

## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The definitions and interpretations commencing on page 6 of this circular apply, *mutatis mutandis*, throughout this document, including this cover page.

Shareholders are referred to page 3 of this circular, which sets out the action required of them with regard to, the Specific Issues, the Specific Payment and the proposed amendments to the SacOil Share Option Scheme, full details of which are set out in this Circular. If you are in any doubt as to the action that you should take, please consult your CSDP, broker, banker, legal adviser, accountant or other professional adviser immediately.

If you have disposed of all of your ordinary shares in SacOil, this Circular should be forwarded to the purchaser to whom, or the CSDP, broker, banker or other agent through whom you disposed of such shares.

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**SacOil**

## **SACOIL HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1993/000460/06)

JSE share code: SCL ISIN: ZAE000127460

AIM share code: SAC

("SacOil" or "the Company")

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## **CIRCULAR TO SACOIL SHAREHOLDERS**

relating to

- **a specific issue of 111,940,298 SacOil Ordinary Shares for R75,000,000 in cash to Timtex, being a related party to SacOil, at an issue price of R0.67 per SacOil Ordinary Share;**
- **a specific authority to issue up to a maximum of 339,390,036 SacOil Ordinary Shares for R197,992,500 in cash to Yorkville Advisers UK LLP, calculated using an illustrative issue price of R0.58 per SacOil Ordinary Share, collectively referred to as the "Specific Issues";**
- **a Specific Payment to Encha of R1,500,000 pursuant to a promoter's fee; and**
- **proposed amendments to the SacOil Share Option Scheme;**

and incorporating:

- **a notice of a general meeting of SacOil Shareholders; and**
- **a form of proxy (*blue*) (to be completed by Certificated Shareholders and Dematerialised Shareholders "own name" registration only).**

The directors of SacOil, whose names appear on page 1 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 the omission of 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 South African law and by the Listings Requirements.

The professional advisers reflected below are acting for SacOil and no one else in relation to the preparation of this circular and will not be responsible to anyone other than SacOil in relation to the contents of this circular. The sponsor is responsible for ensuring that this circular complies with the Listings Requirements.

**Sponsor**



**Independent reporting  
accountants and auditors**



**Legal adviser**



**Nominated adviser and joint broker**



**Joint broker**



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Date of issue: 24 October 2011

This circular is available in English only. Copies may be obtained during normal business hours from the registered offices of SacOil, the sponsor and the transfer secretaries whose addresses are set out in the "Corporate Information and Advisers" section of this circular. The circular will be available from 24 October 2011 until 17 November 2011 both days inclusive. The circular will also be available in electronic form from the Company's website [www.sacoilholdings.com](http://www.sacoilholdings.com) from 24 October 2011.

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## CORPORATE INFORMATION AND ADVISERS

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### Directors

R Linnell – Independent Non-Executive Chairman  
R Vela – Chief Executive Officer  
J Bentley – Independent Non-Executive Director  
C Bird – Executive Director  
C de Beer – Finance Director  
B Guest – Independent Non-Executive Director  
G Moseneke – Non-executive Director

### Registered office of SacOil

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

**Place of incorporation:** Pretoria, South Africa

**Date of incorporation:** 1 February 1993

### 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  
South Africa  
(PO Box 68528, Highveld, 0169, SA)

### JSE sponsor

The Standard Bank of South Africa Limited  
(Registration number: 1962/000738/06)  
3 Simmonds Street  
Johannesburg, 2001  
South Africa  
(PO Box 61344, Marshalltown, 2107, SA)

### Nominated adviser and joint broker

finnCap Limited  
(Registration number: 6198898)  
60 New Broad Street  
London, EC2M 1JJ  
United Kingdom

### Joint broker

Shore Capital Stockbrokers Limited  
(Registration number: 01850105)  
Bond Street House, 14 Clifford Street  
London, W1S 4JC  
United Kingdom

### Independent reporting accountants

BDO Corporate Finance Proprietary Limited  
(Registration number: 1983/002903/07)  
7 West Street  
Houghton, 2196  
South Africa  
(PO Box 1574, Houghton, 2041, SA)

### Bankers

The Standard Bank of South Africa Limited  
(Registration number: 1962/000738/06)  
2nd Floor, Standard Bank Building  
Corner Hendrik Verwoerd and South Street  
Pretoria, 0002  
South Africa  
(PO Box 62325, Marshalltown, Gauteng, 2107, SA)

### Independent auditors

BDO South Africa Inc  
(Registration number: 1995/002310/21)  
7 West Street  
Houghton, 2196  
South Africa  
(PO Box 1574, Houghton, 2014, SA)

### Legal adviser to the Company as to South African law

Norton Rose South Africa  
(Registration number: 1984/003385/21)  
15 Alice Lane, Sandton, 2146  
South Africa  
(PO Box 784903, Sandton, 2146, SA)

**Legal adviser to the Company as to English law**

Fasken Martineau LLP  
(Registration number: OC 309059)  
17 Hanover Square  
London, W1S 1HU  
United Kingdom

**SA transfer secretaries**

Link Market Services South Africa Proprietary Limited  
(Registration number: 2000/007239/07)  
13th Floor, Rennie House  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001  
South Africa  
(PO Box 4844, Johannesburg, 2000, SA)

**UK registrars**

Computershare Investor Services (Jersey) Limited  
(Registration number: 75005)  
Queensway House  
Hilgrove Street  
St Helier,  
Jersey JE1 1ES  
Channel Islands

**UK depositary**

Computershare Investor Services plc  
(Registration number: 3498808)  
The Pavilions  
Bridgwater Road  
Bristol, BS13 8AE  
United Kingdom

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## ACTION REQUIRED BY SACOIL SHAREHOLDERS

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The definitions and interpretations commencing on page 6 of this circular apply, *mutatis mutandis*, to this section on actions required.

If you are in any doubt as to the action that you should take, please consult your CSDP, broker, banker, legal adviser, accountant or other professional adviser immediately.

If you have disposed of all of your Ordinary Shares in SacOil, this circular should be forwarded to the purchaser to whom, or the CSDP, broker, banker or other agent through whom you have disposed of such shares.

### 1. ACTION REQUIRED REGARDING THE GENERAL MEETING

A general meeting of SacOil Shareholders recorded in the Company's share register on 11 November 2011, will be held at 09:00 on Thursday, 17 November 2011 in the boardroom at the registered address of SacOil, being 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg to consider and, if deemed fit, pass the resolutions required to implement the Specific Issues, the Specific Payment and proposed amendments to the SacOil Share Option Scheme as detailed in this circular. A notice convening the general meeting is attached to and forms part of this circular. Please take careful note of the following provisions regarding the actions required by Certificated and Dematerialised Shareholders regarding the general meeting.

#### 1.1 If you are a Certificated Shareholder or if you have dematerialised your SacOil Ordinary Shares with "own name" registration:

1.1.1 You may attend the general meeting in person and may vote at the general meeting.

1.1.2 Alternatively, if you are unable to attend the general meeting, you may appoint a proxy to represent you at the general meeting by completing the attached form of proxy (*blue*) for the general meeting in accordance with the instructions it contains and returning it to the transfer secretaries (being Link Market Services, 13th Floor, Rennie House, 19 Ameshoff Street Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000)) to be received by no later than 09:00 on Tuesday, 15 November 2011, or 48 hours prior to any adjourned general meeting, provided that Saturdays, Sundays and public holidays shall not be taken into account in calculating the period of 48 hours.

#### 1.2 If you have dematerialised your SacOil Ordinary Shares other than with "own name" registration:

1.2.1 Your CSDP or broker is obliged to contact you in the manner stipulated in the agreement concluded between you and your CSDP or broker to ascertain how you wish to cast your votes at the general meeting and thereafter to cast your votes in accordance with your instructions. If you have not been contacted, it would be advisable for you to contact your CSDP or broker and furnish it with your voting instructions.

1.2.2 If your CSDP or broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the agreement concluded between you and your CSDP or broker.

1.2.3 You must **not** complete the attached form of proxy (*blue*) for the general meeting.

1.2.4 If you wish to attend the general meeting, you must advise your CSDP or broker in accordance with the agreement concluded between you and your CSDP or broker, and your CSDP or broker will issue the necessary letter of representation to you to attend the general meeting.

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## SALIENT DATES AND TIMES

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2011

Record Date as determined by the SacOil Board in accordance with Section 59 of the Companies Act, to be eligible to receive the circular and notice of general meeting	<b>Friday, 14 October</b>
Circular posted on	<b>Monday, 24 October</b>
Last day to trade SacOil shares on the Listings Requirements in order to be recorded in the share register on the Record Date to be to be eligible to vote at the general meeting	<b>Friday, 4 November</b>
Record Date, to be eligible to vote at the general meeting	<b>Friday, 11 November</b>
Last day to lodge forms of proxy for the general meeting by 09:00	<b>Tuesday, 15 November</b>
General meeting to be held at 09:00	<b>Thursday, 17 November</b>
Results of the general meeting released on SENS	<b>Thursday, 17 November</b>
Results of the general meeting published in the press	<b>Friday, 18 November</b>
Expected listing date of the new SacOil Ordinary Shares on the JSE	<b>Monday, 21 November</b>

### Notes

1. The definitions and interpretations commencing on page 6 of this circular apply, *mutatis mutandis*, to these salient dates and times.
2. All times shown in this circular are South African local times.
3. These dates and times are subject to change. Any material changes will be released on SENS and published in the South African press.

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## DEFINITIONS AND INTERPRETATIONS

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Throughout this circular, the annexures hereto and the notice of general meeting, unless otherwise stated or the context otherwise indicates, the words and expressions in the first column shall have the meanings stated opposite them in the second column and words and expressions in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and *vice versa* and any reference to one gender shall include the other genders:

<b>“Act”</b>	the Companies Act, 2008 (Act 71 of 2008), as amended;
<b>“Additional Amounts”</b>	the sum of money received by the Company as consideration for the Additional Shares purchased by the Investor at the Purchase Price;
<b>“Additional Shares”</b>	the number of shares if a Reduction Day is triggered;
<b>“Admission”</b>	admission of all the SacOil Ordinary Shares to trading on AIM on 8 April 2011;
<b>“Admission Shares”</b>	new SacOil Ordinary Shares to be admitted to trading on the AIM market;
<b>“Advances”</b>	means that portion of the Commitment Amount requested by the Company in an Advance Notice (subject to any reduction in terms of any of the remaining provisions of the SEDA);
<b>“Advance Notice”</b>	means a written notice, in the form set out in Annexure A to the SEDA;
<b>“Affiliates”</b>	means any partnership, corporation or other legal entity controlled by a Party or under common control with a Party whether by way of voting power or power to control the management and policies of such entity;
<b>“AIM”</b>	the AIM Market of the London Stock Exchange plc;
<b>“Amended Share Option Scheme”</b>	the proposed amended SacOil Share Option Scheme, as more fully described in paragraph 4 to the circular;
<b>“Anniversary Date”</b>	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;
<b>“Associate”</b>	an associate as defined in the Act;
<b>“Avenant”</b>	the avenant amending the Block III Production Sharing Agreement concluded between the DRC Government and SacOil Proprietary Limited, dated June 2010, as more fully described in paragraph 1.1.1 of Annexure 6 to this circular;
<b>“Block III”</b>	Block III, Albertine Graben in the DRC;
<b>“Block III Production Sharing Agreement”</b>	an agreement in respect of Block III 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, as more fully described in paragraph 1.1.1 of Annexure 6 to this circular;
<b>“Block III Interest”</b>	an undivided 60% legal and beneficial participating interest in the Block III Rights;
<b>“Block III Rights”</b>	the rights and obligations of the Block III Contractant under the Block III Production Sharing Agreement;

<b>“Block III Work Programme”</b>	a minimum work programme in respect of Block III which includes geological and geochemical field studies, acquisition of 200 kilometres of 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;
<b>“Board” or “Directors”</b>	the board of directors of SacOil as at the last practicable date;
<b>“Broker”</b>	any person registered as a broking member (equities) in terms of the Rules of the JSE made in accordance with the provisions of the Securities Services Act;
<b>“Business Day”</b>	any day, other than a Saturday, Sunday or gazetted public holiday in South Africa;
<b>“Cent”</b>	cent, the official currency of South Africa, being one one-hundredth of a Rand;
<b>“Certificated Shareholders”</b>	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;
<b>“Certificated Shares”</b>	shares which have not yet been dematerialised, title to which is represented by a document of title;
<b>“Circular”</b>	this bound document, dated 24 October 2011, including its annexures and incorporating the notice of general meeting and form of proxy;
<b>“Cohydro”</b>	Les Congolaise de Hydrocarbures, an entity existing under the laws of the DRC;
<b>“Commitment Amount”</b>	means the aggregate amount of the ZAR equivalent of up to a maximum of USD25,000,000, being ZAR197,992,500;
<b>“Commitment Period”</b>	means the period commencing on the Effective Date and expiring on the earliest to occur of: <ul style="list-style-type: none"> <li>(i) the date on which the Investor shall have made payment of Advances amounting, in the aggregate, to the Commitment Amount;</li> <li>(ii) the date that the SEDA is terminated; and</li> <li>(iii) the date occurring 36 months after the Effective Date;</li> </ul>
<b>“Company Minimum Price”</b>	means the price set out in an Advance Notice by the Company for the relevant Advance being the minimum price determined by the Company for the relevant Advance, which shall not be greater than 94% of the VWAP of the Ordinary Shares on the Trading Day immediately preceding the relevant Advance Notice;
<b>“Completion Date”</b>	the date occurring five business days (being a day other than a Saturday or Sunday, on which banks are, or as the context may require, were generally open for business in both Johannesburg, South Africa and Paris, France) after satisfaction or waiver of the last of the conditions precedent to the Total Farm-In Agreement;
<b>“Condition Satisfaction Date”</b>	each Advance Notice Date and each Advance Date;
<b>“CSDP”</b>	a Central Securities Depository Participant, appointed by individual SacOil Shareholders for the purpose of and in regard to Dematerialisation in terms of the Securities Services Act;

<b>“Dematerialisation”</b>	the process whereby physical documents of title are dematerialised into an electronic record (and reflected on an electronic share register) for the purposes of the electronic clearing and settlement system operated by Strate;
<b>“Dematerialised Shareholders”</b>	Shareholders who hold Dematerialised Shares;
<b>“Dematerialised Shares”</b>	shares which have been dematerialised and which are no longer evidenced by documents of title but by electronic records;
<b>“DIG”</b>	DIG Oil Proprietary Limited (Registration number: 2007/003931/07), a private company incorporated in accordance with the laws of South Africa;
<b>“Documents of Title”</b>	share certificates, certified transfer deeds, balance receipts, or any other documents of title to Certificated Shares, acceptable to SacOil;
<b>“DPR”</b>	Nigerian Department of Petroleum Resources;
<b>“DRC”</b>	the Democratic Republic of the Congo;
<b>“DRC Government”</b>	the Government of the DRC;
<b>“EER”</b>	Energy Equity Resources Limited (Registration number: 5308516), a company incorporated in accordance with the laws of the England and Wales;
<b>“EER 233”</b>	EER 233 Limited, a private company incorporated in accordance with the laws of Nigeria;
<b>“EER 281”</b>	EER 281 Limited, a private company incorporated in accordance with the laws of Nigeria;
<b>“Effective Date”</b>	means the first Trading Day following the signature date of the SEDA;
<b>“Employees”</b>	a person in the employment of the Company including executive directors and executive management in a consulting capacity;
<b>“Encha”</b>	Encha Group Limited (Registration number: 2005/003490/06), a public company (currently a material shareholder in SacOil holding 35.88% of the issued Ordinary Shares) incorporated in accordance with the laws of South Africa and controlled by the Moseneke Family. Its major Shareholders are Timtex, controlled by Tiego Moseneke (Identification number: 621108 5074 083) and Swanvest 344 Proprietary Limited;
<b>“EPS”</b>	earnings per share;
<b>“EWT”</b>	extended well test;
<b>“Exchange Control Regulations”</b>	Exchange Control Regulations, 1961, as amended, promulgated in terms of Section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
<b>“EZRE”</b>	exclusive zone of reconnaissance and exploration;
<b>“Facility Agreement”</b>	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 as more fully described in paragraph 1.1.32 of Annexure 6 to this circular;
<b>“Farm-In Parties”</b>	collectively, Semliki and Total;

<b>“FID Date”</b>	the date on which the Farm-In Parties have obtained the necessary DRC approvals to launch a development, including the issue of the “Permis d’Exploitation”, and have made the decision as per the Block III joint operating agreement to launch development works based on a firm budget;
<b>“FinnCap”</b>	finnCap Limited (Registration number: 6198898), a company duly incorporated in accordance with the laws of England and Wales;
<b>“General Meeting”</b>	the general meeting of SacOil Shareholders to be held at 09:00 on Thursday, 17 November 2011 in the boardroom at the registered address of SacOil, 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg, 2021;
<b>“Grant date”</b>	the relevant date of grant of an option to a participant in accordance with the share option scheme;
<b>“the Group”</b>	SacOil and its subsidiaries from time to time;
<b>“HEPS”</b>	headline earnings per share;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“Income Tax Act”</b>	the Income Tax Act, 1962 (Act 58 of 1962), as amended;
<b>“Initial Consideration”</b>	the initial consideration payable by Total to Semliki in respect of the Block III Interest under the Total Farm-In Agreement amounting to USD15 million on the Completion Date, which amount is deemed to include 60% of Semliki’s share of sunk costs as at the Completion Date;
<b>“JSE”</b>	JSE Limited (Registration number: 2005/022939/06), a public company incorporated in South Africa, which owns and operates the securities exchange licensed under the Securities Services Act;
<b>“JSE Minimum Price”</b>	means 90% of the VWAP of the Ordinary Shares over a period of 30 Trading Days prior to the finalization of the Settlement Document pursuant to the SEDA;
<b>“King Report”</b>	the King III Report on Corporate Governance for South Africa;
<b>“Last Practicable Date”</b>	the last practicable date prior to finalisation of this circular, being Friday, 21 October 2011;
<b>“Listings Requirements”</b>	the Listings Requirements of the JSE in force as at the last practicable date;
<b>“Market Price”</b>	the lowest daily volume weighted average prices of the Ordinary Shares during the Pricing Period on the JSE;
<b>“Minimum Acceptable Price”</b>	means the Company Minimum Price and, for all such times as the Purchase Price is to be satisfied pursuant to a general issue for cash by the Company pursuant to the Listings Requirements, the higher of the JSE Minimum Price and the Company Minimum Price;
<b>“NAV”</b>	net asset value;
<b>“Net Advance Amount”</b>	means, save as agreed in writing between the Investor and the Company, the amount of an Advance requested in an Advance Notice less any reduction to the extent necessary to ensure that it does not exceed: <ul style="list-style-type: none"> <li>• 100% of the combined average of the Daily Value Traded on the JSE and AIM for the 5 (five) Trading Days immediately before the date of the relevant Advance Notice;</li> </ul>

- ZAR1,979,925 in circumstances when a SLA in relation to that Advance is not in place;
- ZAR39,598,500 in circumstances when a SLA in relation to that Advance is in place;
- an amount representing the number of Ordinary Shares borrowed pursuant to a SLA multiplied by the Purchase Price on the date of the relevant Advance Notice, where the Market Price is equal to the Minimum Acceptable Price, in circumstances when a SLA in relation to that Advance is in place;
- such amount as would result in the Investor holding more than 2.99% of the entire issued share capital of the Company; and
- such amount as, together with all previous Advances, would exceed the Commitment Amount;

<b>“NIGDEL”</b>	NIGDEL United Oil Company Limited (Registration number: RC 651219), a private limited liability company incorporated in accordance with the laws of Nigeria;
<b>“Nigeria”</b>	the Federal Republic of Nigeria;
<b>“NNPC”</b>	the Nigerian National Petroleum Corporation;
<b>“OPL 233”</b>	oil prospecting licence No. 233 over concession block 233 in Nigeria;
<b>“OPL 281”</b>	oil prospecting licence No. 281 over concession block 281 in Nigeria;
<b>“Options”</b>	an option granted to each of the participants pursuant to the SacOil Share Option Scheme;
<b>“Own Name Registration”</b>	the holding by SacOil Shareholders of dematerialised Ordinary Shares with a CSDP in the name of the SacOil Shareholder;
<b>“Own Name Dematerialised Shareholders”</b>	Dematerialised Shareholders who have instructed their CSDP or broker to register their Dematerialised Shares in their “own name” in the sub-register maintained by the CSDP or broker;
<b>“Play”</b>	a conceptual model for a style of hydrocarbon accumulation used by explorationists to develop prospects in a basin, region or trend and used by development personnel to continue exploiting a given trend. A play (or group of plays) generally occurs in a single petroleum system;
<b>“Pricing Period”</b>	the period of 5 consecutive Trading Days beginning on the first Trading Day after the date of the relevant Advance Notice;
<b>“Purchase Price”</b>	94% of the Market Price;
<b>“R” or “Rand” or “South African Rand” or “ZAR”</b>	Rand, the official currency of South Africa;
<b>“Reduction Day”</b>	if during a Pricing Period, the Reduction VWAP is less than the Minimum Acceptable Price in question, the Advance requested in the Advance Notice shall automatically be reduced by 20% for each Trading Day that Reduction VWAP is less than the Minimum Acceptable Price in question (each such day a <b>“Reduction Day”</b> ), during such Pricing Period;
<b>“Reduction VWAP”</b>	the VWAP of the Ordinary Shares on any Trading Day;
<b>“Register”</b>	the register of Certificated Shareholders maintained by SacOil and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs in terms of section 50 of the Act;

<b>“Relevant Percentage”</b>	means 94%;
<b>“Remuneration Committee”</b>	the appointed remuneration committee of the Board from time to time;
<b>“Renaissance”</b>	Renaissance BJM Securities Proprietary Limited (Registration number: 1987/000175/07), a private company incorporated in accordance with the laws of South Africa. Renaissance is a subsidiary of Renaissance Securities Holdings (SA) Proprietary Limited which is part of the Renaissance Group;
<b>“Renaissance Group”</b>	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;
<b>“Restructure”</b>	the restructure of SacOil’s proposed investment in the Block III Rights and the Block 1 Rights as detailed in the circular to SacOil Shareholders, dated 4 September 2010;
<b>“SacOil” or “the Company”</b>	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;
<b>“SacOil Group” or “Group”</b>	SacOil, its subsidiaries and associated companies for the time being, collectively or individually as the context may require and, where the context requires, their respective predecessors in title;
<b>“SacOil Shareholders” or “Shareholders”</b>	registered holders of SacOil Ordinary Shares;
<b>“SacOil Ordinary Shares” or “Ordinary Shares”</b>	Ordinary Shares with a no par value in the issued share capital of SacOil;
<b>“SacOil 233”</b>	SacOil 233 Nigeria Limited, a private company incorporated in accordance with the laws of Nigeria;
<b>“SacOil 281”</b>	SacOil 281 Nigeria Limited, a private company incorporated in accordance with the laws of Nigeria;
<b>“SacOil Proprietary Limited”</b>	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% by SacOil and 50% by DIG;
<b>“SacOil Share Option Scheme” or “share option scheme”</b>	the SacOil share option scheme dated 20 September 2010;
<b>“Securities Services Act”</b>	the Securities Services Act, 2004 (Act 36 of 2004), as amended;
<b>“SENS”</b>	the Securities Exchange News Service of the JSE;
<b>“SEDA”</b>	the Standby Equity Distribution Agreement between the Investor and SacOil, as more fully described in paragraph 3.2 of this circular;
<b>“Semliki”</b>	Semliki Energy SPRL (Registration number: KG8779/M), a company incorporated in the DRC and which company’s shares are held 50% by SacOil and 50% by DIG;
<b>“Settlement Document”</b>	means a document substantially in the form set out in Annexure D to the SEDA;
<b>“SLA”</b>	means a share lending agreement to be concluded between the Investor and a shareholder of the Company prior to the delivery of an Advance Notice to the Investor, which share lending agreement shall be concluded on the Investor’s standard terms and conditions subject to any amendments that may be mutually agreed upon

	between the Company and the Investor, whereby such shareholder agrees, on terms satisfactory to the Investor, to lend to the Investor with immediate effect until delivery of such number of Ordinary Shares equal to the relevant Advance divided by the Minimum Acceptable Price for such Advance;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Specific Issues”</b>	collectively the specific issue of Ordinary Shares to YA and the specific issue of Ordinary Shares to Timtex;
<b>“Specific issue to Timtex”</b>	the specific issue by SacOil of 111,940,298 Ordinary Shares to Timtex, a related party, at an issue price of R0.67 per ordinary share (being the closing price of an ordinary share on 29 August 2011, the day before Timtex signed an irrevocable undertaking to subscribe for the 111 940 298 Ordinary Shares);
<b>“Specific issue to YA ”</b>	the specific issue by SacOil of a maximum of 339,390,036 Ordinary Shares to YA, based on a subscription price of R0.58 per ordinary share (being a discount of 6% to the volume weighted average traded price per ordinary share on the JSE over the 30 business-day period ending on 11 October 2011, the business day immediately preceding the signature of the SEDA);
<b>“Specific Payment”</b>	a promoter’s fee of R1,500,000 (inclusive of VAT) which will be paid by SacOil to Encha in terms of a letter of agreement entered into between SacOil and Encha which entitles Encha to a promoter’s fee equal to 2% (inclusive of VAT) of gross equity raised through the introduction by Encha of Timtex, which introduction resulted in the proposed Specific issue to Timtex;
<b>“Standard Bank”</b>	The Standard Bank of South Africa Limited (Registration number: 1962/000738/06), a public company incorporated in accordance with the laws of South Africa;
<b>“STC”</b>	Secondary Tax on Companies payable on the net dividends distributed in terms of the Income Tax Act;
<b>“Strate”</b>	Strate Limited (Registration number: 1998/022242/06), a public company incorporated in South Africa, which is a licensed central securities depository in terms of the Securities Services Act and which operates the electronic clearing and settlement system used by the JSE;
<b>“Sub-register”</b>	list of ordinary Shareholders maintained by a CSDP and forming part of the register;
<b>“Subsidiary”</b>	a subsidiary as defined in the Act;
<b>“TNAV”</b>	tangible net asset value;
<b>“Timtex”</b>	Timtex Investments Proprietary Limited (Registration number 1997/005557/07, a private company incorporated in accordance with the laws of South Africa and an associate of Encha. Timtex holds 4.96% in the issued capital of SacOil;
<b>“Total”</b>	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;
<b>“TRACS”</b>	TRACS International Consultancy Limited;
<b>“Trading Day”</b>	means any day during which the JSE or AIM is open for business;

<b>“Tranche C”</b>	Tranche C of the facility under the Facility Agreement, amounting to the Rand equivalent of USD6.0 million;
<b>“Transactions”</b>	collectively the Specific Issues and the Specific Payment;
<b>“Transcorp”</b>	Transnational Corporation of Nigeria PLC (Registration number: RC 769 725), a public company incorporated in accordance with the laws of Nigeria;
<b>“Transfer Secretaries”</b>	Link Market Services South Africa Proprietary Limited (Registration number: 2000/007239/07), a private company incorporated in accordance with the laws of South Africa, being the transfer secretaries of SacOil;
<b>“Total”</b>	Total E&P RDC (Registration number: 712 081 382 RCS), a company incorporated in accordance with the laws of France;
<b>“Total Farm-In Agreement”</b>	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 III Interest to Total;
<b>“VAT”</b>	Value Added Tax payable in terms of the Value Added Tax Act, 1991 (Act 89 of 1991), as amended;
<b>“VWAP”</b>	on any Trading Day, means the volume weighted average price (as reported on Bloomberg, LP) of the Ordinary Shares on the JSE. In the event that there is any discrepancy whatsoever between Bloomberg LP and the JSE as to the reported VWAP of the Ordinary Shares on the JSE, the figures as reported by Bloomberg, LP shall prevail; and
<b>“YA” or “the Investor”</b>	Yorkville Advisers UK LLP (YA Global Master SPV), an exempt limited partnership registered in the Cayman islands whose principle office is at 101 Hudson Street, Jersey City, NJ 07302, United States of America, being the Investor in the SEDA.



**SacOil**

## **SACOIL HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1993/000460/06)

JSE share code: SCL ISIN: ZAE000127460

AIM share code: SAC

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### **CIRCULAR TO SACOIL SHAREHOLDERS**

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#### **1. INTRODUCTION**

Shareholders are referred to the announcements released on SENS on 2 September 2011 and 13 October 2011, and published in the press on 5 September 2011 and 14 October 2011 respectively and are advised that the purpose of this circular, and the accompanying notice of general meeting, is to provide SacOil Shareholders with details of the Specific Issues, the Specific Payment and the proposed Amendments to the Share Option Scheme, as well as the implications thereof.

In addition, the purpose is to provide SacOil Shareholders with information regarding the convening of a general meeting at which SacOil Shareholders will be requested to consider, and if deemed fit, approve the requisite ordinary resolutions to effect the Transactions and the proposed amendments to the SacOil Share Option Scheme set out in the notice of the general meeting.

#### **2. BACKGROUND ON SACOIL**

##### **2.1 Nature of business**

The Company's current operating business is the manufacturing of Manganese Sulphate Monohydrate ("MSP"), Manganese Sulphate Solution ("MSS") and Manganese Oxide ("MnO") from a chemical manganese processing plant near Graskop in Mpumalanga, better known as the Greenhills plant. Annual turnover from the plant is approximately R35 million per annum. With the shift of focus to oil and gas, the Greenhills plant is a non-core asset.

SacOil's oil and gas interests are currently in the DRC and Nigeria. SacOil, as a South African based, operated and controlled company has a competitive advantage at the point of entry in the highly attractive African oil and gas space.

##### **2.2 DRC**

SacOil owns 50% of the issued capital of Semliki, a company incorporated in the DRC, which in turn holds the oil concession rights pertaining to Block III, Albertine Graben in the DRC. A presidential ordinance approving the Block III Production Sharing Agreement has been issued. Under the Block III Production Sharing Agreement, Semliki may apply for an EZRE. Under DRC law Semliki will only be entitled to commence reconnaissance in, and exploration works in Block III 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 the granting of the EZRE, Semliki shall have full and exclusive rights to conduct exploration activities on Block III with effect from the date of the granting of the presidential ordinance approving the Block III Production Sharing Agreement, being 18 June 2010, until 17 June 2015. Semliki has not to date commenced the Block III Work Programme.

On 1 March 2011, Semliki concluded the Total Farm in Agreement with Total pursuant to which Total acquired the Block III Interest.

##### **Total Farm-In Agreement**

On 31 March 2011, the last of the conditions precedent to the Total Farm-In Agreement, being the approval of the Shareholders of SacOil of the transactions contemplated in that agreement, was satisfied. Pursuant to that agreement, Semliki transferred to Total, the Block III Interest.

The Board believed that in order to effectively explore and evaluate the oil deposits of Block III, it was 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 resulted in the conclusion of the Total Farm-In Agreement.

Total shall also carry Semliki and the DRC Government's share of the Block III exploration costs from the Completion Date until the FID.

Following the implementation of the Total Farm-in Agreement, SacOil will be significantly de-risked in terms of exploration, development and other costs. Total, in its capacity as operator of Block III, will use its reasonable endeavours to ensure that one exploration well is drilled in Block III before 31 December 2012.

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

## 2.3 **Nigeria**

### **OPL 233, Nigeria**

OPL 233 in Nigeria is located in the shallow water area of the Niger Delta. OPL 233 is a 126 km<sup>2</sup> block with a water depth of less than 30 ft 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 AGR-TRACS (an oil and gas industry recognised independent expert) petrophysical interpretation of the Olobia-1 well-logs indicates 103 ft of net oil and 54 ft of gas and condensate across five reservoir zones in the well. The block is covered by a limited amount of 2D seismic lines with large parts of the block relatively unexplored, highlighting potential upside to the Olobia-1 discovery.

Under the farm-in arrangements, SacOil 233 obtains a 20% undivided participating interest and, after the cost recovery point is reached, an effective 25% economic interest in the contractor share for production volumes up to 100 mmbbls, reducing to an effective 20% economic interest once production exceeds this level. During the first exploration stage, SacOil 233 will carry a substantial part of the exploration and appraisal expenditure, which requires a minimum work programme comprising one well and 100km<sup>2</sup> ocean bottom cable seismic data. The work programme for the second exploration phase has not yet been defined as it is contingent on the results of the Phase I programme but is currently planned to be complete by 31 December 2013.

As a result, TRACS has reported that the 2C best estimate unrisks contingent resources on OPL 233 are estimated at 19.0 MMbbls, and the corresponding net 2C best estimate unrisks contingent resources attributable to SacOil 233 once the farm-in (described further below) is completed is estimated at 3.8 MMbbls. The net 2C best estimated risks contingent resources attributable to SacOil is estimated at 1.5MMbbls.

The JV partners intend to acquire a 3D OBC seismic survey across the oil concession Block 233 as part of the initial work programme on the Block, which comprises one well plus the 3D seismic programme. The estimated cost for the seismic acquisition and processing is USD10 million and it is anticipated that the program will commence in early 2012 with the first fast track volume available for mapping purposes in the middle of 2012. The aim is to use this data to evaluate and appraise the extent of the Olobia oil field and define the location of the proposed Olobia appraisal well planned for the late fourth quarter of 2012 on this data. Future exploration wells on the block will be contingent on the results of the 3D seismic evaluation.

### **OPL 281, Nigeria**

OPL 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-1 in 1970 which encountered hydrocarbons at four levels between 8,720 ft and 12,350 ft, while Ekoro-1 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 mmbbls (P50 as reported by AGR-TRACS, (an oil and gas industry recognised independent expert) and a peak potential production rate of up to 30,000 bopd.

Under the farm-in arrangements, SacOil 281 obtains a 20% undivided participating interest and, after the cost recovery point is reached, an effective 30% economic interest in the contractor share for production volumes up to 50 mmbbls, reducing to an effective 20% economic interest once production exceeds this level. During the exploration stages SacOil will carry a substantial part of the exploration and appraisal expenditure, which requires a minimum work programme of USD30million/phase, to include two wells and some 3D seismic acquisition and/or seismic reprocessing.

The OPL 281 conceptual development plan concept assumed by SacOil's 281 prospective partner, EER envisages natural aquifer drive. The base case assumes a total of seven producers, with the 2012 appraisal well assumed to be recompleted as a future producer, plus six new producers drilled in 2013 – 2015.

## 2.4 Prospects

SacOil has both the African DNA as well as the operational and exploration skills to gain acreage in the sought after African oil and gas space and to bring its assets to account. Its deal making abilities enable the Company to conclude transactions with super majors as well as indigenous partners. Non-operational minority interests in highly prospective exploration assets de-risk the Company both financially and operationally.

SacOil also has the technical ability to evaluate the commercial viability of near term near production oil and gas assets and to expedite time to production on projects identified for production. The objective of having production assets as part of its portfolio of assets is to generate sufficient cash flow resources, at its initial stages of development and growth, to fund project costs as well as strategic investments in exploration assets.

On 7 December 2010 the Group announced its first near production deal with NIGDEL to acquire a 20% working interest in OPL 233. OPL 233 is located immediately off the coast of the central delta region of Nigeria and adjacent to the giant Apoi field (>600mmbbls). The Group's interest in block 233 is held through a Nigerian subsidiary SacOil 233.

On 1 March 2011 the Group announced its second near production deal with Transcorp to acquire a 20% participating interest in the OPL 281. OPL 281 is located onshore in the western delta region of Nigeria and adjacent to the widely publicised Shell divestment block OML 42. The Group's interest in block 281 is held through a Nigerian subsidiary SacOil 281.

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 III, 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. As announced on 4 March 2011, Semliki Energy SPRL, a 50% owned subsidiary of SacOil, successfully concluded a farm-in agreement in March 2011 with Total pursuant to which Total acquired an effective 60% undivided interest in, and became the operator of, Block III. The Government of DRC holds an effective 15% interest and DIG holds an effective 12.5% interest respectively in Block III.

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

In the assets that SacOil owns, it is committed to developing the assets to a level that adds value to the Shareholders. In Block III through the joint Venture with Total, it is envisaged that the work program committed to, will demonstrate prospectively and eventually lead to oil production. In relation to OPL 281, SacOil with its Joint Venture partners are in the process of evaluating and appraising the oil discoveries on OPL 281 through the reprocessing of seismic data and the drilling of an appraisal well. On OPL 233, SacOil with its partners are committed to acquiring 3D seismic data which should give an understanding of the size of the existing oil discovery and will be used to update the existing CPR.

### 3. PARTICULARS OF THE SPECIFIC ISSUES AND THE SPECIFIC PAYMENT

#### 3.1 Terms of the Specific issue to Timtex

Timtex holds 4.96% in the issued capital of SacOil. Timtex has signed an irrevocable undertaking to subscribe for 111,940,298 new Ordinary Shares, being equal to 16.37% of the current issued share capital of SacOil at an issue price of R0.67 per share, being the closing price of an ordinary share on 29 August 2011, the day before Timtex signed such irrevocable undertaking.

SacOil will allot and issue 111,940,298 SacOil Ordinary Shares to Timtex, as a specific issue of shares for cash, at an issue price of R0.67 per ordinary share (being the closing price of a SacOil ordinary share on 29 August 2011, the day prior to the signature of the irrevocable undertaking by Timtex). This price was also at a premium of 8.06% to the 30-day VWAP ending 29 August 2011.

Encha is currently a material shareholder in SacOil, holding 35,88% of the Ordinary Shares. Encha's major shareholder is Timtex, therefore an associate of Encha and a related party to SacOil in terms of the Listings Requirements.

The Ordinary Shares to be allotted and issued in terms of the Specific issue of shares for cash to Timtex will rank *pari passu* in all respects with the existing issued Ordinary Shares in SacOil and will be issued in terms of the Memorandum of Incorporation of SacOil, the Act and the Listings Requirements.

The proceeds of R75,000,000 from the Specific issue to Timtex have been received by SacOil and will be utilised to fund the Company's current and future operations and projects.

#### **Rationale**

SacOil has progressed its strategic vision to become a leading African independent upstream oil and gas company. The rationale for the Specific issue to Timtex is to enable the Company to meet its operational obligations and enable SacOil to fast-track its various oil and gas projects and also pursue new opportunities that might arise.

#### 3.2 Terms of the specific issue to YA

SacOil entered into the SEDA with YA on 12 October 2011. In terms of the SEDA, YA approved a facility of ZAR197,992,500 (USD25 million), being the Commitment Amount, in favour of SacOil. The Commitment Amount will be available (unless otherwise terminated earlier in accordance with the SEDA) for 36 months from the first Trading Day following the signature date. Should the Company elect to drawdown on the facility, the Ordinary Shares to be issued to the Investor, shall be admitted to trading on the JSE and AIM on or about 21 November 2011.

Limitations on the number of Advances as well as the quantum of the Advances, ensures a spread of the drawdown amounts over the three year period. In spreading the drawdowns over three years, the dilution of existing Shareholders is also spread to avoid sudden dilution of existing Shareholders' interests in the Company.

At any time (and from time to time) during the Commitment Period, the Company may deliver an Advance Notice to the Investor. An Advance shall be requested by way of an Advance Notice in writing, issued by the Company to the Investor specifying the cash amount (the "Advance Amount") which the Company wishes to receive in exchange for Ordinary Shares to be admitted to trading on the JSE and AIM. The Company shall specify the Advance Amount in United States Dollars and South African Rand. There shall be no minimum Advance Amount that the Company may request by way of an Advance.

The number and timing of Advances shall be at the discretion of the Company, provided that the Company shall not be entitled to request more than one Advance every five Trading Days. The Company shall not be obliged to request any Advances and there shall be no penalty for not requesting an Advance. No request for an Advance will be valid unless all Ordinary Shares in relation to all previous Advances have been delivered to the Investor.

The number of Ordinary Shares to be issued in relation to an Advance shall be equal to the Advance Amount divided by the Purchase Price (rounded down to the nearest whole ordinary share). In relation to each Advance, the Company shall set a minimum price (the "Minimum Acceptable Price") for the relevant Advance as part of the Advance Notice request, at which it is willing to issue its shares to the Investor at, but under no circumstances will such price be greater than 90%

of the volume weighted average price of the Company's securities on the day immediately prior to the relevant Advance Notice request. The Company shall use the Net Advance Amounts and Additional Amounts received under the agreement only for its activities in the ordinary course of its business, unless otherwise agreed. Additional Amounts are amounts received by the Company as consideration for the Additional Shares purchased by the Investor at the Purchase Price.

As soon as possible after the settlement has been finalised and not later than 1 (one) Trading Day from finalisation, the Company shall make application for admission of the shares on AIM and the listing of the shares on the JSE and any Additional Shares (as applicable) as soon as possible after that Trading Day (which admission/listing shall be made not later than the fourth Trading Day after the end of the Pricing Period).

### **Conditions precedent**

The Investor's obligation to subscribe and pay for the Ordinary Shares to be issued pursuant to an Advance Notice is conditional upon:

- the Investor being satisfied that each of the conditions (set out in Annexure B to the SEDA) has been fulfilled on or before each applicable Condition Satisfaction Date or otherwise waived by the Investor (where capable of waiver under applicable law) in accordance with the SEDA;
- on each Condition Satisfaction Date, the Investor having received and being reasonably satisfied with:
  - the Advance Notice executed by a director; and
  - such other certificates and documents as shall have been reasonably requested by the Investor in order for the Investor to confirm the Company's satisfaction of the conditions, subject always to compliance by the parties with insider trading laws; and
  - the Investor having concluded a SLA in respect of any Advance where the amount stipulated in the Advance Notice exceeds ZAR197,992,500.
- The Company having obtained the necessary exchange control approval from the South African Reserve Bank for the entry into and performance of its obligations in terms of the SEDA. The Company shall use its best efforts to ensure that this condition precedent is fulfilled within 2 (two) months following the signature date (or on such later date as may be agreed by the parties). In the event that this condition precedent is not fulfilled or waived (as the case may be) within the time period referred to in the SEDA, then the SEDA shall automatically terminate and cease to have any further effect save exclusively for the rights and obligations of the parties and any accrued rights pursuant to the SEDA.

Save as agreed in writing between the Investor and the Company, the amount of an Advance requested in an Advance Notice shall, if required, be deemed to be reduced extent necessary to ensure that it does not exceed:

- 100% of the combined average of the daily value traded on the JSE and AIM for the 5 Trading Days immediately before the date of the relevant Advance Notice;
- ZAR1,979,925 in circumstances when a SLA in relation to that Advance is not in place;
- ZAR39,598,500 in circumstances when a SLA in relation to that Advance is in place;
- an amount representing the number of Ordinary Shares borrowed pursuant to a SLA multiplied by the Purchase Price on the date of the relevant advance notice, where the Market Price is equal to the Minimum Acceptable Price, in circumstances when a SLA in relation to that Advance is in place;
- such amount as would result in the Investor holding more than 2.99% of the entire issued share capital of the Company.

In the event that the directors' resolve any Advance through a general issue of shares for cash in terms of a general authority granted to them at the Company's last Annual General Meeting held on 17 November 2010, and the Relevant Percentage of the Market Price in relation to any Advance is less than the JSE Minimum Price in relation to such Advance, then the Investor shall be entitled, at its sole discretion, to elect by written notice to the Company (which written notice may be part of the Settlement Document delivered to the Company by the Investor) (a "Reduction Notice") to reduce the Advance Amount by up to 100% of the Advance Amount.

The Investor may sell some or all of the Ordinary Shares it holds at such times as the Investor may decide. However, during any Pricing Period the Investor and its affiliates shall not sell shares with gross proceeds in aggregate exceeding the Advance Amount requested in the relevant Advance Notice. Neither the Investor nor its Affiliates has an open short position in the shares of the Company, and the Investor agrees that it will not, and will not cause its affiliates to, engage in any short sales with respect to the shares of the Company. This will not prevent the Investor from selling shares which are due to be delivered to the Investor pursuant to an Advance Notice which has been issued by the Company, or shares available from a SLA that has been approved by the Company.

The specific issue to YA is subject to approval by Shareholders at the general meeting (special resolution number 1). The special resolution must be approved by Shareholders holding at least 75% of the voting rights able to be exercised at the general meeting.

### **Rationale**

Further to the Specific issue to Timtex, the Company entered into the SEDA to ensure that sufficient facilities are available to enable the Company to be sufficiently funded for its current and future operational obligations. The money would enable SacOil to fast-track its various oil and gas projects and also pursue new opportunities that might arise.

### **3.3 Terms of the Specific Payment**

A promoter's fee of R1,500,000 (inclusive of VAT) will be paid to Encha (conditional upon the approval of Shareholders of the Specific issue to Timtex) in terms of a letter of agreement entered into between SacOil and Encha which entitles Encha to a promoter's fee equal to 2% (inclusive of VAT) of the gross equity raised through the introduction by Encha of Timtex, which introduction resulted in the proposed Specific issue to Timtex. SacOil intends paying the promoter's fee out of capital. The agreement to pay such fee, which is subject to the approval of the Specific issue to Timtex by Shareholders, is considered to be a related party transaction pursuant to the AIM Rules for Companies because Encha is a substantial shareholder in the Company. The Directors of SacOil, having consulted with the Company's nominated adviser, finnCap, believe that the fee is fair and reasonable insofar as the Company's Shareholders are concerned.

The Directors confirm that after considering the effect of the Specific Payment that the:

- a. Company and the Group will be able to in the ordinary course of business to pay its debts for a period of 12 months after the date of the approval of this circular;
- b. assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the approval of this circular;
- c. share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the approval of the circular;
- d. working capital of the Company and the Group will be adequate for ordinary business purposes for a period of twelve months after the date of the approval of this circular; and
- e. the Board of directors had authorised the payment and had applied the solvency and liquidity test and that since the test was met there have been no material changes to the financial position of the Group.

### **3.4 Further conditions precedent**

The Specific Payment is conditional upon the approval by Shareholders of the Specific issue to Timtex. The Specific issue to Timtex and Specific Payment are subject to the passing of ordinary resolutions achieving a 75% majority of votes cast in favour of such resolution by SacOil Shareholders in a general meeting, excluding any parties and their associates participating in the Specific Issues and the Specific Payment. The payment of the Specific Payment is subject to the approval, by Shareholders, of the Specific issue to Timtex.

#### 4. PARTICULARS OF THE PROPOSED AMENDMENTS TO THE EXISTING SACOIL SHARE OPTION SCHEME

##### 4.1 Overview of the share option scheme

The Share Option Scheme is intended to act:

- as an incentive to attract suitable employees with the necessary skills and experience to be appointed to the Board;
- as an incentive to employees to identify themselves more closely with the activities of the Company and to promote its continued growth by giving them the opportunity of acquiring shares and is not intended to be utilised for trading purposes; and
- as an incentive to employees, to render on-going services to SacOil.

##### 4.2 Proposed amendments to the Share Option Scheme

On 27 July 2011, the Board resolved to effect certain amendments to the Share Option Scheme to allow non-executive directors of the Company to participate in the scheme. Shareholders will be asked to approve the amendments to the Share Option Scheme as contained in Annexure 5 of the circular. It must be noted that in terms of the JSE Listings Requirements, non-executive directors who participate in the scheme will not be regarded as being independent. If non-executive directors are included as participants in the scheme, the Company will have to employ additional independent non-executive directors in order to comply with King III, the Act and the Listings Requirements. The Company can therefore not issue shares in terms of the Share Option Scheme to non-executive directors if it will result in the Company being in breach of the Listings Requirements.

A draft version of the Amended Share Option Scheme, black lined for all changes made, is available for inspection at the registered office of SacOil during normal business hours from Monday, 24 October 2011 to Wednesday, 17 November 2011.

##### 4.3 Rationale for the Amended Share Option Scheme

The Board of SacOil is proposing the amendments to the SacOil Share Option Scheme to enable the Company to attract and retain skilled non-executive directors who meet the criteria of experience and operational skills, in the exploration and production industry, necessary to enhance the Company's vision to become an African independent upstream oil and gas company. SacOil is currently in an aggressive growth phase hence the proposed desire to attract and retain non-executive directors.

#### 5. PRO FORMA FINANCIAL INFORMATION AND EFFECTS

##### 5.1 Pro forma financial effects

The table below sets out the unaudited *pro forma* financial effects of the Specific issue to Timtex, the Specific Payment and the specific issue to YA, on SacOil's basic loss, headline loss, diluted loss, diluted headline loss, net asset value and tangible net asset value per SacOil ordinary share. The unaudited *pro forma* financial effects have been prepared to illustrate the impact of the Transactions on the audited, published financial information of SacOil for the year ended 28 February 2011, had the Transactions occurred on 1 March 2010 for the purpose of the statement of comprehensive income and on 28 February 2011 for the purpose of the statement of financial position.

The unaudited *pro forma* financial effects have been prepared using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied in the audited, published financial statements of SacOil for the year ended 28 February 2011.

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, and results of operations or cash flows of SacOil after the Transactions.

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

- The Specific issue to Timtex and the Specific Payment; and
- The specific issue to YA.

The unaudited *pro forma* financial effects of the Specific issue to Timtex and the Specific Payment have been shown collectively, as the Specific Payment forms part of the transaction costs relating to the Specific issue to Timtex.

The unaudited *pro forma* financial effects of the specific issue to YA have been calculated based on the following assumptions:

- YA advanced a maximum commitment amount of USD25,000,000 to SacOil and elected to subscribe for up to the Rand equivalent, being R197,992,500, in SacOil Ordinary Shares on 28 February 2011; and
- The Rand amount in respect of the maximum commitment amount was calculated for illustrative purposes using the exchange rate of R7.92 to USD1.00 on 7 October 2011 and using an estimated number of shares of 339,390,036 which has been calculated based on the conversion price of R0.58 per ordinary share, being a 6% discount to the 5 day VWAP of SacOil Ordinary Shares to 11 October 2011.

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 the specific issue to Timtex and the Specific Payment <sup>2</sup>	After the specific issue to YA <sup>3</sup>	After the Transactions <sup>4</sup>	Percentage change <sup>5</sup>
Loss per share (cents)	(6.67)	(5.34)	(3.80)	(3.33)	50.09
Diluted loss per share (cents)	(6.21)	(5.04)	(3.65)	(3.21)	48.31
Headline loss per share (cents)	(6.62)	(5.30)	(3.77)	(3.30)	50.09
Diluted headline loss per share (cents)	(6.16)	(5.00)	(3.62)	(3.18)	48.31
Net asset value per share (cents)	69.57	69.08	65.38	65.39	(6.00)
Net tangible asset value per share (cents)	11.03	18.87	26.44	30.33	174.972
Weighted average number of shares in issue (000's)	449,629	561,569	789,019	900,959	100.38
Weighted average number of shares in issue for dilution (000's)	482,933	594,873	822,323	934,263	93.46
Number of shares issued (000's)	674,090	786,031	1,031,480	1,125,421	66.95

**Notes:**

1. The "Before the Transactions" basic loss, diluted loss, headline loss and diluted headline loss per SacOil ordinary share have been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2011. The "Before the Transactions" net asset value and net tangible asset value per SacOil ordinary share have been calculated from the financial information presented in the audited, published results of SacOil for the year ended 28 February 2011.
2. The "After the Specific issue to Timtex and Specific Payment" is based on:
  - a. Issue of 111,940,298 new Ordinary Shares at 67 cents per ordinary share, being the closing price of SacOil Ordinary Shares on 29 August 2011;
  - b. Payment of the promoters fee of R1,500,000 (including VAT) to Encha. As this cost was incurred in the course of issuing Ordinary Shares in SacOil it has been debited directly to equity in terms of IAS 32: *Financial Instruments*;
  - c. Payment of estimated transaction costs amounting to R279,000 in respect of the Specific issue to Timtex. As these costs were incurred in the course of issuing Ordinary Shares in SacOil they have been debited directly to equity in terms of IAS 32: *Financial Instruments*; and

- d. No income benefit has been attributed to the cash received in respect of the specific issue of shares as the proceeds will be used to fund working capital.
- 3. The "After the specific issue to YA" is based on:
  - a. The conversion of the maximum commitment amount of USD25,000,000 on 28 February 2011 into 339,390,036 Ordinary Shares at a 6 % discount to the 5-day volume weighted average price (Rounded up to the nearest half cent) to 11 October 2011;
  - b. Payment of implementation fee of R3,962,642 due diligence fee R123,710 and legal expenses of R185,566 in respect of the SEDA. As these costs were incurred in the course of issuing Ordinary Shares in SacOil they have been debited directly to equity in terms of IAS 32: *Financial Instruments*;
  - c. Payment of estimated transaction costs amounting to R736,000 in respect of the specific issue to YA. As these costs were incurred in the course of issuing Ordinary Shares in SacOil they have been debited directly to equity in terms of IAS 32: *Financial Instruments*; and
  - d. No income benefit has been attributed to the cash received in respect of the specific issue of shares as the proceeds will be used to fund working capital.
- 4. The "After the Transactions" assumes all of the adjustments detailed in notes 2 to 3 above.
- 5. Measured as the "After the Transactions" column as a percentage of the "Before the Transactions" column

## 5.2 **Pro forma financial statements**

The unaudited *pro forma* financial effects set out in paragraph 5.1 above should be read in conjunction with the unaudited *pro forma* financial statements of SacOil which financial statements are set out in Annexure 1 to this circular.

## 5.3 **Independent reporting accountants' report**

The independent reporting accountants' report on the *pro forma* financial information and effects of SacOil is set out in Annexure 2 to this circular.

## 6. **GENERAL MEETING**

A notice of general meeting of SacOil Shareholders is attached to and forms part of this circular. The general meeting of SacOil Shareholders is convened to be held at 09:00 on Thursday, 17 November 2011 in the boardroom at the registered address of SacOil, being 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg to consider and, if deemed fit, pass the resolutions necessary to effect the Transactions and share scheme amendment. The Specific Issues resolutions are to be approved by not less than a 75% majority of votes cast in favour of such resolutions by SacOil Shareholders in the general meeting, excluding any parties and their associates participating in the Specific Issues and the Specific Payment, as more fully set out in the notice of general meeting.

SacOil Shareholders are referred to the section entitled "Action required by SacOil Shareholders" commencing on page 3 of this circular for the action required in respect of the general meeting.

In terms of the Listing Requirements, SacOil Ordinary Shares held by the SacOil Share Option Scheme, will not be entitled to vote at the general meeting.

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

The Directors have considered the terms and conditions of the Specific Issues and the Specific Payment, and are of the opinion that the terms and conditions are fair to the Shareholders of the Company and, accordingly, recommend that Shareholders vote in favour of the resolutions set out in the notice of general meeting. Those directors who hold Ordinary Shares intend to vote in favour of the proposed resolutions.

The Directors have considered the terms and conditions of the Amended Share Option Scheme and are of the unanimous opinion that such terms and conditions are fair to the Shareholders of the Company and accordingly recommend that the Shareholders vote in favour of the resolutions to be proposed at the general meeting. The Directors are in favour of the adoption of the Amended Share Option Scheme and intend to vote, in respect of any SacOil Ordinary Shares held by them on the date of the general meeting, in favour of the resolutions necessary to amend the share scheme excluding directors currently holding share options.

## 8. INFORMATION RELATING TO SACOIL

### 8.1 Stated capital

The authorised and issued capital of SacOil, as at the last practicable date and after giving effect to the Specific Issues is set out below:

<b>Before the Specific Issue</b>	<b>Number of shares</b>	<b>R'm</b>
<i>Authorised capital</i>		
<i>Ordinary Shares of no par value</i>	10,000,000,000	
<i>Issued capital</i>		
<i>Ordinary Shares of no par value</i>	683,929,202	395,100,437
<b>After the Specific issue to Timtex</b>	<b>Number of shares</b>	<b>R'm</b>
<i>Authorised capital</i>		
<i>Ordinary Shares of no par value</i>	10,000,000,000	
<i>Issued capital</i>		
<i>Ordinary Shares of no par value</i>	795,869,500	470,100,436
<b>After the Specific issue to YA</b>	<b>Number of shares</b>	<b>R'm</b>
<i>Authorised capital</i>		
<i>Ordinary Shares of no par value</i>	10,000,000,000	
<i>Issued capital</i>		
<i>Ordinary Shares of no par value</i>	1,135,259,536	668,092,936

No subsidiaries of SacOil hold any of the issued ordinary share capital of the Company as treasury shares.

The new SacOil Ordinary Shares to be issued 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 Companies Act, 61 of 1973 and the Listings Requirements.

### 8.2 Major Shareholders

At the last practicable date, SacOil Shareholders who, insofar as is known to SacOil, are beneficially interested, directly or indirectly, in 5% or more of the issued ordinary stated capital of SacOil, were as follows:

#### **Before the Specific Issues**

<b>Beneficial shareholder</b>	<b>Total</b>	<b>Percentage shareholding</b>
Encha and associates	245,376,131	35.88
Metropolitan Asset Managers	91,282,129	13.35
Public Investment Corporation	46,666,666	6.82
Investec Private Bank	35,693,516	5.22
<b>Total</b>	<b>419,018,442</b>	<b>61.27</b>

## After the Specific Issues

Beneficial shareholder	Total	Percentage shareholding
Encha and associates	245,376,131	21.61
Metropolitan Asset Managers	91,282,129	8.04
<b>Total</b>	<b>336,658,260</b>	<b>29.65</b>

### 8.3 Statement detailing all issues of securities in the previous three years

The Company has issued the following Ordinary Shares in the three years preceding the last practicable date:

Date	Beneficial shareholder	Ordinary shares	Cents per ordinary share	In terms of
08/05/2011	R Vela	6,489,605	214	AIM admission bonus
08/05/2011	C Bird	2,552,610	214	AIM admission bonus
04/04/2011	Renaissance	796,577	216	Specific issue <i>in lieu</i> of fee
17/02/2011	Public Investment Corporation	46,666,666	150	General use of shares for cash
15/02/2011	C de Beer	632,916	29	Share options exercised
09/11/2010	Stanlib Asset Managers Limited "Stanlib"	8,000,000	170	General issue of shares for cash
28/09/2010	Stanlib	40,000,000	62.5	General issue of shares for cash
22/09/2010	Metropolitan Asset Management Limited ("MeTAM")	46,000,000	50	General issue of shares for cash
22/09/2010	Columbia Falls 114 Properties Proprietary Limited	4,867,200	74	Acquisition of 50% of the entire issued share capital of SacOil Proprietary Limited
22/09/2010	Kulsum Moosa Family Trust ("Kulsum")	2,704,000	74	Acquisition of 50% of the entire issued share capital of SacOil Proprietary Limited
22/09/2010	Encha	201,884,800	74	Acquisition of 50% of the entire share capital of SacOil Proprietary Limited
13/09/2010	Kulsum	1,700,000	60	General issue of shares for cash
29/07/2010	GVM Metals Administration (South) Africa Proprietary Limited	8,343,216	30	Specific issue of shares for cash
01/03/2008	MeTAM	40,864,120	75	General issue of shares for cash

### 8.4 Trading history

The share price history of SacOil Ordinary Shares on the JSE is set out in Annexure 3 to this Circular.

## 8.5 **Litigation statement**

Save as disclosed in this paragraph, 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.

### 8.5.1 **Identiguard**

The company previously reported on the application instituted by Identiguard International Proprietary Limited (**Identiguard**) against SacOil Proprietary Limited, an entity in which the company owns 50% of the issued share capital. Identiguard obtained a judgment against the DRC Government. In partial execution of that judgment, Identiguard sought to attach the payment of the supplementary signature bonus (USD2 million) under the Block III Production Sharing Agreement that was concluded between SacOil Proprietary Limited and the DRC Government. Despite SacOil Proprietary Limited's opposition to the application, the South Gauteng High Court delivered judgment in favour of Identiguard during May 2011 and authorised the notice of attachment. SacOil Proprietary Limited applied for leave to appeal against the South Gauteng High Court judgment. The application for leave to appeal was heard on 4 October 2011 and, on 5 October 2011, SacOil Proprietary Limited was granted leave to appeal to the Supreme Court of Appeal. In delivering the judgment in the application for leave to appeal, the South Gauteng High Court concluded that there was a reasonable prospect that another court may come to a different conclusion and therefore the granting of leave to appeal was warranted. It is unlikely that the appeal will be heard by the Supreme Court of Appeal before next year.

### 8.5.2 **Joseph Modibane**

The Company previously reported on two actions instituted by Joseph Modibane ("Mr Modibane") in the North Gauteng High Court. In his first action, Mr 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. Mr 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, Mr Modibane alleges that the content of the announcement made by the Company on 15 September 2010 in relation to the first action was defamatory to him and 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 instructed its South African legal representatives, Norton Rose South Africa, to defend the actions. Pleadings closed many months ago and Mr Modibane had taken no steps to progress the actions that he instituted. The Company's legal representatives were therefore instructed to enquire from Mr Modibane whether he intended to persist with the actions. His legal representative has confirmed that he intends doing so. The Company's legal representatives have therefore been instructed to proceed with the necessary pre-trial notices, so that a pre-trial conference can in due course be arranged and applications for trial dates can then be made.

### 8.5.3 **Kevin van der Walt**

Further to the previous announcements, the last of which was made on 14 March 2011, the Company has appointed Edward Nathan Sonnenberg Forensics Proprietary Limited to investigate the actions of Kevin van der Walt and to take the appropriate legal action.

## 8.6 **Material changes**

Other than the Restructure, details of which were included in the circular to Shareholders dated 4 September 2010, the transfer by Semliki of the Block III Interest to Total, the previous specific issues of Ordinary Shares and, the granting of call options, details of which were outlined in the circular dated 16 March 2011, there has been no material change in the assets, liabilities or the financial trading position of SacOil and its subsidiaries during the past 5 years.

No material fact or circumstance has occurred between the end of the latest reporting period, of SacOil and its subsidiaries, being 28 February 2011, and the last practicable date.

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.

## 8.7 Statement of indebtedness

SacOil had the following material borrowings/facilities 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 USD30.9 million for a period of 12 months from Admission. The loan was made in three tranches of which the first two tranches have been settled by SacOil. Only the third tranche, Tranche C, in an amount of USD6.0 million remains available as a facility that can be drawn down by SacOil. The funds from Tranche C may be utilised towards the purchase of title to OPL 233 and OPL 281. As at the last practicable date SacOil had not drawn down on any part of Tranche C.
- Tranche C bears interest at 32% per annum.
- The date of repayment of Tranche C, 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 a capital raising is completed; and
  - Twelve months from the date of the Facility Agreement if the Admission does not occur by 15 April 2011.
- Tranche C is repayable out of working capital.

## 9. INFORMATION ON DIRECTORS

### 9.1 Details of directors

The full names, positions, dates of appointment, ages, nationalities, business addresses, qualifications and experience of the Directors are set out below:

<b>Name</b>	Richard Linnell
<b>Position</b>	Independent non-executive Chairman of SacOil
<b>Appointed</b>	19 September 2002
<b>Age</b>	67
<b>Nationality</b>	South African
<b>Business address</b>	2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, 2021
<b>Email address</b>	info@sacoilholdings.com
<b>Experience</b>	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.  Richard is a former non-executive director of BHP Billiton (SA) Limited and is Chairman of Coal of Africa Limited. Richard is also Chairman of Independent Power South Africa.

<b>Name</b>	Robin Vela
<b>Position</b>	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>
<b>Appointed</b>	25 February 2008
<b>Age</b>	40
<b>Nationality</b>	British
<b>Business address</b>	2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, 2021
<b>Email address</b>	info@sacoilholdings.com
<b>Experience</b>	<p>Robin is the founding Chief Executive Officer of SacOil. Robin is a professionally qualified and experienced Investment Executive as well as a UK qualified Chartered Accountant and Fellow of the UK Chartered Securities Institute. Robin is also an appointed consultant to the World Bank, International Finance Corporation, and a member of the Institute of Directors South Africa.</p> <p>During his career path Robin has a verifiable track record of leading and closing corporate and investment related transactions in SADC and the City of London. Robin graduated with an honours degree in Economics and Accounting from Bristol University.</p>
<b>Name</b>	John Bentley
<b>Position</b>	Independent non-executive director
<b>Appointed</b>	1 May 2011
<b>Age</b>	63
<b>Nationality</b>	British
<b>Email address</b>	info@sacoilholdings.com
<b>Business address</b>	Ptarmigan Natural Resources Ltd, Aytounhill House, Newburgh, Fife, KY14 6JH
<b>Experience</b>	<p>John has over 40 years' experience in the natural resources sector. He was managing director of Gencor's Brazilian mining company, Sao Bento Mineracao, from 1988 to 1993 when he became chief executive of Engen's Exploration &amp; Production division. In 1996 he was instrumental in floating Energy Africa Limited on the Johannesburg Stock Exchange and became Chief Executive for the following five years building it into one of the leading African independent oil and gas companies.</p> <p>More recently John was Executive Chairman of FirstAfrica Oil plc and a non-executive director of Adastra Minerals Limited. He currently serves on the board of a number of resource companies including as chairman of Faroe Petroleum plc, chairman of Scotgold Resources Ltd, deputy chairman of Wentworth Resources Ltd and non-executive director of Resaca Exploitation Inc and Kea Petroleum plc. John holds a degree in Metallurgy from Brunel University.</p>

<b>Name</b>	Colin Bird
<b>Position</b>	Executive director of SacOil and a director of Pioneer Coal
<b>Appointed</b>	20 April 2008
<b>Age</b>	67
<b>Nationality</b>	British
<b>Business address</b>	Plot 1, MGV Montgomerie Maisonettes, Dubai, UAE
<b>Email address</b>	info@sacoilholdings.com
<b>Experience</b>	Colin 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 UK and South Africa. In the past Colin was Technical and Operations Director of Costain Mining, which involved responsibility for operations in Argentina, Venezuela and Spain. Besides that Colin has been involved in the management of nickel, copper, gold and other diverse mineral operations. Colin has founded and floated several public companies in the resource sector and served on resource company boards in UK, Canada and South Africa.

<b>Name</b>	Carina de Beer
<b>Position</b>	Financial director of SacOil and a director of Pioneer Coal
<b>Appointed</b>	10 August 2010
<b>Age</b>	40
<b>Nationality</b>	South African
<b>Business address</b>	2nd Floor, The Gabba, Dimension Data Campus, 57 Slone Street, Bryanston, 2021
<b>Email address</b>	info@sacoilholdings.com
<b>Experience</b>	Carina heads the financial division of SacOil. Carina is a Chartered Accountant (SA). She completed her articles with Price Waterhouse Coopers.  Carina has 12 years' experience in corporate financial management and reporting, company secretarial practice, compliance and corporate governance. Carina has served as an executive member of a number of JSE listed entities. She is a member of the Institute of Directors South Africa as well as the South African Institute for Chartered Accountants.

<b>Name</b>	Bill Guest
<b>Position</b>	Independent non-executive director
<b>Appointed</b>	1 May 2011
<b>Age</b>	58
<b>Nationality</b>	British
<b>Email address</b>	info@sacoilholdings.com
<b>Business address</b>	Ash Farm, Horsmonden, Tonbridge, Kent, TN12 8BJ, UK
<b>Experience</b>	Bill has over 35 years' of international exploration and production experience within the oil industry, in technical business development and senior management functions. He has 14 years' of experience as a main board director of London listed Oil and Gas Exploration and Production companies with front line involvement in corporate and strategic development, PR/IR and fundraising.  Recent roles included being the managing director of Endeavour Norway and President of Gulf Keystone Petroleum. Currently Bill is a non-executive director of Hurricane Exploration plc. and Matra Petroleum. Bill holds a BSc Honours degree in Geology from Leicester University, UK and is a Fellow of the United Kingdom Energy Institute.

<b>Name</b>	Gontse Moseneke
<b>Position</b>	Non-Executive director of SacOil
<b>Appointed</b>	31 August 2009
<b>Age</b>	29
<b>Nationality</b>	South African
<b>Business address</b>	119 Rosen Office park, 37 Invicta Road, Midrand, 1685
<b>Email address</b>	info@sacoilholdings.com
<b>Experience</b>	Gontse Moseneke 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). Gontse Moseneke has a 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, setup 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.

## 9.2 Directors' interests

At the 28 February 2011, the Directors had the following direct and indirect, beneficial and non-beneficial interests in the share capital of the Company:

### Before the Specific Issues:

#### At 28 February 2011:

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

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 Specific Issues:

#### At the last practicable date:

	Direct beneficial	Shareholding %
<b>C Bird</b>	8,502,610	1.24
<b>B Cerff</b>	150,000	0.02
<b>C de Beer</b>	200,000	0.03
<b>R Vela</b>	11,939,196	1.75
<b>Total</b>	<b>20,791,806</b>	<b>3.04</b>

### After the Specific Issues:

	Direct beneficial	Shareholding %
<b>C Bird</b>	8,502,610	0.75
<b>B Cerff</b>	150,000	0.01
<b>C de Beer</b>	200,000	0.02
<b>R Vela</b>	11,939,196	1.05
<b>Total</b>	<b>20,791,806</b>	<b>1.83</b>

As at 28 February 2011 and 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	R 0.82	8,397,227
C Bird	Samroc	21 Nov 2008	21 Nov 2018	R 0.82	12,595,841
R Linnell	Samroc	21 Nov 2008	21 Nov 2018	R 0.82	12,595,841
R Vela	SacOil	08 Jul 2010	08 Jul 2020	R 0.29	4,198,614
G Moseneke	SacOil	08 Jul 2010	08 Jul 2020	R 0.29	3,132,916
C de Beer	SacOil	08 Jul 2010	08 Jul 2020	R 0.29	2,500,000

No options were granted to any Director subsequent to 28 February 2011 to the last practicable date.

### 9.3 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 have 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.

### 9.4 Directors' remuneration

The remuneration paid to the Directors for the year ended 28 February 2011 is set out below:

	Fees R
<b>Executive directors</b>	
C Bird	151,249
C de Beer	562,500
R Vela	1,695,000
<b>Non-executive directors</b>	
R Linnell	236,667
C Bird	105,000
G Moseneke (appointed 31 August 2009)	130,000
<b>Total</b>	<b>2 880 416</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 8.9.2 above.
3. In terms of the Memorandum of Incorporation, 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. The business of the Group is not being managed nor is it proposed to be managed by a third party.
5. No other payments, benefits or bonuses have been paid to any Director during the financial year ending 28 February 2011, apart from the fees paid to Lonsa Proprietary Limited with registration number 2004/0000228/07 (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.

#### 9.5 Directors' service contracts

Each of the Directors has been appointed as such on the terms set out in the Memorandum of Incorporation. 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 Memorandum of Incorporation, 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 13 below.

#### 9.6 Corporate governance

SacOil is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders and supports the recommendations of the King Report.

Extracts of the corporate governance policies adopted by SacOil are set out in Annexure 4 to this circular.

### 10. ESTIMATED EXPENSES

It is estimated that SacOil's expenses relating to the Specific Issues and Specific Payment will amount to approximately R1 015 million (excluding VAT) and are detailed below:

<b>Nature of expense</b>	<b>Paid/Payable to</b>	<b>R'000</b>
JSE documentation inspection fee	JSE	21
JSE listing fee	JSE	59
London Stock Exchange fee	LSE	40
Printing, publication and distribution	Ince	200
Legal adviser	Norton Rose	150
Independent reporting accountants and auditors	BDO	35
Sponsor	Standard Bank	500
Transfer secretaries	Link Market Services	10
	<b>Total</b>	<b>1,015</b>

### 11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors whose names appear in paragraph 9.1 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 material facts the omission of 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 South African law and by the Listings Requirements.

## 12. CONSENTS

Each of the advisers whose names appear in the "Corporate Information and Advisers" section of this circular have consented and have not, prior to the last practicable date, withdrawn their written consent to the inclusion of their names in the form and context in which they appear in this circular.

The independent reporting accountants have consented in writing to the inclusion of their report in this circular in the form and context in which it appears and have not withdrawn such consents prior to the publication of this circular.

## 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of SacOil during normal business hours (excluding Saturdays, Sundays and public holidays) from the date of issue of this circular up to and including 17 November 2011:

- the Memorandum of Incorporation of SacOil and each of its subsidiaries;
- the annual financial statements of SacOil for the three financial years ended 2009, 2010 and 2011;
- all material contracts mentioned in Annexure 6 of this circular;
- the unaudited *pro forma* financial information of SacOil;
- the signed independent reporting accountants' report on the unaudited *pro forma* financial information of SacOil;
- the Amended SacOil Share Option Scheme;
- the irrevocable undertaking by Timtex as detailed in paragraph 3.1 of this circular;
- the signed SEDA between SacOil and YA;
- the promoter's fee letter of agreement with Encha as detailed in paragraph 3.3 of this circular;
- directors' service agreements;
- powers of attorney signed by each of the Directors;
- the written consents of the advisers mentioned in the "Corporate Information and Advisers" section of this circular; and
- a signed copy of this circular (available in English only).

SIGNED AT BRYANSTON FOR AND ON BEHALF OF THE BOARD OF SACOIL ON 24 OCTOBER 2011.



**R Vela**  
*Chief Executive Officer*

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**PRO FORMA FINANCIAL INFORMATION 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 Specific issue to Timtex, the Specific Payment and the specific issue to YA, on the audited, published financial information of SacOil for the year ended 28 February 2011, had the Transactions occurred on 1 March 2010 for the purpose of the statement of comprehensive income and on 28 February 2011 for the purpose of the statement of financial position.

The unaudited *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 2011.

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

- the Specific issue to Timtex and the Specific Payment; and
- the specific issue to YA.

The unaudited *pro forma* financial effects of the Specific issue to Timtex and the Specific Payment have been shown, collectively, as the Specific Payment forms part of the transaction costs relating to the Specific issue to Timtex.

The unaudited *pro forma* financial effects of the specific issue to YA have been calculated based on the following assumptions:

- YA advanced a maximum commitment amount of USD25,000,000 to SacOil and elected to subscribe for up to the Rand equivalent, being R197,992,500, in SacOil Ordinary Shares on 28 February 2011; and
- The Rand amount in respect of the maximum commitment amount was calculated for illustrative purposes using the exchange rate of R7.92 to USD1.00 on 7 October 2011 and using an estimated number of shares of 339,390,036 which has been calculated based on the conversion price of 58 cents per ordinary share, being a 6 % discount to the 5 day VWAP of SacOil Ordinary Shares to 11 October 2011.

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 Specific issue to Tirtex, the Specific Payment and the specific issue to YA on the audited, published results of SacOil for the year ended 28 February 2011 based on the assumption that each of the Specific issue to Tirtex, the Specific Payment and the specific issue to YA was effective 1 March 2011.

	Before the Transactions' Published R'000	Adjustment – Specific issue to Tirtex and the Specific Payment Pro forma R'000	After Specific issue to Tirtex and the Specific Payment Pro forma R'000	Adjustment – Specific issue to YA Pro forma R'000	After the Specific issue to YA Pro forma R'000	After the Transactions Pro forma R'000
<b>Revenue</b>	<b>35,143</b>	-	<b>35,143</b>	-	<b>35,143</b>	<b>35,143</b>
Cost of sales	(23,615)	-	(23,615)	-	(23,615)	(23,615)
<b>Gross profit</b>	<b>11,528</b>	-	<b>11,528</b>	-	<b>11,528</b>	<b>11,528</b>
Operating costs	(7,327)	-	(7,327)	-	(7,327)	(7,327)
<b>Profit from manganese operations</b>	<b>4,201</b>	-	<b>4,201</b>	-	<b>4,201</b>	<b>4,201</b>
Corporate head office costs	(4,021)	-	(4,021)	-	(4,021)	(4,021)
Corporate action costs	(24,680)	-	(24,680)	-	(24,680)	(24,680)
Share based payments	(4,179)	-	(4,179)	-	(4,179)	(4,179)
Fair value adjustments	(2,229)	-	(2,229)	-	(2,229)	(2,229)
Investment income	1,271	-	1,271	-	1,271	1,271
Interest paid	(17)	-	(17)	-	(17)	(17)
<b>Profit/(loss) before tax</b>	<b>(29,655)</b>	-	<b>(29,655)</b>	-	<b>(29,655)</b>	<b>(29,655)</b>
Taxation	(95)	-	(95)	-	(95)	(95)
<b>Loss for the year</b>	<b>(29,750)</b>	-	<b>(29,750)</b>	-	<b>(29,750)</b>	<b>(29,750)</b>
Other comprehensive income	(245)	-	(245)	-	(245)	(245)
<b>Total comprehensive loss for the year</b>	<b>(29,995)</b>	-	<b>(29,995)</b>	-	<b>(29,995)</b>	<b>(29,995)</b>
<b>Headline loss</b>	<b>(29,750)</b>	-	<b>(29,750)</b>	-	<b>(29,750)</b>	<b>(29,750)</b>

	Before the Transactions <sup>1</sup> Published R'000	Adjustment – Specific issue to Timtex and the Specific Payment Pro forma R'000	After Specific issue to Timtex and the Specific Payment Pro forma R'000	Adjustment – Specific issue to YA Pro forma R'000	After the Specific issue to YA Pro forma R'000	After the Transactions Pro forma R'000
Loss per share (cents)	(6.67)	(5.34)	(5.34)	(3.80)	(3.80)	(3.33)
Diluted loss per share (cents)	(6.21)	(5.04)	(5.04)	(3.65)	(3.65)	(3.21)
Headline loss per share (cents)	(6.62)	(5.30)	(5.30)	(3.77)	(3.77)	(3.30)
Diluted headline loss per share (cents)	(6.16)	(5.00)	(5.00)	(3.62)	(3.62)	(3.18)
Weighted average number of shares in issue (000's)	449,629	111,940 <sup>2</sup>	561,569	339,390 <sup>3</sup>	789,019	900,959
Weighted average number of shares in issue for dilution (000's)	482,933	111,940 <sup>2</sup>	594,873	339,390 <sup>3</sup>	822,323	934,263

**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 2011.
2. Issue of 111,940,298 SacOil Ordinary Shares for cash, at an issue price of 67 cents per SacOil ordinary share (being a premium of 8.06 % to the volume weighted average traded price per SacOil ordinary share over the 30-day business period ending on 29 August 2011, the business day immediately preceding the signature of the irrevocable undertaking by Timtex) for an aggregate consideration of R75,000,000.
3. The potential maximum issue of 339,390,036 SacOil Ordinary Shares for cash, at an issue price of 58 cents per SacOil ordinary share (being a discount of 6 % to the volume weighted average traded price per SacOil ordinary share over the 5-day business period ending on 11 October 2011, for an aggregate consideration of R197,992,500).
4. No income benefit has been attributed to the cash received in respect of the specific issue of shares as the proceeds will be used to fund working capital.

**UNAUDITED PRO FORMA BALANCE SHEETS**

The unaudited *pro forma* balance sheet set out below presents the effects of the Specific issue to Timtex, the Specific Payment and specific issue to YA on the audited published results of SacOil as at 28 February 2011 based on the assumption that the Specific issue to Timtex, the Specific Payment and the specific issue to YA was effective 28 February 2011.

	Before the Transactions <sup>1</sup> Published R'000	Adjustment – Specific issue to Timtex and the Specific Payment Pro forma R'000	After Specific issue to Timtex and the Specific Payment Pro forma R'000	Adjustment – Specific issue to YA Pro forma R'000	After the Specific issue to YA Pro forma R'000	After the Transactions Pro forma R'000
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	6,644	–	6,644	–	6,644	6,644
Intangible assets	394,642	–	394,642	–	394,642	394,642
Other financial assets	45,087	–	45,087	–	45,087	45,087
Deferred tax asset	799	–	799	–	799	799
	<b>447,173</b>	<b>–</b>	<b>447,173</b>	<b>–</b>	<b>447,173</b>	<b>447,173</b>
<b>Current assets</b>						
Loans receivable	11,413	–	11,413	–	11,413	11,413
Inventories	2,408	–	2,408	–	2,408	2,408
Trade receivables	6,318	–	6,318	–	6,318	6,318
Cash and cash equivalents	17,899	73,405 <sup>2,3</sup>	91,304	192,984 <sup>5,6</sup>	210,883	284,289
	<b>38,039</b>	<b>73,405</b>	<b>111,444</b>	<b>192,984</b>	<b>231,023</b>	<b>304,428</b>
<b>TOTAL ASSETS</b>	<b>485,211</b>	<b>73,405</b>	<b>558,617</b>	<b>192,984</b>	<b>678,196</b>	<b>751,601</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Stated capital	374,029	73,405 <sup>2,3</sup>	447,435	192,984 <sup>5,6</sup>	567,014	640,419
Reserves	29,988	–	29,988	–	29,988	29,988
Accumulated loss	(96,199)	–	(96,199)	–	(96,199)	(96,199)
	<b>307,818</b>	<b>73,405</b>	<b>381,224</b>	<b>192,984</b>	<b>500,803</b>	<b>574,208</b>
<b>Total equity attributable to equity holders</b>						
Non-controlling interest	161,760	–	161,760	–	161,760	161,760
	<b>469,579</b>	<b>73,405</b>	<b>542,984</b>	<b>192,984</b>	<b>662,563</b>	<b>735,968</b>
<b>Total equity</b>						

	Before the Transactions <sup>1</sup> Published R'000	Adjustment – Specific issue to Timtex and the Specific Payment Pro forma R'000	After Specific issue to Timtex and the Specific Payment Pro forma R'000	Adjustment – Specific issue to YA Pro forma R'000	After the Specific issue to YA Pro forma R'000	After the Transactions Pro forma R'000
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Liability under instalment sale agreement	–	–	–	–	–	–
Long-term debt obligations	–	–	–	–	–	–
Provision for environmental rehabilitation	946	–	946	–	946	946
	<b>946</b>	<b>–</b>	<b>946</b>	<b>–</b>	<b>946</b>	<b>946</b>
<b>Current liabilities</b>						
Trade payables and other	13,797	–	13,797	–	13,797	13,797
Liability under instalment sale agreement	91	–	91	–	91	91
Deferred tax liability	799	–	799	–	799	799
Accruals	–	–	–	–	–	–
Loans payable	–	–	–	–	–	–
Sundry payables	–	–	–	–	–	–
	<b>14,687</b>	<b>–</b>	<b>14,687</b>	<b>–</b>	<b>14,687</b>	<b>14,687</b>
<b>Total liabilities</b>	<b>15,633</b>	<b>–</b>	<b>15,633</b>	<b>–</b>	<b>15,633</b>	<b>15,633</b>
<b>Total equity and liabilities</b>	<b>485,211</b>	<b>73,405</b>	<b>558,617</b>	<b>192,984</b>	<b>678,196</b>	<b>751,601</b>
Net asset value per share (cents)	69.57		69.08		65.38	65.39
Net tangible asset value per share (cents)	11.03		18.87		26.44	30.33
Number of shares issued (000's)	674,090	111,9404	786,031	339,3907	1,013,480	1,125,421

**Notes:**

- The "Before the Transactions" financial information has been extracted without adjustment from the audited, published results of SacOil for the year ended 28 February 2011.
- Raising of the cash received in respect of the Specific issue to Timtex of R75,000,000.
- Deduction from equity of the estimated transaction costs of R279,000 and the Specific Payment in respect of the promoter's fee of R1,500,000 (including VAT), directly attributable to the specific issue of shares to Timtex, accounted for in accordance with IAS 32: *Financial Instruments*.
- Issue of 111 940 298 Ordinary Shares for cash to Timtex.
- Raising of the cash received in respect of the specific issue to YA of the maximum commitment amount of USD25,000,000 converted into a ZAR equivalent, being ZAR197,992,500.
- Deduction from equity of the transaction costs of R736,000, the Implementation fee of R3,962,642, the legal expenses of R185,566 and the due diligence fee of R123,710, directly attributable to the specific issue to YA, accounted for in accordance with IAS 32: *Financial Instruments*.
- Issue of 339,390,036 Ordinary Shares for cash, in respect of the specific issue YA.
- No income benefit has been attributed to the cash received in respect of the specific issue of shares as the proceeds will be used to fund working capital.

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED  
PRO FORMA FINANCIAL INFORMATION OF SACOIL**

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

18 October 2011

Dear Sirs

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

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects, statement of comprehensive income and statement of financial position (collectively "*pro forma* financial information") of SacOil Holdings Limited ("SacOil", or "the Company"), set out in paragraph 5 and Annexure 1 of the circular to be dated on or about Monday, 24 October 2011, issued in connection with the specific issue of shares for cash to Timtex Investments Proprietary Limited, the specific payment to Encha Group Limited and the specific issue of shares for cash to Yorkville Advisors UK LLP (collectively "the Transactions").

The *pro forma* financial information has been prepared for purposes of complying with the JSE Limited ("the JSE") 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 the purpose of the statement of comprehensive income and on 28 February 2011 for the purpose of the statement of financial position.

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 are 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 Section 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 Robbie Cheadle**

Chartered Accountant (SA)

Registered Auditor

Director

13 Wellington Road

Parktown, 2193"

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**SHARE PRICE HISTORY**


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The trading history of SacOil Ordinary Shares on the JSE is set out below:

	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Close (cents)</b>	<b>Volume traded</b>	<b>Value traded (R)</b>
<b>Quarter ended</b>					
30/06/2009	33	27	40	13,175,679	3,539,129
30/09/2009	22	20	21	14,449,815	285,996,400
31/12/2009	22	20	21	2,603,059	57,694,519
31/03/2010	19	18	18	2,080,486	38,699,200
30/06/2010	20	16	17	12,426,718	307,602,500
30/09/2010	74	66	70	70,546,516	4,435,431,400
31/12/2010	163	153	159	90,745,366	14,642,520,400
31/03/2011	269	120	220	129,522,351	247,073,617
30/06/2011	224	58	87	180,551,823	215,271,076
30/09/2011	89	45	62	88,592,507	58,318,445
<b>Month ended</b>					
31/07/2010	66	58	62	16,330,527	1,060,371,800
31/08/2010	66	58	62	42,908,818	2,389,579,700
30/09/2010	90	84	87	11,307,171	985,479,900
29/10/2010	124	113	118	37,689,686	5,131,542,800
30/11/2010	186	176	181	33,087,977	6,041,549,300
31/12/2010	178	167	176	19,967,703	3,469,428,300
31/01/2011	177	120	150	30,962,324	4,779,043,800
28/02/2011	208	148	196	44,836,105	8,024,445,800
31/03/2011	269	175	220	53,813,922	11,903,870
30/04/2011	224	160	181	36,243,576	6,833,167
31/05/2011	178	83	112	78,375,634	9,003,054
30/06/2011	116	58	87	65,932,713	5,690,887
31/07/2011	89	58	59	27,258,678	1,853,476
31/08/2011	75	45	74	42,133,338	2,662,404
30/09/2011	75	60	62	19,200,491	1,315,964
<b>Daily</b>					
01/09/2011	75	70	72	3,025,512	2,186,889
02/09/2011	75	69	72	1,333,074	954,770
05/09/2011	71	68	70	2,283,849	1,586,202
06/09/2011	72	69	70	1,219,442	862,668
07/09/2011	72	69	70	464,063	323,778
08/09/2011	72	68	68	966,436	669,900
09/09/2011	70	67	70	480,322	326,935
12/09/2011	67	60	66	1,114,040	713,979
13/09/2011	67	64	67	376,356	248,557
14/09/2011	68	65	67	433,636	287,746
15/09/2011	68	67	68	515,159	346,755
16/09/2011	68	66	68	410,717	278,728
19/09/2011	71	67	70	973,740	669,425
20/09/2011	70	66	68	535,986	363,214
21/09/2011	70	68	70	1,553,365	1,071,087
22/09/2011	69	66	68	731,900	496,965

	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Close (cents)</b>	<b>Volume traded</b>	<b>Value traded (R)</b>
<b>Daily (continued)</b>					
23/09/2011	66	63	66	860,472	555,051
26/09/2011	66	63	65	272,842	175,669
27/09/2011	66	64	65	590,500	379,064
28/09/2011	67	63	63	472,373	302,935
29/09/2011	64	60	64	459,200	281,584
30/09/2011	64	60	62	127,507	77,741
03/10/2011	62	59	62	220,050	132,282
04/10/2011	62	58	61	279,494	167,070
05/10/2011	62	59	62	56,535	34,590
06/10/2011	64	58	63	1,052,963	663,695
07/10/2011	65	61	63	281,163	178,507
10/10/2011	63	61	63	512,400	315,939
11/10/2011	63	60	63	975,859	593,971
12/10/2011	62	59	62	221,751	134,840
13/10/2011	62	59	62	1,945,670	1,175,576
14/10/2011	63	60	60	195,929	118,836
17/10/2011	63	57	57	1,648,708	943,523
18/10/2011	57	47	47	3,238,774	1,684,783
19/10/2011	54	46	47	3,457,197	1,690,949
20/10/2011	51	44	46	1,858,421	850,668
21/10/2011	48	43	47	923,613	426,840

**Note:** The above information was sourced from McGregor BFA and I-Net.

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## CORPORATE GOVERNANCE

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### CORPORATE GOVERNANCE REPORT

The Board, its committees and our employees conducts the Group's business with integrity and transparency through applying sound corporate governance policies and practices.

#### Apply or explain principle of King III

The Board acknowledges that the application of the King Code of Governance is a valuable guide to the entrenchment of strong governance principles throughout the Group. The Board endorses the fundamental principles of good financial, social, ethical and environmental practise as set out in the King report on Governance for South Africa 2009 ("King III"), QCA Corporate Governance Guidelines for AIM companies and UK Corporate Governance Code.

The Company complies with the main provisions of the QCA Corporate Governance Guidelines for AIM Companies and the UK Corporate Governance Code insofar as they are appropriate given the Company's size and stage of development.

SACOIL has adopted the "apply or explain" principle of King III. The following was done after adopting the principles of King III:

- The Audit and Risk Committee's terms of reference were reviewed and aligned with King III, the QCA Corporate Governance Guidelines for AIM companies and the UK Corporate Governance Code;
- The Remuneration and Nomination Committee's terms of reference were reviewed and aligned with King III, the QCA Corporate Governance Guidelines for AIM companies and the UK Corporate Governance Code;
- The Board charter was reviewed and aligned with King III, the QCA Corporate Governance Guidelines for AIM Companies and the UK Corporate Governance Code

#### Johannesburg Stock Exchange Limited ("JSE") and Alternative Investment Market ("AIM") on the London Stock Exchange ("LSE")

Insofar as possible, the Company complied with the Listing Requirements of the JSE and also with the AIM Rules for Companies ("AIM Rules") following its secondary listing on the AIM market of the LSE on 8 April 2011. The Directors are responsible for ensuring compliance by the Company with its obligations under the AIM Rules: "An AIM Company must ensure that each of its Directors accepts full responsibility, collectively and individually, for its compliance with the AIM Rules" (Rule 31 of the AIM Rules).

#### Companies Act 2008 (Act 71 of 2008)

The Companies Act 2008 came into effect on 1 May 2011 and SacOil is geared to align itself with the new legislation. The Companies Act 2008 has had limited impact on this report and all the financial information contained herein is in accordance with the Companies Act 1973.

The notice of the annual general meeting is however compliant with the Companies Act 2008.

#### Board of directors

The Board recognises that it is responsible for implementing practices of good governance and that Companies no longer act independently from the societies and the environment in which they operate. The Board is committed to high standards of corporate governance in order to facilitate an environment where the Company's assets are safeguarded and the interests of all stakeholders and Shareholders are protected.

#### Board Charter

The scope of authority, responsibility, composition and functioning of the Board is contained in a formal charter which is reviewed regularly.

## **Board composition**

In line with the recommendations of King III, SacOil has a unitary Board structure consisting of 4 non-executive directors and 3 executive directors. Background information of directors appears on page 33 of this circular.

A division of responsibilities ensures a balance of authority and power, with no one individual having unrestricted decision-making powers.

As at 28 February 2011 the composition of the Board was as follows:

- Robin Vela: Chief Executive Officer;
- Carina de Beer: Finance Director;
- Richard Linnell: Non-executive Chairman;
- Gontse Moseneke: Non-executive director;
- Colin Bird: Executive director since 15 October 2010 (previously non-executive director).

The following changes to the Board occurred subsequent to the year end:

- Bill Guest: Independent non-executive director appointed 1 May 2011;
- John Bentley: Independent non-executive director appointed 1 May 2011.

There were no resignations during the period under review or subsequent to year end.

## **Board Meetings**

A minimum of four Board meetings are scheduled per financial year and additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. Special Board meetings were held during the period under review to consider specific issues including the Company's admission to AIM. Attendance of Board meetings is available on page 51

In addition to the Board meetings, the Board annually convenes strategy meetings with executive management in order to determine strategic direction and to consider plans proposed by management for the achievement thereof. Progress against the strategic plan is monitored by the Board. Attendance of strategy meetings is available on page 51

## **Main duties and responsibilities of the directors**

Directors' duties and responsibilities are prescribed by law. The Board discharges the following duties and responsibilities which list is not limited, in the interests of good governance:

- Contributing to and approving the strategy and overseeing that the strategy results in sustainable outcomes, whilst appreciating that strategy, risk, performance and sustainability are inseparable;
- Overseeing relationships with stakeholders and Shareholders of the Company along sound governance principles;
- Ensuring the Company is a responsible corporate citizen by taking into account the impact of the business operations on society and the environment;
- Providing effective leadership on an ethical foundation whilst acting in the best interests of the Company;
- Providing oversight of performance against targets and objectives;
- Overseeing director selection, orientation and evaluation;
- Assessing the group as a going concern;
- Approving the annual and interim financial statements;
- Overseeing key performance and risk areas;
- Ensuring effective risk management and internal control;
- Overseeing information technology governance;
- Overseeing legislative, regulatory and governance compliance;
- Ensuring balanced and understandable communication to stakeholders;
- Acting as the focal point for and custodian of corporate governance;
- Seeking the optimum balance for the Company between conformance with the dictates of good governance and performance;

- Reviewing the size and composition of the Board in terms of the mix of skills-diversity and the requirements for the appropriate constitution of Board committees;
- Agreeing on the procedure to allow directors to obtain independent professional advice where necessary;
- Maintaining agreed procedures and policies to manage conflict of interest;
- Ensuring unrestricted access to Company information and records; and
- Delegating appropriate powers to management and monitor the exercise of that delegated power on an on-going basis.

### **The Chairman**

The Chairman, so elected by the Board is an independent non-executive director. The roles of the Chairman and CEO remain separate. The Chairman's performance is evaluated annually.

- The core functions of the Chairman are highlighted as follows:
- Sets the ethical tone for the Board and the Company;
- Provides overall leadership to the Board without limiting the principle of collective responsibility for Board decisions, while at the same time being aware of the individual duties of Board members;
- Considers and oversees a formal succession plan for the Board and CEO;
- Identifies and participates in the selection of Board members;
- Formulates with the CEO and Company secretary, the yearly work plan for the Board against agreed objectives;
- Plays an active part in setting the agenda for Board meetings and presides over Board meetings;
- Acts as the link between the Board and management and particularly between the Board and the CEO;
- Maintains an arm's length relationship with Board members and management;
- Monitors how the Board works together and how individual directors perform and interact at meetings;
- Meets with individual directors once a year to evaluate their performance;
- Ensures that good relations are maintained with the Company's major Shareholders and its strategic stakeholders; and
- Presides over Shareholders' meetings.

### **Non-executive Directors**

All the non-executive directors are individuals of high calibre and credibility. They have the necessary skills and experience to bring judgment 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 are not involved in the day-to-day management of the business and not encumbered with specific management responsibility. They are not full-time salaried employees of the Company and/or any of its subsidiaries. None of the non-executive directors have been employed by the Company and are accordingly not predisposed for or against some parts of the business. None of the non-executive directors are retained professional advisors. The non-executive directors have unfettered access to management.

All non-executive directors' appointments are formalised through letters of appointment. The non-executive directors enjoy benefits from the group for their services as directors. They receive fees for their services as directors. They can also earn dividends on their interests in Ordinary Shares.

### **Independence of directors**

No independent non-executive director has served for a period of 9 years. The Board will measure their independence in line with the policy on measuring independence.

The Company Secretary confirms the following:

- They were not representatives of any shareholder 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 in the preceding three financial years;
- They were 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 were not professional advisers to the Company or the Group, other than in the capacity as a director;
- They were not suppliers or material suppliers to the Company or Group, or to clients of the Group;
- They had no material contractual relationship with the Company or Group; and
- They were 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.

### **Executive directors**

The Company has three executive directors. All the executive directors are involved in the day-to-day management of the Company and are full-time employees. The executive directors carefully manage the conflict between their management responsibilities and their fiduciary duties as directors in the best interest of the Company.

All executive directors have entered into service contracts with the Company which contracts are reviewed annually. The CEO's performance is evaluated annually by the Chairman.

The Board determines the remuneration of executive directors in accordance with the remuneration policy put to shareholder's vote.

The executive directors are individually mandated and held accountable for:

- The implementation of the strategies and key policies determined by the Board;
- Managing and monitoring the business and affairs of the Company in accordance with approved business plans and budgets;
- Prioritising the allocation of capital and other resources; and
- Establishing the best management and operating practices.

### **Chief Executive Officer and delegation of authority**

The ultimate responsibility for the Group rests with the Board. The Board retains effective control through a well-developed governance structure of Board committees. The role and function of the CEO is formalised and his performance is evaluated against a set criteria. Certain authorities have been delegated to the CEO to manage the day-to-day business affairs of the Company. However, in terms of statute and the Company's constitution, together with the revised delegation of authority, certain matters are still reserved for Board and/or shareholder approval.

The CEO is tasked with the running of the business and the implementation of the policies and strategies approved and adopted by the Board. The Board's governance and management functions are aligned through the CEO. All the authority conferred on management is delegated through the CEO. The accountability of management is considered to be the authority and the accountability of the CEO.

### **Board selection, appointment and rotation**

When determining the number of directors to serve on the Board, the collective knowledge, skills, experience and resources required for conducting the business of the Board are considered.

Here are some of the factors that are considered by the Board:

- The evolving circumstances and needs of the Company;
- Appropriate mix of executive and independent non-executive directors;
- The need to have sufficient directors to structure Board committees appropriately;
- The requirements for skills and knowledge to make business judgement calls on behalf of the Company; and
- Regulatory requirements.

Directors are appointed in a transparent and formal procedure. The Remuneration and Nomination Committee is responsible for selecting and recommending the appointment of competent, qualified and experienced directors. The Board as a whole appoints directors. All newly appointed directors are subject to an induction programme.

Re-appointment to the Board is not automatic and directors may offer themselves for re-election.

In terms of Article 13.2 of the Memorandum of Incorporation, any person appointed during the year shall retain office only until the next following annual general meeting of the Company and shall then retire and be eligible for re-election.

The rotation of directors is more fully governed in terms of Article 15 of the Memorandum of Incorporation. One third of the directors, or if their number is not a multiple of 3, then the number nearest to, but not less than one third shall retire from office at each Annual General Meeting. The directors so to retire shall be firstly those retiring in terms of Article 13.2 and secondly those referred to in terms of Article 13.16 (not applicable in this regard) and lastly those who have been longest in office since their last election or appointment. Provided that notwithstanding anything herein contained, if, at the date of any annual general meeting any director will have held office for a period of 3 years since his last election or appointment he shall retire at such meeting, either as one of the directors to retire or in addition thereto. The names of the directors eligible for re-election are submitted at the annual general meeting, accompanied by appropriate biographical details set out in the annual report. The Company has not adopted a retirement age for directors.

### **Training and updating the knowledge of directors**

The Board and each individual director has a working understanding of the effect of the business, applicable laws, rules, codes and standards of the Company. Directors receive regular briefings on changes in risks, laws and the environment. The induction and on-going training of directors are conducted through a formal process.

The Company is committed to providing continuing professional development training opportunities to our directors and officers.

### **Company Secretary**

All directors have access to the advice and services of the Company Secretary. The Company Secretary is Fusion Corporate Secretarial Services (Pty) Ltd, represented by Melinda Goes. The Company Secretary is responsible for the functions specified in the Companies Act of 2008.

The Board empowers the Company secretary to enable her to properly fulfil her duties.

The Company Secretary:

- Has an arms-length relationship with the Board;
- Is not a director of the Company;
- Assists with the nomination and appointment of directors;
- Provides guidance to the Board regarding the duties of the directors and good governance;
- Ensures that the Board and committee charters are kept up to date;
- Prepares and circulates Board and committee papers;
- Assists in drafting yearly plans;
- Prepares and circulates minutes of Board and committee meetings; and
- Assists with evaluating the Board, committees and individual directors

### **Committee structure**

The directors have delegated specific functions to committees to assist the Board in meeting their overall responsibilities.

The Board has established standing committees in this regard. The committees were reconstituted in July 2011 following the appointment of more independent non-executive directors on 1 May 2011. The Board committees will be subject to regular evaluation by the Board to ascertain their level of performance and effectiveness.

The committees all act in accordance with approved terms of references which are reviewed annually. The Board as a whole fulfilled the functions of the sub committees for the period under review.

The Company has the following sub committees:

- Audit and Risk Committee;
- Nomination and Remuneration Committee; and
- Social and Ethics Committee.

### **Audit and Risk Committee**

As detailed earlier in the Corporate Governance Report the Audit and Risk committee acts in accordance with approved terms of reference.

### **Audit and Risk Committee members and attendance at meetings**

Members: Bill Guest (Chairman and independent non-executive director); Richard Linnell and John Bentley. The independent external auditors attend the meetings as standing invitees.

Robin Vela, Carina de Beer and Gontse Moseneke attend the meetings by invitation.

### **Election of Audit and Risk Committee members**

In terms of the Companies Act 2008, Shareholders are required to elect the members of this Committee at each annual general meeting. The Board confirms that the Audit and Risk Committee members are suitably skilled and experienced independent non-executive directors. The appointment of Richard Linnell, Bill Guest and John Bentley is subject to Shareholders re-electing them as members of the Committee at the annual general meeting to be held on 17 November 2011.

### **Meetings**

The committee will meet at least twice per annum. The Chairman of the committee will report to the Board after every Audit and Risk Committee meeting held. As previously stated, the Board as a whole acted on matters related to the Audit and Risk Committee for the period under review.

### **Role of the committee**

The Audit and Risk Committee is a statutory committee under the Companies Act 2008 and in terms of the recommendations set out in King III. The committee has an independent role with accountability to the Board. The committee's responsibilities include the statutory duties prescribed by the Companies Act 2008, activities recommended by King III and the responsibilities assigned by the Board.

### **External Auditor Independence**

The committee has to consider the independence of the external auditors and also have to nominate, for appointment such registered auditor of the Company.

The Board was satisfied with the independence of the external auditors and recommended the reappointment of BDO South Africa Inc. as the independent registered audit firm and the individual registered auditor, Fred Bruce-Brand. The audit firm and designated auditor are accredited to appear on the JSE List of Accredited Auditors.

### **Fees paid to external auditors and terms of engagement**

The committee determines the fees to be paid to the auditor and also the auditor's terms of engagement. The approved normal annual audit fee for the financial period ending 28 February 2011 amounted to R190,000 and was approved by the Board.

### **Non Audit Services**

The committee determines the nature and extent of any non-audit services that the auditor may provide to the Company. There were no non audit services approved for the period under review.

## **Evaluation of the Annual Financial Statements**

The Board as a whole considered and commented on the financial statements, the accounting practices and the internal financial controls of the Company.

The Board considered, reviewed and discussed the annual group financial statements with the independent external auditors and finance director. The Board is satisfied that the group financial statements of the Company comply with International Financial Reporting Standards.

The external auditor had unrestricted access to the group's records and management. There were no limitations imposed on the scope of the external audit. The auditor furnished a written report to the Board on significant findings arising from the annual audit and did not raise any matters of concern.

After agreeing that the going concern premise was appropriate the Board approved the annual group financial statements on 25 August 2011. These group financial statements will be open for discussion at the forthcoming annual general meeting. The Chairman of the committee, and in the instance of his absence, the other members of the committee, will attend the Annual General Meeting to answer questions falling under the mandate of the committee.

## **Expertise and experience of the finance director and finance function**

The Board executed the responsibility in terms of paragraph 3.48(h) of the Listings Requirements and confirmed that they are satisfied with the appropriateness of the expertise and experience of the financial director, Carina de Beer.

## **Internal audit**

The primary goal of internal audit is to evaluate the Company's risk management, internal control and corporate governance processes and ensure that they are adequate and are functioning correctly. The internal audit function is performed by the group finance department internally on group companies. The Board as a whole is also considering the internal controls. While considering the information and explanations given by management plus discussions held with the external auditor on the results of their audit, the committee is of the opinion that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements.

## **Risk management**

The Board is responsible for the risk management process and management is accountable to the Board for designing, implementing and monitoring the process of risk management in the day-to-day activities of the group.

The committee has a duty to:

- Identify areas of governance non-compliance and propose remedial action;
- Review risk management policies, processes risk philosophy and strategies;
- Ensure risk management is integrated into business operations and ensure that management implements the appropriate risk responses;
- Overseeing integrated reporting;
- Evaluate the basis and adequacy of insurance cover;
- Ensure internal audit is aligned with risk management processes;
- Identify emerging areas of risk; and
- Ensure compliance with legislation, regulation and governance codes, including King III.

## **Nomination and Remuneration Committee**

Members: John Bentley (Chairman), Richard Linnell and Gontse Moseneke.

Robin Vela and Carina de Beer attend the meetings by invitation.

The Nomination and Remuneration Committee will meet at least twice a year. The committee was reconstituted in July 2011.

One meeting was held during the year on 18 April 2011. The Chairman of the Remuneration Committee reports to the Board after every Remuneration Committee meeting held and further attends annual general meetings to answer questions of Shareholders.

No executive director participates in discussions of their own remuneration and benefits and neither do they have a vote at meetings.

Further details of attendance of the remuneration committee meetings are available on page 51.

### **Role of the Nomination and Remuneration Committee**

The nomination and remuneration committee's roles and responsibilities include but are not limited to:

- Identifying and evaluating suitable candidates for appointment to the Board and they perform background checks on the identified individuals;
- In assessing new directors, the committee assess whether the basic requirements for directorship in the Companies Act are met;
- Advises on the composition of the Board (structure, size and balance between non-executive and executive directors);
- Evaluation of the directors and review the evaluation procedures and results;
- The nomination committee and the Board evaluate whether collectively (but not necessarily individually) the audit committee has the necessary skills to perform its function and responsibilities;
- Determines, agrees and develops the Group's competitive remuneration policy to retain and regard skilled and quality staff;
- Ensures that the remuneration policy is aligned with the group strategy;
- Determines and agrees to the remuneration packages for the executive directors, to ensure that directors and senior executives are fairly rewarded for their individual contributions to the overall performance of the Company. The Remuneration committee consults from time to time with the CEO where the remuneration of other executives is concerned;
- They assess and review employee long-term incentive schemes and performance bonuses;
- Determines and recommends to the Board the level of fees for non-executive directors which are tabled for shareholder approval at the annual general meeting; and
- Succession planning, particularly in respect of the CEO and executive management.

### **Remuneration structure**

The remuneration structure is delegated as follows:

- the nomination and remuneration committee approves executive directors fees;
- the nomination and remuneration committee approves executive committee members' fees as proposed by management; and
- management approves employees' remuneration.

### **Remuneration philosophy**

SacOil strives to create a performance-orientated remuneration philosophy which fairly rewards executives and employees for their respective contributions to achieving the Company's strategic, financial and operational objectives. The remuneration structures are to encourage sustainable, long-term wealth creation.

The following regarding the remuneration structures are highlighted:

- The remuneration philosophy is supportive of the Company's strategy;
- Cost of employment is managed while employees, at the same time are rewarded in order to retain and motivate talented, skilled and high calibre executives and employees;
- The Company promotes a performance based culture; and
- The Company strives to align executive rewards in the interest of Shareholders.

The Board acknowledges the importance of motivating individual and team performances and therefore applies the remuneration philosophy equitably, fairly and consistently in relation to job responsibilities, the markets in which the Group operates and personal performance.

The Group rewards executive directors and employees as follows:

- Market related fair annual packages (base salary and benefits), which are competitive owing to the portability of skills;
- Market information is sourced from industry and executive remuneration surveys to benchmark executive remuneration in comparable positions;
- Annual performance bonus.; and
- Participation in the SacOil Share Option Scheme.

### **Social and Ethics Committee**

#### ***Members: Gontse Moseneke (Chairman) and Bill Guest (member)***

On 27 July 2011 the Company constituted a social and ethics committee in accordance with section 72(4) of the Companies Act, 2008 and regulation 43 (2).

#### **Function**

The social and ethics committee will:

- Monitor the Company's activities, having regard for any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
  - Social and economic development, including the Company's standing in terms of goals and purposes of:
    - The 10 principles set out in the United Nations Global Compact Principles;
    - The OECD recommendations regarding corruption;
    - The Employment Equity Act; and
    - The Broad Based Black Economic Empowerment Act;
  - Good corporate citizenship, including the Company's:
    - Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
    - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
    - Record of sponsorships, donations and charitable giving;
  - The environment, health and public safety, including the impact of the Company's activities and of its products or services;
  - Consumer relationships including the Company's advertising, public relations and compliance with consumer protection laws; and
  - Labour and employment, including:
    - The Company's standing in terms of the International labour organization Protocol on decent work and working conditions;
    - The Company's employment relationships, and its contribution toward the educational development of its employees;
    - To draw matters within its mandate to the attention of the Board as occasion requires; and
    - To report, through one of its members, to Shareholders at the Company's annual general meeting on the matters within its mandate.

The social and ethics committee have not yet met and its terms of reference is being finalised.

#### **Share dealings**

All directors, officers and employees of the Company are advised of closed and prohibited periods in terms of the requirements of the JSE Limited and the AIM Rules. Directors, employees, consultants and agents are prohibited from trading in the group's securities during closed and prohibited periods.

Directors are required to obtain written clearance from the Chairman prior to dealing in the Company's shares. The Chairman is required to obtain approval from the Chairman of the audit and risk committee before undertaking any share dealings. It is also mandatory for directors to notify the Company Secretary

of any dealings in the Company's shares. This information is then disclosed on the Securities Exchange News Service ("SENS") of the JSE as well as on RNS of the LSE within 48 hours of the trade being effected. The Company maintains a record of any share dealings throughout the year.

## Summary of Meeting Attendances

### Key:

<b>Present</b>	<b>P</b>
<b>Not Appointed yet</b>	<b>NA</b>
<b>Absent</b>	<b>X</b>
<b>Apology</b>	<b>A</b>
<b>Alternate</b>	<b>AP</b>
<b>Meeting cancelled</b>	<b>MC</b>

<b>Board</b>	<b>12-Apr-10</b>	<b>08-Jul-10</b>	<b>25-Aug-10</b>	<b>15-Oct-10</b>	<b>28-Oct-10</b>	<b>25-Jan-11</b>	<b>01-Mar-11</b>	<b>27-Jul-11</b>
<b>Type of meeting</b>	<b>Routine</b>	<b>Routine</b>	<b>Routine</b>	<b>Routine</b>	<b>Specific</b>	<b>Routine</b>	<b>Specific</b>	<b>Routine</b>
Richard Linnell	P	P	P	P	P	P	P	P
Colin Bird	A	A	A	P	P	A	P	A
Robin Vela	P	P	P	P	P	P	P	P
Gontse Moseneke	P	P	P	P	P	P	P	P
Carina de Beer	NA	NA	P	P	P	P	P	P
Bill Guest	NA	NA	NA	NA	NA	NA	NA	P
John Bentley	NA	NA	NA	NA	NA	NA	NA	P
Company Secretary	P	P	P	P	P	P	p	P

<b>Strategy</b>	<b>16-Feb-10</b>	<b>26-Jul-11</b>
Richard Linnell		P
Gontse Moseneke		P
Colin Bird		P
Robin Vela		P
Carina de Beer		P
John Bentley		NA
Bill Guest		NA
Company Secretary		P

<b>Remuneration Committee</b>	<b>18-Apr-11</b>
Richard Linnell	P
Gontse Moseneke	P
Company Secretary	P

<b>AIM Committee</b>	<b>07-Mar-11</b>
Robin Vela	P
Carina de Beer	P
Company Secretary	P

## Going concern

The Board is satisfied that the group has adequate resources to continue operating for the next 12 months and into the foreseeable future. The group financial statements presented have been prepared on a going concern basis. The Board is apprised of the group's going concern status at each Board meeting.

## Investor relations and communication with stakeholders

The Company is committed to an on-going interactive relationship with Shareholders, investors, analysts and regulators.

Investor relations activities include interim and final results presentations to investors which are available on the website:

## Sponsor (South Africa)

The Standard Bank of South Africa Limited is the appointed Sponsor of the Company.

**Nominated Advisor and Joint Broker (United Kingdom)**

FinnCap Limited is the appointed nominated advisor. Their address is 60 New Broad Street, London, EC2M 1JJ, United Kingdom.

**Transfer Secretary**

Link Market Services South Africa Proprietary Limited is the appointed Transfer secretary to the group. They assist all our Shareholders with enquiries pertaining to shareholdings. Shareholders can address shareholding related queries to PO Box 4844, Johannesburg, 2000 or can visit them at 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001.

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## PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME

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Proposed that The SacOil Share Option Scheme is amended as follows:

### DEFINITIONS

1. By deleting the definition of "Directors" in its entirety and replacing it with:
 

"Directors"	the directors of the Company from time to time including non-executive directors;
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2. By adding the following definition:
 

"Listings Requirements"	the listings requirements of the JSE;
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3. By adding the following definition:
 

"Option"	an option granted to each of the Participants pursuant to the Scheme;
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4. By deleting the definition of "Participants" in its entirety and replacing it with:
 

"Participants"	Employees and Directors of the Company for the time being who are nominated by the Remuneration Committee of the Board to be Participants;
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### CLAUSES

5. By deleting the body of clause 2. in its entirety and replacing it with:
 

The Scheme is intended:

  - 2.1 as an incentive to the Participants to identify themselves more closely with the activities of the Company and to promote its continued growth by giving them the opportunity of acquiring Shares through the grant of Options and is not intended to be utilised for trading purposes;
  - 2.2 as an incentive to attract and recruit suitable non-executive directors with the necessary skills and experience to be appointed to the Board without losing their independence; and
  - 2.3 as an incentive to each of the Employees, to render on-going services to the Company.

The terms and conditions attaching to Options provided for in this Scheme have been agreed to and are recorded in this document.
6. By deleting the body of clause 3. in its entirety and replacing it with:
  - 6.1 The terms and conditions of the Scheme shall only apply to the Participants;
  - 6.2 To qualify for Options to be granted in terms of this Scheme, a Participant must be either an Employee or a Director of the Company. Options are granted at the sole discretion of the Nomination and Remuneration Committee of the Board after taking into consideration:
    - 6.2.1 performance,
    - 6.2.2 value added services,
    - 6.2.3 commitment,
    - 6.2.4 diligence and performing at levels going above and beyond the call of duty, and
    - 6.2.5 the need to incentivise suitable candidates to accept appointments to the Board as non-executive Directors.
  - 6.3 Participants shall be eligible to and shall participate in the Scheme only if and to the extent that Options are granted to them in terms of this Scheme.

7. By deleting the body of clause 4. in its entirety and replacing it with :
  - 4.1 No Options granted to any Participant in terms of the Scheme shall exceed a number of Shares, which, together with any Shares granted in terms of the Scheme, would exceed 119,380,425 Shares.
  - 4.2 The maximum aggregate number of Shares which may be issued or transferred to any one Participant and accordingly in respect of which Options may be granted to any one Participant in terms of this Scheme shall be limited to 39,793,475 Shares.
  - 4.3 Cumulatively, all Shares forming the subject matter of any share option scheme or share incentive scheme of the Company, including this Scheme, shall not exceed 119,380,425 of Shares.

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## SUMMARY OF MATERIAL CONTRACTS

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### DEFINITIONS AND INTERPRETATIONS IN RELATION TO THIS ANNEXURE 6

Throughout this annexure 6, unless otherwise stated or the context otherwise indicates, the words and expressions in the first column shall have the meanings stated opposite them in the second column and words and expressions in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and *vice versa* and any reference to one gender shall include the other genders:

“Avenant”	the avenant amending the Block III Production Sharing Agreement concluded between the DRC Government and SacOil Proprietary Limited, dated June 2010;
“Bid Consortium”	collectively, EER, Essar and SacOil;
“Bid Vendors”	collectively, SPDC, NAOC and Total Nigeria;
“Block III Contractant”	the Contractant as contemplated in the Block III 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 III Production Sharing Agreement;
“Block III Supplementary Signature Bonus”	an amount of USD2,000,000 payable by the Block III Contractant to the DRC Government on execution of the Avenant as a supplementary signature bonus;
“Brown”	Ms Andrea Brown (Identification number: 720117 0039 082), the controlling shareholder of DIG;
“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;
“Columbia”	Columbia Falls Properties 114 Proprietary Limited, a private company incorporated in accordance with the laws of South Africa;
“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;
“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;
“Encha Capital”	Encha Capital Proprietary Limited (Registration number: 2007/004923/07), a private company incorporated in accordance with the laws of South Africa;
“Essar”	Essar Exploration and Production Limited, a company incorporated in accordance with the laws of Mauritius;
“Facility”	the term loan facility that Renaissance made available to SacOil in three tranches, being Tranche A, Tranche B and Tranche C;

“Lonsa”	Lonsa Capital Proprietary Limited with registration number 2004/0000130/07 (of which Mr R Vela is a director)
“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 between 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;
“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;
“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 233 Production Sharing Contract”	the production sharing contract entered into between NIGDEL and NNPC on 7 May 2007 in regard to OPL 233;
“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% undivided interest in the rights, benefits and obligations established by OPL 281;
“OPL 281 Investors”	collectively, SacOil 281 and EER 281;
“OPL 281 Residual Signature Bonus”	the amount of USD8.75 million;
“OPL 281 Signature Bonus”	an amount of USD30 million payable by Transcorp to the Nigerian Government as a condition of the award of OPL 281 to Transcorp;
“Renaissance Securities”	Renaissance Securities (Cyprus) Limited (Registration number: HE72487), a company incorporated in accordance with the laws of Cyprus and is the arranger and calculation agent in terms of the Facility Agreement. Renaissance Securities is part of the Renaissance Group;
“SPDC”	Shell Petroleum Development Company of Nigeria Limited, a company incorporated in accordance with the laws of Nigeria;
“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 769 725), a private company incorporated in accordance with the laws of Nigeria, being a subsidiary of Transcorp;
“Tranche A”	Tranche A of the Facility amounting to the Rand equivalent of USD12.9 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% 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 USD12.0 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% discount to the 30-day VWAP on 28 February 2011; and
“Total Nigeria”	Total E&P Nigeria Limited, a private company duly incorporated in accordance with the laws of Nigeria.

## 1. MATERIAL CONTRACTS

- 1.1 Set out below is a summary of each material contract (not being contracts entered into in the ordinary course of business) entered into by the Company or any of its subsidiaries: (a) within the four years immediately preceding the date of the circular; or (b) which contains any provision under which the Company or any of its subsidiaries has any obligation or entitlement which is material to the Company or any of its subsidiaries as at the date of this circular:
- 1.1.1 A Block III Production Sharing Agreement concluded on 4 December 2007 between the DRC Government, SacOil Proprietary Limited, and Cohydro in relation to Block III. The provisions of the Block III 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 III Production Sharing Agreement, the DRC grants to SacOil Proprietary Limited and Cohydro exclusive rights of reconnaissance and exploration of hydrocarbons in Block III subject to the granting of an EZRE and the right to obtain an exploitation permit in respect of Block III.
- 1.1.2 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% 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% of the gross value of any equity raised by SacOil from investors introduced to SacOil by Lonsa, which fee is payable within 5 business days of receipt by SacOil of the proceeds of such equity raising.
- 1.1.3 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 USD2.0 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 III Production Sharing Agreement.

- 1.1.4 A farm out agreement concluded on 10 May 2010 between Falcan Chaal Petroleum Limited (“Falcan”), Societe de Maintenance D’Installations Pétrolières (“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% 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 Pétrolières 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 farm out interest, SacOil’s interest in the Chaal Gas Exploration Permit Area would be 55%.
- 1.1.5 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% 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 % of the gross value of any equity raised by SacOil from investors introduced to SacOil by Lonsa, which fee is payable within 5 business days of receipt by SacOil of the proceeds of any such equity raising.
- 1.1.6 A share purchase agreement concluded on 22 July 2010 between Encha, 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% 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.
- 1.1.7 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.
- 1.1.8 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% 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.
- 1.1.9 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% 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% 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.
- 1.1.10 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;
  - an 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.
- 1.1.11 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 USD1.4 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 USD188,637.
- 1.1.12 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 50 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.
- 1.1.13 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 USD1.0 million to SacOil Proprietary Limited for the purpose of partially funding the payment to the DRC Government of the Supplementary Block III Signature Bonus.
- 1.1.14 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 USD1 million to SacOil Proprietary Limited for the purpose of partially funding the payment to the DRC Government of the Supplementary Block III Signature Bonus.
- 1.1.15 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 1.1.6 to 1.1.14 above) to which each is a party is extended to 30 September 2010.
- 1.1.16 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.
- 1.1.17 An appointment letter concluded on 21 September 2010 between Renaissance Capital and SacOil in terms of which SacOil instructed Renaissance Capital to act as exclusive manager and book runner to SacOil in connection with the proposed offering of SacOil Ordinary Shares which were 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.
- 1.1.18 A master joint venture agreement concluded on 24 September 2010 between EERNL and SacOil 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.
- 1.1.19 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% participating interest in OPL 281 from Transcorp.

- 1.1.20 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.
- 1.1.21 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.
- 1.1.22 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% participating interest in OPL 233 from NIGDEL.
- 1.1.23 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.
- 1.1.24 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.
- 1.1.25 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 III. The agreement provides, that in consideration for the services provided by Renaissance, the Company shall pay Renaissance a fee of USD0.5 million 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 USD0.25 million in cash and (ii) SacOil shall issue to Renaissance shares with an aggregate value of USD0.25 million.
- 1.1.26 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 III 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 USD11.9 million (the “SacOil Portion”) and DIG shall be entitled to receive payment of the amount of USD9.0 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 III (currently held indirectly through Semliki) so that SacOil and DIG hold their interests independently;
  - SacOil is entitled to receive 35, % 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.
- 1.1.27 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% 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% of all claims in relation to all taxes incurred by Semliki in consequence of the implementation of the transactions contemplated in the Total Agreement.

1.1.28 A farm-in agreement in respect of the Block III 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 III Interest to Total. The agreement provides for the following consideration for the transfer of the Block III Interest:

- on the Completion Date, Total shall make payment to Semliki of USD15.0 million (the "Initial Total Consideration");
- Total shall make payment of Semliki's 40% 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 III 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 USD58.0 million within three business days of the FID Date; and
- Total shall make a bonus payment to Semliki of USD50.0 million within three business days of the First Oil Date.

The conditions precedent to the transaction include the following:

- the written approval of the Minister of Hydrocarbon of the DRC to the transfer of the Block III Interest;
- the completion to the satisfaction of Total of a due diligence investigation of the Block III 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.

1.1.29 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% 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% in BidCo and Essar shall hold a 45% equity interest in BidCo. EER and SacOil shall hold an aggregate economic interest of 30% in BidCo and Essar shall hold an economic interest of 7% in BidCo. The OML 42 Bid Document contemplates inter alia that the Bid Vendors shall pay 10% 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.

1.1.30 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:

- the OPL 281 Farm-Out Agreement (a summary of which is set out in 1.1.19 above);
- the OPL 281 Joint Operating Agreement (a summary of which is set out in 1.1.20 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 1.1.21 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 1.1.31 below) guaranteeing the performance of certain obligations by TEL.

1.1.31 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:

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

1.1.32 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 USD12.0 million (“Tranche A”);
- a Rand amount equivalent to USD 12.0 million (Tranche B”) and
- a Rand amount equivalent to USD 6.0 million (“Tranche C”).

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

- approval from the South African Securities Regulation Panel that Renaissance taking security over up to 35 % 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 USD0.9 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 1.1.29 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 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 8.12.34 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 1.1.35 below) 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 1.1.33 below), it was agreed by the parties that Tranche B was deemed to be drawn down by the Company and an amount of USD12 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 USD2.8 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.

1.1.33 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 USD12 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 USD106,027;
- 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 USD1.8 million; and
- Renaissance consents to SacOil having made payment to Transcorp of USD12.5 million in respect of OPL 281 on 28 February 2011.

1.1.34 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% of the USD value of Tranche A converted at R7.20 to USD1.00 divided by the Tranche A Strike Price. The options are exercisable at the Tranche A Strike Price.

1.1.35 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).

1.1.36 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% of USD12.0 million converted at R6.97 to USD1.00 divided by the Tranche B Strike Price. The options are exercisable at the Tranche B Strike Price.

- 1.1.37 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").
- 1.1.38 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.
- 1.1.39 On 5 April 2011, the Company, finnCap and Encha entered into a lock-in agreement pursuant to which Encha Capital undertook in favour of the Company and finnCap that it shall not dispose of its shares in the Company for a period of twelve months after Admission. That undertaking is however not applicable in the context of the acceptance of a general offer made to Shareholders of the Company to acquire all of the issued shares of the Company or pursuant to an intervening court order.
- 1.1.40 On 5 April 2011, the Company, finnCap and Encha Serve Proprietary Limited ("Encha Serve") entered into a lock-in agreement pursuant to which Encha Serve undertook in favour of the Company and finnCap that it shall not dispose of its shares in the Company for a period of twelve months after Admission. That undertaking is however not applicable in the context of the acceptance of a general offer made to Shareholders of the Company to acquire all of the issued shares of the Company or pursuant to an intervening court order or to a disposal to Renaissance pursuant to a share pledge entered into in favour of Renaissance as security for the obligations of the Company under the Facility Agreement.
- 1.1.41 An amendment deed dated 30 September 2011 between EERNL and SacOil in terms of which it was agreed that the MJVA be amended to provide for, amongst other things, that SacOil shall raise the finance for all acquisition costs for the joint venture as set out in the annual budget. It was further agreed that from the date upon which the joint venture starts recovering all Opex and/or Capex costs and any acquisition costs that it is entitled to recover, SacOil shall be entitled to recover 50% of the acquisition costs plus the agreed cost of capital.
- 1.1.42 A loan agreement concluded on 3 October 2011 between SacOil and EERNL (the "EERNL Loan Agreement") in terms of which it was agreed that SacOil would advance to EERNL the aggregate of (i) the amount of USD12,500 000, and (ii) 50% of all fees and disbursements payable to a financial institution in relation to the issue of a performance bond in the amount of USD25 million as contemplated in clause 6.5(a) of the OPL 233 Production Sharing Contract.
- 1.1.43 A cession and charge in security concluded on 3 October 2011 between EERNL, SacOil and EER 233 in terms of which it was agreed that as security for the due performance by EERNL of any of its obligations under the EERNL Loan Agreement (a summary of which is set out in 1.1.42 above), EERNL agreed to cede in securitatem debiti all of its rights and interests held by it in the issued share capital of EER 233.
- 1.1.44 A escrow agreement concluded on 3 October 2011 between EERNL, SacOil and Adepetun Caxton-Martins Agbor & Segun in terms of which it was agreed that EERNL shall deposit with Adepetun Caxton-Martins Agbor & Segun the documents of title that reflect EERNL's rights and interests held by it in the issued share capital of EER 233.

Copies of all of the agreements mentioned in this Annexure 6, are available for inspection as detailed in paragraph 13 above. The Company is not subject to any management agreements.



**SacOil**

## **SACOIL HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1993/000460/06)

JSE share code: SCL ISIN: ZAE000127460

AIM share code: SAC

("SacOil" or "the Company")

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### **NOTICE OF GENERAL MEETING**

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NOTICE IS HEREBY GIVEN that a general meeting of Shareholders of SacOil recorded in the register on Friday, 11 November 2011, will be held at 09:00 on Thursday, 17 November 2011 in the boardroom at the registered address of SacOil, being 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg to consider and, if deemed fit, to pass, with or without modification, the resolutions set out below in the manner required by the Companies Act, 2008 (Act 71 of 2008), as amended (the "Act"):

#### **ORDINARY RESOLUTION 1– SPECIFIC ISSUE OF SHARES TO TIMTEX**

**"RESOLVED THAT** 111,940,298 Ordinary Shares of no par value in the authorised but unissued share capital of the Company, be and are hereby placed under the control of the directors of the Company as a specific authority and approval in terms of the Act, and section 5.51 of the Listings Requirements of the JSE Limited (the "JSE Listings Requirements") to allot and issue such Ordinary Shares for cash at an issue price of R0.67 per ordinary share in terms of an irrevocable undertaking between SacOil and Timtex, a copy of which is before this meeting and has been initialled by the chairman for identification purposes."

It must be noted that in terms of the JSE Listings Requirements ordinary resolution number 1 is to be approved by not less than a 75% 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**

Timtex, which is a related party in terms of the JSE Listings Requirements, and its associates, which includes Encha, 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 1.**

#### **ORDINARY RESOLUTION 2 – PAYMENT TO ENCHA**

**"RESOLVED THAT,** subject to the passing of ordinary resolution number 1, a promoter's fee of R1,500,000 be paid to Encha in terms of a letter of agreement between SacOil and Encha which entitles Encha to a promoter's fee equal to 2% of the gross equity raised through the introduction by Encha of Timtex, which introduction resulted in the proposed Specific issue to Timtex, a copy of which is before this meeting and has been initialled by the chairman for identification purposes."

It must be noted that the JSE requires that ordinary resolution number 2 is to be approved by not less than a 75% majority of the votes cast by Shareholders present or represented by proxy at the general meeting for this resolution to become effective.

#### **Related party/Parties participating in the payment**

Encha, who is a material shareholder of the Company and a related party in terms of the JSE Listings Requirements, and any of their associates, including Timtex, 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 3 – PROPOSED AMENDMENTS TO THE SACOIL SHARE OPTION SCHEME**

“**RESOLVED THAT** the SacOil Share Option Scheme be amended in accordance with the amendments as contained in Annexure 5 to the circular.”

It must be noted that in terms of the JSE Listings Requirements ordinary resolution number 3 is to be approved by not less than a 75% majority of the votes cast by Shareholders present or represented by proxy at the general meeting for this resolution to become effective.

### **ORDINARY RESOLUTION 4 – DIRECTORS’ AUTHORITY TO SIGN AND DO ALL SUCH THINGS AND TAKE SUCH FURTHER STEPS**

“**RESOLVED THAT**, subject to the passing of special resolution 1 and ordinary resolutions 1, 2 and 3, Robin Vela and/or any other executive director of the Company be and are hereby authorised and empowered to do all such things and to sign all documents including company forms and take all such actions as they consider necessary to give effect to and implement the aforesaid resolutions which are proposed and passed at the general meeting at which this ordinary resolution number 4 is proposed.”

### **SPECIAL RESOLUTION 1 – SPECIFIC ISSUE OF SHARES TO YORKVILLE ADVISORS UK LLP**

“**RESOLVED THAT** as a specific authority and approval in terms of section 41(3) of the Act, a maximum of 339,390,036 Ordinary Shares of no par value in the authorised but unissued share capital of the Company, be and are hereby placed under the control of the directors of the Company, and section 5.51 of the JSE Listings Requirements, to allot and issue such Ordinary Shares in accordance with the terms and conditions of the SEDA entered into between SacOil and the Investor, a copy of which is before this meeting and has been initialled by the chairman for identification purposes.”

#### **Reason and effects**

Special resolution number 1 is proposed in order to authorise the issue of up to a maximum of 339,390,036 Ordinary Shares of no par value in the authorised but unissued share capital of the Company to the Investor in terms of the SEDA. The effect of the resolution is to grant a specific authority in terms of section 41(3) of the Act.

### **VOTING, PROXIES AND ELECTRONIC COMMUNICATION**

A copy of this Circular will be available on the Company's website from 25 October at [www.sacoilholdings.com](http://www.sacoilholdings.com).

On a show of hands every shareholder present in person or by proxy or represented in terms of the Act, shall have one vote and on a poll every shareholder present in person or by proxy or so represented shall have one vote for every ordinary share held by such shareholder.

The necessary form of proxy accompanies this notice. A shareholder entitled to attend and vote at the general meeting may appoint one or more proxies to attend, speak and vote in place of such shareholder. A proxy so appointed need not be a shareholder of the Company. Duly completed form of proxy must be lodged with the transfer secretaries at the address below to be received by no later than 09:00 on Tuesday, 15 November 2011.

Shareholders who have dematerialised their SacOil Ordinary Shares, other than those Shareholders who have dematerialised their Ordinary Shares with “own name” registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary Letter of Representation to do so.

SacOil Ordinary Shares held by a share trust or scheme will not have their vote at general meetings taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

In terms of section 61(10) of the Act, every Shareholders meeting of a public company must be reasonably accessible within South Africa for electronic participation by Shareholders.

Shareholders wishing to participate electronically in the general meeting are required to deliver written notice to the Company by no later than **09:00 on Tuesday, 15 November 2011** (marked for the attention of the company secretary, Melinda Gous) stating that they wish to participate via electronic communication at the general meeting (“**Electronic Notice**”). In order for the Electronic Notice to be valid it must contain: (a) if the shareholder is a natural person, a certified copy of their identity document, drivers licence and/

or passport; (b) if the shareholder is not a natural person, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents, drivers licences and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the general meeting via electronic communication; (c) a valid email address and/or facsimile number (the "**Contact Address/Number**") and (d) if the shareholder wishes to vote via electronic communication, set out that, the shareholder wishes to vote via electronic communication. By no later than **24 hours** prior to the general meeting the Company shall use its reasonable endeavours to notify a shareholder at their Contact Address/Number who has delivered a valid Electronic Notice of the relevant details through which the shareholder can participate via electronic communication.

By order of the Board



**M Gous**  
*Company Secretary*

Johannesburg  
24 October 2011

**Registered office and postal address**

2nd Floor, The Gabba  
Dimension Data Campus  
57 Sloane Street  
Bryanston, 2021  
(Postnet Suite 211, Private Bag X75,  
Bryanston, 2021, SA)

**Transfer secretaries**

Link Market Services South Africa Proprietary Limited  
13th Floor, Rennie House  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)



**SacOil**

## **SACOIL HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1993/000460/06)

JSE share code: SCL ISIN: ZAE000127460

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("SacOil" or "the Company")

### **FORM OF PROXY**

For use by Certificated Shareholders and Dematerialised Shareholders who have "own name" registration of securities at the general meeting of SacOil Shareholders to be held at 09:00 on Thursday, 17 November 2011 in the boardroom at the registered address of SacOil, being 2nd Floor, The Gabba, Dimension Data Campus, 57 Sloane Street, Bryanston, Johannesburg.

I/We (Please print full names)

of (address)

being the holders of  Ordinary Shares in the Company, hereby appoint (see note 1)

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

the chairman of the general meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the general meeting which will be held for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary resolutions to be proposed and at each adjournment of the meeting and to vote for or against the ordinary resolutions or to abstain from voting in respect of the Ordinary Shares in the issued capital of the Company registered in my/our name/s, in accordance with the following instructions (see note 2).

Insert an "X" or the number of Ordinary Shares (see note 2)

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Ordinary resolution 1 (Specific issue of shares to Timtex)			
Ordinary resolution 2 (Specific Payment)			
Ordinary resolution 3 (amendments to the SacOil Share Option Scheme)			
Ordinary resolution 4 (directors' authority to sign and do all such things and take such further steps)			
Special resolution 1 (Specific issue of shares to Yorkville Advisors UK LLP)			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of Ordinary Shares than you own in the Company, insert the number of Ordinary Shares held in respect of which you desire to vote (see note 2).

Signed at [place]

on [date]

2011

Signature

Assisted by me (where applicable)

Each member is entitled to appoint one or more proxies (who need not be a member of the Company) to attend speak and, on a poll, vote in place of that member at the general meeting.

**PLEASE READ THE NOTES ON THE REVERSE SIDE OF THIS FORM OF PROXY.**

**Notes:**

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the general meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the 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. Please insert an "X" in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of Ordinary Shares than you own in the Company insert the number of Ordinary Shares held in respect of which you 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 the entire shareholder's votes exercisable at the meeting. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. Forms of proxy must be received by the transfer secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Johannesburg, 2001, (PO Box 4844, Johannesburg, 2000) by no later than 09:00 on Tuesday, 15 November 2011, or alternatively, such forms of proxy may be handed to the company secretary or the chairman of the general meeting not later than 30 minutes prior to commencement of the general meeting..
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person at the meeting to the exclusion of any proxy appointed in terms of this form of proxy.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the general meeting.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
8. The chairman of the general meeting may accept any form of proxy which is completed other than in accordance with these notes if he is satisfied as to the manner in which the shareholder wishes to vote.



