfaction or waiver of certain conditions precedent by 31 March 2011 or such later date as may be agreed by the parties.

The stipulated conditions precedent include: (i) the approval of the NNPC and the DPR for the implementation of the transactions contemplated in the agreement; (ii) the consent of the Nigerian Government for the appointment of EER 233 as the technical partner in respect of OPL 233 and (iii) NNPC and the DPR consenting to the OPL 233 exploration period being extended for an additional minimum period of two years until at least 7 May 2014. In consideration for the transfer of the interests the OPL 233 Farmees agree to: (i) pay to NIGDEL the amount of US\$8.0 million; (ii) fund 100 per cent of the cost of the minimum work programme contemplated in the OPL 233 Production Sharing Contract (iii) bear NIGDEL's participation share of the cost of providing to NNPC a performance bond in the amount of US\$25.0 million as required by the OPL 233 Production Sharing Contract and (iv) make quarterly payments to NIGDEL in the amount of US\$0.2 million for a stipulated period. The OPL 233 Farmees are entitled to recover the costs carried on behalf of NIGDEL from the net proceeds arising from the disposal of petroleum to which NIGDEL has the right to take delivery pursuant to the OPL 233 Production Sharing Contract and the joint operating agreement to be concluded between the parties.

The Company's Nigerian counsel has expressed concerns as to whether the Nigerian Minister of Petroleum Resources is legally authorised to grant an extension of the OPL 233 exploration period on the basis that the exploration period applicable to a Nigerian Oil Prospecting Licence is stipulated by Nigerian statute and therefore cannot in law be varied by a Ministerial Declaration or Act. However, the Company is advised that this concurrent with industry practice.

NIGDEL has not commenced the OPL 233 Work Programme. However on 24 January 2011, the DPR confirmed to Nigerian counsel that OPL 233 remains in "good standing", notwithstanding the fact that the DPR acknowledged that NIGDEL had not commenced work on the OPL 233 Work Programme.

NIGDEL is also in breach of the provisions of the OPL 233 Production Sharing Contract that require it to submit a performance bond and a parent company guarantee to the NNPC. On 15 December 2010, NNPC formally notified NIGDEL that NIGDEL is in breach of the provisions of the OPL 233 Production Sharing Contract relating to the provision of the performance bond and parent company guarantee.

### **Manganese**

The Company continues to manufacture manganese sulphate powder, manganese sulphate solution and manganese oxide at its plant in Mpumalanga, South Africa, better known as the Greenhills plant. Its main source of income is from the sale of manganese sulphate monohydrate and manganese oxide. Annual turnover from the plant is approximately R31.0 million per annum.

### **Prospects**

On 7 December 2010 the Company announced its first near production deal with NIGDEL to acquire a 20 per cent working interest in the OPL 233 licence. Oil concession block OPL 233 is located immediately off the coast of the central delta region of Nigeria and adjacent to the giant Apoi field (>600mmbbls).

On 1 March 2011 the Company announced its second near production deal with Transcorp to acquire a 20 per cent participating interest in the OPL 281 license. Oil concession block OPL 281 is located onshore in the western delta region of Nigeria and adjacent to the widely publicised Shell divestment block OML 42.

The two deals mark another significant milestone in the continued development and growth of SacOil. The joint venture continues to seek further near-term production assets in Nigeria with a view to progress on its near-term production strategy.

The Board has concluded that, in order to effectively explore and evaluate the oil deposits of Block 3, it is necessary to form a relationship with a major international oil company which has the necessary financial capacity, technical skills and operating expertise to operate the asset. Following careful consideration of a number of potential participants, SacOil entered into detailed discussions with Total during 2010. These discussions have resulted in the conclusion of the Total Farm-In Agreement which was announced on 4 March 2011.

SacOil's core strategy is to become a leading independent African upstream oil and gas company with a balanced portfolio of Pan-African assets. SacOil's interests are in all phases of the upstream cycle – exploration, appraisal and near production – and are currently in the DRC and Nigeria.

## **7.2 Share capital**

The authorised and issued stated capital of the Company, before and after the Transactions assuming that the Bonus Issues are settled in shares, is set out below:

### **Before the Transactions:**

	<b>Number of shares</b>	<b>Rand</b>
<b>Authorised</b>		
Ordinary Shares of no par value	10 000 000 000	10 000 000 000
<b>Issued</b>		
Ordinary Shares of no par value	674 090 410	374 029 489

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**After the Transactions (excluding the Conversion)\*:**

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	Number of shares	Rand
<b>Authorised</b>		
Ordinary Shares of no par value, before Transactions	10 000 000 000	10 000 000 000
<b>Issued</b>		
Ordinary Shares of no par value	674 090 410	374 029 489
Adjustment	29 271 378	52 595 907
Ordinary Shares of no par value, after Transactions (excluding the Conversion)	703 361 788	426 625 396

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**After the Transactions\*\*:**

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	Number of shares	Rand
<b>Authorised</b>		
Ordinary Shares of no par value	10 000 000 000	10 000 000 000
<b>Issued</b>		
Ordinary Shares of no par value, after Transactions (excluding the Conversion)	703 361 788	426 625 396
Adjustment	77 041 627	123 883 722
Ordinary Shares of no par value, after Transactions	780 403 415	550 509 118

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SacOil does not hold any shares in treasury.

**Notes:**

\* Based on the maximum aggregate number of SacOil Ordinary Shares which may be issued to Mr R Vela and Mr C Bird on a cumulative basis at each Anniversary Date of 3 per cent and 1 per cent, respectively, of the total number of issued shares in the stated capital of the Company amounting to 20 222 720 and 6 740 907 SacOil Ordinary Shares; 1 511 184 SacOil Ordinary Shares issued to Mrs C de Beer assuming that her Annual Bonus is equal to 2 times her annual salary and the SacOil Ordinary Shares are issued at the 30-day VWAP to 3 March 2011 of R1.79; and 796 577 SacOil Ordinary Shares issued to Renaissance assuming that the advisory fee of US\$0.25 million is converted at R6.89 to US\$1.00 on 3 March 2011 and the SacOil Ordinary Shares are issued at the 30-day VWAP to 3 March 2011 of R1.79.

\*\* Based on the above issues and the issue of 77 041 627 SacOil Ordinary Shares to Renaissance Securities assuming that Tranche B and Tranche C are converted at R6.89 to US\$1.00 on 3 March 2011 at a 10 per cent discount to the 30-day VWAP on 3 March 2011 of R1.61.

The new SacOil Ordinary Shares to be issued in respect of the Bonus Issues, the Specific Issue to Renaissance and the Conversion Issue, will rank *pari passu* in all respects with the SacOil Ordinary Shares currently in issue.

In terms of a resolution passed at the annual general meeting of Shareholders on 17 November 2010, the authorised but unissued SacOil Ordinary Shares in the Company were placed under the control of the Directors until the next annual general meeting, subject to the provisions of sections 221 and 222 of the Act and the Listings Requirements.

### 7.3 Major SacOil Shareholders

SacOil Shareholders (excluding Directors) beneficially and directly or indirectly holding 5 per cent or more of the issued share capital of the Company as at the Last Practicable Date, before and after the Transactions, are as follows:

#### Before the Transactions:

Shareholder	Number of shares	Shareholding per cent
<b>Encha</b>	181 590 894	26.94
<b>Encha Capital</b>	149 647 911	22.20
<b>Metropolitan Asset Managers PIC</b>	94 882 129	14.08
	46 666 666	6.92
<b>Total</b>	<b>472 787 600</b>	<b>70.14</b>

#### After the Transactions (excluding the Conversion)\*:

Shareholder	Number of shares	Shareholding per cent
<b>Encha</b>	181 590 894	25.82
<b>Encha Capital</b>	149 647 911	21.28
<b>Metropolitan Asset Managers PIC</b>	94 882 129	13.49
	46 666 666	6.63
<b>Total</b>	<b>472 787 600</b>	<b>67.22</b>

#### After the Transactions\*\*:

Shareholder	Number of shares	Shareholding per cent
<b>Encha</b>	181 590 894	23.27
<b>Encha Capital</b>	149 647 911	19.18
<b>Metropolitan Asset Managers</b>	94 882 129	12.16
<b>Renaissance Capital</b>	92 353 651	11.83
<b>PIC</b>	46 666 666	5.98
<b>Total</b>	<b>565 141 251</b>	<b>72.42</b>

#### Notes:

\* Based on the maximum aggregate number of SacOil Ordinary Shares which may be issued to Mr R Vela and Mr C Bird on a cumulative basis at each Anniversary Date of 3 per cent and 1 per cent, respectively, of the total number of issued shares in the stated capital of the Company amounting to 20 222 720 and 6 740 907 SacOil Ordinary Shares; 1 511 184 SacOil Ordinary Shares issued to Mrs C de Beer assuming that her Annual Bonus is equal to 2 times her annual salary and the SacOil Ordinary Shares are issued at the 30-day VWAP to 3 March 2011 of R1.79; and 796 577 SacOil Ordinary Shares issued to Renaissance assuming that the advisory fee of US\$0.25 million is converted at R6.89 to US\$1.00 on 3 March 2011 and the SacOil Ordinary Shares are issued at the 30-day VWAP to 3 March 2011 of R1.79.

\*\* Based on the above issues and the issue of 77 041 627 SacOil Ordinary Shares to Renaissance Securities assuming that Tranche B and Tranche C are converted at R6.89 to US\$1.00 on 3 March 2011 at a 10 per cent discount to the 30-day VWAP on 3 March 2011 of R1.61.

Encha, through its special purpose vehicle Encha Capital, is the controlling shareholder of SacOil before the Transactions and will remain the controlling shareholder following the implementation of the Transactions. There has been no change in the controlling shareholder or trading objects of the Group during the previous five years.

Other than as detailed above and in paragraph 6.2 of the Circular, none of the Directors or Bayphase has, or within two years of the date of the Circular had, any direct or indirect beneficial interest in the share capital of SacOil.

#### **7.4 Litigation statement**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened so far as the Company is aware) in the previous 12 months which may have, or have had in the recent past significant effects on the financial position or profitability of the Company and/or the Group.

The Company has been cited as defendant in two actions instituted by Joseph Modibane in the North Gauteng High Court. In his first action, Joseph Modibane alleges that he was entitled to receive 105 000 000 SacOil Ordinary Shares at an issue price of 30 cents per Ordinary Share but that the Company unlawfully declined to deliver the SacOil Ordinary Shares to him. Joseph Modibane further alleges that in consequence of the Company's alleged unlawful conduct he is entitled to claim damages from the Company in the amount of R67.2 million.

In a second action, Joseph Modibane alleges that the content of the announcement made by the Company on 15 September 2010 in relation to the first action, was defamatory to him and claims payment from the Company of damages in the amount of R80.0 million.

Having regard to the information in its possession at the date of this Circular, the Board is of the view that each of the aforementioned claims are without factual foundation and have no substance. The Company has therefore instructed its South African legal representatives, Deneys Reitz, to vigorously defend the actions and seek costs against Joseph Modibane.

SacOil (Proprietary) Limited, a company of which the Company currently owns 50 per cent of the issued share capital, has been cited as a respondent in motion proceedings instituted by Identiguard International (Pty) Limited ("Identiguard") in the South Gauteng High Court in relation to a judgment debt obtained in 2003 by Identiguard against the DRC Government and, of which approximately US\$7.0 million currently remains outstanding (the "Judgment Debt"). Identiguard seeks an order directing SacOil (Proprietary) Limited to effect payment of the Block 3 Supplementary Signature Bonus to the Sheriff of the High Court (who will receive it on behalf of Identiguard) in partial reduction of the Judgment Debt. The DRC Government has indicated that it will not recognise a payment to the Sheriff of the High Court as a discharge of the payment obligations of the Block 3 Contractant under the Block 3 Production Sharing Agreement. A failure to effect timely payment of the Block 3 Supplementary Signature Bonus would constitute a breach of the provisions of the Block 3 Production Sharing Agreement which would render the agreement susceptible to termination by the DRC Government. SacOil (Proprietary) Limited has argued, *inter alia*, that having regard to the circumstances of the matter, the South Gauteng High Court does not have the jurisdiction to grant the order sought by Identiguard.

Having regard to the information in its possession at the date of this Circular, the Board is of the view that the aforementioned claim by Identiguard is without foundation and does not have a proper legal basis. The Company has therefore instructed its South African legal representatives, Deneys Reitz, to vigorously defend the action and seek costs against Identiguard.

Kevin van der Walt ('van der Walt') has alleged that the Company contravened Section 76 of the Securities Services Act, 2004 ('the Act') and it appears that he is lodging a complaint with the JSE, the Financial Services Board ('FSB') and the UK Regulatory Authorities. SacOil has not received any communication in this regard from any of the JSE, the FSB or the UK Regulatory Authorities. The Company is, however, in possession of van der Walt's allegations and he alleges that the Company has published incorrect, alternatively misleading information. The Company categorically denies that it has published incorrect and misleading information and it has contravened the provisions of Section 76 of the Act.

Other than as stated above, there are no legal or arbitration proceedings, including any proceedings that are pending or threatened of which the Directors are aware, which may have or have had in the recent past, being at least the previous 12 months preceding the date of this Circular, a material effect on the Group's financial position.

#### **7.5 Material changes**

Other than the Restructure, details of which were included in the circular to SacOil Shareholders, dated 4 September 2010, there has been no material change in the assets, liabilities or the financial trading position of SacOil and its subsidiaries during the past five years.

Other than the Restructure, details of which were included in the Circular to SacOil Shareholders, dated 4 September 2010, no material fact or circumstance has occurred between the end of the latest reporting period, of SacOil and its subsidiaries, being 31 August 2010, and the Last Practicable Date.

Other than the Restructure, details of which were included in the circular to SacOil Shareholders, dated 4 September 2010, there have been no material acquisitions of property by SacOil or any of its subsidiaries during the three years preceding the date of this Circular.

## **7.6 Material contracts**

Set out below is a summary of each material contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Group: (a) within the four years immediately preceding the date of the Circular or (b) which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Circular:

- 7.6.1 A Block 3 Production Sharing Agreement concluded on 4 December 2007 between the DRC Government, SacOil (Proprietary) Limited and Cohydro in relation to Block 3. The provisions of the Block 3 Production Sharing Agreement were subsequently amended by the Avenant concluded by SacOil (Proprietary) Limited and the DRC in about June 2010. In terms of the Block 3 Production Sharing Agreement, the DRC grants to SacOil (Proprietary) Limited and Cohydro exclusive rights of reconnaissance and exploration of hydrocarbons in Block 3 subject to the granting of an EZRE and the right to obtain an exploitation permit in respect of Block 3.
- 7.6.2 A letter of appointment and mandate concluded on 28 February 2008 between Lonsa and SacOil in relation to the appointment of Lonsa, jointly with Sasfin Capital, as its co-corporate adviser with regard to an acquisition of oil concession blocks in the DRC, an issue of shares for cash and placing to raise further cash, a proposed distribution *in specie* of shares in a SacOil subsidiary and a joint venture on the Greenhills Plant (the "Proposed Transaction"). As remuneration for its provision of services Lonsa is entitled to: (i) a monthly retainer fee of R60 000 per month; (ii) a fee in the amount equivalent to 2 per cent of the value of a Proposed Transaction payable upon closing of a Proposed Transaction; and (iii) a fee in the amount equivalent to 2.5 per cent of the gross value of any equity raised by SacOil from investors introduced to SacOil by Lonsa, which fee is payable within five business days of receipt by SacOil of the proceeds of such equity raising.
- 7.6.3 A loan agreement concluded on 17 March 2008 between SacOil and SacOil (Proprietary) Limited (the "SacOil Loan Agreement") in terms of which it was agreed that SacOil would advance the Rand equivalent of US\$2.00 million to SacOil (Proprietary) Limited for the purpose of funding the payments to the DRC Government of the initial signature bonus which was due to the DRC Government under the Block 3 Production Sharing Agreement.
- 7.6.4 A farm out agreement concluded on 10 May 2010 between Falcan Chaal Petroleum Limited ("Falcan"), Societe de Maintenance D'Installations Petrolieres ("SMIP") and SacOil in relation to the exploration permit pertaining to the Chaal Gas Exploration Permit Area, Tunisia (as amended by an amendment agreement concluded between the parties on 6 July 2010). In terms of the agreement, Falcan agrees, subject to the fulfilment of certain conditions precedent, to assign to SacOil an undivided 41.25 per cent participating interest in and to the total rights and obligations, privileges and liabilities of the "contractor" and "entrepreneur" in and under the exploration permit, a production sharing agreement concluded amongst Enterprise Tunisian d'Activities Petrolieres and Candax Energy Inc. ("Candax") on 12 January 2006 and a joint operating agreement concluded between Candax and SMIP on 24 October 2005. Pursuant to the assignment of the farmout interest, SacOil's interest in the Chaal Gas Exploration Permit Area would be 55 per cent.
- 7.6.5 A letter of appointment and mandate concluded on 7 June 2010 between Lonsa and SacOil in terms of which SacOil appointed Lonsa as its corporate adviser with regard to an acquisition of the Chaal gas permit in Tunisia and a placing of shares to raise further cash (the "Chaal Transaction"). As remuneration for its provision of services Lonsa is entitled to a fee in an amount equivalent to 2 per cent of the value of the Chaal Transaction which

shall become due upon the closing of the Chaal Transactions but shall only be payable at such time as the working capital position of SacOil is such that it is able to pay the fee. Lonsa is further entitled to a fee of 2.5 per cent of the gross value of any equity raised by SacOil from investors introduced to SacOil by Lonsa, which fee is payable within five business days of receipt by SacOil of the proceeds of any such equity raising.

- 7.6.6 A share purchase agreement concluded on 22 July 2010 between Encha, Columbia Falls Properties 114 (Proprietary) Limited (“Columbia”), Moosa, SacOil and SacOil (Proprietary) Limited in terms of which Encha, Moosa and Columbia sold 500 ordinary shares in the issued share capital of SacOil (Proprietary) Limited (constituting 50 per cent of the total issued share capital) to SacOil. As consideration for the sale shares, SacOil issued and allotted an aggregate of 209 456 000 SacOil Ordinary Shares to Encha, Moosa and Columbia.
- 7.6.7 A shareholder undertaking concluded on 22 July 2010 between DIG and SacOil in terms of which DIG and SacOil provide undertakings to one another in their respective capacities as shareholders of SacOil (Proprietary) Limited pending the execution of a shareholders’ agreement.
- 7.6.8 An agreement of cession concluded on 22 July 2010 between DIG and SacOil in terms of which SacOil cedes to DIG all of SacOil’s rights in any nature whatsoever in, and interest of any nature whatsoever in, 50 per cent of all current and future claims that SacOil has, or may have in the future, against SacOil (Proprietary) Limited for repayment of monies under the SacOil Loan Agreement.
- 7.6.9 An agreement of assignment concluded on 22 July 2010 between DIG and SacOil in terms of which DIG cedes and assigns to SacOil all of DIG’s rights of any nature whatsoever in, and interest of any nature whatsoever in:
- 35 per cent of the economic interest of DIG under the production sharing agreement in respect of Block 1, Albertine Graben, DRC (“Block 1”), dated 21 January 2008 (the “Block 1 Production Sharing Agreement”); and
  - 35 per cent of all current and future claims of any nature whatsoever that DIG has, or may have in the future, against the DRC Government in the event that DIG’s rights under the Block 1 Production Sharing Agreement are not perfected for any reason whatsoever.
- 7.6.10 A cancellation agreement concluded on 22 July 2010 between DIG, Encha, Columbia, Moosa, SacOil, SacOil (Proprietary) Limited and Brown in terms of which each of the parties agreed to terminate the following agreements to which it was a party:
- a deed of suretyship concluded between Encha and SacOil;
  - a cession and pledge in security concluded between Encha and SacOil;
  - a deed of suretyship concluded between Brown and SacOil;
  - a cession and pledge in security concluded between Brown and SacOil;
  - a deed of suretyship concluded amongst Encha, DIG and SacOil;
  - a cession and pledge in security concluded between DIG and SacOil;
  - a cession and pledge in security concluded between DIG, Columbia and SacOil; and
  - a cession and pledge in security concluded between Moosa and SacOil.
- 7.6.11 An amended and restated loan agreement (the “Amended and Restated DIG Loan Agreement”) concluded on 22 July 2010 between SacOil and DIG in terms of which the initial loan agreement concluded between the parties on 17 March 2008 is amended and restated. It is recorded that the loan amount, being the Rand equivalent of the amount of US\$1.4 million, was advanced to the DRC of the Block I Production Sharing Agreement Government for the purpose of funding the payment by DIG to the DRC Government of the “signature bonus” due and payable of the Block I Production Sharing Agreement. The agreement further provides that the loan amount shall bear interest in the lump sum amount of the Rand equivalent of the sum of US\$188 637.
- 7.6.12 A cession and pledge in security concluded on 22 July 2010 between DIG and SacOil in terms of which DIG agreed to pledge to SacOil fifty ordinary shares of R1.00 each held by DIG in the issued share capital of SacOil (Proprietary) Limited, and to cede to SacOil all of DIG’s rights of any nature in those shares and all current and future claims that DIG

may have against SacOil (Proprietary) Limited by virtue of its shareholding. The security cession was concluded to secure the due payment and performance in full of any obligation or indebtedness which DIG owes, or may at any time thereafter owe, to SacOil under the Amended and Restated DIG Loan Agreement.

- 7.6.13 A loan agreement concluded on 22 July 2010 between DIG and SacOil (Proprietary) Limited in terms of which it was agreed that DIG would loan and advance the Rand equivalent of the sum of US\$1 million to SacOil (Proprietary) Limited for the purpose of partially funding the payment to the DRC Government of the Supplementary Block 3 Signature Bonus.
- 7.6.14 A loan agreement concluded on 22 July 2010 between SacOil and SacOil (Proprietary) Limited in terms of which it is agreed that SacOil shall loan and advance the Rand equivalent of the sum of US\$1 million to SacOil (Proprietary) Limited for the purpose of partially funding the payment to the DRC Government of the Supplementary Block 3 Signature Bonus.
- 7.6.15 An extension agreement concluded on 26 July 2010 between DIG, Encha, Columbia, Moosa, SacOil, SacOil (Proprietary) Limited and Brown in terms of which it was agreed that the date for fulfilment or waiver of the suspensive conditions of the restructure agreements (being the agreements referred to in paragraphs 7.6.6 to 7.6.14 above) to which each is a party is extended to 30 September 2010.
- 7.6.16 An engagement letter concluded on 21 September 2010 between finnCap and SacOil in terms of which SacOil appointed finnCap to act as nominated adviser, financial adviser and joint broker to SacOil. The provisions of the finnCap engagement letter were subsequently supplemented by a further engagement letter concluded between finnCap and SacOil on 21 September 2010 in terms of which SacOil appointed finnCap to act as financial adviser and broker to SacOil in connection with a proposed placing.
- 7.6.17 An appointment letter concluded on 21 September 2010 between Renaissance Capital Limited (“Renaissance Capital”) and SacOil in terms of which SacOil instructed Renaissance Capital to act as exclusive manager and bookrunner to SacOil in connection with the proposed offering of SacOil Ordinary Shares which are to be admitted to trading on AIM. SacOil has also undertaken to appoint Renaissance as corporate broker to SacOil, which appointment shall be recorded in a separate agreement.
- 7.6.18 A master joint venture agreement concluded on 24 September 2010 between EERNL and SacOil (the “MJVA”) in terms of which an unincorporated joint venture between the parties named “SacOil-EER” was established, which joint venture shall operate the business of the acquisition and/or development of oil and gas assets in Nigeria.
- 7.6.19 A farm out and participation agreement concluded on 6 October 2010 between Transcorp, EER 281 and SacOil 281 in terms of which the parties record the basis upon which EER 281 and SacOil 281 will each acquire a 20 per cent participating interest in OPL 281 from Transcorp.
- 7.6.20 A joint operating agreement (the “OPL 281 Joint Operating Agreement”) concluded on 6 October 2010 between Transcorp, EER 281 and SacOil 281 in terms of which the parties define their respective rights and obligations under, and provide for joint exploration, development and production of hydrocarbons in respect of, OPL 281 and any mining lease derived from OPL 281.
- 7.6.21 A technical assistance agreement (the “OPL 281 Technical Assistance Agreement”) concluded on 16 October 2010 between Transcorp, EER 281 and SacOil 281 in terms of which the parties provide for EER 281 and SacOil 281 to assist Transcorp in performing its obligations as “Operator” under the OPL 281 Joint Operating Agreement.
- 7.6.22 A farm-in agreement concluded on 30 November 2010 between NIGDEL, EER 233 and SacOil in terms of which the parties record the basis upon which EER 233 and SacOil 233 will each acquire a 20 per cent participating interest in OPL 233 from NIGDEL.
- 7.6.23 A joint operating agreement (the “OPL 233 Joint Operating Agreement”) concluded on 30 November 2010 between NIGDEL, EER 233 and SacOil 233 in terms of which the parties defined their respective rights and obligations under, and provide for joint exploration, development and production of hydrocarbons in respect of, OPL 233 and any mining lease derived from OPL 233.

- 7.6.24 A technical assistance agreement concluded on 30 November 2010 between NIGDEL, EER 233 and SacOil 233 in terms of which the parties provide for EER 233 to assist NIGDEL in performing its obligations as “Operator” under the OPL 233 Joint Operating Agreement.
- 7.6.25 A letter agreement concluded on 5 January 2011 between Renaissance and SacOil in terms of which SacOil appointed Renaissance as its exclusive financial advisor in respect of the potential investment by Total Group in Block 3. The agreement provides, that in consideration for the services provided by Renaissance, the Company shall pay Renaissance a fee of US\$500 000 within seven business days following the payment by Total to SacOil of any consideration in respect of such investment, provided that such fee shall be structured on the basis that: (i) SacOil shall effect payment of the amount of US\$250 000 in cash and (ii) SacOil shall issue to Renaissance shares with an aggregate value of US\$250 000.
- 7.6.26 A memorandum of agreement concluded on 20 January 2011 between SacOil, DIG and Brown (the “Semliki Memorandum of Agreement”) which was amended and restated by the parties on 23 February 2011 (the “Restated Semliki Memorandum of Agreement”). The Restated Semliki Memorandum of Agreement records that the parties agree that the sole asset of Semliki shall be its interest in Block 3 and that Semliki shall function as a holding company. In addition, the parties agree, *inter alia*, that:
- SacOil and DIG shall be entitled to receive a distribution of the Initial Consideration received by Semliki pursuant to the Total Agreement. SacOil shall be entitled to receive payment of the amount of US\$11.9 million (the “SacOil Portion”) and DIG shall be entitled to receive payment of the amount of US\$9.0 million;
  - the SacOil Portion of the Initial Consideration shall be paid into a bank account held in the name of Semliki nominated by SacOil Holdings (the “SacOil Portion Bank Account”);
  - subject to the consent of the DRC Government, it is the intention of SacOil and DIG to restructure their respective interests in Block 3 (currently held indirectly through Semliki) so that SacOil and DIG hold their interests independently;
  - SacOil is entitled to receive 35 per cent of any compensation received by DIG from the DRC Government in relation to Block I, Albertine Graben, DRC; and
  - with effect from the signature date, DIG sells to SacOil the entire shareholding of DIG in SacOil (Proprietary) Limited for a purchase consideration of R1.00.
- 7.6.27 An addendum to the Semliki Memorandum of Agreement, concluded on 28 January 2011, between SacOil, DIG and Brown in terms of which the parties agree that the Semliki Memorandum of Agreement is supplemented in the following respects:
- SacOil undertakes in favour of DIG, Brown and Semliki that it shall indemnify and hold Semliki harmless against 50 per cent of all claims in relation to all taxes incurred by Semliki in consequence of the implementation of the transactions contemplated in the Total Agreement; and
  - DIG undertakes in favour of SacOil, Brown and Semliki that it shall indemnify and hold Semliki harmless against 50 per cent of all claims in relation to all taxes incurred by Semliki in consequence of the implementation of the transactions contemplated in the Total Agreement.
- 7.6.28 A farm-in agreement in respect of the Block 3 Interest concluded on 2 March 2011 between Semliki and Total. In terms of the agreement, Semliki agrees, subject to the fulfilment of certain conditions precedent (which are to be satisfied or waived on or before the date falling 30 calendar days after the date of the agreement or a later date mutually agreed in writing between the parties), to transfer the Block 3 Interest to Total. The agreement provides for the following consideration for the transfer of the Block 3 Interest:
- on the Completion Date, Total shall make payment to Semliki of US\$15.0 million (the “Initial Total Consideration”);
  - Total shall make payment of Semliki’s 40 per cent participating interest share of costs incurred under the terms of the Block III Production Sharing Agreement and a joint operating agreement in respect of Block 3 to be negotiated between Semliki and Total, from the Completion Date until the FID Date, which carried costs are recoverable by Total;
  - Total shall make a bonus payment to Semliki of US\$58.0 million within three business days of the FID Date; and

- Total shall make a bonus payment to Semliki of US\$50.0 million within three business days of the First Oil Date.

The conditions precedent to the transaction include:

- the written approval of the Minister of Hydrocarbon of the DRC to the transfer of the Block 3 Interest;
- the completion to the satisfaction of Total of a due diligence investigation of the Block 3 Interest;
- the approval of the shareholders of Semliki and SacOil for the transactions contemplated in the agreement; and
- the approval of the executive committee of Total for the transactions contemplated in the agreement.

7.6.29 A bid document executed on 12 January 2011 (the “OML 42 Bid Document”) submitted by the Bid Consortium to the Bid Vendors in respect of a bid by the Bid Consortium to acquire the aggregate 45 per cent interest held by the Bid Vendors in OML 42. The OML 42 Bid Document provides that any interest secured will be transferred to a special purpose vehicle (“BidCo”). EER and SacOil shall hold an aggregate equity interest of 55 per cent in BidCo and Essar shall hold a 45 per cent equity interest in BidCo. EER and SacOil shall hold an aggregate economic interest of 30 per cent in BidCo and Essar shall hold an economic interest of 70 per cent in BidCo. The OML 42 Bid Document contemplates, *inter alia*, that the Bid Vendors shall pay 10 per cent of the bid amount into escrow (the “Bid Escrow Amount”). SacOil has discharged its obligations in respect of payment of the Bid Escrow Amount. On 4 March the Bid Consortium was advised by the Bid Vendors that the bid had been unsuccessful and that the Bid Escrow Amount would be repaid to the Bid Consortium.

7.6.30 A deed of amendment and novation dated 21 January 2011 between Transcorp, TEL, EER 281 and SacOil 281 in terms of which the parties agree to the accession of TEL as a party to:

- the OPL 281 Farm-Out Agreement (a summary of which is set out in paragraph 7.6.19 above);
- the OPL 281 Joint Operating Agreement (a summary of which is set out in paragraph 7.6.20 above);
- the deed of assignment (the “OPL 281 Deed of Assignment”) to be concluded between the Parties in relation to the transfer and assignment of the OPL 281 Interest to the OPL 281 Investors;
- the OPL 281 Technical Assistance Agreement (a summary of which is set out in paragraph 7.6.21 above),

and to the amendment of the terms of those agreements to provide, *inter alia*, for the assignment and transfer by Transcorp of its rights, benefits and obligations under OPL 281 to TEL, and for the payment by SacOil 281, on behalf of the OPL 281 Investors, of the OPL 281 Residual Signature Bonus to the Nigerian Government by no later than 28 February 2011. In terms of the OPL 281 Deed of Amendment and Novation, the failure by SacOil to timeously pay the OPL 281 Residual Signature Bonus shall result in the termination of all agreements between the parties, unless:

- the parties agree to extend the payment date;
- SacOil 281 is able to provide evidence that the transfer of the OPL 281 Residual Signature Bonus to the designated account was effected timeously; or
- the payment of the OPL 281 Residual Signature Bonus was delayed as a result of the failure of Transcorp or TEL to provide certain stipulated documents or where it is discovered that the designated account details provided were incorrect.

The OPL 281 Deed of Amendment and Novation further states that Transcorp shall provide to the OPL 281 Investors a guarantee (the further details of which are set out in paragraph 7.6.31 below) guaranteeing the performance of certain obligations by TEL.

7.6.31 A parent company guarantee dated January 2011 between Transcorp, TEL, EER 281 and SacOil 281 in terms of which Transcorp has agreed to guarantee the due performance of all of the obligations of TEL under:

- the OPL 281 Farm-Out Agreement (as amended by the OPL 281 Deed of Amendment and Novation); and
- the OPL 281 Deed of Assignment.

7.6.32 A facility agreement concluded on 18 February 2011 between SacOil, Encha, Renaissance and Renaissance Securities (the "Facility Agreement") (as amended and restated by a supplemental agreement dated 28 February 2011) in terms of which it is agreed, subject to the fulfilment of certain conditions precedent, that Renaissance shall make available to SacOil a term loan facility in two tranches, being:

- an amount of US\$12.0 million ("Tranche A");
- a Rand amount equivalent to US\$12.0 million (Tranche B"); and
- a Rand amount equivalent to US\$6.0 million ("Tranche C").

The right of SacOil to make a drawdown under the Facility Agreement is subject to the satisfaction of waiver of various stipulated conditions precedent including:

- approval from the South African Securities Regulation Panel that Renaissance taking security over up to 35 per cent of the issued Ordinary Shares does not trigger requirement to make an offer for the remaining Ordinary Shares;
- Exchange Control approval from the Financial Surveillance Department of the South African Reserve Bank in relation to the transaction;
- Semliki shall have opened an account with Investec Bank Limited ("Investec") which shall be charged in favour of Renaissance;
- evidence of satisfaction of each of the conditions precedent stipulated in the Total Agreement, other than the consents of the DRC Government;
- EERNL consent to SacOil assigning its rights in relation to OML 42 under the MJVA to Renaissance.

The agreement contemplates that EER, Essar and SacOil shall enter into an amendment and accession agreement amending and restating a memorandum of understanding concluded between EER and Essar on 29 November 2010 in relation to a joint bid to SPDC to acquire its interest in OML 40 and/or OML 42 (the "Restated MOU") and that SacOil shall accede to the Restated MOU. The agreement further contemplates that EER, Essar and SacOil shall enter into a memorandum of agreement in terms of which the study and bid group agreement concluded between EER and Essar in relation to OML 40 and/or OML 42 is amended and restated (the "Restated Bid Agreement") and SacOil accedes to the Restated Bid Agreement. Neither the Restated MOU nor the Restated Bid Agreement have been concluded.

The agreement provides that SacOil shall apply all amounts borrowed by it under Tranche A to the payment of the facility arrangement fee, being US\$0.9 million, and to payment of the escrow bid amount due by SacOil under the OML 42 Bid Document (a summary of which is set out in paragraph 7.6.29 above), the Restated MOU and the Restated Bid Agreement. Tranche B shall be applied towards repayment of Tranche A and the amount of Tranche A repaid by the Company and the amount to be drawn down by the Company under Tranche B shall be netted off against each other. Tranche C will only be available for draw down on 30 days' notice to Renaissance and must be applied towards the purchase of title to OPL 233 and OPL 281. Interest shall be payable at the rate of 30 per cent per annum. Renaissance has the right to convert ("Equity Conversion") the repayment amount into SacOil Ordinary Shares ("Conversion Shares") at a conversion price equivalent to 0.9 multiplied by the arithmetic average of the daily volume weighted average closing price in Rand of the Ordinary Shares for a period of 30 trading days prior to (but excluding) the utilisation date of the relevant tranche of the loan (the "Conversion Price"). Renaissance is entitled to exercise its Equity Conversion right on the date of repayment or alternatively

to defer the exercise of the right until the date when the total amount outstanding under the tranche is finally repaid. Renaissance is further entitled to elect cash settlement of the Equity Conversion on the Repayment Date in an amount equivalent to the number of Conversion Shares multiplied by the difference between the arithmetic average of the daily volume weighted closing price in Rand of the SacOil Ordinary Shares for a period of 30 trading days prior to (but excluding) the relevant repayment date and the Conversion Price.

Under the Facility Agreement SacOil provides various undertakings to Renaissance which restrict the manner in which SacOil may conduct its business. These undertakings are stipulated to remain in force from the date of the Facility Agreement for so long as any amount is outstanding under the finance documents (as that term is defined in the Facility Agreement including the Tranche A Call Option Confirmation (a summary of which is set out in paragraph 7.6.34 below). These undertakings *inter alia* restrict the ability of SacOil to: (i) create security over any of its assets; (ii) dispose of any asset; (iii) enter into any merger or corporate reconstruction; (iv) incur financial indebtedness other than specifically permitted under the Facility Agreement; (v) change the general nature of its business and (vi) make any acquisition or investment other than as specifically permitted by the Facility Agreement.

The Facility Agreement contemplates a number of events of default which, if triggered, will entitle Renaissance to cancel the facility and to declare that all or part of the loans together with accrued interest and other outstanding amounts be immediately due and payable. These events of default include, *inter alia*, the following transaction-specific events of default:

- SacOil failing to pay any portion of the purchase price payable by it in relation to the OML 42 Bid (as described in paragraph 7.6.29 above) on due date;
- Semliki repudiating the Total Farm-In Agreement;
- Total failing to pay the Initial Consideration for any reason;
- EER becoming subject to an insolvency event;
- EER repudiating any of the OML 42 Bid documents; and
- the SacOil Ordinary Shares not admitted to trading on AIM by 15 April 2011.

The Company drew down on Tranche A of the Facility on 18 February 2011. In terms of the Supplemental Facility Agreement (a summary of which is set out in paragraph 7.6.33 below), it was agreed by the parties that Tranche B was deemed to be drawn down by the Company and an amount of US\$12.0 million was deemed to be repaid by the Company in respect of Tranche A on 28 February 2011. The Facility Agreement provides that, on this basis, the sum of US\$2.8 million (the "Tranche A Remainder Amount") will remain outstanding under Tranche A and will continue to bear interest until repaid but that Equity Conversion will not apply to the Tranche A Remainder Amount.

7.6.33 The Supplemental Facility Agreement concluded on 3 March 2011 between SacOil, Encha, Renaissance and Renaissance Securities amends and restates the Facility Agreement with effect from 28 February 2011. The Supplemental Facility Agreement records that:

- the parties agree that, for purposes of their rights and obligations under the finance documents (as that term is defined in the Facility Agreement), an amount of US\$12.0 million of Tranche A of the Facility was repaid and Tranche B of the Facility was drawn down on 28 February 2011;
- on this basis interest accrued on Tranche A is US\$106 027;
- Renaissance notifies SacOil that it wishes to cash settle the Equity Conversion that arises in connection with the partial repayment of Tranche A and the parties agree that the cash settlement amount in respect of Tranche A is US\$1.8 million; and
- Renaissance consents to SacOil having made payment to Transcorp of US\$12.5 million in respect of OPL 281 on 28 February 2011.

7.6.34 A letter agreement concluded on 18 February 2011 between Renaissance and SacOil. In terms of the Tranche A Call Option Confirmation, Renaissance has been granted Call Options on SacOil Ordinary Shares with an expiration date of 20 February 2012. The number of options granted in respect of Tranche A is 6 394 888 which is 10 per cent of the US\$ value of Tranche A converted at R7.20 to US\$1.00 divided by the Tranche A Strike Price. The options are exercisable at the Tranche A Strike Price.

7.6.35 A security cession agreement concluded on 23 February 2011 between Semliki, SacOil, Renaissance and Investec Bank Limited (“Investec”) in terms of which both of SacOil and Semliki cedes certain rights to Renaissance, as security for each obligation of:

- SacOil to Renaissance under the finance documents (as that term is defined under the Facility Agreement); and
- Semliki to Renaissance under a guarantee granted by Semliki for the proper and punctual payment by SacOil of all amounts due and owing by SacOil to Renaissance.

In particular:

- Semliki cedes *in securitatem debiti* to Renaissance all of its rights under the Total Farm-In Agreement to demand and receive payment from Total of the SacOil Portion of the Initial Consideration; and
- SacOil cedes *in securitatem debiti* to Renaissance all of its rights:
  - to demand and receive payment of the SacOil Portion of the Initial Consideration from Semliki;
  - to demand and receive payment of any refund in respect of OML 42 under the MJVA or the Restated MOU; and
  - under the Restated Bid Agreement.

In addition to the cession mentioned above, Semliki cedes *in securitatem debiti* to Renaissance all of its rights to the Semliki Portion Bank Account held at Investec (including any amount standing to the credit of that account).

7.6.36 A letter agreement concluded on 28 February 2011 between Renaissance and SacOil. In terms of the Tranche B Call Option Confirmation, Renaissance has been granted Call Options on SacOil Ordinary Shares with an expiration date of 28 February 2012. The number of options granted in respect of Tranche B is 5 626 234 which is 10 per cent of US\$12.0 million converted at R6.97 to US\$1.00 divided by the Tranche B Strike Price. The options are exercisable at the Tranche B Strike Price.

7.6.37 On 28 February 2011 SacOil entered into the Encha Memorandum of Agreement in terms of which Encha undertook to utilise its reasonable commercial endeavours to:

- assist SacOil with Capital Raising;
- assist SacOil with the procurement of security for third party funding which security may include, at the election of Encha, a Share Pledge; and
- introduce Relevant Business Opportunities to SacOil and facilitate the implementation of Designated Transactions.

Encha is entitled to receive remuneration from SacOil in relation to the provision these services in the form of cash or SacOil Ordinary Shares, at the election of SacOil, as follows:

- in respect of Capital Raising, a fee equivalent to 2.5 per cent of the capital raised;
- in respect of a Share Pledge, a fee equivalent to 3 per cent of the aggregate value of the SacOil Ordinary Shares subject to the Share Pledge; and
- in respect of a Designated Transaction, a fee equivalent to 1.5 per cent of the value of the Designated Transaction.

7.6.38 On 17 February 2011, the PIC executed an irrevocable undertaking to subscribe for 46 666 666 Ordinary Shares (the “PIC Shares”) for cash at a subscription price of R1.50 per Ordinary Share (constituting an aggregate subscription price of R70.0 million), subject to the approval of the Board and the South African regulatory authorities. On 21 February 2011 the Company applied to the JSE for the listing of the PIC Shares on the basis that the PIC Shares would be allotted and issued to the PIC on 28 February 2011 (the “PIC Issue”).

7.6.39 On 8 March 2011, the Company, the Directors and finnCap entered into an admission agreement pursuant to which finnCap conditionally agreed to act as the Company’s corporate adviser in connection with Admission. The conditions to the admission agreement include, *inter alia*, the passing of resolutions of the Shareholders at an extraordinary general meeting to be held on or about 31 March 2011 and Admission becoming effective on 8 April 2011 (or such later date as the Company and finnCap may agree being not later than 30 April 2011). The Company and the Directors have given warranties in favour

of finnCap and the Company has given an indemnity in favour of finnCap pursuant to the admission agreement. finnCap may terminate the admission agreement prior to Admission in certain circumstances including where it comes to the attention of finnCap that any of the warranties given under the agreement are untrue or misleading in any material respect.

Copies of the agreements are available for inspection as detailed in paragraph 15 below.

The Company is not subject to any management agreements, other than the Encha Memorandum of Agreement, details of which are provided in paragraph 4 of this Circular.

## **7.7 Statement of indebtedness**

SacOil had the following material borrowings at the Last Practicable Date:

The Company entered into the Facility Agreement with Renaissance on 18 February 2011, as amended on 3 March 2011, to receive short-term funding in an amount of US\$30.9 million for a period of 12 months from Admission. The loan is made in three tranches:

- Tranche A in an amount of US\$12.0 million plus a financing fee of US\$0.9 million added to the amount repayable. Tranche A was partially repaid on 28 February 2011. The balance of Tranche A being interest of US\$0.1 million, facility fees of US\$0.9 million and a cash settlement amount of US\$1.8 million totalling US\$2.8 million will remain outstanding as a loan under Tranche A and will continue to bear interest at an interest rate of 30 per cent in accordance with the agreement. The funds from Tranche A were utilised to pay a 10 per cent deposit in respect of OML 42. This amount was paid directly to SPDC and is held in escrow. On 4 March 2011 the Bid Consortium was notified by the Bid Vendors that the bid had been unsuccessful and that the deposit would be repaid to SacOil.
- Tranche B in an amount of US\$12.0 million; the funds from Tranche B shall be utilised towards repayment of Tranche A; and
- Tranche C in an amount of US\$6.0 million. The funds from Tranche C will be utilised towards the purchase of title to OPL 233 and OPL 281.

Provided that the total amount of principal debt under the loans may not be more than US\$18.9 million (excluding the outstanding balance of Tranche A).

Encha has granted security of SacOil Ordinary Shares to Renaissance in respect of the Facility. The number of SacOil Ordinary Shares that are subject to this security represent a number of SacOil Ordinary Shares equal to the lesser of:

- the number of SacOil Ordinary Shares whose total value on the date of the Facility Agreement represents a maximum exposure to value ratio of 35 per cent; and
- 35 per cent of the issued SacOil Ordinary Shares less on SacOil Ordinary Share.

The Facility bears interest at 30 per cent per annum.

The date of repayment of the Facility together with any unpaid interest accrued thereon any other amounts due but unpaid under the Facility Agreement is the earlier of the following:

- twelve months after the Admission;
- the date on which an Capital Raising is completed; and
- twelve months from the date of the Facility Agreement if the Admission does not occur by 15 April 2011.

The Facility is repayable out of working capital.

Details of the Conversion of the Facility are set out in paragraph 3.4 of the Circular.

## **7.8 Share price history**

The price history of SacOil Ordinary Shares on the JSE is set out in Annexure 6 of this Circular.

## **7.9 Other acquisitions and/or disposals**

Save for the Restructure, details of which were included in the circular to SacOil Shareholders, dated 4 September 2010, the OPL 233 Acquisition, subject to fulfilment of the conditions precedent, details of which were included in an announcement dated 7 December 2010, and the OPL 281 Acquisition, subject to fulfilment of the conditions precedent, details of which were included in an announcement dated 1 March 2011, the Company has not acquired or disposed of any material business enterprise or properties during the twelve months preceding the Last Practicable Date.

## **8. WORKING CAPITAL STATEMENT**

The Directors, having considered the terms and conditions of the Transactions, are of the opinion that, subject to Shareholder approval of the Transactions:

- the Company and the Group subsequent to the Transactions will be able, in the ordinary course of business, to pay its debts for a period of 12 months from the date of issue of this Circular;
- the assets of the Company and the Group subsequent to the Transactions will be in excess of the liabilities of the Company and the Group for a period of 12 months from the date of this Circular, measured in accordance with the accounting policies used in the audited annual financial statements for the year ended 28 February 2010;
- the ordinary share capital and consolidated reserves of the Company and the Group subsequent to the Transactions will be adequate for a period of 12 months from the date of this Circular; and
- the working capital of the Company and the Group subsequent to the Transactions will be adequate for a period of 12 months from the date of issue of this Circular.

## **9. DIRECTORS' OPINION AND RECOMMENDATION**

The Board has considered the terms and conditions of the Transfer and is of the opinion that the Transfer is beneficial to the Company and fair to the Shareholders.

The Board has considered the terms and conditions of the Specific Issues and is of the opinion that the terms and conditions thereof are fair to SacOil Shareholders and recommends that SacOil Shareholders vote in favour of the approval of the Specific Issues at the General Meeting.

The Board has considered the terms and conditions of the Encha Memorandum of Agreement and is of the opinion that the terms and conditions thereof are fair to SacOil Shareholders and recommends that SacOil Shareholders vote in favour of the approval of the Encha Memorandum of Agreement at the General Meeting.

There are no legal proceedings that may have an influence on the rights of SacOil in respect of the Block 3 Rights.

Based on the above, the Board recommends that SacOil Shareholders vote in favour of the Transactions at the General Meeting.

The Directors who own SacOil Ordinary Shares in their personal capacity intend to vote in favour of the Transactions to the extent that they are permitted.

## **10. CONSENTS**

The Company's professional advisers, as set out in the "Corporate Information" section to this Circular, have given and have not, prior to the Last Practicable Date, withdrawn their written consents to the inclusion of their names and, where applicable, reports in the form and context in which they appear in this Circular.

## 11. EXPENSES

The expenses of the Transactions which will be for the account of SacOil, are anticipated to be approximately R4.2 million (excluding Value-Added Tax):

<b>Expense</b>	<b>Payable to</b>	<b>R'000</b>
Corporate legal adviser	Deneys Reitz Inc.	250
Printing, publication and advertising	Ince (Pty) Limited	150
JSE documentation fee	JSE	83
Sponsor	BDO Corporate Finance	80
Independent Technical Expert	Bayphase Limited	150
Reporting accountants	BDO South Africa Inc.	40
Financial Adviser	Renaissance BJM Securities (Pty) Limited	3 441
<b>Total</b>		<b>4 194</b>

## 12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names appear on page 16 of the Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and this Circular contains all information required by law and the Listings Requirements.

## 13. GENERAL MEETING OF SHAREHOLDERS

A notice convening a General Meeting of SacOil Shareholders to be held in the boardroom, 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg on Thursday, 31 March 2011 at 10:00 and a form of proxy (*yellow*) for use by Certificated Shareholders and Dematerialised Shareholders with Own Name Registration who are unable to attend the General Meeting, form part of this Circular.

Duly completed forms of proxy must be received by the Transfer Secretaries by no later than 10:00 on Tuesday, 29 March 2011. Dematerialised Shareholders, other than with Own Name Registration, must inform their CSDP or broker of their intention to attend the General Meeting and obtain the necessary Letter of Representation from their CSDP or broker to attend the General Meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the General Meeting in Person, but wish to be represented thereat. This must be done in terms of the agreement entered into between the Shareholders and the CSDP or broker concerned.

## 14. CODE OF CORPORATE PRACTICES AND CONDUCT

The Board of directors is committed to the principles of transparency, integrity and accountability and the provision of timeous, relevant and meaningful reporting to all stakeholders. SacOil has taken cognisance of, and implemented, where possible, the majority of the recommendations of the King III Report and has, where possible, improved upon its internal structures.

In supporting the Code, the Board actively reviews and enhances the Company's systems of control and governance on a continuous basis to ensure that its business is managed ethically and in conformity with accepted standards of best practice. These policies relate, *inter alia*, to the duties of the Board, delegation of powers to board committees, responsibilities and levels of authority. Details of the Company's compliance with the Code are set out in Annexure 8 to this Circular.

## 15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's registered office during normal office hours up to the close of business on Wednesday, 30 March 2011:

- the memoranda and Articles of the Company and its subsidiaries;
- the audited financial statements of SacOil for the year ended 28 February 2010, the eight months ended 28 February 2009 and the year ended 30 June 2008;
- the interim results of SacOil for the six months ended 31 August 2010;
- the material contracts as detailed in paragraph 7.6 numbers 7.6.1 to 7.6.39;
- copies of the service agreements and the supplemental agreements with the executive directors;
- the signed report of the independent reporting accountants on the *pro forma* financial information of SacOil relating to the Transactions, the text of which is included in this Circular as Annexure 2;
- the signed report of the independent reporting accountants on the historical financial information of the Interest, the text of which is included in this Circular as Annexure 4;
- the Block 3 Rights Independent Technical Expert's Report, which is included in this Circular as Annexure 7;
- a copy of the Encha Memorandum of Agreement; the salient features of which are included in this Circular as Annexure 5;
- the professional advisers' consent letters; and
- a signed copy of this Circular.

Signed in Johannesburg on Thursday, 10 March 2011 on behalf of the Board in terms of a Directors' resolution by:

**R Vela**

*Chief Executive Officer*

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## UNAUDITED *PRO FORMA* BALANCE SHEET AND INCOME STATEMENT OF SACOIL

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This unaudited *pro forma* financial information has been prepared for illustrative purposes only and because of its nature may not fairly present SacOil's financial position, changes in equity, results of operations or cash flows.

The unaudited *pro forma* financial effects have been prepared to illustrate the impact of the Transactions on the reported financial information of SacOil for the six months ended 31 August 2010, adjusted for the OPL 233 Acquisition which was announced on 7 December 2010, the Issue to PIC which was announced on 21 February 2011, the OPL 281 Acquisition which was announced on 1 March 2011 and the Restructure which was approved by SacOil Shareholders in general meeting on 20 September 2010. The unaudited *pro forma* financial effects are based on the assumption that the Transactions occurred on 1 March 2010 for income statement purposes and on 31 August 2010 for balance sheet purposes.

The *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited annual financial statements of SacOil for the year ended 28 February 2010.

The *pro forma* financial effects of the following have been shown separately in the table below:

- the Transfer;
- the Bonus Issues;
- the Conversion Issue; and
- the Call Options.

The *pro forma* financial effects of the Transfer and the Specific Issue to Renaissance have been shown, collectively, as the Specific Issue to Renaissance forms part of the transaction costs relating to the Transfer.

The *pro forma* financial effects in respect of the Bonus Issues have been calculated based on the following assumptions:

### **AIM Admission Bonuses**

- the AIM Admission Bonuses will be settled through the issue of SacOil Ordinary Shares;
- the increase in the Market Capitalisation has been calculated for illustrative purposes as the Market Capitalisation on 3 March 2011, based on 674 090 410 SacOil Ordinary Shares in issue on that date and the closing SacOil Ordinary Share price on 3 March 2011 of R2.16, less the Market Capitalisation on 20 September 2010;
- the number of SacOil Ordinary Shares to be issued to Mr R Vela and Mr C Bird have been calculated for illustrative purposes using the 30-day VWAP to 3 March 2011 of R1.79.

### **Annual Bonuses**

- the Annual Bonuses will be settled through the issue of SacOil Ordinary Shares;
- the increase in the average Market Capitalisation has been calculated for illustrative purposes as the Market Capitalisation on 3 March 2011, based on 674 090 410 SacOil Ordinary Shares in issue on that date and the closing SacOil Ordinary Share price on 3 March 2011 of R2.16, less the Market Capitalisation on 1 October 2010;
- the Annual Bonus payable to Mrs C de Beer will be equal to 2 times her annual basic salary; and
- the number of SacOil Ordinary Shares to be issued to Mr R Vela, Mr C Bird and Mrs C de Beer have been calculated for illustrative purposes using the 30-day VWAP to 3 March 2011 of R1.79.

The *pro forma* financial effects of the Conversion Issue have been calculated based on the following assumptions:

- Tranche B and Tranche C were repaid and Renaissance elected to convert such repayments into SacOil Ordinary Shares on 1 March 2010. The Rand amounts repaid in respect of Tranche B and Tranche C were calculated for illustrative purposes using the exchange rate of R6.89 to US\$1.0 on 3 March 2011 and the illustrative number of SacOil Ordinary Shares to be issued to Renaissance following the Conversion Issue has been calculated based on a 10 per cent discount to the 30-day VWAP to 3 March 2011 of R1.79.

The *pro forma* financial effects of the Call Options have been calculated based on the following assumptions:

- the IFRS 2 charge was calculated based on the grant of 6 394 888 options at the Tranche A Strike Price and 5 626 234 options at the Tranche B Strike Price; and
- the dilutionary effect of the Call Options has been calculated using the SacOil Ordinary Share price on 18 February 2011 of R1.85 in respect of Tranche A and 28 February 2011 of R1.96 in respect of Tranche B.

The unaudited *pro forma* financial effects set out below are the responsibility of the Directors and have been prepared for illustrative purposes only and because of their nature may not fairly present the financial position, changes in equity, results of operations or cash flows of SacOil ,after the Transactions.

The reporting accountants' limited assurance report on the unaudited *pro forma* financial effects is set out in Annexure 2 to this Circular.

### **UNAUDITED PRO FORMA INCOME STATEMENTS**

The unaudited *pro forma* income statements set out below present the *pro forma* financial effects of the OPL 233 Acquisition, Issue to PIC, the Restructure and the Transfer on the results of SacOil for the six months ended 31 August 2010 based on the assumption that each of the OPL 233 Acquisition, Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer was effective 1 March 2010. Each aspect of the Restructure has been shown in a separate column (Column's 1 and 2) below, as follows:

- Column 1: Consolidation of SacOil (Proprietary) Limited into SacOil's results for the six months ended 31 August 2010. The financial information of SacOil (Proprietary) Limited for the year ended 28 February 2010 has been extracted from the annual financial statements for the year ended 28 February 2010; and
- Column 2: Inclusion of the Restructuring costs.

Column's 1 and 2 below are not cumulative:

**Adjustments**

	Column 1	Column 2	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer Pro forma R'000	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Restructure Pro forma R'000	The Transfer Pro forma R'000	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer Pro forma R'000
	<b>Before the Transactions<sup>1</sup> Published R'000</b>	<b>OPL 233 Acquisition, Issue to PIC and the OPL 281 Acquisition Pro forma R'000</b>	<b>After OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000</b>	<b>SacOil (Proprietary) Limited Pro forma R'000</b>	<b>The Restructure Pro forma R'000</b>	<b>After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer Pro forma R'000</b>
Revenue	16 474	-	16 474	-	-	16 474
Cost of sales	(11 456)	-	(11 456)	-	-	(11 456)
Gross profit	5 018	-	5 018	-	-	5 018
Operating costs	(7 958)	(2 400) <sup>2</sup>	(10 358)	(1) <sup>3</sup>	(10 330) <sup>4</sup>	(20 689)
Operating loss	(2 940)	(2 400)	(5 340)	(1)	(10 330)	(15 671)
Net finance income	169	-	169	-	-	169
Loss on sale of intangible assets	-	-	-	-	-	-
Share-based payment expense	(4 179)	-	(4 179)	-	-	(4 179)
Loss before tax	(6 950)	(2 400)	(9 350)	(1)	(10 330)	(19 681)
Taxation	-	-	-	-	-	-
Net loss for the period	(6 950)	(2 400)	(9 350)	(1)	(10 330)	(19 681)
<i>Attributable to:</i>						
Equity shareholders of the parent	(6 950)	(2 400)	(9 350)	(1)	(10 330)	(19 681)
Non-controlling interest	-	-	-	-	-	-
Net loss for the period	(6 950)	(2 400)	(9 350)	(1)	(10 330)	(19 681)
Loss on sale of intangible assets	-	-	-	-	-	-
Headline loss	(6 950)	(2 400)	(9 350)	(1)	(10 330)	(19 681)

## Adjustments

	Column 1	Column 2	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer Pro forma	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Restructure Pro forma	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer Pro forma
	Before the Transactions <sup>1</sup> Published	OPL 233 Acquisition, Issue to PIC and the OPL 281 Acquisition Pro forma	After OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Restructure Pro forma	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer Pro forma
Loss per share (cents)	(2.21)	(2.59)	(2.59)	(5.44)	(25.48)
Diluted loss per share (cents)	(2.21)	(2.59)	(2.59)	(5.44)	(25.48)
Headline loss	(2.21)	(2.59)	(2.59)	(5.44)	(6.59)
Diluted headline loss per share (cents)	(2.21)	(2.59)	(2.59)	(5.44)	(6.59)
Weighted average number of shares ('000)	314 800	46 667	361 467	361 467	362 263
Diluted weighted average number of shares ('000)	314 800	46 667	361 467	361 467	362 263

**Notes:**

1. The "Before the Transactions" financial information has been extracted without adjustment from the unaudited, published results of SacOil for the six months ended 31 August 2010.
2. Transaction costs relating to the OPL 233 Acquisition the Issue to PIC and the OPL 281 Acquisition of R0.3 million, R1.8 million and R0.3 million, respectively. This expense will not have a continuing effect on SacOil's financial results.
3. The expenses relating to SacOil (Proprietary) Limited as extracted from the audited annual financial statements of SacOil (Proprietary) Limited for the year ended 28 February 2010 (SacOil (Proprietary) Limited has been consolidated into SacOil as SacOil controls the management and decisions of SacOil (Proprietary) Limited). These expenses will have a continuing effect on SacOil's financial results.
4. The expenses relating to the Restructure. This expense will not have a continuing effect on SacOil's financial results.
5. The transaction costs relating to the Transfer including the issue of 796 577 SacOil Ordinary Shares to Renaissance in terms of the Renaissance Service Agreement. This expense will not have a continuing effect on SacOil's financial results.
6. The total loss arising on the Transfer. This expense will not have a continuing effect on SacOil's financial results.
7. The 46 666 666 SacOil Ordinary Shares issued to PIC for cash.
8. The 796 577 SacOil Ordinary Shares issued to Renaissance in terms of the Renaissance Service Agreement.

The unaudited *pro forma* income statements set out below present the *pro forma* financial effects, on a stand-alone basis, of each of the following:

- OPL 233 Acquisition, the Issue to PIC and the Bonus Issues;
- the OPL 233 Acquisition, Issue to PIC and Conversion of the Facility;
- the OPL 233 Acquisition, Issue to PIC and Call Options; and
- had each been effective on 1 March 2010.

	Before the Transactions <sup>9</sup> Published R'000	The OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	Bonus Issues Pro forma R'000	Conversion Issue Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Conversion Issue Pro forma R'000	Call Options Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Call Options Pro forma R'000
<b>Revenue</b>	<b>16 474</b>	<b>–</b>	<b>16 474</b>	<b>–</b>	<b>–</b>	<b>16 474</b>	<b>–</b>	<b>16 474</b>
Cost of sales	(11 456)	–	(11 456)	–	–	(11 456)	–	(11 456)
<b>Gross profit</b>	<b>5 018</b>	<b>–</b>	<b>5 018</b>	<b>–</b>	<b>–</b>	<b>5 018</b>	<b>–</b>	<b>5 018</b>
Operating costs	(7 958)	(2 400) <sup>10</sup>	(10 358)	–	–	(10 358)	–	(10 358)
<b>Operating loss</b>	<b>(2 940)</b>	<b>(2 400)</b>	<b>(5 340)</b>	<b>–</b>	<b>–</b>	<b>(5 340)</b>	<b>–</b>	<b>(5 340)</b>
Net finance income	169	–	169	–	–	169	–	169
Loss on sale of intangible assets	–	–	–	–	–	–	–	–
Share-based payment expense	(4 179)	–	(4 179)	(43 106) <sup>11</sup>	(13 765) <sup>12</sup>	(47 285)	(1 961) <sup>13</sup>	(6 140)
<b>Loss before tax</b>	<b>(6 950)</b>	<b>(2 400)</b>	<b>(9 350)</b>	<b>(43 106)</b>	<b>(13 765)</b>	<b>(52 456)</b>	<b>(1 961)</b>	<b>(11 311)</b>
Taxation	–	–	–	–	–	–	–	–
<b>Net loss for the period</b>	<b>(6 950)</b>	<b>(2 400)</b>	<b>(9 350)</b>	<b>(43 106)</b>	<b>(13 765)</b>	<b>(52 456)</b>	<b>(1 961)</b>	<b>(11 311)</b>
<b>Attributable to:</b>								
Equity shareholders of the parent	(6 950)	(2 400)	(9 350)	(43 106)	(13 765)	(52 456)	(1 961)	(11 311)
Non-controlling interest	–	–	–	–	–	–	–	–
Net loss for the period	(6 950)	(2 400)	(9 350)	(43 106)	(13 765)	(52 456)	(1 961)	(11 311)
Loss on sale of intangible assets	–	–	–	–	–	–	–	–
<b>Headline loss</b>	<b>(6 950)</b>	<b>(2 400)</b>	<b>(9 350)</b>	<b>(43 106)</b>	<b>(13 765)</b>	<b>(52 456)</b>	<b>(1 961)</b>	<b>(11 311)</b>
Loss per share (cents)	(2.21)	–	(2.59)	(13.60)	(5.27)	(13.60)	(3.13)	(3.13)
Diluted loss per share (cents)	(2.21)	–	(2.59)	(13.60)	(5.27)	(13.60)	(3.13)	(3.13)
Headline loss per share (cents)	(2.21)	–	(2.59)	(13.60)	(5.27)	(13.60)	(3.13)	(3.13)
Diluted headline loss per share (cents)	(2.21)	–	(2.59)	(13.60)	(5.27)	(13.60)	(3.13)	(3.13)
Weighted average number of shares in issue ('000)	314 800	46 667	361 467	24 126	77 042	385 593	–	361 467
Diluted weighted average number of shares in issue ('000)	314 800	46 667	361 467	24 126	77 042	385 593	2 734	364 201

**Notes:**

9. The "Before the Transactions" financial information has been extracted without adjustment from the unaudited, published results of SacOil for the six months ended 31 August 2010. Transaction costs relating to the OPL 233 Transaction, the Issue to PIC and the OPL 281 Acquisition of R0.3 million, R1.8 million and R0.3 million, respectively. This expense will not have a continuing effect on SacOil's financial results.
10. IFRS 2 charge in respect of the Bonus Issues, based on the issue of 24 126 167 SacOil Ordinary Shares at the 30-day VWAP on 3 March 2011 of R1.79 per SacOil Ordinary Share. This expense will not have a continuing effect on SacOil's financial results.
11. IFRS 2 charge in respect of the conversion of Tranche B and Tranche C on 1 March 2010 into 77 041 627 SacOil Ordinary Shares at a 10 per cent discount to the 30-day VWAP on 3 March 2011 of R1.61. This expense will not have a continuing effect on SacOil's financial results.
12. IFRS 2 charge in respect of the granting of 6 394 888 Tranche A Call Options and 5 626 234 Tranche B Call Options on 1 March 2010 at a 10 per cent discount to the 30-day VWAP on 18 February 2011 of R1.45 and 28 February 2011 of 1.49, respectively. This expense will not have a continuing effect on SacOil's financial results.

The unaudited *pro forma* income statements set out below present the *pro forma* financial effects of, collectively, the OPL 233 Acquisition, the Share Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transactions on the results of SacOil for the six months ended 31 August 2010 based on the assumption that, collectively, the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transactions were effective 1 March 2010.

	Before the Transactions Published <sup>14</sup> R'000	The OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	The Restructure, the Transfer, the Bonus Issues, the Conversion Issue and the Call Options <sup>16</sup> Transactions Pro forma R'000	After all the Transactions Pro forma R'000
<b>Revenue</b>	<b>16 474</b>	–	<b>16 474</b>	–	<b>16 474</b>
Cost of sales	(11 456)	–	(11 456)	–	(11 456)
<b>Gross profit</b>	<b>5 018</b>	–	<b>5 018</b>	–	<b>5 018</b>
Operating costs	(7 958)	(2 400) <sup>15</sup>	(10 358)	(14 525)	(24 883)
Operating loss	(2 940)	(2 400)	(5 340)	(14 525)	(19 865)
Net finance income	169	–	169	–	169
Loss on sale of intangible assets	–	–	–	(136 882)	(136 882)
Share-based payment expense	(4 179)	–	(4 179)	(58 832)	(63 011)
<b>Loss before tax</b>	<b>(6 950)</b>	<b>(2 400)</b>	<b>(9 350)</b>	<b>(210 239)</b>	<b>(219 589)</b>
Taxation	–	–	–	–	–
<b>Net loss for the period</b>	<b>(6 950)</b>	<b>(2 400)</b>	<b>(9 350)</b>	<b>(210 239)</b>	<b>(219 589)</b>

	Before the Transactions Published <sup>14</sup> R'000	The OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	The Restructure, the Transfer, the Bonus Issues, the Conversion Issue and the Call Options <sup>16</sup> Pro forma R'000	After all the Transactions Pro forma R'000
<b>Attributable to:</b>					
Equity shareholders of the parent	(6 950)	(2 400)	(9 350)	(141 798)	(151 148)
Non-controlling interest	–	–	–	(68 441)	(68 441)
Net earnings for the period	(6 950)	(2 400)	(9 350)	(141 798)	(151 148)
Loss on sale of intangible assets	–	–	–	(68 441)	(68 441)
<b>Headline loss</b>	<b>(6 950)</b>	<b>(2 400)</b>	<b>(9 350)</b>	<b>(210 239)</b>	<b>(219 589)</b>
Loss per share (cents)	(2.21)		(2.59)		(32.61)
Diluted loss per share (cents)	(2.21)		(2.59)		(32.42)
Headline loss per share (cents)	(2.21)		(2.59)		(17.85)
Diluted loss earnings per share (cents)	(2.21)		(2.59)		(17.74)
Weighted average number of shares in issue ('000)	314 800	46 667	361 467	101 964	463 431
Diluted weighted average number of shares in issue ('000)	314 800	46 667	361 467	104 698	466 165

**Notes:**

1. The "Before the Transactions" financial information has been extracted without adjustment from the unaudited, published results of SacOil for the six months ended 31 August 2010.
2. Transaction costs relating to the OPL 233 Transaction, the Issue to PIC and the OPL 281 Acquisition of R0.3 million, R1.8 million, and R0.3 million, respectively. This expense will not have a continuing effect on SacOil's financial results.
3. The Adjustments set out in notes 3 to 8 and 11 to 15 above.

**UNAUDITED PRO FORMA BALANCE SHEETS**

The unaudited *pro forma* balance sheet set out below presents the effects of the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer on the financial position of SacOil as at 31 August 2010 based on the assumption that the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer was effective 31 August 2010. Each aspect of the Restructure has been shown in a separate column (Column's 1 to 4) below, as follows:

- Column 1: Consolidation of SacOil (Proprietary) Limited into SacOil's results as at 31 August 2010. The financial information of SacOil (Proprietary) Limited for the year ended 28 February 2010 has been extracted from the annual financial statements for the year ended 28 February 2010;
- Column 2: The revaluation of the Block 3 Rights to fair value in terms of IFRS 3: Business Combinations;
- Column 3: Raising of the investment in SacOil (Proprietary) Limited in the individual financial statements of SacOil; and
- Column 4: Adjustments in respect of the consolidation of SacOil (Proprietary) Limited into the consolidated financial statements of SacOil.

Column's 1 to 4 below are not cumulative:



	Column 1	Column 2	Column 3	Column 4	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer Pro forma R'000	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Restructure Pro forma R'000	The Transfer Pro forma R'000	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transfer Pro forma R'000
	Before the Transactions <sup>1</sup> Published R'000	OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	After OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	SacOil (Proprietary) Limited <sup>7</sup> Pro forma R'000	Revaluation of evaluation and exploration assets in SacOil (Proprietary) Limited to fair value Pro forma R'000	Investment in SacOil (Proprietary) Limited Pro forma R'000	Consolidation adjustment Pro forma R'000	After OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Restructure Pro forma R'000
<b>Non-current liabilities</b>	<b>886</b>	<b>112 764</b>	<b>113 650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113 650</b>
Instalment sale obligations	-	-	-	-	-	-	-	-
Long-term debt obligations	-	112 764	112 764	-	-	-	-	112 764
Provision for environmental rehabilitation	886	-	886	-	-	-	-	886
<b>Current liabilities</b>	<b>4 717</b>	<b>26 621</b>	<b>31 338</b>	<b>17 809</b>	<b>-</b>	<b>-</b>	<b>(16 741)</b>	<b>32 406</b>
Trade accounts payable	2 638	-	2 638	1 068	-	-	-	3 706
Short-term debt obligations	-	26 621 <sup>6</sup>	26 621	-	-	-	-	26 621
Instalment sale obligations	166	-	166	-	-	-	-	166
Deferred tax liability	895	-	895	-	-	-	-	895
Loans payable	-	-	-	16 741	-	-	(16 741)	-
Sundry accounts payable	1 018	-	1 018	-	-	-	-	1 018
<b>Total liabilities</b>	<b>5 603</b>	<b>139 385</b>	<b>255 652</b>	<b>17 809</b>	<b>-</b>	<b>-</b>	<b>(16 741)</b>	<b>146 056</b>
<b>Total equity and liabilities</b>	<b>48 667</b>	<b>206 985</b>	<b>255 652</b>	<b>57 445</b>	<b>282 722</b>	<b>154 997</b>	<b>(177 920)</b>	<b>433 542</b>
Net asset value per share (cents)	13.39	-	30.05	-	-	-	-	52.76
Net tangible asset value per share (cents)	13.39	-	(27.25)	-	-	-	-	(32.34)
Number of shares in issue ('000)	321 635	46 667	368 302	-	-	-	-	369 098

**Notes:**

1. The "Before the Transactions" financial information has been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2010.
2. Capitalisation of the cost of SacOil's 20 per cent interest in OPL 233 and OPL 281 in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources.
3. Payment by SacOil of 50 per cent of the US\$0.3 million upon execution of the OPL 233 farm-in agreement, converted at R6.87 to US\$1.00, being the closing rate on 3 December 2010, which has been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources, the proceeds of R70.0 million received in respect of the Issue to PIC, the payment by SacOil of 50 per cent of the US\$20.0 million upon execution of the OPL 281 farm-in agreement, converted at R7.12 to US\$1.00, being the closing rate on 24 February 2010, which has been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources and the transaction costs relating to the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition of R2.4 million.
4. Issue of 46 666 666 SacOil Ordinary Shares for cash amounting to R70.0 million.
5. Raising of a long-term obligation of US\$10.0 million and US\$12.0 million, converted at R6.87 to US\$1.00 and R7.12 to US\$, respectively, in respect of SacOil's 20 per cent share of the costs of the minimum work programme and which have been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources.

6. Raising of a short-term obligation of 50 per cent of US\$7.8 million, converted at R6.87 to US\$1.00, in respect of that portion of the OPL 233 farm-in fee payable upon receipt of consent from the Federal Government of Nigeria for the farm-in and which has been capitalised in terms of IFRS 6: Exploration for and Evaluation of Mineral Resources.
7. Assets and liabilities relating to SacOil (Proprietary) Limited as extracted from the audited annual financial statements of SacOil (Proprietary) Limited for the year ended 28 February 2010 (SacOil (Proprietary) Limited has been consolidated into SacOil as SacOil controls the management and decisions of SacOil (Proprietary) Limited).
8. Revaluation of the Block 3 Rights to fair value in terms of IFRS 3: Business Combinations.
9. Revaluation of the Block 3 Rights to fair value in terms of IFRS 3: Business Combinations (this adjustment eliminates on consolidation).
10. Raising of 50 per cent of SacOil's investment in SacOil (Proprietary) Limited at fair value in terms of IFRS 3: Business Combinations.
11. The net of the amount of R7.6 million owed by DIG in respect of initial signature bonus less the effective consideration owing to DIG in respect of the assignment to SacOil of the Block 1 Interest, totalling US\$0.8 million (with a Rand equivalent of R6.1 million, assuming an exchange rate of R7.62 to US\$1.00) being an assignment fee of US\$ 1.00 (with a Rand equivalent of R7.62, assuming an exchange rate of R7.62 to US\$1.00) and an additional amount of US\$0.8 million (with a Rand equivalent of R6.18 million, assuming an exchange rate of R7.62 to US\$1.00).
12. Payment of the initial signature bonus referred to in note 11 above.
13. The SacOil Transaction Consideration Shares issued at R0.74 per Ordinary Share, being the share price of SacOil's Ordinary Shares on the JSE on 25 July 2010 (being the share price on the day before the detailed terms announcement in respect of the Restructure on 26 July 2010).
14. Elimination of SacOil's investment in SacOil (Proprietary) Limited on consolidation.
15. Elimination of the loan between SacOil and SacOil (Proprietary) Limited on consolidation.
16. Elimination of the share capital in SacOil (Proprietary) Limited on consolidation.
17. Elimination of the accumulated profit in SacOil (Proprietary) Limited after the revaluation of the Block 3 Rights to fair value as per note 3 above on consolidation.
18. Accounting for the non-controlling interest of 50 per cent in SacOil (Proprietary) Limited (held by DIG).
19. Disposal of 60 per cent of the IFRS 3 value of Block 3 less US\$0.2 million in respect of costs in relation to Block 3 which has been capitalised to the asset.
20. Settlement of the loan from DIG in full.
21. Cash of US\$15.0 million received in respect of the Transfer of the Interest, converted at R6.89 to US\$1.00 on 3 March 2011 plus the cash received from DIG in respect of the settlement of the DIG loan amounting to US\$1.4 million converted at R6.89 to US\$1.00 on 3 March 2010 less the cash portion of the transaction costs.
22. Issue of the 796 577 SacOil Ordinary Shares to Renaissance in terms of the Renaissance Service Agreement.
23. Raising of SacOil's 50 per cent of the loss on the Transfer and the cash portion of the transaction costs.
24. Raising of the outside shareholders' 50 per cent of the loss on the Transfer.

The unaudited *pro forma* balance sheets set out below present the *pro forma* financial effects, on a stand alone basis, of each of the following:

- OPL 233 Acquisition, the Issue to PIC and the Bonus Issues;
- the OPL 233 Acquisition, Issue to PIC and Conversion of the Facility;
- the OPL 233 Acquisition, Issue to PIC and Call Options; and
- had each been effective on 31 August 2010.

	Before the Transactions <sup>25</sup> Published R'000	The OPL 233 Acquisition, the Issue to the PIC and the OPL 281 Acquisition <sup>26</sup> Pro forma R'000	After the OPL 233 Acquisition, the Issue to the PIC, the OPL 281 Acquisition and the Bonus Issues Pro forma R'000	After the OPL 233 Acquisition, the Issue to the PIC, the OPL 281 Acquisition and the Conversion Issue Pro forma R'000	After the OPL 233 Acquisition, the Issue to the PIC, the OPL 281 Acquisition and the Call Options Pro forma R'000
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>8 030</b>	<b>211 406</b>	<b>219 436</b>	<b>219 436</b>	<b>219 436</b>
Property, plant and equipment	7 135	–	7 135	–	7 135
Intangible asset	–	211 406	211 406	–	211 406
Investments	–	–	–	–	–
Deferred tax asset	895	–	895	–	895
<b>Current assets</b>	<b>40 637</b>	<b>(4 421)</b>	<b>36 216</b>	<b>123 884</b>	<b>36 216</b>
Loans receivable	27 867	–	27 867	–	27 867
Inventories	2 578	–	2 578	–	2 578
Trade receivables	5 012	–	5 012	–	5 012
Sundry receivable	564	–	564	–	564
Cash and cash equivalents	4 616	(4 421)	195	123 884 <sup>29</sup>	124 079
<b>Total assets</b>	<b>48 667</b>	<b>206 985</b>	<b>255 652</b>	<b>123 884</b>	<b>254 952</b>
<b>EQUITY AND LIABILITIES</b>					
Stated Capital	86 229	70 000	156 229	137 649	156 229
Share-based payment reserve	27 933	–	27 933	–	27 933
Revaluation reserves	2 301	–	2 301	–	2 301
Accumulated loss	(73 399)	(2 400)	(75 799)	(43 106) <sup>28</sup>	(77 760)
<b>EQUITY ATTRIBUTABLE TO:</b>					
Equity attributable to equity holders	43 064	67 600	110 664	123 884	108 703
Non-controlling interest	–	–	–	–	–
<b>Total equity</b>	<b>43 064</b>	<b>67 600</b>	<b>110 664</b>	<b>123 884</b>	<b>108 703</b>
<b>Non-current liabilities</b>	<b>886</b>	<b>112 764</b>	<b>113 650</b>	<b>–</b>	<b>1 961</b>
Instalment sale obligations	–	–	–	–	–
Long-term debt obligations	–	112 764	112 764	–	1 961
Provision for environmental rehabilitation	886	–	886	–	–
<b>Current liabilities</b>	<b>4 717</b>	<b>26 621</b>	<b>31 338</b>	<b>–</b>	<b>31 338</b>

	Before the Transactions <sup>25</sup> Published R'000	The OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition <sup>26</sup> Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Bonus Issues Pro forma R'000	Conversion Issue Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Conversion Issue Pro forma R'000	Call Options Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition and the Call Options Pro forma R'000
Trade accounts payable	2 638	–	2 638	–	2 638	–	2 638
Short-term debt obligations	–	26 621	26 621	–	26 621	–	26 621
Installment sale obligations	166	–	166	–	166	–	166
Deferred tax liability	895	–	895	–	895	–	895
Loans payable	–	–	–	–	–	–	–
Sundry accounts payable	1 018	–	1 018	–	1 018	–	1 018
<b>Total liabilities</b>	<b>5 603</b>	<b>139 385</b>	<b>255 652</b>	<b>–</b>	<b>255 652</b>	<b>1 961</b>	<b>257 613</b>
<b>Total equity and liabilities</b>	<b>48 667</b>	<b>206 985</b>	<b>255 652</b>	<b>123 884</b>	<b>379 536</b>	<b>–</b>	<b>255 652</b>
Net asset value per share (cents)	13.39	–	30.05	–	28.20	–	29.51
Net tangible asset value per share (cents)	13.39	–	(27.35)	–	(25.67)	–	(27.89)
Number of shares in issue ('000)	321 635	46 667	368 302	24 126 <sup>27</sup>	392 428	77 042 <sup>30</sup>	368 302

**Notes:**

25. The "Before the Transactions" financial information has been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2010.
  26. The adjustments relating to the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition as detailed in notes 2 to 6 above.
  27. The issue of 24 126 167 SacOil Ordinary Shares in respect of the *pro forma* liability in respect of the Bonus Issues based on the assumptions set out in the introductory paragraph at the 30-day VWAP on 3 March 2011 of R1.79 per SacOil Ordinary Share in terms of the Bonus Issues.
  28. IFRS 2 charge in respect of the issue of 24 126 167 SacOil Ordinary Shares in respect of the *pro forma* liability in respect of the Bonus Issues based on the assumptions set out in the introductory paragraph at the 30-day VWAP on 3 March 2011 of R1.79 per SacOil Ordinary Share in terms of the Bonus Issues.
  29. Raising of the cash received in respect of Tranche B and Tranche C amounting to US\$12.0 million and US\$6.0 million, respectively, converted at the exchange rate of R6.89 to US\$1.00 on 3 March 2011.
  30. Issue of 77 041 627 SacOil Ordinary Share on Conversion Issue at the fair value being the 30-day VWAP on 3 March 2011 of R1.79.
  31. IFRS 2 charge in respect of the conversion of Tranche B and Tranche C on 1 March 2010 into 77 041 627 SacOil Ordinary Shares at a 10 per cent discount to the 30-day VWAP on 3 March 2011 of R1.61.
  32. IFRS 2 charge in respect of the granting of 6 394 888 Tranche B Call Options and 5 626 234 Tranche C Call Options on 1 March 2010 at a 10 per cent discount to the 30-day VWAP on 18 February 2011 of R1.45 and 28 February 2011 of R1.49 and the raising of the related long-term liabilities.
- The unaudited *pro forma* balance sheets set out below present the *pro forma* financial effects of, collectively, the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure and the Transactions on the results of SacOil for the six months ended 31 August 2010 based on the assumption that, collectively, the OPL 233 Acquisition, the Issue to PIC, the Restructure and the Transactions were effective 31 August 2010.

	Before the Transactions <sup>33</sup> Published R'000	The OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition <sup>34</sup> Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	The Restructure, the Transfer, the Bonus Issues, the Conversion Issue and the Call Options <sup>35</sup> Pro forma R'000	After all the Transactions Pro forma R'000
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>8 030</b>	<b>211 406</b>	<b>219 436</b>	<b>102 720</b>	<b>322 156</b>
Property, plant and equipment	7 135	–	7 135	–	7 135
Intangible asset	–	211 406	211 406	102 720	314 052
Investments	–	–	–	–	–
Deferred tax asset	895	–	895	–	895
<b>Current assets</b>	<b>40 637</b>	<b>(4 421)</b>	<b>36 216</b>	<b>199 054</b>	<b>235 270</b>
Loans receivable	27 867	–	27 867	(27 867)	–
Inventories	2 578	–	2 578	–	2 578
Trade receivables	5 012	–	5 012	–	5 012
Sundry receivable	564	–	564	–	564
Cash and cash equivalents	4 616	(4 421)	195	226 921	227 116
<b>Total assets</b>	<b>48 667</b>	<b>206 985</b>	<b>255 652</b>	<b>301 774</b>	<b>557 426</b>
<b>EQUITY AND LIABILITIES</b>					
Stated capital	86 229	70 000	156 229	337 472	493 701
Share-based payment reserve	27 933	–	27 933	–	27 933
Revaluation reserves	2 301	–	2 301	–	2 301
Accumulated loss	(73 399)	(2 400)	(75 799)	(131 467)	(207 266)
<b>Equity attributable to:</b>					
Equity attributable to equity holders	43 064	67 600	110 664	206 006	316 670
Non-controlling interest	–	–	–	92 738	92 738
<b>Total equity</b>	<b>43 064</b>	<b>67 600</b>	<b>110 664</b>	<b>298 744</b>	<b>409 408</b>

	Before the Transactions <sup>33</sup> Published R'000	The OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition <sup>34</sup> Pro forma R'000	After the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition Pro forma R'000	The Restructure, the Transfer, the Bonus Issues, the Conversion Issue and the Call Options <sup>35</sup> Transactions Pro forma R'000	After all the Transactions Pro forma R'000
<b>Non-current liabilities</b>	<b>886</b>	<b>112 764</b>	<b>113 650</b>	<b>1 961</b>	<b>115 611</b>
Instalment sale obligations	–	–	–	–	–
Long-term debt obligations	–	112 764	112 764	1 961	114 725
Provision for environmental rehabilitation	886	–	886	–	886
<b>Current liabilities</b>	<b>4 717</b>	<b>26 621</b>	<b>31 338</b>	<b>1 068</b>	<b>32 406</b>
Trade accounts payable	2 638	–	2 638	1 068	3 706
Short-term debt obligations	–	26 621	26 621	–	26 621
Instalment sale obligations	166	–	166	–	166
Deferred tax liability	895	–	895	–	895
Loans payable	–	–	–	–	–
Sundry accounts payable	1 018	–	1 018	–	1 018
<b>Total liabilities</b>	<b>5 603</b>	<b>139 385</b>	<b>255 652</b>	<b>(107 635)</b>	<b>148 017</b>
<b>Total equity and liabilities</b>	<b>48 667</b>	<b>206 985</b>	<b>255 652</b>	<b>297 199</b>	<b>557 425</b>
Net asset value per share (cents)	13.39	–	30.05	–	67.34
Net tangible asset value per share (cents)	13.39	–	(27.35)	–	(0.54)
Number of shares in issue ('000)	321 635	46 667	368 302	101 964	470 266

**Notes:**

1. The "Before the Transactions" financial information has been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2010.
2. The adjustments relating to the OPL 233 Acquisition, the Issue to PIC and the OPL 281 Acquisition as detailed in notes 2 to 6 above.
3. The adjustments as detailed in notes 8 to 24 and 27 to 34 above.

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**REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS OF SACOIL ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION RELATING TO THE TRANSACTIONS**

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"The Directors  
SacOil Holdings Limited  
2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston  
2021

11 March 2011

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF SACOIL HOLDINGS LIMITED****INTRODUCTION**

The definitions and interpretation commencing on page 7 of the Circular have been used in this report.

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects, income statement and balance sheet (collectively "*pro forma* financial information") of SacOil set out in paragraph 5.1 and Annexure 1 of the circular to be dated Wednesday, 16 March 2011 issued in connection with the OPL 233 Acquisition, the Issue to PIC, the OPL 281 Acquisition, the Restructure, the Transfer, the Specific Issues and the Encha Memorandum of Agreement (collectively "the Transactions").

The *pro forma* financial information has been prepared for purposes of complying with the Listings Requirements, for illustrative purposes only, to provide information about how the Transactions might have affected the reported financial information had the transactions been undertaken on 1 March 2010 for income statement purposes and on 31 August 2010 for balance sheet purposes.

Because of its nature, the unaudited *pro forma* financial information may not present a fair reflection of the results of operations, financial position and changes in equity of SacOil after the Transactions.

**DIRECTORS' RESPONSIBILITY**

The directors of SacOil are solely responsible for the compilation, contents and presentation of the unaudited *pro forma* financial information contained in the circular and for the financial information from which it has been prepared.

Their responsibility includes determining that the unaudited *pro forma* financial information contained in the circular has been properly compiled on the basis stated, the basis is consistent with the accounting policies of SacOil and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information as disclosed in terms of the JSE Listings Requirements.

**REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express a limited assurance conclusion on the unaudited *pro forma* financial information included in the circular. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial information and the Revised Guide on *Pro forma* Financial Information issued by The South African Institute of Chartered Accountants.

This standard requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain sufficient appropriate audit evidence to support our limited assurance conclusion, expressed below.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

## **SOURCES OF INFORMATION AND WORK PERFORMED**

Our procedures consisted primarily of comparing the unadjusted audited historical financial information of SacOil with the source documents, considering the *pro forma* adjustments in light of the accounting policies of SacOil, considering the evidence supporting the *pro forma* adjustments, recalculating the amounts based on the information obtained and discussing the unaudited *pro forma* financial information with the directors of SacOil.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of SacOil and other information from various public, financial and industry sources.

Whilst our work performed involved an analysis of the historical audited financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the International Standards on Auditing or the International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## **CONCLUSION**

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the unaudited *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of SacOil; and
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed pursuant to Section 8.30 of the JSE Listings Requirements.

Yours faithfully

**BDO South Africa Inc**  
**Chartered Accountants (SA)**  
**Registered Auditors**

**per N Lazanakis**  
*Chartered Accountant (SA)*  
*Registered Auditor*

13 Wellington Road  
Parktown, 2193"

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## **HISTORICAL FINANCIAL INFORMATION OF THE 85 PER CENT INTEREST IN THE BLOCK 3 RIGHTS**

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The historical financial information pertaining to the 85 per cent interest of Block 3 Rights is set out below:

### **1. INTRODUCTION**

The definitions and interpretation commencing on page 7 of the Circular have been used in this annexure.

The historical financial information of the 85 per cent interest in the Block 3 Rights (“Historical Financial Information”) set out in this annexure and has been prepared in accordance with IFRS. BDO South Africa Incorporated (“BDO”) is the Independent Report Accountant in respect of the Historical Financial Information and has reported on the Historical Financial Information without qualification. The text of the Independent Reporting Accountants Report on the Historical Financial Information is set out in Annexure 4 to the Circular.

The preparation and presentation of the Historical Financial Information is the responsibility of the Directors.

### **2. HISTORY AND BACKGROUND TO THE BLOCK 3 RIGHTS**

The Block 3 Rights are an exploration licence located in the Albertine Graben area of the DRC, which is part of the Rift Valley and is situated in the area of Lake Albert, on the boundary between the DRC and Uganda.

The Block 3 Rights are located in the Albertine Graben area of the Rift Valley, close to the border between the DRC and Uganda. The Albertine Graben area is a proven petroleum region. Bituminous shales are known to be present in the Albertine Graben area and are known to be mature, as evidenced by numerous oil seeps and recent positive drill results in adjacent oil concessions. To date over 800 million barrels of recoverable oil have been discovered in the Albertine Graben, the largest fields being Kingfisher billion barrels. To date, the majority of the exploration has been within the borders of Uganda, but the DRC concessions are considered to be highly prospective with Block 3 being close to recent significant discoveries.

### **3. BASIS OF PREPARATION**

The Historical Financial Information has been extracted, without adjustment, and compiled from the statutory annual financial statements of SacOil (Proprietary) Limited for the three years ended 28 February 2010 and 2009 and 29 February 2008 (“Financial Statements”) and from the reviewed condensed financial statements of SacOil (Proprietary) Limited for the six months ended 31 August 2010.

The Financial Statements of SacOil (Proprietary) Limited were prepared in the manner required by the Act and in accordance with IFRS and were reported on without qualification by Simama Chartered Accountants (SA).

A statement of comprehensive income, statement of changes in equity and a cash flow statement have not been presented in this report as these are not relevant as the Block 3 Rights is an exploration and evaluation asset and has been raised at the fair value.

## 4. FINANCIAL INFORMATION

### Statement of assets

The statement of assets in respect of the 85 per cent Block 3 Rights as at 28 February 2010 and 2009 and 29 February 2008 and the six months ended 31 August 2010 are set out below:

	Note	Reviewed 31 Aug 2010 ZAR	Audited 28 Feb 2010 ZAR	Audited 28 Feb 2009 ZAR	Audited 29 Feb 2008 ZAR
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	7.1	57 444 987	57 444 987	57 444 987	57 444 987
<b>Total assets</b>		<b>57 444 987</b>	<b>57 444 987</b>	<b>57 444 987</b>	<b>57 444 987</b>

## 5. ACCOUNTING POLICIES

### 5.1 Intangible assets – exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before Semiliki has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploration of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

### 5.2 Intangible assets – development costs

Development costs relating to major development programmes are capitalised. Development costs consist primarily of expenditure to develop the technology to commercialisation. Day-to-day development costs to maintain production are expensed as incurred. Initial development and preproduction costs relating to a new technology, including amortisation and depreciation to develop the technology are capitalised until commissioning of production facilities.

Semiliki reviews the carrying amount of development assets and development costs when circumstances suggest the carrying amount may not be recoverable. Recoverability is assessed using estimates of future cash flows on a discounted basis, including revenues, operating costs and future capital expenditures. Where necessary a reduction in carrying amount is recorded.

## 6. NOTES TO THE HISTORICAL FINANCIAL INFORMATION:

### 6.1 Intangible assets

	<b>Other mineral assets exploration and evaluation assets ZAR</b>
Six months ended 31 August 2010	
At the beginning of the period	57 444 987
Additions	–
At the end of the period	57 444 987
Year ended 28 February 2010	
At the beginning of the financial year	57 444 987
Additions	–
At the end of the financial year	57 444 987
Year ended 28 February 2009	
At the beginning of the financial year	57 444 987
Additions	–
At the end of the financial year	57 444 987
Year ended 29 February 2008	
At the beginning of the financial period	–
Additions	57 444 987
At the end of the financial year	57 444 987

The evaluation and exploration asset relates to exploration activities for natural gas in respect of Block 3 Rights.

There has been no major change in the nature of intangible assets or any change in policy regarding the use thereof during the period under review

## 7. POST-BALANCE SHEET EVENTS

Semliki, a 50 per cent subsidiary of SacOil (Proprietary) Limited, has concluded the Total Farm-In Agreement pursuant to which Semliki will transfer the Block 3 Interest to Total and Total will become the operator of Block 3. Following the implementation of the Transfer, Semliki will retain a 25 per cent interest in the Block 3 Rights.

## 8. DIRECTORS' COMMENTARY

On 19 November 2010, Semliki was incorporated to hold the Block 3 Rights. The rights and obligations of the Block 3 Contractant under the Block 3 Production Sharing Agreement were transferred to Semliki by operation of DRC law with effect from 19 November 2010.

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## **INDEPENDENT REPORTING ACCOUNTANTS REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE 85 PER CENT INTEREST IN THE BLOCK 3 RIGHTS**

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“The Directors  
SacOil Holdings Limited  
2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston  
2021

11 March 2011

Dear Sirs

### **INDEPENDENT REPORTING ACCOUNTANTS’ REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE 85 PER CENT INTEREST IN THE BLOCK 3 RIGHTS**

#### **INTRODUCTION**

The definitions and interpretation commencing on page 7 of the Circular have been used in this annexure.

At your request, we present our Reporting Accountants’ Report on the Report of Historical Financial Information of the 85 per cent interest in the Block 3 Rights (the “Historical Financial Information”) for the three years ended 28 February 2010 and 2009 and 29 February 2008 and the six months ended 31 August 2010, for the purposes of complying with the Listings Requirements and for inclusion in the Circular. Simama Chartered Accountants (SA) are the appointed auditor to SacOil (Proprietary) Limited from which the Historical Financial Information is derived.

#### **RESPONSIBILITY OF THE DIRECTORS**

The directors of SacOil are responsible for the compilation, contents and preparation of the Circular in accordance with the Listings Requirements and the Act, and for the accuracy of the Historical Financial Information contained therein to which this Independent Reporting Accountants’ Report relates.

#### **RESPONSIBILITY OF THE INDEPENDENT REPORTING ACCOUNTANTS**

Our responsibility is to express an audit opinion on the Historical Financial Information for the year ended 28 February 2010 and to express a review conclusion on the Historical Financial Information for the six months ended 31 August 2010 and the two years ended 28 February 2009 included in Annexure 3 to the Circular based on our audit and review, respectively.

#### **HISTORICAL FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 AUGUST 2010**

##### **Introduction**

We have reviewed the Historical Financial Information for the six months ended 31 August 2010 attached as Annexure 3 to the Circular prepared in accordance with IFRS.

##### **Scope of review**

We conducted our review of the Historical Financial Information for the six months ended 31 August 2010 in accordance with the procedures described in International Standard on Review Engagements ISRE 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in

scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Historical Financial Information for the six months ended 31 August 2010.

### **Conclusion on Historical Financial Information for the six months ended 31 August 2010**

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information for the six months ended 31 August 2010 included in the Circular is not prepared, in all material respects, in accordance with the International Accounting Standard applicable to interim financial reporting and in the manner required by the Act and the Listings Requirements.

## **HISTORICAL FINANCIAL INFORMATION FOR THE YEAR ENDED 28 FEBRUARY 2010**

### **Introduction**

We have audited the Historical Financial Information for the year ended 28 February 2010 attached as Annexure 3 to the Circular prepared in accordance with IFRS and in the manner required by the Act.

### **Responsibility of the independent reporting accountants' on the Historical Financial Information for the year ended 28 February 2010**

We conducted our audit of the Historical Financial Information for the year ended 28 February 2010 in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Historical Financial Information for the year ended 28 February 2010 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the abovementioned Historical Financial Information for the year ended 28 February 2010. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Historical Financial Information for the year ended 28 February 2010, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Historical Financial Information for the year ended 28 February 2010 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Historical Financial Information for the year ended 28 February 2010.

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

### **Opinion on Historical Financial Information for the year ended 28 February 2010**

In our opinion, the Historical Financial Information for the year ended 28 February 2010, included in the Circular presents fairly, in all material respects, the financial position of the 85 per cent interest in the Block 3 Rights and its financial performance and its cash flows for the year ended 28 February 2010 in accordance with International Financial Reporting Standards and in the manner required by the Act and the Listings Requirements.

## **HISTORICAL FINANCIAL INFORMATION FOR THE TWO YEARS ENDED 28 FEBRUARY 2009 AND 29 FEBRUARY 2008**

### **Introduction**

We have reviewed the Historical Financial Information for the two years ended 28 February 2009 and 29 February 2008 attached as Annexure 3 to the Circular prepared in accordance with the International Standard on Review Engagements ISRE 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

### **Scope of our review**

We conducted our reviews of the Historical Financial Information for the two years ended 28 February 2009 and 29 February 2008 in accordance with International Standard on Review Engagements ISRE 2410: Review

of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Historical Financial Information for the two years ended 28 February 2009 and 29 February 2008.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information for the two years ended 28 February 2009 and 29 February 2008 included in the Circular does not fairly present, in all material respects, the financial position of the 85 per cent interest in the Block 3 Rights at 28 February 2009 and 29 February 2008, and of its financial performance and its cash flows for the years ended 28 February 2009 and 29 February 2008 in accordance with the IFRS applicable to interim financial reporting and in the manner required by the Act and the Listings Requirements.

Yours faithfully

**BDO South Africa Inc**  
**Chartered Accountants (SA)**  
**Registered Auditors**

**per N Lazanakis**  
*Chartered Accountant (SA)*  
*Registered Auditor*

13 Wellington Road  
Parktown, 2193"

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## EXTRACTS OF THE SALIENT TERMS OF THE ENCHA MEMORANDUM OF AGREEMENT

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### PARTIES

The parties to the Encha Memorandum of Agreement are SacOil and Encha (“the Parties”).

SacOil has agreed to appoint Encha, which is desirous of accepting the appointment, as a service provider to SacOil, pursuant to which Encha shall provide the Services to SacOil on the terms, and subject to the conditions, of the Encha Management Agreement.

### SUSPENSIVE CONDITIONS

The entire Encha Memorandum of Agreement, is subject to the fulfilment of the following suspensive conditions by not later than 30 April 2011, or such later date as the Parties may agree in writing:

- the delivery by each of the Parties to the other Party of a certified copy of a resolution of its board of directors authorising the conclusion of the Encha Management Agreement by such Party on the terms and conditions set out herein; and
- the approval of SacOil Shareholders in respect of the Encha Management Agreement being with a related party.

### DURATION

Subject to clauses 11 and 12 of the Encha Management Agreement, relating to breach and termination, the Encha Management Agreement shall commence on 1 February 2011, and shall thereafter endure indefinitely, subject to the right of either Party to terminate the Encha Management Agreement on 90 (ninety) days written notice to the other Party.

### PROVISION OF SERVICES

Encha shall for the term of the Encha Management Agreement render the following services to SacOil (“Services”).

Encha represents and undertakes in favour of SacOil that, for the term of the Encha Management Agreement, it shall:

- utilise its reasonable commercial endeavours to assist SacOil in raising capital including, without prejudice to the generality of the foregoing, the introduction of potential investors to SacOil;
- utilise its reasonable commercial endeavours to assist SacOil to procure the security required by any provider of funding to SacOil, which assistance may include, at the sole election of Encha, the cession and pledge of shares held by Encha to any such funder *in securitatem debiti*;
- utilise its reasonable commercial endeavours to introduce SacOil to relevant business opportunities and to facilitate the execution by SacOil of designated transactions;
- promptly comply with all reasonable requests of SacOil pertaining to the rendering of the Services;
- perform the Services timeously and with due care and skill;
- furnish written reports to SacOil on progress in the rendering of the Services on a monthly basis, or on such other basis as agreed in writing between the Parties;
- attend meetings with SacOil on a monthly basis or on such other basis as SacOil may reasonably require;
- at all times ensure that it has the professional ability, trained personnel and infrastructure to render the Services to SacOil;
- dedicate at least one properly trained and qualified person to the rendering of the Services to whom SacOil shall have reasonable access during normal business hours; and
- provide the Services with a degree of care, skill, attention and expertise consistent with the professional standard achieved by reasonable and prudent persons who provide services of the same type as the Services.

Encha acknowledges that SacOil is entering into the Encha Management Agreement relying on the particular skill, competence, experience and ability of Encha to provide the Services to SacOil.

SacOil undertakes, at its cost, to furnish to Encha all such co-operation and assistance and to perform all such acts (including, without limitation, the signature of any necessary document), that Encha may reasonably require in order to permit Encha to timeously and efficiently provide the Services and to comply with its obligations under the Encha Management Agreement.

## **BUSINESS OPPORTUNITIES**

In the event that Encha should identify any business opportunity (including, without limitation, oil, gas, manganese and coal-related business opportunities) (a "Relevant Business Opportunity") in which SacOil may potentially have an interest, it shall promptly notify SacOil thereof in writing (on an exclusive basis) and shall thereafter at the written request of SacOil:

- provide SacOil with all information in Encha's possession pertaining to the Relevant Business Opportunity;
- assist SacOil in relation to the order of prioritisation of Relevant Business Opportunities;
- identify and advise SacOil in respect of existing or potential impediments to the exploitation of the Relevant Business Opportunity;
- assist SacOil to address and resolve any potential impediment to the exploitation of the Relevant Business Opportunity; and
- assist SacOil with the negotiation and conclusion of any agreement pertaining to the Relevant Business Opportunity.

SacOil shall promptly notify Encha in writing (a "Declaration Notice") in the event that it decides not to pursue a Relevant Business Opportunity introduced to it by Encha. Encha shall not be entitled to pursue a Relevant Business Opportunity or to introduce a Relevant Business Opportunity to a third party or to acquire any interest in a transaction arising from a Relevant Business Opportunity unless Encha is in receipt of a Declaration Notice from SacOil in relation to such Relevant Business Opportunity.

The Parties acknowledge and agree that, notwithstanding the commencement date of the Agreement, any transaction implemented by SacOil pursuant to the joint venture contemplated in the MJVA shall be deemed to be a Designated Transaction for purposes of the Agreement.

The parties record that the following business opportunities have been introduced to SacOil by Encha:

- Angolan oil block acquisitions;
- East African oil block acquisitions; and
- Nigerian oil block acquisition.

## **REMUNERATION**

Encha is entitled to receive remuneration from SacOil in relation to the provision of these services in the form of cash or SacOil Ordinary Shares, at the election of SacOil, as follows:

- in respect of Capital Raising, a fee equivalent to 2.5 per cent of the capital raised;
- in respect of a Share Pledge, a fee equivalent to 3 per cent of the aggregate value of the SacOil Ordinary Shares subject to the Share Pledge; and
- in respect of a Designated Transaction, a fee equivalent to 1.5 per cent of the value of the Designated Transaction.

## **DEFAULT INTEREST**

Interest calculated at the Prime Rate shall accrue on the outstanding balance of all amounts due and payable, but unpaid, by a Party to the other Party from time to time in terms of the Encha Management Agreement. Such interest shall be calculated on a daily basis from the due date of each such overdue amount to date of actual payment thereof and shall be compounded monthly in arrears and shall be paid by the Party in arrears on demand.

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**PRICE HISTORY OF SACOIL ORDINARY SHARES ON THE JSE**


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The high, low, close, volumes and values at which the Company's Shares traded on the JSE from the quarter ended December 2008 to the quarter ended December 2010, monthly from March 2010 up to February 2011 and daily from [8 February 2011] to [4 March 2011] are set out below:

<b>Quarterly</b>	<b>DATE</b>	<b>HIGH</b>	<b>LOW</b>	<b>CLOSE</b>	<b>VOLUME</b>	<b>VALUE (Rand)</b>
	31/12/08	77	69	81	224 035	150 856
	31/03/09	63	57	65	187 724	105 232
	30/06/09	33	27	40	13 175 679	3 539 129
	30/09/09	22	20	21	14 449 815	285 996 400
	31/12/09	22	20	21	2 603 059	57 694 519
	31/03/10	19	18	18	2 080 486	38 699 200
	30/06/10	20	16	17	12 426 718	307 602 500
	30/09/10	74	66	70	70 546 516	4 435 431 400
	31/12/10	163	153	159	90 745 366	14 642 520 400

<b>Monthly</b>	<b>DATE</b>	<b>HIGH</b>	<b>LOW</b>	<b>CLOSE</b>	<b>VOLUME</b>	<b>VALUE (Rand)</b>
	31/03/10	20	10	20	751 846	144 306
	30/04/10	20	11	16	906 319	146 825
	31/05/10	19	14	18	1 662 208	300 961
	30/06/10	23	18	20	9 858 191	2 628 239
	31/07/10	66	58	62	16 330 527	1 060 371 800
	31/08/10	66	58	62	42 908 818	2 389 579 700
	30/09/10	90	84	87	11 307 171	985 479 900
	29/10/10	124	113	118	37 689 686	5 131 542 800
	30/11/10	186	176	181	33 087 977	6 041 549 300
	31/12/10	178	167	176	19 967 703	3 469 428 300
	31/01/11	177	120	150	30 962 324	4 779 043 800
	28/02/11	208	148	196	44 836 105	8 024 445 800

<b>Daily</b>	<b>DATE</b>	<b>HIGH</b>	<b>LOW</b>	<b>CLOSE</b>	<b>VOLUME</b>	<b>VALUE (Rand)</b>
	08/02/11	172	155	169	1 405 502	223 579 100
	09/02/11	175	164	169	1 422 694	240 678 700
	10/02/11	172	165	167	1 431 751	241 888 700
	11/02/11	170	165	168	710 865	118 979 000
	14/02/11	173	164	169	1 313 341	218 638 700
	15/02/11	180	170	176	2 518 265	439 174 800
	16/02/11	179	175	178	2 165 861	382 972 900
	17/02/11	185	175	185	2 048 226	371 131 300
	18/02/11	190	184	185	5 618 829	1 054 679 100
	21/02/11	194	182	194	7 202 821	1 360 508 800
	22/02/11	208	194	196	2 814 664	556 656 700
	23/02/11	198	185	190	1 574 578	301 279 900
	24/02/11	193	185	187	1 619 534	30 382 830
	25/02/11	198	180	198	3 118 918	590 822 400
	28/02/11	198	194	196	1 571 388	308 776 200
	01/03/11	205	200	204	3 729 278	754 059 500

<b>Daily</b>	<b>DATE</b>	<b>HIGH</b>	<b>LOW</b>	<b>CLOSE</b>	<b>VOLUME</b>	<b>VALUE (Rand)</b>
	02/03/11	208	204	208	2 140 129	441 293 900
	03/03/11	218	203	216	4 980 677	1 048 669 400
	04/03/11	248	217	230	7 541 526	1 755 009 700
	18/02/11	190	184	185	5 618 829	1 054 679 100
	21/02/11	194	182	194	7 202 821	1 360 508 800
	22/02/11	208	194	196	2 814 664	556 656 700
	23/02/11	198	185	190	1 574 578	301 279 900
	24/02/11	193	185	187	1 619 534	30 382 830
	25/02/11	198	180	198	3 118 918	590 822 400
	28/02/11	198	194	196	1 571 388	308 776 200
	01/03/11	205	200	204	3 729 278	754 059 500
	02/03/11	208	204	208	2 140 129	441 293 900
	03/03/11	218	203	216	4 980 677	1 048 669 400
	04/03/11	248	217	230	7 541 526	1 755 009 700

Source: McGregor BFA

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**THE BLOCK 3 RIGHTS INDEPENDENT TECHNICAL EXPERT'S REPORT**


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## Independent Technical Expert's Report

on

### Semliki Energy SPRL's Block 3 in the Albertine Graben, Democratic Republic of Congo

Revision 1

Effective Date:

24th February 2011

Rev.	Date	Description	By	Ch'd	App'd
0	23rd July 2010	Issued as Part of SacOil Shareholders Circular dated 23rd July 2010	ID	DI	GPE
1	24th February 2011	Issued as Part of SacOil Shareholders Circular to Gain Approval for the Total E&P RDC Farm in	ID	MB	GPE

## SYNOPSIS

The Report is dated at 24th February 2011.

I Geoff Eyre, an Independent Expert state that this Synopsis is a true reflection of the Full Independent Technical Expert's Report.

The report was prepared for SacOil Holdings Limited ("SacOil") and will be included in a circular to be posted to shareholders to seek shareholder approval for a farm in agreement entered into between Semliki Energy SPRL (a 50 per cent owned subsidiary of SacOil) and Total E&P RDC to dispose of a 60 per cent interest in Block 3, Albertine Graben, Democratic Republic of the Congo.

This report has been prepared according to the rules and standards set down by the internationally recognised Petroleum Resource Management System (PRMS) (Ref.1, 2).

Block 3 is located in the Albertine Basin, on the border of the Democratic Republic of the Congo and Uganda. The acreage is located south and on trend with discoveries made recently on the Ugandan side of Lake Albert. The location map is shown in Figure 1.

The block is owned by Semliki Energy SPRL<sup>1</sup> (85 per cent) and Cohydro (15 per cent), with the operator as yet to be determined.

The block has no seismic data or wells drilled. However, the proximity of recent discoveries in the Albertine Graben indicates that the block is highly prospective and that it may contain a hydrocarbon play. According to the PRMS Block 3 contains no reserves or contingent resources, but may contain prospective resources (play).

The data from the area indicates that the potential discovered hydrocarbon would be mostly oil. The Monte Carlo probabilistic method was used to estimate the prospective resources of Block 3. In addition, the Risk Factor and potential Recovery Factors were estimated. The results are presented in Table 1. The Risk Factor estimate is further described in Section 3.1.1.2.

### For Bayphase



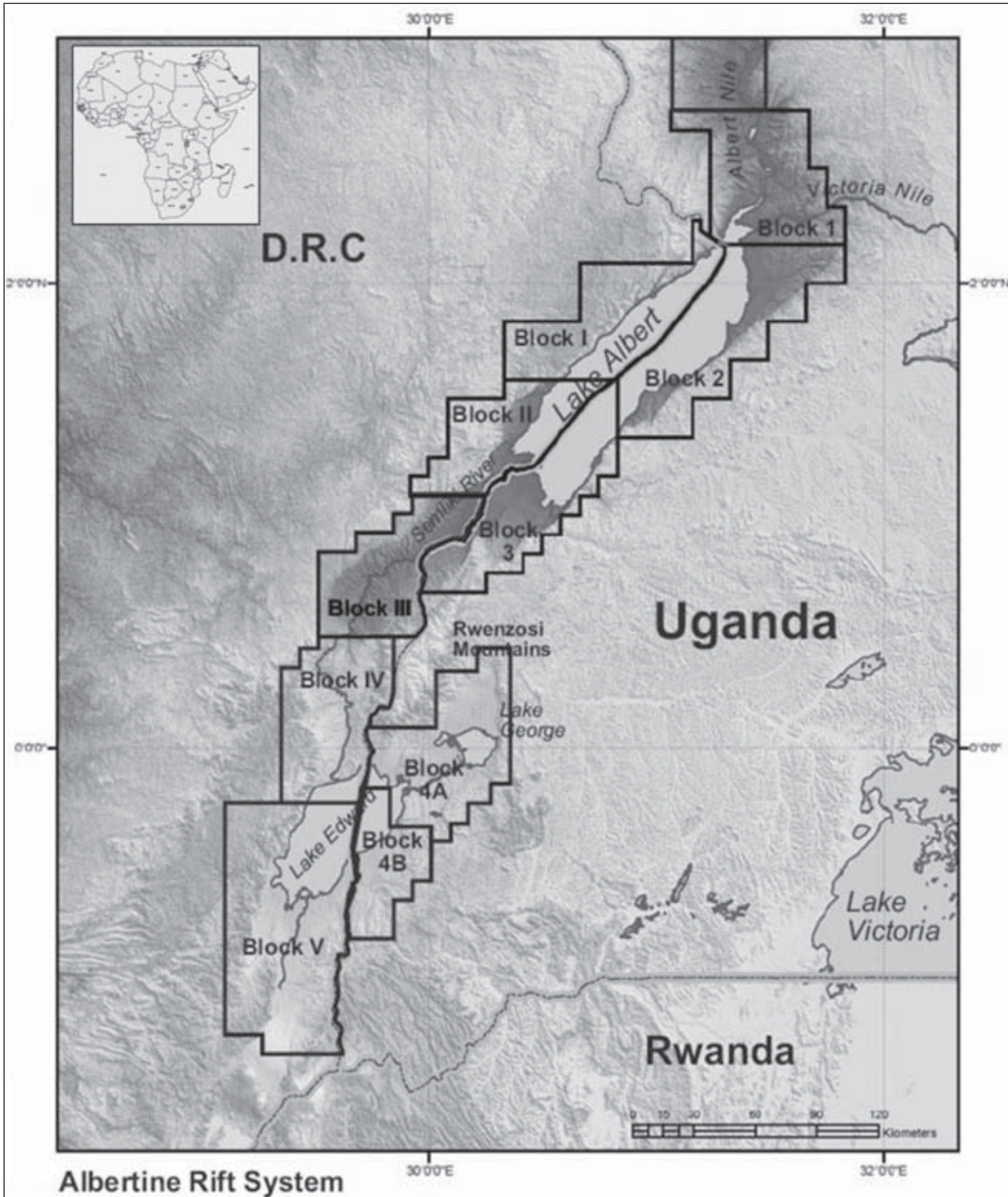
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CEng  
Member SPE  
CSci

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1. Semliki Energy SPRL has assumed South Africa Congo Oil (Proprietary) Limited's interests in Block 3 DRC since 23<sup>rd</sup> July 2010.

Figure 1: Location of Block 3, DRC



**Table 1: Summary of Resources for Block 3**

	Gross Prospective Resources			Net Prospective Resources to Semliki Energy SPRL: Unrisked STOILP* (barrels or standard cubic feet)			Risk Factor (fraction)	Operator
Oil & Liquids Prospective Resources								
	Unrisked STOILP* (barrels)			Unrisked STOILP* (barrels)				
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Block 3 – Play	767,490,000	1,518,470,000	2,828,040,000	652,367,000	1,290,700,000	2,403,834,000	0.21	To be determined
<b>Total for Oil &amp; Liquids</b>	<b>767,490,000</b>	<b>1,518,470,000</b>	<b>2,828,040,000</b>	<b>652,367,000</b>	<b>1,290,700,000</b>	<b>2,403,834,000</b>	<b>0.21</b>	
Gas Prospective Resources								
	Unrisked GIIP (standard cubic feet)			Unrisked GIIP (standard cubic feet)				
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Block 3 (associated gas)	230,247,000,000	455,541,000,000	842,412,000,000	40,996,000,000	81,111,000,000	149,995,000,000	0.21	To be determined
<b>Total for Gas</b>	<b>230,247,000,000</b>	<b>455,541,000,000</b>	<b>842,412,000,000</b>	<b>40,996,000,000</b>	<b>81,111,000,000</b>	<b>149,995,000,000</b>	<b>0.21</b>	

\* Recovery is expected to be on the order of 35 per cent.

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# CONTENTS

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	<i>Page</i>
<b>Synopsis</b>	83
<b>1. Introduction</b>	87
1.1 Data	87
1.2 Description of Resources	87
<b>2. Overview of the Region, Location and Assets</b>	88
2.1 Description of Assets	88
2.2 Geological Setting	88
2.2.1 Regional Structure	88
2.2.2 Stratigraphy	89
2.2.3 Exploration History	90
<b>3. Resources</b>	91
3.1 Statement of the Resources	91
3.1.1 Method	91
<b>4. Conclusions</b>	100
<b>5. Qualification and Basis of Opinion</b>	101
5.1 Qualification	101
5.2 Basis of Opinion	102
5.3 Statement	102
5.4 Report Compliance	102
<b>References</b>	103
<b>Glossary and Definitions of Terms Used</b>	104
<b>List of Figures</b>	104
<b>List of Tables</b>	105
<b>Appendix 1: Estimation of Unrisked Resources using the Monte Carlo probabilistic method</b>	106

## 1. INTRODUCTION

### 1.1 Data

Block 3 is an early stage block and resources can not be estimated at this stage. There is no well or seismic data in the block. Therefore estimation of resources has relied upon geoscientific assessment of neighbouring blocks, particularly those in Uganda where exploration has taken place.

The data for the Ugandan blocks and the Albertine Graben in general was taken from reports, rather than raw data. The reports identify a variety of issues, such as source rock availability and maturity, structural styles and exploration history and uses analogue data. They also provide analogue data, such as reservoir properties and fluid properties which could be expected to be found in Block 3.

The list of papers and reports that have been used as reference to prepare this opinion is presented in References.

All the data reflect the status of Block 3 as of 24th February 2011. Bayphase's staff has used their understanding of the area and their experience to assess whether the assumptions made are valid and reasonable.

### 1.2 Description of Resources

Block 3 is located in the Albertine Basin, on the border of the Democratic Republic of the Congo and Uganda. The acreage is located south and in line with a trend of discoveries made recently on the Ugandan side of Lake Albert.

No gravity/magnetic, seismic or well data is available for this block, as it is in the early stages of exploration. Therefore, individual prospects and leads could not be defined. However, the block is expected to contain a continuation of a hydrocarbon play identified and tested elsewhere in the Albertine Graben. Accordingly, the block currently does not include reserves or contingent resources, but it is anticipated that it may contain prospective resources or play.

The prospectivity of the play in Block 3 was estimated as a whole, using the probabilistic Monte Carlo method. A range of field and reservoir parameters (such as gross rock volume, porosity, etc.) from analogous fields, most notably (but not limited to) those in the discoveries made in the Ugandan part of the Albertine Graben were used as an input into the model. The analysis produced a probabilistic range of hydrocarbon prospective resources.

The overview of the property, with the current equity shares is presented in Table 1.1 below:

**Table 1.1: Overview of the Resources**

Asset	Holder	Interest (%)	Status	License Expiry Date	License Area (km <sup>2</sup> )
Block 3, Democratic Republic of the Congo	Semliki Energy SPRL	85	Exploration	19th June 2035	3,177
	La Congolaise Des Hydrocarbures (Cohydro)	15			

Block 3 is currently 85 per cent owned by Semliki Energy SPRL, with the remaining 15 per cent belonging to La Congolaise Des Hydrocarbures (Cohydro). The block is an Exploration license.

Under the terms of the PSA agreement, the operator is to carry out a minimum work programme which includes geological and geochemical field studies, acquisition of 400km of 2D or 400km<sup>2</sup> of 3D seismic data and drilling of two exploration wells during the exploration period of five years.

## 2. OVERVIEW OF THE REGION, LOCATION AND ASSETS

### 2.1 Description of Assets

Block 3 is located in the eastern part of the Democratic Republic of Congo, alongside the border with Uganda. The block encompasses an area of approximately 3,177 km<sup>2</sup>, much of which is a part of the highly prospective Albertine Graben (refer back to Figure 1).

### 2.2 Geological Setting

#### 2.2.1 Regional Structure

Block 3 is located in the Albertine Graben, which forms the Western Branch of the East African Rift System (EARS).

The EARS is an Oligocene to Recent system on a boundary between two continental sub-plates, the Nubian Shield and Somalia Block, both of which are a part of the African plate. The system is linked with the sea-floor spreading of the developing Red Sea.

Rifting is believed to have been initiated in the Gulf of Aden at about 30 million years ago and propagated southwards in a non-systematic way. Rifting in the Albertine Graben itself began in the Early Miocene and propagated further southwards, to Lake Tanganyika and Nyasa during the later stages of Miocene and Pliocene.

Unlike the Eastern branch, the Western Branch is characterised by less developed, patchy volcanism.

The Western Branch itself is segmented into individual asymmetric basins along its length. Block 3 is located in the northern sector (also known as the Albertine Graben), comprising the basins of Lake Albert, Lake Edward and Lake George from north to south.

Albertine Graben itself consists of three main structural domains (northern, central and southern), each of which is 80 to 100km long and 25 to 65km wide. The main sectors are separated by elevated ramps, transfer faults and accommodation zones. The main structural components are the Albert Nile, Lake Albert itself, Semliki valley, Lake George and Lake Edward. Semliki valley and Lake George are separated by a narrow horst, the non-volcanic Rwenzori Mountain, which trends parallel to the graben border faults (NNE-SSW). The northernmost basins in this sector are oriented NNE-SSW. However, the direction becomes NS in the southern part.

The Albertine Graben is bounded by broad uplifted flanks (Ref. 5, 6). Coherence analysis of gravity and topography shows that the lithosphere has been weakened beneath the faulted rift valleys (Ref. 5, 19), with brittle deformation developing at a depth of 0 – 31km in a relatively strong lithosphere (Ref. 5).

Certain observers (Ref. 6) suggest that the style of extensional deformation may have changed over time, beginning with a regionally distributed brittle deformation, followed by preferential growth and development of the major border faults and antithetic/synthetic faults within the collapsed hanging wall blocks.

The same authors also estimated extension and maximum sediment thickness in the Albertine Graben. Maximum extension has occurred in the central and north segment of the Albertine Graben. Maximum sediment thickness was estimated to 4,630m in the central segment of the Albertine Graben, which compares well with that of 5km estimated from a gravity profile across the Semliki valley (Ref. 20).

Though extension has been the main mode of deformation in the Albertine Graben, there is also evidence of compression, believed to represent localised inversion due to oblique extension.

Block 3 encompasses two basins:

- the northern part of the block is in the Lake Albert Basin; and
- the southern part is in the Semliki Basin.

The Lake Albert Basin is an asymmetrical graben, trending NE-SW. It is approximately 190km long, with an average width of 45km and terminates against the Pakwach Basin in the north and the Semliki basin in the south.

The western boundary of the rift is marked by the steep western edge of the lake, where the uplifted flanks reach a height of more than 2,200m. The eastern margin is shallower, with rift structures continuing on land. The uplifted flanks on the eastern edge of the rift are lower than those on the western edge, reaching 1,300m.

Structural interpretation based on magnetic, gravity and seismic data shows two main sub-basins, separated by a basement high, possibly representing an accommodation/transfer zone.

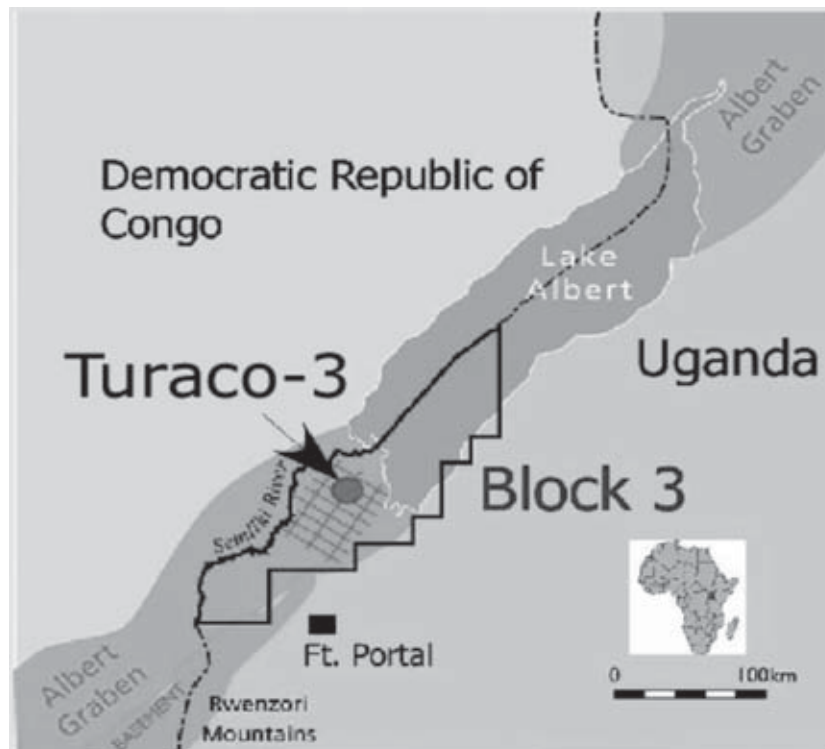
Structural cross sections indicate two possible episodes of extension from Early Tertiary to Recent. The Petroleum Exploration and Production Department of the Republic of Uganda (PEPD) (Ref. 3, 4) interpreted the possible early syn-rift phase to be a pre-rift Mesozoic section, but none of the wells drilled so far have confirmed this.

The Semliki Basin is separated from the Lake Albert Basin to the north by an accommodation zone. The trend of the rift changes here from NE-SW in the Lake Albert Basin to NNE-SSW in the Semliki Basin. The Semliki Basin terminates against the Rwenzori Mountains to southeast.

### 2.2.2 Stratigraphy

Little is known about the stratigraphy of the southern part of the block. But it is expected to be similar to that of the Lake Albert. However, the stratigraphy of the northern part of the block is expected to be similar to that discovered by the Turaco wells drilled 10km away from it, on the Ugandan side of the border. The location of well Turaco-3 is displayed in Figure 2.1 below:

**Figure 2.1: Turaco-3 well location**



The general stratigraphic sequence of Lake Albert is divided into two mega-sequences: Pre-rift and Syn-rift.

The pre-rift mega-sequence is composed of Pre-Cambrian basement rocks, exposed on the rift flanks. This sequence consists of high-grade meta-sedimentary rocks, gneisses, granitic gneisses and quartzites. These rocks have no source potential, but could prove to act as reservoirs if fractured and sealed.

The syn-rift mega-sequence overlies the pre-rift rocks, mostly unconformably. Most of the syn-rift sequence is of Cenozoic age, possibly ranging from Paleogene/Early Miocene to Recent. However, the lowest part of the sedimentary section in Lake Albert is possibly Jurassic, though this is based only on lithological similarities of a bituminous black shale discovered by the Butaiba Waki-1 well in Uganda and Stanleyville shales found elsewhere in Congo. Although this formation is found in Lake Albert, it may or may not be actually found in either the northern or southern part of Block 3.

The Cenozoic sequence was penetrated by several wells and is also exposed on the flanks of the rift. Sequences found in the Turaco wells (10km from Block 3) and those further away in wells drilled on the Ugandan side of Lake Albert generally correspond to each other. The sequence is mainly divided into two formations namely, Kisegi and Kaiso Formations, separated by an unconformity.

The Kisegi Formation (Early Miocene-Pliocene) consists of sandstones and shales, some of which are bituminous. The unit is believed to have been deposited in a fluvial and ephemeral to permanent lake setting, though it is alluvial in its lowest part. It contains potential reservoir sandstones reported to be of excellent quality as well as bituminous shales with up to 7 per cent TOC. The formation is present in the Turaco wells and outcrops close to the northern part of Block 3 and should be expected to be encountered in the sub-surface of the block.

The Kaiso Formation (Early Pleistocene) comprises of the deposits of two main depositional phases – lacustrine and alluvial plain. The lacustrine unit consists of sandstones and shales, while the alluvial unit is conglomeratic. The sandstones of this formation have also been shown to have suitable reservoir properties in several of the discoveries made in Uganda.

Sediments in the northern part of Block 3 are expected to be similar to those described above. Further, depth-to-basement is expected to be similar to main Lake Albert and reaches approximately 4.5km.

However, much less is known about the southern part of Block 3. According to the gravity data, the sediments in this part of the block are expected to be much thinner, reaching 2.5 to 3.5km in thickness. At this stage, it is not known how the sedimentary column in this part of the block relates to that in the main Lake Albert area, but it is expected to be broadly similar. Presumably, the area would have been a site of an ephemeral lake (like Lake Albert and perhaps joined to it at times) during some episodes and alluvial/deltaic conditions, similar to today's Semliki delta, at other times. In addition, steep slopes of the rift and the Rwenzori mountain have possibly contributed coarse sediments deposited in alluvial fans and aprons, which could result in very good reservoirs (similar to those found in the Ugandan discoveries).

A key question in this part of the block is have sufficient source rocks been deposited to generate commercial quantities of hydrocarbons and to a lesser extent if the shale intervals would provide adequate seals.

### **2.2.3 Exploration History**

Little conventional data has been acquired in Block 3. No seismic surveys have been carried out and no wells have been drilled. However, part of the block is covered with aero-magnetic and gravity data.

The main indication of prospectivity of Block 3 comes from the results of exploration activities carried out in the Albertine Graben of neighbouring Uganda.

Following the discovery of numerous oil seeps, mostly concentrated around the shores of Lake Albert, several shallow wells have been drilled. However, it is only recently that a concerted effort to explore the prospectivity of the Albertine Graben was made using modern methods. Heritage and Tullow started their exploration efforts on the Ugandan side of Lake Albert at the beginning of 2006.

Several 2D and 3D seismic surveys have been shot on the Ugandan side of the border and a large number of structures identified. Several wells drilled into these and all encountered hydrocarbons, usually in multi-layered reservoirs. The history of wells drilled in the Albertine Graben is summarised in Table 2.1 below:

**Table 2.1: Drilling Results in Uganda for the Albertine Graben**

Well Name	Type	Block	Spud Date	Depth (metres)	Result
Kingfisher-1	Exploration	3A	August 2006	2,290	Oil Discovery
Mputa-1	Exploration	2	December 2005	1,186	Oil Discovery
Mputa-2	Appraisal	2	May 2006	1,344	Oil
Mputa-3	Appraisal	2	August 2007	973	Oil
Nzizi-1	Exploration	2	October 2006	shallow	Oil Shows, untested
Nzizi-2	Appraisal	2	June/July 2007	950	Oil and Gas Discovery
Turaco-1	Exploration	3	2002	2,487	Oil and Gas Shows
Turaco-2	Appraisal	3	2003	2,500 (approx.)	Oil and Gas Shows
Turaco-3	Appraisal	3	2004	2,850	Gas Discovery (non-commercial)
Waraga-1	Exploration	2	March 2006	2,010	Oil Discovery

The most significant of these are the Turaco wells, drilled in the delta of the Semliki River, only some 10km away from Block 3. These wells encountered oil and gas shows, but the gas accumulation turned out to be 80 to 90 percent carbon dioxide when it was finally tested.

While the presence of carbon dioxide is a cause for concern, particularly as it is not well understood, the wells have demonstrated the presence of good quality reservoirs in the subsurface, as well as several intervals of potential source rocks with relatively high TOC content. The analysis of the recovered source rock samples showed that the source rock is Peak Mature (PM) at this depth, which is significant not just for the northern part of Block 3, which may have approximately the same conditions, but also for the southern part of the block. Though the sediment column in the southern part of the block is much shallower, it is estimated that some of it is at least as deep as the depth from which peak-mature samples of bituminous shale were recovered. This suggests that the source rocks, if present at an approximately similar depth in the southern part of the block, could also be mature.

### 3. RESOURCES

#### 3.1 Statement of the Resources

The estimation of the resources was prepared in accordance with standard geological and engineering methods generally accepted by the oil and gas industry and is reported according to the rules and standards set down by the internationally recognised PRMS.

According to this standard, Block 3 contains no reserves or contingent resources, but may contain prospective resources. Block 3 is a virgin exploration territory, where no seismic or other relevant data exists, which could be used to define the prospects and leads. However, the Block is in close proximity to several discoveries that form part of a prospective Play.

An exploration campaign is being planned for this block and is intended to establish the presence of all the elements of the petroleum system in Block 3, to define prospects and leads and eventually re-grade the resources.

A summary of the reserves and resources in accordance with the PRMS is provided in Table 1, the values presented in this table reflect an estimate of the Stock Tank of Oil Initially In Place (STOIIP).

The method used to estimate the resources is presented in Section 3.1.1.

Recovery factor is subject to many technical and economic factors and has been presented separately. It is intended to illustrate what the potentially recoverable resources of the block could be, based on current views and practices.

##### 3.1.1 Method

Unrisked prospective resources/deposits (Unrisked STOIIP) for Block 3 have been estimated using the Monte Carlo probabilistic method, based on the standard volumetric calculation. According to the PRMS standard, the P90, P50 and P10 values calculated by the probabilistic simulations have been used as the Low, Most Likely and High estimates, respectively.

The Risk Factor has been estimated and presented separately. In addition to representing the estimated chance of discovering hydrocarbons in sufficient quantity for them to be tested it also represents the independent expert's view of the proportion of the prospective resources which may mature to become reserves through exploration of Block 3 as a whole.

It is thought that oil will be encountered in the subsurface rather than gas. The amount of associated gas was calculated from the STOIIIP, using a Gas Oil Ratio (GOR) of 300scf/barrel. The GOR has been estimated from the results of recent production tests in the Ugandan discoveries.

#### 3.1.1.1 *Unrisked Resources*

The Most Likely values of parameters used in the Monte Carlo simulation have been taken or estimated using the available regional data, while the range of parameters have been applied using worldwide analogues.

The prospectivity of Block 3 is seen mainly in the graben part of the block, located between the faulted valley sides, which consist of metamorphic basement. Although seismic data was not directly available, it has been reasonably assumed that the structures in the block will be similar in both size and number to those identified on the seismic data in the neighbouring blocks.

The most likely number of structures was then calculated using the respective graben areas of Block 3 (DRC) and Blocks 2 and 3A in Uganda. Likewise, the area extent of an average structure was taken to be the approximate average of those identified within Blocks 2 and 3A in Uganda. It has to be mentioned that some of the structures currently explored in Uganda may be much larger than they are currently thought to be. This will be the subject of further exploration and appraisal programs in these blocks. This range of possibilities is reflected in the range used in the Monte Carlo simulation. In addition, the average structure area and the number of structures have been inversely correlated, with the higher average structure area likely to decrease the number of structures. The average total thickness of the reservoirs is more difficult to estimate. The total reservoir thicknesses reported from the wells drilled so far in Blocks 2 and 3A in Uganda have thus been used as the basis. However, several other factors were taken into consideration:

- many of the wells drilled in Ugandan did not penetrate the whole prospective interval, mainly due to technical limitations (drilling rigs unable to drill deeper). This is true particularly regarding the Kingfisher discovery, where the rigs were unable to drill to the main target horizon. This would indicate that the average total thickness is higher than reported in the wells;
- several gravity maps and interpretation indicate that the sediment thickness in the main part of Block 3 (depth to basement of 2.5 to 3km) is not as great as in Blocks 2 and 3A in Uganda (depth of basement of 3.5 to 5km). Therefore, it is expected that the total thickness of the reservoir intervals in Block 3 would be lower than in the blocks explored so far. This could mean a smaller number of prospective intervals in each of the structures, or smaller thickness of each interval, or most likely both; and
- the wells drilled so far in Uganda have targeted the prospects on the downthrown sides of major faults. Given the geological setting (proximal alluvial fan or fluvio-deltaic), this is where the sediment thickness would be expected to be greatest, with equivalent reservoir intervals thinner or absent in prospects located closer to the centre of the graben. This would indicate that the average total reservoir thickness would be expected to be slightly lower than discovered by the wells drilled so far.

Given these considerations above, it is considered that the most likely total average reservoir thickness in Block 3 will be approximately 75 per cent of that reported from recent exploration wells.

Net to Gross is one of the key parameters and subject to a high level of uncertainty. This is primarily due to the low volume of data acquired so far in the analogue blocks in Uganda. This does not allow for sufficient understanding of the depositional system which contributed to reservoir formation in the recent discoveries.

We think that it is likely that the Net to Gross has an intermediate value, as the system is a mixture of fluvio-deltaic and alluvial fan deposits. This variation is expected both vertically, with different intervals deposited in either setting, and laterally, with alluvial fans passing into fluvio-deltaic deposits towards the basin centre. A wide range has been used for this parameter in the Monte Carlo simulation to reflect this uncertainty.

Porosity is somewhat better known. The prospective intervals display porosities in the range of 20 to 30 percent, with averages of 24 or 25 percent. The porosity values will also be influenced by depositional environment. It can be anticipated that the reservoirs in structures closer to the basin centre may be slightly less porous. However, they may likewise be somewhat higher in more proximal settings (for example, the main target intervals in Kingfisher, which have not been drilled due to rig limitations).

Given the nature of the reservoirs, which consist of clean sandstones, and medium to light oils discovered in them to date, we would expect the oil saturations to be around 80 per cent. This is of course subject to a wide range of factors, but is not as uncertain as some of the other factors.

The most likely value and ranges of the Oil Formation Volume Factor have been estimated by analogy with other fields which have similar oils (32 degrees to 35 degrees API).

The parameters used are summarised in Table 3.1, with a full description presented in Appendix 1.

**Table 3.1: Assumptions for the Monte Carlo volumetric simulation**

Parameter	Distribution Type	Minimum	Most Likely	Maximum	Standard Deviation	Notes
Number of Structures	Normal	10	17	30	5	Correlated with Average Structure Area by -0.5
Average Structure Area (km <sub>2</sub> )	Lognormal	10	30	50	10	Correlated with Number of Structures by -0.5
Average Total Gross Thickness (m)	Triangular	15	35	70	-	-
Average Net to Gross (fraction)	Triangular	0.20	0.50	0.80	-	Correlated with Average Porosity by 0.25
Average Porosity (fraction)	Triangular	0.18	0.25	0.30	-	Correlated with Average Net to Gross by 0.25
Average Oil Saturation (fraction)	Lognormal	0.50	0.80	0.85	0.05	-
Average Oil Formation Volume Factor	Triangular	1.09	1.12	1.17	-	-

The Monte Carlo simulation was run using Crystal Ball software. 100,000 trials were used in the simulation.

The Unrisked P<sub>50</sub> STOIP is estimated to 1,518 million stock tank barrels, the results are summarised in Table 3.2, with further description given in Appendix 1.

The associated gas resources/deposits were estimated using the Gas-Oil Ratio of 300 standard cubic feet per barrel. This value has been selected as the most likely, based on the results of drilling in Uganda and is also appropriate to the gravity of oil recovered from the Ugandan discoveries.

**Table 3.2: Results of the Estimation of the Unrisked Prospective Resources using the Monte Carlo Probabilistic Method**

Estimate	Unrisked Gross STOIP (million stock tank barrels)	Unrisked Gross GIIP (associated gas) (million standard cubic feet)
Low Estimate – P <sub>90</sub>	767	230
<b>Best Estimate – P<sub>50</sub></b>	<b>1,518</b>	<b>455</b>
High Estimate – P <sub>10</sub>	2,828	842

The P<sub>10</sub>-P<sub>90</sub> range is wide, as would be expected given the lack of data. Sensitivity analysis (see Appendix 1) shows that the amount of recoverable reserves is mostly dependant on the Gross Rock Volume (Average Total Thickness and Average Net to Gross). Conversely, these values are unknowns at this stage.

Further exploration effort, in the whole of the Albertine Graben as well as Block 3, will allow these parameters and consequently the range of the results to be constrained better in the future.

### 3.1.1.2 Risk Factor

The Risk Factor represents the probability/likelihood of discovering hydrocarbons in sufficient quantity for them to be tested, with any single exploration well. It is also applied to the unrisked reserves to estimate the reserves most likely to be encountered in the block, i.e. risked reserves. In addition, it also represents the existing view of the proportion of the prospective resources which may mature to become reserves through exploration for the Block as a whole.

Each of the conventional play elements was examined and risked in turn. In addition, the CO<sub>2</sub> presence presents a risk to the prospectivity of Block 3, as demonstrated by a nearby discovery, and was therefore included in the Risk Factor estimation.

The Risk Factor is a combination of the probabilities of different play elements being present in the petroleum system. These are summarised in Table 3.3 below:

**Table 3.3: Summary of the Risk Factor**

Risk Element	Risk Factor
Source Rock Presence and Maturity	0.5
Reservoir Presence and Quality	0.9
Trap Presence	1
Seal Presence and Integrity	0.7
Migration Pathway and Timing	0.95
CO <sub>2</sub> Presence	0.7
<b>Total Exploration Risk</b>	<b>0.21</b>

#### 3.1.1.2.1 Source Rock Presence and Maturity

The source rocks in the Albertine Graben are mostly lacustrine shales. The age of these deposits is uncertain and some authors have assigned them to the Jurassic, though this is only by analogy of the samples recovered from outcrop and Waki-Butaiba-1 well (drilled in 1938, Ref. 8) to the Stanleyville shale found elsewhere in Congo. In addition, although Mesozoic sediments have been inferred to be present in the deeper parts of the graben, this has not been confirmed by drilling as yet.

On the other hand, Tertiary lacustrine shales have been indicated from a number of oil seeps, shows of bituminous oils in shallow wells and also sampled by exploration wells.

Whether they are Jurassic or Tertiary, the bituminous shales are present in the Albertine Graben and are known to be mature, as evidenced by numerous oil seeps and recent discoveries. Indeed, geochemical analyses have indicated that the oils in seeps have been sourced from different intervals to those sampled from shallow bituminous sandstones. This makes it likely that there are multiple source rocks contributing to the system in the main Lake Albert area.

Significantly, organic-rich shales have been sampled at depth by the Turaco wells, which were drilled on the Ugandan side of the border, just 10km from Block 3. The wells recovered samples of lacustrine shales from the Kasande-Kakara Formation (Miocene/Tertiary) as well as Pliocene intervals. The source intervals are 115m and 22m thick, respectively, and have TOC content of up to 4.8 per cent. Furthermore, thermal maturity modelling indicated that these source rocks are currently in the peak oil generation window. This would indicate that the source rocks in the deeper part of the basin (mainly on the DRC side) are peak-mature to post mature.

Kibuku oil seeps, located approximately 10km away from Block 3, are another significant oil show in the area. This series of four seeps is concentrated along one of the larger faults and demonstrates the validity of the source in this area. The analysis of oil samples taken from these seeps showed that the rocks which produced them are early mature and oil prone. Interestingly, some of the indicators pointed to a significant contribution of land plants to the lacustrine. These were presumably deposited in the estuaries of the ancient equivalent of the Semliki delta.

These shows would seem to validate the source for the northern part of Block 3.

However, the lack of oil shows in Block 3 itself is a serious concern. This is because the block covers mostly the area south of the main depocentre of the Lake Albert from which it is somewhat separated by an accommodation zone north of the Rwenzori Mountain, where the rift valley is relatively narrow. Any oil generated in the main Lake Albert area would have moved updip, towards the boundary faults of the rift, rather than southwards, towards the southern part of Block 3.

The part of the Albertine Graben which occupies the greatest area in Block 3 is a smaller sub-basin west of the Rwenzori Mountain. According to the gravity data this sub-basin is shallower than at Lake Albert. This is a cause for concern if lacustrine shales have accumulated in this part of the graben in sufficient quantities. The current topography places the Semliki delta and the lake some way to the north and if this was the case in the past, then the presence of the source rocks is questionable, especially in the light of the absence of oil seeps. On the other hand, it is likely that at least during some episodes in the past this area would have been a lake, similar (and perhaps connected to) Lake Albert. This encourages the view that lacustrine shales with sufficient organic content and thickness are present.

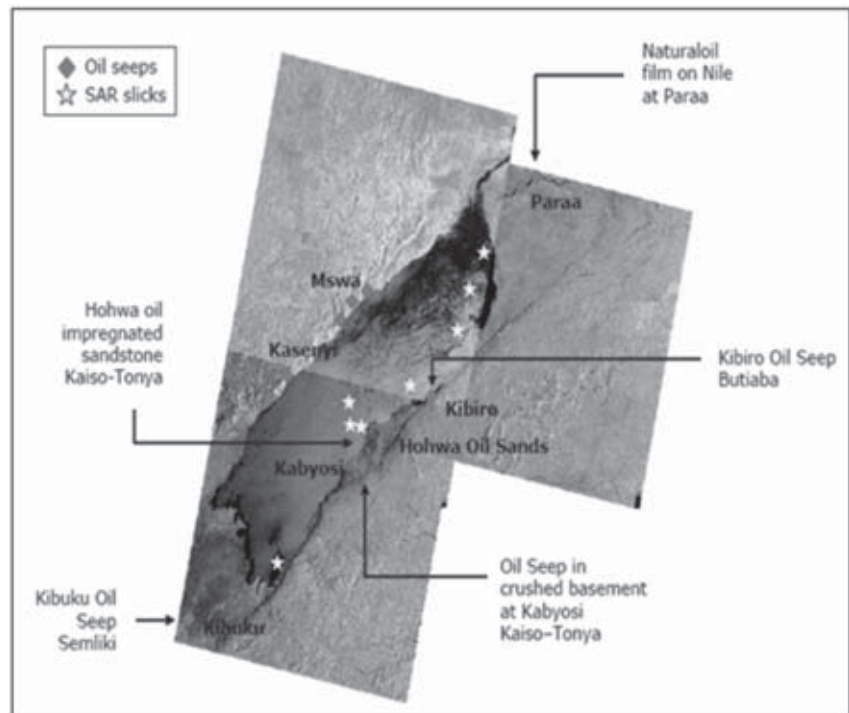
The thermal maturity is difficult to gauge in the absence of any data. This is made even more acute by the findings from the Lake Albert area where source rock maturity was found to be highly dependent on the proximity of intrusive volcanics, making the maturity patchy. However, the maturity is judged to be less of an issue as:

- source rock samples recovered from depths similar to those expected in the main part of Block 3 have been found to be mature (in Turaco wells); and
- tertiary volcanic have been identified in the vicinity of the block.

Either the lack of source rocks or their immaturity could be the cause of the lack of surface oil seeps. However, a possibility exists that the seeps are present but have not been identified, or that they have simply not been reported. Certainly most of the data available is from the Ugandan oil seeps. However, despite there being no analysis or much mention of the Congolese samples in the reports, several are marked on maps on the Congolese side of Lake Albert. Still, this certainly does not preclude the possibility of undetected or unreported surface shows of hydrocarbons in Block 3, which is mainly forested and inaccessible (as opposed to the shores of Lake Albert), as witnessed by the general absence of data from field studies in this area.

**Figure 3.1 shows the location of oil seeps associated with Lake Albert.**

**Figure 3.1: Location of Oil Seeps Lake Albert (Ref. 16)**



\* Yellow stars are the location of oil slicks detected by Synthetic Aperture Radar.

In conclusion, the source rocks are believed to be present and mature in the northern part of the block. However this is uncertain in the southern part of the block (i.e. most of the block) and further studies would be required for better understanding of this parameter. Overall the presence and maturity is considered unknown.

### 3.1.1.2.2 Reservoir Presence and Quality

With a similar tectonic setting, it would be expected that reservoir intervals similar to those present in the recent exploration wells would be encountered in the subsurface of Block 3. This is certainly the case with the northern part of the block, where the Turaco wells have confirmed laterally extensive reservoirs in a structure 10km away from Block 3.

The southern part of the block is somewhat shallower than the main Lake Albert equivalent and it would be expected that the total reservoir thickness may be slightly lower in Block 3.

Given the high Rwenzori Mountain and fault movement during rifting, it would be expected that much coarse clastic material would be available for the formation of alluvial fans and aprons. During quieter episodes this

sediment could have been reworked and deposited by the equivalent of the current Semliki River – such rivers would have also followed the downthrown side of normal fault, as the Semliki River does today, and would have concentrated the coarse sediment there. Lastly, while the current position of the Semliki delta is further to the North from Block 3, this may have been further to the south during some episodes, which would also provide a suitable environment for the deposition of suitable reservoir rocks.

We therefore consider that it is highly likely that an adequate reservoir will be encountered.

#### 3.1.1.2.3 Trap Presence

The trap has not been risked individually. This is because this risk is usually applied to indicate the possibility of the seismic data incorrectly indicating the existence of a particular structure capable of trapping hydrocarbons (prospect or lead), due to erroneous time/depth interpretation. In this case, all the data is conjectural – there is no actual seismic data, and the prospectivity of the whole block is considered as a single *play*. However, the presence of traps in the Albertine Graben is well known through general rift geology and proven by drilling in the Ugandan discoveries.

In addition, this risk has been reflected in the Monte Carlo simulation. This risk should be applied on the case by case basis for each structure perceived, and the “Number of Structures” parameter in the Monte Carlo simulation has been given a range which reflects the possibility that some of the leads/prospects identified by the Lake Albert seismic surveys may not be traps in reality (as well as the possibility that the number of structures per unit area is different in Block 3 compared to Blocks 2 and 3 in Uganda).

In our view it is highly likely that hydrocarbon traps exist in Block 3.

#### 3.1.1.2.4 Seal Presence and Integrity

The lacustrine shales, silts and claystones would be expected to provide a seal, as is the case in the recent discoveries in Uganda. Similar comments as for the source presence could be applied here, though in this case there is no dependence on the organic content.

With the viability of the seal demonstrated by the Turaco wells (and others further away) it would appear likely that adequate seals are present in most of Block 3. It is also notable that the seal in the Turaco structure appears to be adequate for gas in addition to oil.

The faults could act as adequate lateral seals, as evidenced by the accumulations in discovered fault-dependent closures in Uganda as well as oil seeps concentrated against faults.

The presence of oil seeps at the surface obviously indicates that there are intervals which are not adequately sealed, but the evidence suggests that adequate seals could be reasonably expected to be present in Block 3. Seal presence and integrity are viewed as likely.

#### 3.1.1.2.5 Migration Pathway and Timing

In this system, the lacustrine source rocks could be deposited adjacent to and interbedded with the alluvial and fluvio-deltaic reservoir rocks. This relationship could be generally expected in the rift sediments and has been confirmed in outcrop and also in wells. In Turaco-3 well in particular, the source interval (Kasande Formation) overlays the primary objective (Kisegi Formation – stacked fluvial channel sandstones) and is immediately below the secondary objective (Kakara Formation –

Prograding deltaic sandstones). This would make for a very short migration route, with hydrocarbons expelled from the source rock directly into the reservoir. Of course, this is also expected to occur in the northern part of Block 3, just 10km away.

Additionally, the reservoir intervals would tend to grade to source rock intervals in the deeper parts of the basins. Again, the migration pathway would be short as the expelled hydrocarbons migrate upwards – straight into the reservoir sandstones.

In the rift graben setting the structures will have developed early, mostly before the source rocks have reached maturity.

From maturity modelling it becomes apparent that the hydrocarbon generation would have started some 10-12 million years ago in the deepest parts of the Lake Albert Basin and significantly later in the shallower parts (e.g. maturity modelling of the source rock samples taken from the Turaco-3 well indicates these have entered the maturity window only some 2 million years ago).

The structures on the other hand should have already been in place – mostly these could have developed during the main rifting phases, particularly in Oligocene (around 30 million years ago) and Miocene (5 to 20 million years ago). There are also indications of a late compressional phase, occurring at 12 to 10 million years ago, though it is possible that these are localised and represent inversion which occurred due to oblique extension.

Therefore, the structures could have developed before the hydrocarbons had matured, been expelled and migrated into the reservoir. Recent discoveries in Uganda show that this is the case.

It is therefore highly likely that these two requirements of the petroleum system are met in Block 3. The risk is therefore low for this element.

#### 3.1.1.2.6 Carbon Dioxide (CO<sub>2</sub>) Presence

The presence of CO<sub>2</sub> has been discovered by the Turaco wells, which have tapped into an accumulation containing 80 – 90 per cent of this gas, making the discovery non-commercial. The main concern with the presence of CO<sub>2</sub> is that this gas may prevent the commercial hydrocarbons from entering the trap or even displace them from the trap.

The source of CO<sub>2</sub> is not well understood. Many explanations are plausible, including volcanogenic origin to bacterial oxidation of the organic matter. Likewise, the timing of emplacement in the reservoirs is not understood.

Given that most of the wells drilled so far have not encountered CO<sub>2</sub>, it would seem that the risk associated with it would be low. However, the wells which did encounter it are precisely those which lie in close proximity of Block 3. We have therefore assigned a moderate risk to this factor, i.e. most of the traps are likely to be free of CO<sub>2</sub>.

#### 3.1.1.3 *Expected Recovery Factor*

Expected Recovery Factor has been estimated using the nature of the reservoir and fluids, current view of the likely development plan and our knowledge of similar projects world-wide.

The recovery associated with prospects in the licensed area can be derived from the analogue discoveries in Uganda. These analogues have medium porosity and high permeability and therefore our expectation based on the analogue data is that well recoveries will be in the range of 6 million bbls to 8 million bbls.

This is somewhat moderated by the fact that there is still a marked gap in the knowledge of the interconnectedness of the reservoir (which depends on whether the reservoirs are mainly fluvio-deltaic or proximal alluvial fans and aprons), even in Ugandan discoveries.

Given the discoveries made so far, it could be anticipated that the crudes would be medium to light, which would facilitate better recoveries, even though they could also be waxy.

The potential fields would be likely to be developed using primary depletion only, given the expected size of the potential discoveries. In view of the climate and regional geology, it is expected that the aquifer would be at least moderately active (i.e. good aquifer support is predicted). This, combined with the current economic conditions, would make water injection unlikely to be economical. Gas injection on the other hand is believed not to be feasible, primarily due to small volumes of associated gas expected (low expected Gas Oil Ratio).

Given the current views on the parameters above, it is expected that the recovery factor for any discovered fields would be in the region of 30 to 35 percent using primary depletion as the recovery method.

This is of course subject to the collection of further data, as well as economic variation and political issues.

#### 3.1.1.4 Risked Prospective Resources

Risked prospective resources/deposits have been calculated by applying the Risk Factor to the Unrisked prospective resources. In addition to STOIIIP, an illustration of potentially recoverable prospective resources has been included.

Potentially recoverable Prospective Resources were estimated using the Monte Carlo probabilistic method, with parameters and ranges as described in Section 3.1.1.1. A range of recovery factors was added to this, as described in Table 3.4 below:

**Table 3.4: Recovery Factor assumption for the Monte Carlo simulation**

Parameter	Type	Distribution Minimum	Most Likely	Maximum
Average Recovery Factor (fraction)	Triangular	0.27	0.35	0.40

**Table 3.5 illustrates an estimate of the Prospective Recoverable Resources for Block 3:**

**Table 3.5: Unrisked and Risked Prospective Resources**

Estimate	Unrisked Gross STOIIIP (million stock tank barrels)	Unrisked Gross Recoverable Prospective Resources (million stock tank barrels)	Risk Factor (fraction)	Risked Gross STOIIIP (million stock tank barrels)	Risked Gross Recoverable Prospective Resources (million stock tank barrels)
Low Estimate ( $P_{90}$ )	767.49	258.59		160.77	54.23
<b>Best Estimate (<math>P_{50}</math>)</b>	<b>1,518.47</b>	<b>513.31</b>	0.21	<b>318.08</b>	<b>107.53</b>
High Estimate ( $P_{10}$ )	2,828.04	967.64		588.21	202.70

## 4. CONCLUSIONS

This independent technical expert report has been prepared in accordance with PRMS and is dated 24th February 2011.

Block 3 is located in the Albertine Basin, on the border of the Democratic Republic of the Congo and Uganda. The acreage is located south and on trend of discoveries made recently on the Ugandan side of Lake Albert.

The block is currently owned by Semliki Energy SPRL (85 per cent) and Cohydro (15 per cent). The operator is yet to be determined. Semliki Energy is a 50 per cent owned subsidiary of SacOil.

Block 3 is unexplored, with no seismic data or wells drilled. However, the proximity of recent discoveries in the Albertine Graben indicates that the block is highly prospective and that it may contain a hydrocarbon play. According to the PRMS, Block 3 contains no reserves or contingent resources, but may contain prospective resources (play).

The data from the area indicates that the potential discovered hydrocarbon would be mostly oil. The Monte Carlo probabilistic method was used to estimate the prospective resources of Block 3. In addition, the Risk Factor and potential Recovery Factors were estimated. The results are presented in Table 1.

## 5. QUALIFICATION AND BASIS OF OPINION

### 5.1 Qualification

Bayphase Limited is an independent consultancy specialising in Oil and Gas reserves determinations, field development planning and economic analysis. The company is based in St. George's House, Knoll Road, Camberley, Surrey GU15 3SY, United Kingdom.

Bayphase Limited does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this report, other than the provision of professional services on a fee basis.

The project was managed and signed off by Geoff Eyre, the Independent Expert, with the address at Bayphase Limited, St. George's House, Knoll Road, Camberley, Surrey GU15 3SY, UK. Mr Eyre is also the founder of company. He has been in this function since 1986, during which time the company has conducted work for many energy companies and financial institutions on a number of projects worldwide.

In addition to extensive work conducted for state-owned companies and privately held companies around the world Mr Eyre has been supervised or been involved in the development of technical reports for the listed companies given in Table 5.1 below:

**Table 5.1: Reports Prepared for Listed Companies by G Eyre**

Company	Report
Varun Industries	Independent Resource Verification to AIM Standard, Onshore Block Madagascar
PKN Orlen	Prospectivity Evaluation and Exploration Program Development
KBC Bank	Reserves Verification Non-associated gas fields – Poland
KBC Bank	Bridge North Sea Reserves Verification
Petrobaltic	Reserves Assessment, Field Development Plan and Valuation, B8 Field
KBC Bank	Skarv Field Reserves Verification
Circle Oil	Resources and Reserves Assessment – Kosmos License
Anglo Siberian Oil Company plc	North Vankor Field Petroleum Expert Witness Report
CentraGas Holdings AG	Sakhalinsky and Prirechnoye Reserves Assessment and Valuation Report
Wintershall AG	Bab and Shah Fields Reserves Assessment and Field Development Plan
Regal Petroleum plc	Suceva Block Seismic Interpretation and Prospectivity Assessment
KBC Bank	Okoro and Setu Field Reserves Verification and Field Development Plan Assessment
AsherXino	Resource and Reserves Assessment – Offshore block Nigeria
KBC Bank	Petroneft Financing Reserves Verification
PetroKazakhstan	Kazakhstan Oil License Evaluation and Acquisition Support
Burren Energy plc	Kazakhstan Field Evaluation Support
Aker	Aker vs. OFD Petroleum Expert Witness Report
Regal Petroleum plc	Liberia Blocks 8 and 9 Seismic Interpretation and Prospectivity Assessment

## 5.2 Basis of Opinion

The evaluation presented in this report reflects our informed judgement based on accepted standards of professional investigation, but is subject to generally recognised uncertainties associated with the interpretation of geological, geophysical and subsurface reservoir data as well as economic factors. Referred

It should be understood that this, like any evaluation may be subject to significant variations as new information becomes available.

## 5.3 Statement

I Geoff Eyre, as an Independent Expert, as defined in the SAMREC Code, have prepared this Independent Technical Expert Report as presented and am solely responsible for the form and content in which it appears.

### For Bayphase



### **EUR ING Geoff Eyre**

#### **Competent Person**

BSc. (Hons) Chemical Engineering  
FIChemE  
CEng  
Member SPE  
CSci

## 5.4 Report Compliance

This report has been prepared according to the rules of the rules and standards set down by the internationally recognised PRMS.

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## GLOSSARY AND DEFINITIONS OF TERMS USED

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<b>Cohydro</b>	La Congolaise Des Hydrocarbures.
<b>Contingent Resources</b>	Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable.
<b>Expected Recovery Factor</b>	The ratio of recoverable oil reserves to the oil in place in a reservoir.
<b>Gas Oil Ratio</b>	When oil is brought to surface conditions it is usual for some natural gas to come out of solution. The Gas Oil Ratio (GOR) is the ratio of the volume of gas that comes out of solution, to the volume of oil at standard conditions.
<b>Oil Formation Volume Factor</b>	Oil and dissolved gas volume at reservoir conditions divided by oil volume at standard conditions.
<b>PRMS</b>	Petroleum Reservoir Management System.
<b>Prospective Resources</b>	Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.
<b>PSA</b>	Production Sharing Agreement.
<b>Reserves</b>	Those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward.
<b>Risk Factor</b>	(for prospective resources). The chance or probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface.
<b>SAR</b>	Synthetic Aperture Radar – this technology is used to detect oil spills offshore.
<b>SPE</b>	The Society of Petroleum Engineers.
<b>STOIP</b>	Stock Tank of Oil Initially In Place.
<b>Total E&amp;P RDC</b>	Total Exploration and Production Republique Democratique du Congo.
<b>TOC</b>	Total Organic Carbon.
<b>WPC</b>	The World Petroleum Congress.

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## LIST OF FIGURES

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		<i>Page</i>
<b>Figure 1</b>	Location of Block 3, DRC	84
<b>Figure 2.1</b>	Turaco-3 well location	89
<b>Figure 3.1</b>	Location of Oil Seeps Lake Albert	97

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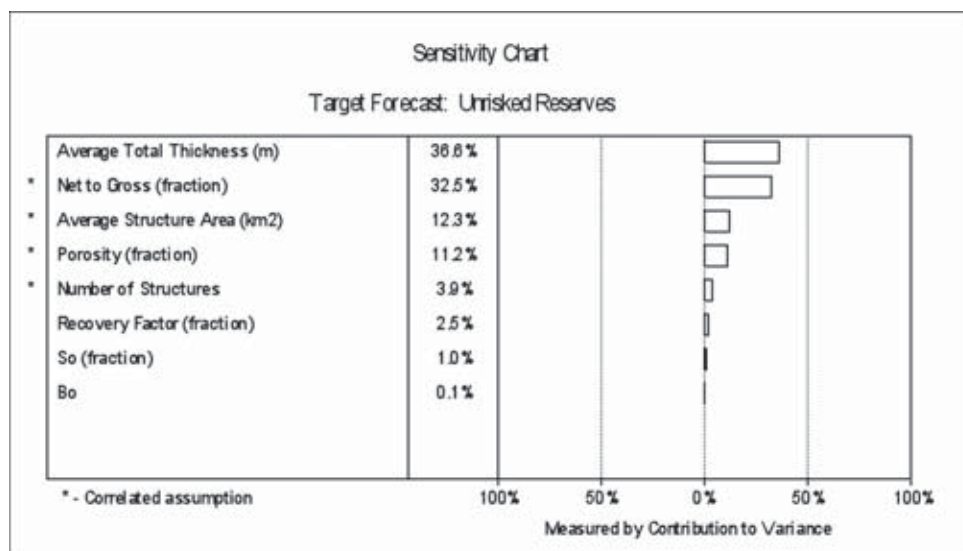
## LIST OF TABLES

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	<i>Page</i>	
<b>Table 1</b>	Summary of Resources for Block 3	85
<b>Table 1.1</b>	Overview of the Resources	87
<b>Table 2.1</b>	Drilling Results in Uganda for the Albertine Graben	91
<b>Table 3.1</b>	Assumptions for the Monte Carlo volumetric simulation	94
<b>Table 3.2</b>	Results of the Estimation of the Unrisked Prospective Resources using the Monte Carlo Probabilistic Method	95
<b>Table 3.3</b>	Summary of the Risk Factor	95
<b>Table 3.4</b>	Recovery Factor assumption for the Monte Carlo simulation	100
<b>Table 3.5</b>	Unrisked and Risked Prospective Resources	100
<b>Table 5.1</b>	Reports Prepared for Listed Companies by G Eyre	101

## ESTIMATION OF UNRISKED RESOURCES USING THE MONTE CARLO PROBABILISTIC METHOD

### Crystal Ball Report



### Forecasts: Unrisked Resources (STOIP)

#### Summary:

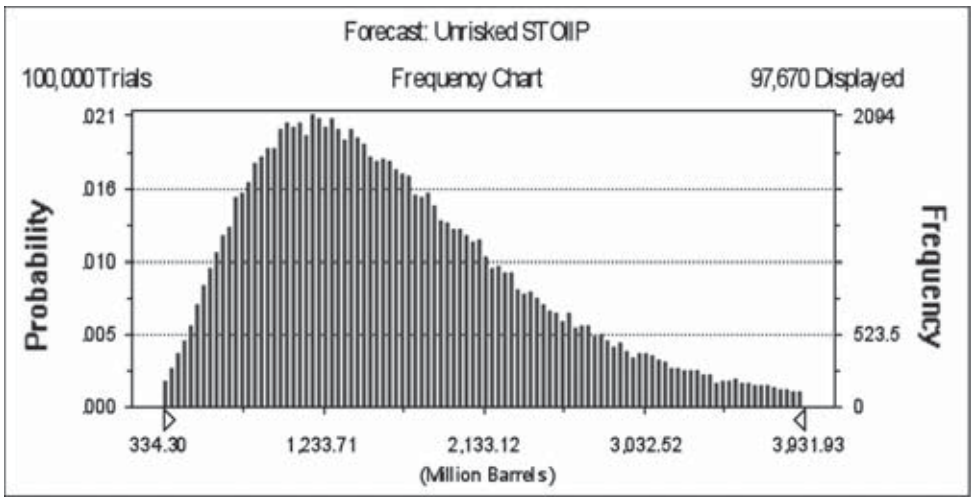
Display range is from 334.30 to 3,931.93 (Million Barrels).

Entire Range is from 157.71 to 8,665.82 (Million Barrels).

After 100,000 Trials, the Standard Error of the Mean is 2.71.

#### Statistics:

Parameters	Value
Trials	100,000
Mean	1,687.96
Median	1,518.47
Mode	–
Standard Deviation	858.18
Variance	736,475.37
Skewness	1.26
Kurtosis	5.49
Co-efficient of Variability	0.51
Range Minimum	157.71
Range Maximum	8,665.82
Range Width	8,508.11
Mean Standard Error	2.71



**Percentile:**

%	(Million Barrels)
0	157.71
10	767.49
20	975.89
30	1,154.32
40	1,330.96
50	1,518.47
60	1,726.60
70	1,976.54
80	2,298.08
90	2,828.04
100	8,665.82

## Forecasts: Unrisked Potentially Recoverable Resources (STOIIP)

### Summary:

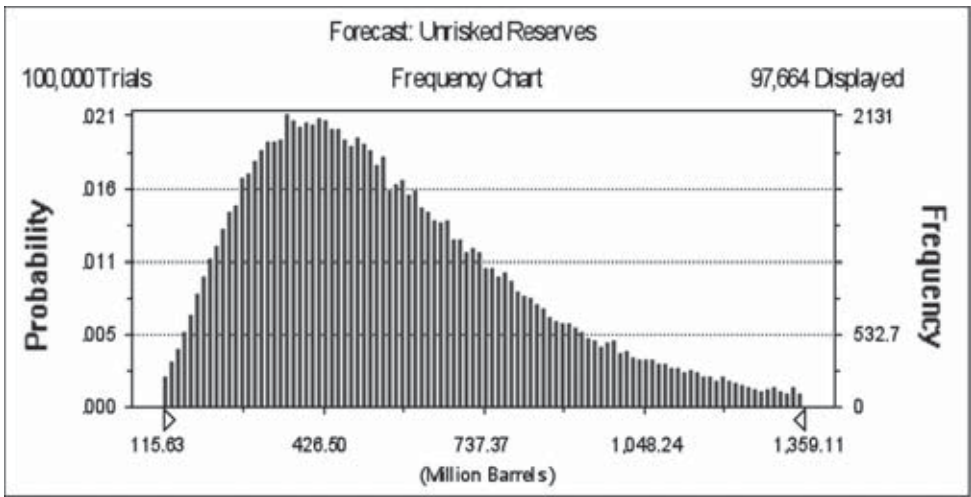
Display range is from 115.63 to 1,359.11 (Million Barrels).

Entire Range is from 51.72 to 3,168.12 (Million Barrels).

After 100,000 Trials, the Standard Error of the Mean is 0.94.

### Statistics:

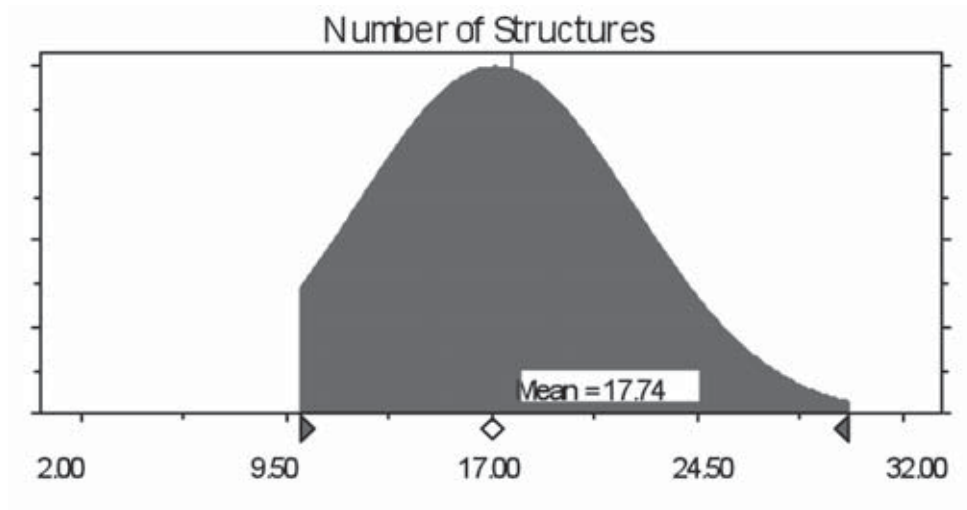
Parameters	Value
Trials	100,000
Mean	573.67
Median	513.31
Mode	–
Standard Deviation	296.18
Variance	87,724.00
Skewness	1.31
Kurtosis	5.72
Coefficient of Variability	0.52
Range Minimum	51.72
Range Maximum	3,168.12
Range Width	3,116.40
Mean Standard Error	0.94



**Percentiles:**

%	(Million Barrels)
0	51.72
10	258.59
20	328.61
30	390.04
40	449.90
50	513.31
60	585.18
70	671.25
80	783.56
90	967.64
100	3,168.12

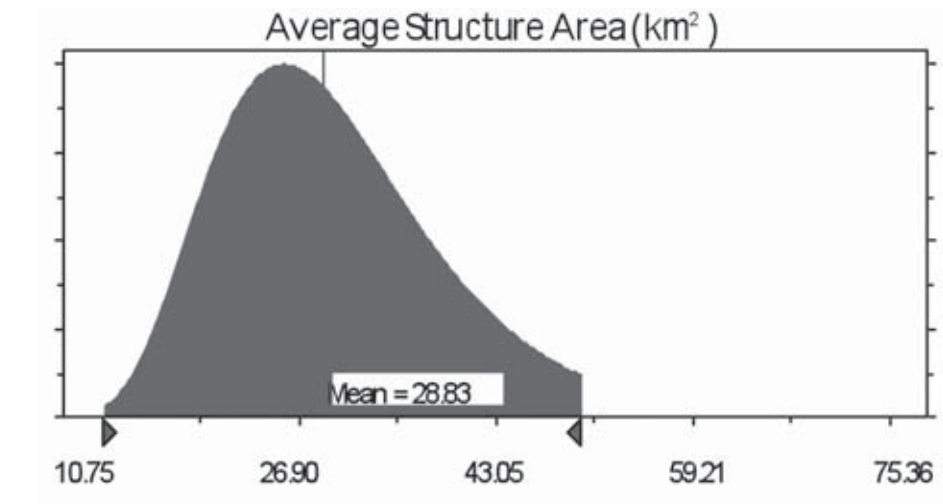
**Assumptions: Total Number of Structures**



**Normal distribution with parameters:**

Mean:	17.00
Standard Dev.:	5.00
Selected range is from 10.00 to 30.00	
Correlated with:	
Average Structure Area (km <sup>2</sup> )	-0.50

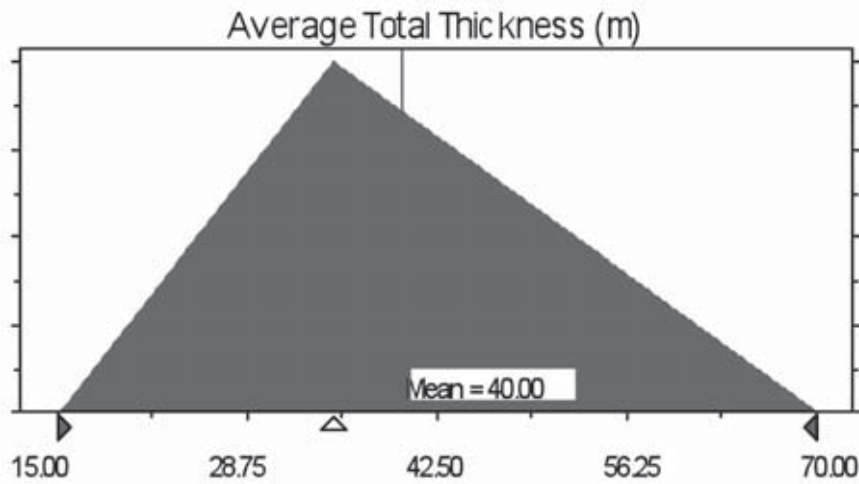
**Assumption: Average Structure Area (km<sup>2</sup>)**



**Lognormal distribution with parameters:**

Mean	30.00
Standard Dev.	10.00
Selected range is from 10.00 to 50.00	
Correlated with:	
Number of Structures	-0.50

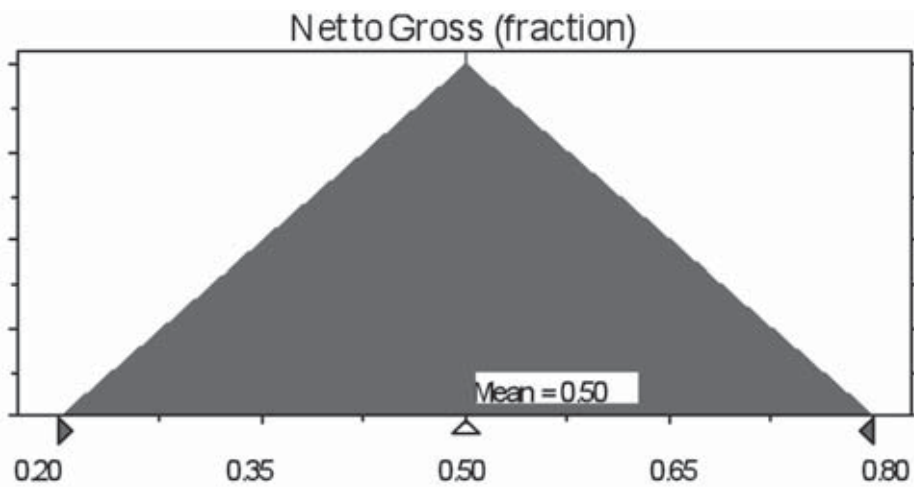
**Assumption: Average Total Thickness (m)**



**Triangular distribution with parameters:**

Minimum	15.00
Likeliest	35.00
Maximum	70.00
Selected range is from 15.00 to 70.00	

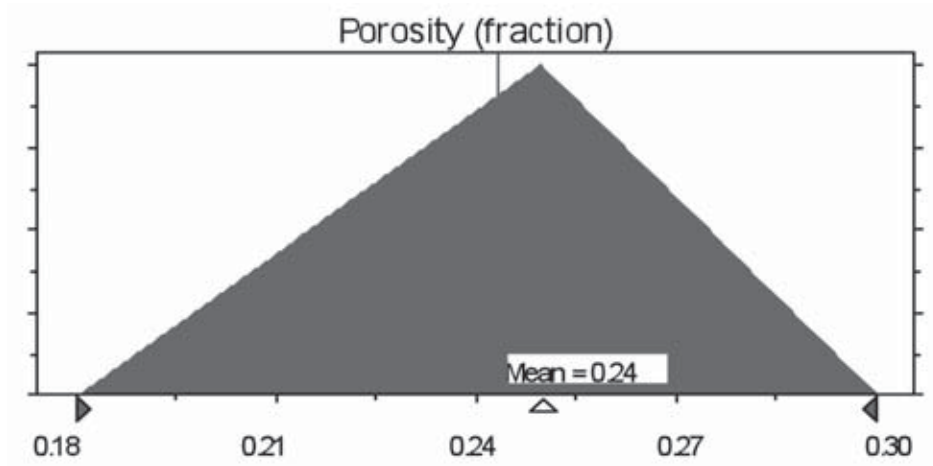
**Assumption: Average Net to Gross (fraction)**



**Triangular distribution with parameters:**

Minimum	0.20
Likeliest	0.50
Maximum	0.80
Selected range is from 0.20 to 0.80	
Correlated with: Porosity (fraction) 0.25	

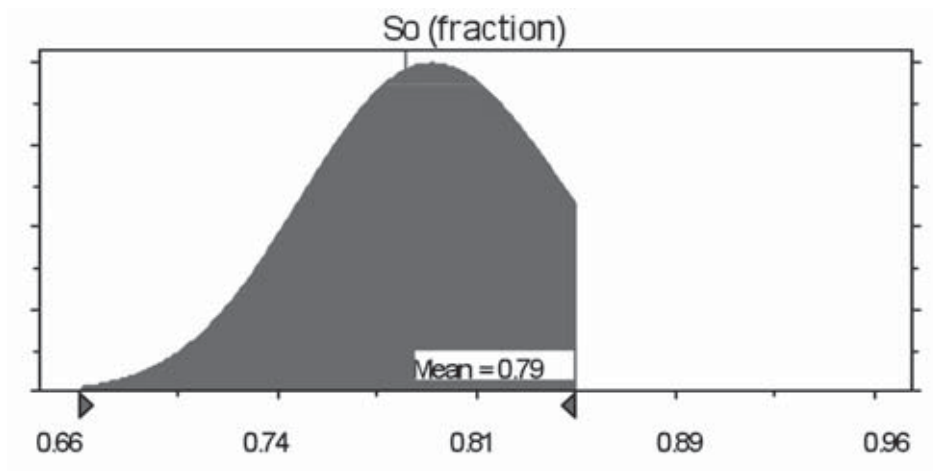
**Assumptions: Average Porosity (fraction)**



**Triangular distribution with parameters:**

Minimum	0.18
Likeliest	0.25
Maximum	0.30
Selected range is from 0.18 to 0.30	
Correlated with: Net to Gross (fraction) 0.25	

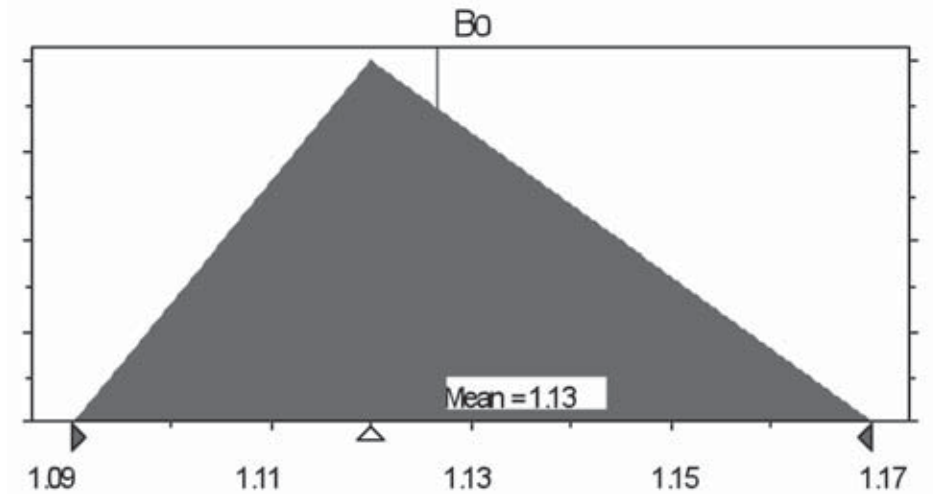
**Assumption: Average Oil Saturation (fraction)**



**Lognormal distribution with parameters:**

Mean	0.80
Standard Dev.	0.05
Selected range is from 0.50 to 0.85	

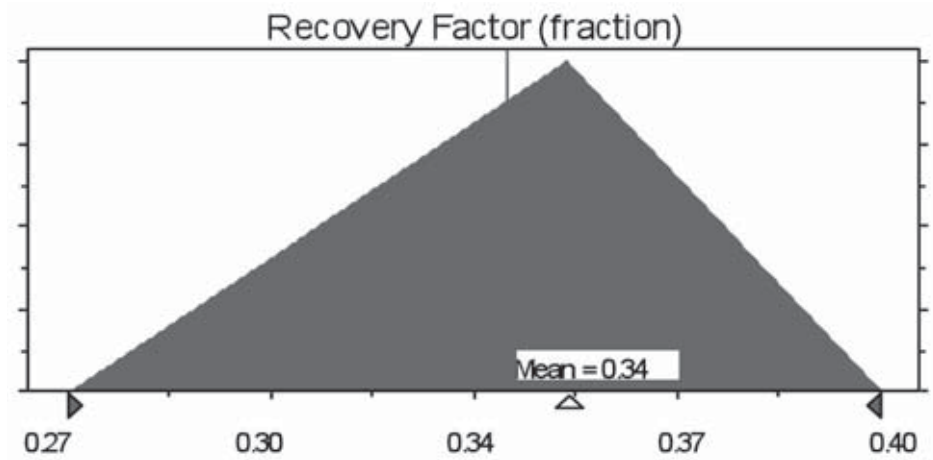
**Assumption: Average Oil Formation Volume Factor**



**Triangular distribution with parameters:**

Minimum	1.09
Likeliest	1.12
Maximum	1.17
Selected range is from 1.09 to 1.17	

**Assumption: Average Recovery Factor**



**Triangular distribution with parameters:**

Minimum	0.27
Likeliest	0.35
Maximum	0.40
Selected range is from 0.27 to 0.40	

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## CODE OF CORPORATE PRACTICES AND CONDUCT

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### STATEMENT ON CORPORATE GOVERNANCE

The Board endorses the fundamental principles of good financial, social, ethical and environmental practice as set out in the King Report on Corporate Governance for South Africa 2009 (“the King Report”). The Company complies with the King Report in all material aspects. Areas where the Company has not yet achieved full compliance are indicated under the relevant headings.

The Directors recognize that they are responsible for implementing practices of good governance and that companies no longer act independently from the societies and the environment in which they operate. Shareholders and stakeholders insist on high standards of corporate governance requiring increasing levels of transparency, integrity, openness and accountability by directors.

Issues of corporate governance continue to receive the Board’s consideration when appropriate, refinements are made to reflect current best practice in corporate governance and specifically taking into account the changes arising from the South African Corporate law reform process, including the recent publication of the King III Report (2009).

### BOARD OF DIRECTORS

The Board is responsible for formulating, reviewing and approving SacOil’s strategy, budgets and corporate actions. Accordingly, the Board will meet regularly throughout the year and all necessary information will be supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings will take place or other arrangements will be made when Board decisions are required in advance of regular meetings. The Directors have also established financial controls and reporting procedures which are considered appropriate given the size and structure of the Group. It is the intention of the Directors that these controls will be reviewed regularly in light of the future growth and development of the Group and adjusted accordingly.

#### Board Composition

The Board consists of three executive Directors. R T Vela fulfils the role of Chief Executive Officer, C de Beer fulfils the role of Finance Director and C Bird fulfils the role of Executive Director Corporate Affairs. R J Linnell fulfils the role of Independent Non-Executive Chairman and G S Moseneke is in the position of Non-Executive Director. The Board aims to ensure that there is an appropriate balance of power and authority on the Board, such that the risk of domination in decision taking is minimised. The Chairman is an independent non-executive Director. The roles of the Chief Executive Officer and Chairman are also split.

The Board is responsible for the management and governance of the Group which it monitors by regular and frequent management meetings.

#### Rotation of Directors

The rotation of Directors is more fully governed in terms of section 15 of the Articles. One-third of the Directors, or if their number is not a multiple of three, then the number nearest to, but not less than one-third shall retire from office each year at the annual general meeting.

## Board Meetings

During the year ended 28 February 2010 the Board convened four times the following being the dates:

<b>Board Meetings</b>	<b>Richard Linnell – Independent non-executive Chairman</b>	<b>Brian Christie</b>	<b>Robin Vela – Chief Executive Officer</b>	<b>Colin Bird – Independent non-executive</b>	<b>Gontse Moseneke – Non-executive</b>
	Appointed 19 September 2002	Appointed 7 November 1997/ Resigned 31 August 2009	Appointed 25 February 2008	Appointed April 2008	Appointed 31 August 2009
26-May-09	Yes	Yes	Yes	Yes	n/a
26-Jun-09	Yes	Yes	Yes	Yes	n/a
18-Nov-09	Yes	n/a	Yes	Yes	Yes
17-Feb-10	Yes	n/a	Yes	Yes	No
<b>Total attendance:</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>1</b>

## Independent Non-Executive Directors

The Company Secretary confirms the following on the independent non-executive Director of the Company (R Linnell):

- they are not representatives of any Shareholders who has the ability to control or materially influence management or the Board;
- they were not employed by the Company or the Group in any executive capacity for the preceding three financial years;
- they are not members of the immediate family of an individual who is, or has been in any of the past three financial years, employed by the Company or the Group in an executive capacity;
- they are not professional advisors to the Company or the Group, other than in their respective capacities as directors;
- they are not suppliers or material suppliers to, or customers of the Company or Group;
- they have no material contractual relationship with the Company or Group; and/or
- they are free from any business or other relationship which could be seen to materially interfere with the individual's capacity to act in an independent manner.

In addition, the Board is seeking to strengthen the Board and the management of the Group by appointing persons with a deep knowledge of the oil and gas industry, experience in the City of London and/or experience of dealing with African assets.

## Non-executive Directors

The non-executive Directors (R Linnell and G Moseneke) are not involved in the day-to-day management of the Group nor are they full-time salaried employees of the Company. Non-executive Directors are individuals of calibre and credibility, and have the necessary skills and experience to bring judgement to bear, independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance. The non-executive directors have unrestricted access to management.

## Chief Executive Officer and Executive Directors

The executive Directors (R Vela, C Bird and C de Beer) are intimately involved in the day-to-day management and operation of the Group's activities and are in the full-time employment of the Group.

The executive Directors are individually mandated and held accountable for:

- execution of business plan within the framework of an annual budget;
- identifying risks and managing risks through mitigation plans and a transparent reporting process to the Board;
- managing business in line with the ethics and values of the business;
- managing and securing the assets (tangible and intangible) of the business;
- providing inputs to the Board into the strategic direction, positioning and repositioning of the Group; and
- managing all stakeholder engagements.

### **Company Secretary and access to professional advice**

The Directors all have unfettered access to the Company secretary who, *inter alia*, is responsible for ensuring that proper procedures are followed regarding board matters. The Company secretary is also responsible to ensure that directors are alerted to any changes to, amongst other, the Act, the Insider Trading Act and the Listings Requirements. Directors' information packs are prepared before each board meeting so as to fully inform the Directors of the issues at hand. Directors are furthermore entitled to ask personnel questions and have unrestricted access to all Company documentation, information, documents and property.

Where deemed necessary the Company makes use of independent professional advisors, specifically in relation to legal and accounting matters pertaining to the Company's business. All these costs are borne by the Company.

### **ACCOUNTABILITY**

The main responsibilities of the Board are to:

- develop the Company's goals, mission and vision;
- determine the strategy to achieve its goals, mission and vision;
- create shareholder value for all Shareholders through the exercise of leadership, enterprise, integrity and judgement;
- protect the assets and the reputation of the Company;
- ensure that a control framework is in place to prevent financial or information loss in the Company;
- ensure that an Information Technology governance framework is implemented and monitored;
- identify key risk areas and key performance indicators and ensure continual risk monitoring by management;
- assess performance and effectiveness as a whole;
- ensure that a succession plan is place for Directors and senior management.

The Board recognises its responsibilities in relation to effective control over the Company and in setting standards. Management is responsible to implement systems of internal control to reduce the risk of misstatement, fraud or error. This is done through proper delegation within a structured framework, efficient financial management and adequate segregation of duties.

The Board is responsible for the preparation and presentation of the financial statements. These financial statements present a balanced and carefully considered assessment of the Company's position and prospects. The auditors are responsible for reporting on the fairness of the financial statements presented in terms of compliance with the Act and International Financial Reporting Standards.

The Directors are satisfied that the internal controls and systems have been sufficiently improved and strengthened to provide ongoing reasonable assurance as to the integrity and reliability of the financial statements, to safeguard the resources of the business and to detect and minimise the potential for loss or material misstatement.

### **AUDIT COMMITTEE**

The role of the committee is to ensure that financial results are communicated to Shareholders on a regular basis in accordance with the Group's accounting policies, which comply with International Financial Reporting Standards and the presentation and disclosure requirements of International Accounting Standards statement IAS 34 and the requirements of the Act, and to review the effectiveness of the internal controls adopted by the Company including reviewing of the appropriateness of the accounting policies adopted and the presentation of information to Shareholders. The Board is of the opinion that the Company's current

business does not justify the costs of having a separate risk committee and internal audit function, and that the audit committee have sufficient experience and qualification to fulfil this role. The committee sets the principles for approval of non-audit services by the external auditors. The provision of non audit services are recommended by the committee and approved by the Board. All non-audit services need to be mandated separately for each assignment. The current members of this committee are Messrs G S Moseneke and R L Linnell, with the Financial Director attending by invitation. The size of the Company as well as the composition of its current Board does not facilitate three independent non-executive Directors as members of this committee. The Chairman of the committee is G Moseneke who is a non-executive Director.

The committee is satisfied that the Financial Director has the appropriate expertise and experience to fulfil her function.

The committee meets at least two times a year to discuss and recommend for approval the interim and year end results and to perform its other functions.

The specific terms of reference of the Audit Committee as approved by the Board includes but are not limited to:

- overseeing of integrated reporting;
- reviewing financial information and results;
- reviewing reports from the external auditors;
- assessment of the risk of fraudulent reporting;
- reviewing the code of ethics;
- assess the appropriateness of the Financial Director's expertise and experience;
- compliance with internal control procedures;
- approval of audit fees; and
- reporting to the Board any aspects considered relevant.

## **REMUNERATION COMMITTEE**

The committee is responsible for developing a formal and transparent policy on executive remuneration and for fixing the remuneration packages of individual directors. It is also responsible for the overseeing of remuneration to all staff members throughout the organisation.

The remuneration committee is a useful mechanism for facilitating the determination of all the essential components of remuneration and establishing remuneration credibility with shareowners.

The company does not have a nomination committee. The remuneration committee assists the board in the process of new nominations and appointments to the board. There is a clear policy detailing the procedures for appointments to the board. Such appointments are formal and transparent and a matter for the board as a whole.

The remuneration committee currently consists of two directors, namely Messrs G S Moseneke and R L Linnell.

## **CODE OF ETHICS AND BUSINESS CONDUCT**

SacOil requires all employees and directors in the group to act in good faith and with integrity in all transactions and with all stakeholders with whom they interact. Core ethical principles of fairness, transparency, honesty, non-discrimination, accountability and responsibility and respect for human dignity, rights and social justice are important to the company. Due to the size of the company it does not have a formal written code.

## **SHARE DEALINGS BY EMPLOYEES AND DIRECTORS**

All directors, officers and employees are advised of closed periods. The company has closed periods during which directors, officers and all employees are prohibited from trading in the securities of the company. The closed period is from the last day of the financial year or half year to the date of the respective announcements relating to the reporting period, and when other price-sensitive information is known. For dealings at any other time of the year the company secretary maintains a record. Any dealings by a director and/or management must be approved by the Chairperson in writing and are reported to the JSE Limited in terms of their applicable Rules.

## **RISK MANAGEMENT**

The board accepts the directors' accountability and responsibility for risk management. The audit committee works closely with the board on the issue of risk management. Risk management includes identifying potential risks within the company which can have an impact on the company's objectives, profitability, assets, social and environmental issues, and financial, political and operational environments.

In addition to the management of financial risk, which is a function of the audit committee, the directors are specifically responsible for the implementation of measures to reduce as far as possible the operational risks posed by the potential for breakdown of equipment, supply chains, or defaults by the company's suppliers and customers. Regular updates in this regard are communicated to the board.

## **ENVIRONMENTAL MANAGEMENT AND OCCUPATIONAL HEALTH**

SacOil's mineral resource is located in an environmentally sensitive area. The company works closely with the Minerals, Energy and Water Affairs Departments as well as with environmental groups to ensure that the effect of its operations on the environment is minimised. Strict measures are taken to ensure that the employees wear suitable protective equipment in certain areas of the plant which may be affected by dust or other contamination or by the handling of toxic materials. During the period under review the company submitted its Social and Labour Works Programme ("SLP") to the Department of Minerals and Energy.

The objectives of the SLP are to:

- promote employment and advance the social and economic welfare of all South Africans;
- contribute to the transformation of the mining industry; and
- ensure that holders of mining rights contribute towards the socio-economic development of the areas in which they are operating (including major labour sending areas).

## **EMPLOYMENT EQUITY**

SacOil has prepared an employment equity plan and has undertaken a number of initiatives at operational level to improve skills levels and to reward initiative and hard work with advancement and supervisory and management positions. Within the financial constraints of the group, this programme will be steadily advanced. Extensive work in relation to employment equity has already been done in the Social and Labour Works Programme.

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**DETAILS OF VENDORS**


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**The SacOil (Proprietary) Limited Acquisition**

Details of the SacOil (Proprietary) Limited Vendors are as follows:

<b>Name</b>	<b>Address</b>	<b>Share of consideration shares in respect of the SacOil (Proprietary) Limited Acquisition</b>	<b>Rand value</b>
Encha	119 Rosen Office Park 37 Invicta Road Midrand, 1685	201 884 800	423 958 080
Columbia	1334 Lords Street Highgate Extension Dainfern Fourways, 2191	4 867 200	10 221 120
Moosa	89 Maxwell Road Claudius, 0037	2 704 000	5 678 400
<b>Total</b>		<b>209 456 000</b>	<b>439 857 600</b>

The SacOil (Proprietary) Limited Vendors gave warranties normal for a transaction of this nature, including warranties that SacOil (Proprietary) Limited had exclusive, binding, valid and enforceable legal title to the Block 3 Rights and that, other than as expressly stipulated in the relevant Block 3 Production Sharing Agreement and the Avenant, no other authorisations or approvals were required to enable SacOil (Proprietary) Limited to conduct exploration and in due course exploitation activities in respect of the Block 3 Rights.

The SacOil (Proprietary) Limited Vendors warranted that the book debts of SacOil (Proprietary) Limited as at the effective date of the SacOil (Proprietary) Limited Acquisition would have arisen in the ordinary course of business and would be fully recoverable within a period of 90 days after the effective date of the SacOil (Proprietary) Limited Acquisition.

The SacOil (Proprietary) Limited Acquisition Agreement did not preclude the SacOil (Proprietary) Limited Vendors from carrying on business in competition with the Group.

No restraint of trade agreements were concluded between SacOil and the SacOil (Proprietary) Limited Vendors.

Any taxation payable by SacOil (Proprietary) Limited up to the effective date of the SacOil (Proprietary) Limited Acquisition would be settled and paid prior to the effective date of the SacOil (Proprietary) Limited Acquisition.

The value of the consideration shares issued to the SacOil (Proprietary) Limited Vendors in respect of the SacOil (Proprietary) Limited Acquisition were determined with reference to the updated Block 3 Rights CPR value on 1 July 2010 of US\$397.8 million (with a Rand value of R3.0 billion assuming an exchange rate of R7.62 to US\$1.00) and applying a discount on this value to take into consideration the risks attached to an asset of this nature. Notwithstanding the existence of positive evidence in the region, oil exploration prospects of this nature are highly risky and will remain so until the resources are satisfactorily proven. Should they be successfully proven, however, the accretion of value become exponential.

The assets acquired by SacOil in terms of the SacOil (Proprietary) Limited Acquisition were not been ceded or pledged.

### OPL 233 Acquisition

The details of the OPL 233 Acquisition vendor are set out below:

<b>Name</b>	<b>Address</b>	<b>OPL 233 Acquisition consideration Approximate Rand value converted at R6.87 to US\$1.00</b>
NIGDEL	79A Samuel Adedoyin Street, Victoria Island, Lagos, Nigeria	95 905 200

In terms of the Farm-In Agreement, NIGDEL is not precluded from carrying on business in competition to SacOil or any of its subsidiaries. No restraint of trade payments have been paid to NIGDEL.

SacOil has acquired a 20 per cent participating interest in OPL 233 and, therefore, no book debts are being acquired in terms of the OPL 233 Acquisition.

SacOil will not be acquiring any liability for accrued taxation in terms of the OPL 233 Acquisition as SacOil is acquiring a 20 per cent participating interest in OPL 233.

The 20 per cent participating interest in OPL 233 acquired by SacOil has not been ceded or pledged by SacOil and has not get been assigned and transferred to SacOil.

### OPL 281 Acquisition

The details of the OPL 281 Interest vendors are set out below:

<b>Name</b>	<b>Address</b>	<b>OPL 281 Acquisition consideration Approximate Rand value</b>
Transcorp	11 Alfred Rewane Ikoyi, Lagos, Nigeria	115 638 088

In terms of the OPL 281 Farm-In Agreement, Transcorp is not precluded from carrying on business in competition to SacOil or any of its subsidiaries. No restraint of trade payments have been paid to Transcorp.

SacOil is acquiring a 20 per cent undivided interest in the rights, benefits and obligations established by OPL 281 and, therefore, no book debts are being acquired in terms of the OPL 281 Interest.

SacOil will not be acquiring any liability for accrued taxation in terms of the OPL 281 Acquisition as SacOil is acquiring a 20 per cent undivided interest in the rights, benefits and obligations established by OPL 281.

The OPL 281 Interest has not been ceded or pledged by SacOil and has not get been assigned and transferred to SacOil.



**SacOil**

## **SACOIL HOLDINGS LIMITED**

**(Formerly SA Mineral Resources Corporation Limited)**

(Incorporated in the Republic of South Africa)

(Registration number 1993/000460/06)

Share code: SCL ISIN: ZAE000127460

("SacOil" or "the Company")

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### **NOTICE OF GENERAL MEETING OF SHAREHOLDERS**

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Notice is hereby given that a General Meeting of the Shareholders of the Company will be held in the boardroom, 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg on Thursday, 31 March 2011 at 10:00. for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions set out below in the manner required by the Companies Act, 1973 (Act 61 of 1973), as amended or following its commencement, the Companies Act, 2008 (Act 71 of 2008), as amended ("the Act"):

#### **ORDINARY RESOLUTION NUMBER 1**

"RESOLVED THAT the transfer by the Company of an effective 30 per cent interest in the oil concession rights pertaining to Block 3, Albertine Graben, Democratic Republic of Congo to Total E&P DRC for a consideration of approximately US\$7.5 million plus a contingent consideration of approximately \$54.0 million as described and set out in more detail in the agreement dated 1 March 2011, a copy of which agreement is tabled at this meeting and has been initialled by the Chairman for the purpose of identification, be and is hereby approved".

#### **ORDINARY RESOLUTION NUMBER 2**

"RESOLVED THAT the directors of SacOil be and are hereby authorised, by way of a specific authority, in terms of the Act and in accordance with Section 5.51 of the Listings Requirements of the JSE Limited ("the JSE"), to issue ordinary shares to Mr R Vela, Mr C Bird and Mrs C de Beer as described and set out in more detail in their service agreements, dated 17 November 2010, copies of which agreements are tabled at this meeting and have been initialled by the Chairman for the purpose of identification, be and are hereby approved."

It must be noted that ordinary resolution number 2 is to be approved by not less than a 75 per cent majority of the votes cast by Shareholders present or represented by proxy at the General Meeting for this resolution to become effective.

#### **Related party transaction**

Mr R Vela, Mr C Bird and Mrs C de Beer are related parties in terms of the Listings Requirements of the JSE, and their associates will be taken into account in determining a quorum at the General Meeting, but their votes will not be taken into account in determining the results of the voting in relation to ordinary resolution number 2.

#### **ORDINARY RESOLUTION NUMBER 3**

"RESOLVED THAT the directors of SacOil be and are hereby authorised, by way of a specific authority, in terms of the Act and in accordance with Section 5.51 of the Listings Requirements of the JSE, to issue ordinary shares to Renaissance BJM Securities (Proprietary) Limited ("Renaissance") in the event that Renaissance exercises its right to convert any amount repaid under the Facility Agreement concluded with

SacOil on 18 February 2011 (as amended and restated by the parties in terms of a supplemental agreement concluded on 3 March 2011) into ordinary shares in the share capital of SacOil at a conversion price equivalent to 0.9 multiplied by the arithmetic average of the daily volume weighted average closing price in Rand of the ordinary shares for a period of 30 trading days prior to (but excluding) the utilisation date of the relevant tranche of the loan, a copy of which agreement is tabled at this meeting and has been initialled by the Chairman for the purpose of identification, be and are hereby approved.”

It must be noted that ordinary resolution number 3 is to be approved by not less than a 75 per cent majority of the votes cast by Shareholders present or represented by proxy at the General Meeting for this resolution to become effective.

#### **ORDINARY RESOLUTION NUMBER 4**

“RESOLVED THAT the directors of SacOil be and are hereby authorised, by way of a specific authority, in terms of the Act and in accordance with Section 5.51 of the Listings Requirements of the JSE, to issue ordinary shares to Renaissance as described and set out in more detail in the agreement entered into by Renaissance and SacOil on 5 January 2011 (the “Renaissance Service Agreement”) in terms of which SacOil agreed that the fee payable by SacOil for financial advisory services rendered by Renaissance in terms of the Renaissance Service Agreement is US\$0.5 million, of which US\$0.25 million is settled by the issue of ordinary shares to Renaissance at the higher of: (1) the 30-day VWAP of SacOil’s ordinary shares up to the last trading day prior to the announcement dated 2 March 2011 (the “Announcement”); and (2) the closing price of SacOil’s ordinary shares on the last trading day prior to the Announcement; in each case converted at the closing Rand/US\$ exchange rate on the last trading date prior to the Announcement, a copy of which agreement is tabled at this meeting and has been initialled by the Chairman for the purpose of identification, be and are hereby approved.”

It must be noted that ordinary resolution number 4 is to be approved by not less than a 75 per cent majority of the votes cast by Shareholders present or represented by proxy at the General Meeting for this resolution to become effective.

#### **ORDINARY RESOLUTION NUMBER 5**

“RESOLVED THAT the directors of SacOil be and are hereby authorised, by way of a specific authority, in terms of the Act and in accordance with Section 5.51 of the Listings Requirements of the JSE, to issue ordinary shares to Renaissance pursuant to the letter agreement entered into by SacOil and Renaissance on 18 February 2011 in terms of which SacOil granted to Renaissance 6 394 888 options exercisable at R1.45, being a 10 per cent discount to the 30-day VWAP on 18 February 2011, a copy of which agreement is tabled at this meeting and has been initialled by the Chairman for the purpose of identification, be and are hereby approved.”

It must be noted that ordinary resolution number 5 is to be approved by not less than a 75 per cent majority of the votes cast by Shareholders present or represented by proxy at the General Meeting for this resolution to become effective.

#### **ORDINARY RESOLUTION NUMBER 6**

“RESOLVED THAT the directors of SacOil be and are hereby authorised, by way of a specific authority, in terms of the Act and in accordance with Section 5.51 of the Listings Requirements of the JSE, to issue ordinary shares to Renaissance pursuant to the letter agreement entered into by SacOil and Renaissance on 18 February 2011 in terms of which SacOil granted to Renaissance 5 626 234 options exercisable at R1.49, being a 10 per cent discount to the 30-day VWAP on 28 February 2011, a copy of which agreement is tabled at this meeting and has been initialled by the Chairman for the purpose of identification, be and are hereby approved.”

It must be noted that ordinary resolution number 6 is to be approved by not less than a 75 per cent majority of the votes cast by Shareholders present or represented by proxy at the General Meeting for this resolution to become effective.

#### **ORDINARY RESOLUTION NUMBER 7**

“RESOLVED THAT the Encha Memorandum of Agreement entered into between SacOil and Encha Group Limited on 28 February 2011, extracts of the salient details which are set out in Annexure 5 to this circular, and a copy of which agreement is available for inspection and have been initialled by the Chairman for purposes of identification, be and is hereby approved.”

## **Related party transaction**

Encha Group Limited is a related party in terms of the Listings Requirements of the JSE, and its associates will be taken into account in determining a quorum at the General Meeting, but their votes will not be taken into account in determining the results of the voting in relation to this resolution.

## **ORDINARY RESOLUTION NUMBER 8**

“RESOLVED THAT any director or the company secretary of SacOil be and is hereby authorised to do all such things and sign all documents including company forms and take all such actions as they consider necessary to give effect to and implement Ordinary Resolutions Numbers 1, 2, 3, 4, 5, 6 and 7 which are proposed and passed at the general meeting at which this Ordinary Resolution Number 8 is proposed.”

## **Voting and proxies**

On a show of hands every Shareholder present in person or by proxy and if a member is a body corporate, its representative, shall have one vote and on a poll every Shareholder present in person or by proxy and if the person is a body corporate, its representative, shall have one vote for every ordinary share held or represented by him.

Each Shareholder is entitled to appoint one or more proxies (who need not be a Shareholder of the Company) to attend, speak and on a poll, to vote in his/her stead.

A form of proxy (*yellow*) is attached for completion by registered certificated Shareholders and dematerialised Shareholders with own name registration who are unable to attend the general meeting in person, but wish to be represented thereat. Forms of proxy must be completed and received by the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001, (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Tuesday, 29 March 2011. Registered certificated Shareholders and dematerialised Shareholders with own name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the general meeting to the exclusion of their appointed proxy/(ies) should such member wish to do so. Dematerialised Shareholders, other than with own name registrations, must inform their CSDP or broker of their intention to attend the general meeting and obtain the necessary Letter of Representation from their CSDP or broker to attend the general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the general meeting in person, but wish to be represented thereat. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or broker concerned.

By order of the Board

### **M Gous**

*Company Secretary*

16 March 2011

### **Registered office**

2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston, 2021  
Postnet Suite 211, Private Bag X75  
Bryanston, 2021

### **Transfer secretaries**

Link Market Services South Africa (Proprietary) Limited  
16th Floor  
11 Diagonal Street  
Johannesburg, 2001  
PO Box 4844, Johannesburg, 2000





**SacOil**

**SACOIL HOLDINGS LIMITED**

**(Formerly SA Mineral Resources Corporation Limited)**

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Share code: SCL ISIN: ZAE000127460

("SacOil" or "the Company")

**FORM OF PROXY**

To be completed by registered certificated Shareholders and dematerialised Shareholders with own name registration only.

For use in respect of the General Meeting to be held on Thursday, 31 March 2011 at 10:00 in the boardroom, 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg.

Shareholders who have dematerialised their ordinary shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the General Meeting or the Shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or broker concerned.

I/We (Full names in BLOCK LETTERS)

of (address)

Telephone (work)( )

Telephone (home)( )

Cell phone number

being the holder(s) of  ordinary shares in the Company, appoint (see note 1):

1. \_\_\_\_\_ or failing him/her,
2. \_\_\_\_\_ or failing him/her,
3. the Chairman of the General meeting,

as my/our proxy to act on my/our behalf at the General Meeting which is to be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at any adjournment thereof and to vote for or against the ordinary resolutions or to abstain from voting in respect of the SacOil ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of votes (one vote per SacOil ordinary share)		
	For	Against	Abstain
<b>Ordinary resolution number 1</b> Approval of the transfer by the Company of its 30 per cent interest in the oil concession rights pertaining to Block 3, Albertine Graben, Democratic Republic of Congo as detailed in the circular attached to this notice.			
<b>Ordinary resolution number 2</b> Specific issue of shares to: – Mr R Vela; – Mr C Bird; and – Mrs C de Beer.			
<b>Ordinary resolution number 3</b> Specific issue of shares to Renaissance BJM Securities (Proprietary) Limited in respect of the conversion of a facility.			
<b>Ordinary resolution number 4</b> Specific issue of shares to Renaissance BJM Securities (Proprietary) Limited in settlement of advisory services rendered.			
<b>Ordinary resolution number 5</b> Specific issue of shares to Renaissance BJM Securities (Proprietary) Limited in respect of the grant of 6 394 888 call options.			
<b>Ordinary resolution number 6</b> Specific issue of shares to Renaissance BJM Securities (Proprietary) Limited in respect of the grant of 5 626 234 call options.			
<b>Ordinary Resolution number 7</b> Approval of the Encha Memorandum of Agreement.			
<b>Ordinary resolution number 8</b> Authorising any one of the directors or the company secretary of SacOil to give effect to and implement Ordinary Resolutions numbers 1 to 7.			

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable).

Each Shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak, and on a poll, vote in place of that Shareholder at the General Meeting.

Signed at

on

2011

Signature(s)

Capacity

Please read the notes on the reverse side hereof.

**Notes:**

1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space(s) provided, with or without deleting "the Chairman of the General Meeting". The person whose name stands first on this form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member should insert an "X" in the relevant space according to how they wish their votes to be cast. However, if a member wishes to cast a vote in respect of a lesser number of SacOil ordinary shares than they own in the Company, they should insert the number of SacOil ordinary shares held in respect of which they wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all the member's votes exercisable at the General Meeting. A member is not obliged to use all the votes exercisable by the member, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the member.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the General Meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to so do.
4. The Chairman of the General Meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
5. Shareholders who have dematerialised their ordinary shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the General Meeting or the Shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or broker concerned.
6. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the Company or waived by the chairman of the General Meeting.
8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been recorded by the Company.
9. Where there are joint holders of ordinary shares:
  - any one holder may sign this form of proxy; and
  - the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the Company's register of members, will be accepted.
10. Forms of proxy should be lodged at or posted to the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) so as to be received by no later than 10:00 on Tuesday, 29 March 2011.



