Delivering energy projects that matter

Annual Report & Accounts 2020

2020 will be remembered as a milestone year for Savannah Energy representing our first full year of operating the Nigerian upstream and midstream energy assets we acquired in 2019. Despite challenging headwinds, we delivered a strong financial and operational performance for the year and positioned ourselves for growth in Africa's energy markets. We have endeavoured to capture the striking scale and scope of this opportunity throughout this Annual Report.

"Our purpose is clear: we are seeking to deliver energy projects in the emerging world which are making meaningful positive socio-economic contributions to our host countries."

Andrew Knott
Chief Executive Officer

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Front cover image: Lagos, Nigeria by night

This page: Citygate facility, Calabar, Nigeria

Our vision

Our vision is to create a best-in-class African-focused energy company that we and our stakeholders are proud of.

Our strategy

1. Deliver value safely and sustainably
2. Optimise existing portfolio performance
3. Deliver organic growth
4. Deliver value accretive inorganic growth
5. Provide cash returns to shareholders

Read more about our strategy on page 32

Our "SEE-IT" values

Sustainability
We seek to deliver sustainable value for our stakeholders.

Excellence
We strive to be the best at what we do, and we ensure that appropriate resources are in place to enable delivery.

Entrepreneurialism
We strive to act in a nimble fashion and prioritise being able to move quickly to take advantage of opportunities which arise in our business.

Integrity
We value and expect effort, hard work, loyalty and commitment.

Teamwork
We believe that we accomplish much, much more when our people work together across functions and office locations.

Read more about our people on page 70

Our stakeholders

Our people

Our host countries and communities

Governments, local authorities and regulators

Our shareholders and lenders

Our customers, suppliers and partners

Read more about our stakeholders on page 28

At a glance

Positioned for growth in Africa's energy markets

What we do

We seek to realise sustainable economic value for our stakeholders through the successful delivery of material energy projects in Africa.

2020 Total Revenues[(a)]

US$235.9m

Total Group assets

US$1.2bn

Remaining life-of-contract revenues[(b)]

US$4.3bn

Weighted average remaining contract life

17 years

End 2020 2P/2C reserve and resource life

31.4 years

End 2020 net 2P reserves and net 2C resources

157 MMboe

End 2020 Group employees

211

Read more about our Nigeria operations on page 38

Nigeria

We have a significant controlling interest in a large-scale integrated gas production and distribution business which is currently supplying gas to enable over 10% of Nigeria's thermal power generation.

Assets

Upstream assets

- Two large-scale onshore oil and gas fields located in South East Nigeria
- Uquo non-associated gas field (80% interest)
- Stubb Creek oil and gas field (51% interest)

Midstream gas assets

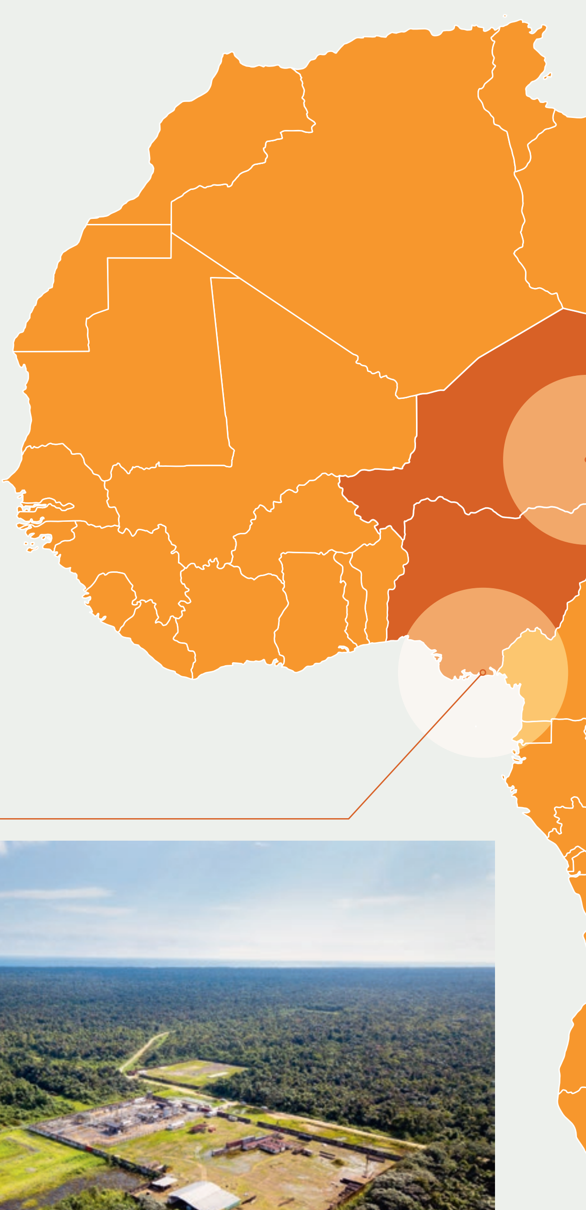
- Accugas' 200 MMscfpd processing facility and an approximate 260km gas pipeline network (80% ownership)

Customers

- Calabar Generation Company Limited (owner of the Calabar power station)
- Ibom Power Company Limited (owner of the Ibom power station)
- Lafarge Africa PLC (owner of the Lafarge Mfamosing cement plant)
- Liquid sales made to a subsidiary of ExxonMobil
- New GSA signed with First Independent Power Limited, owner of the FIPL Afam power station with gas sales expected to commence in 2021
- New GSA signed with Mulak Energy Limited representing Savannah's entry into the high-growth compressed natural gas market in Nigeria with gas sales expected to commence in 2022

2020 highlights

- During the Covid-19 pandemic, Accugas ramped up gas supply to the Nigerian power sector by 35% at a time when industry-wide gas shortages increased by 35%[1]
- All-time record volume of gas production of 177 MMscfpd (29.5 Kboepd) achieved on 30 May 2020
- All-time high peak gas contribution equivalent to 12.8% of the daily grid generation achieved on 29 June 2020



Read more about our Niger operations on page 46

Niger

We have licence interests covering 13,655km², approximately 50%, of the highly prospective Agadem Rift Basin, in South East Niger[2]. To date, we have delivered a highly successful exploration campaign in Niger with five discoveries from five wells across five oil fields and we plan to commercialise these discoveries through the installation of an Early Production Scheme on the R3 East development.

Assets

Reserves and resources

- 35 MMstb of gross 2C resources certified
- Additional 90 MMstb of gross unrisked prospective resources (Best case) certified from five prospects and leads within tie-in distance to the planned R3 East facilities
- A further 270 MMstb of gross unrisked prospective resources (Best case) certified within our licence interests

Production

- Planned Early Production Scheme to deliver up to 5 Kbopd

Exploration

- A total of 146 exploration targets to be considered for potential future drilling activity

2020 highlights

- Seismic reinterpretation of R3 East area completed
- Plans progressed for delivering the R3 East development
- Post year-end agreement in principle with the Niger Ministry of Petroleum to amalgamate the four licence areas into a single PSC, valid for a further ten years to 2031[2]

Stubb Creek field, Akwa Ibom State, Nigeria

Dr John James Eitm
Commissioner for Power and Petroleum Development, Akwa Ibom State, Nigeria

"Savannah's investment in Akwa Ibom State has helped to position us as a leading region in Nigeria for power generation, while Savannah has also provided employment opportunities to our local people and contributed immensely to the growth of the State's revenue and GDP."

Savannah's Jaouro base, Agadem, Niger

Delivering on our promises

In 2020 we grew our revenues, increased our Adjusted EBITDA[c] and supplied gas which enabled over 10% of Nigeria's thermal power generation.

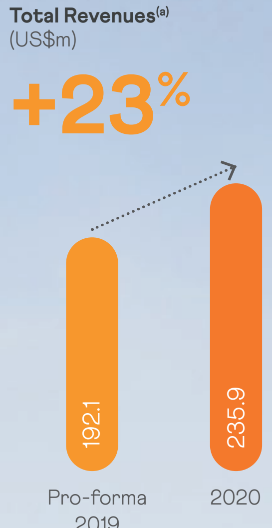
Despite the challenging macro headwinds in 2020, we demonstrated a strong financial and operating performance. We drove growth and efficiencies throughout the business and significantly exceeded all of our original financial guidance. We achieved Total Revenues[a] of US$235.9 million, up 23% year-on-year on a pro-forma basis and 18% above our original guidance. Cash collections from our Nigerian assets were US$187.4 million, up 11% year-on-year.

Operationally, average gross daily production in 2020 was 19.5 Kboepd, representing a 14% increase on 2019. Further, we were proud to be one of the few suppliers able to step up gas production to help meet Nigeria's power generation needs at a time when the majority of other producers reduced production. Our production performance enabled our power generation customers to achieve a peak generation of 520MW on 3 December 2020 and a peak 12.8% share of the country's total average power generation on 29 June 2020.

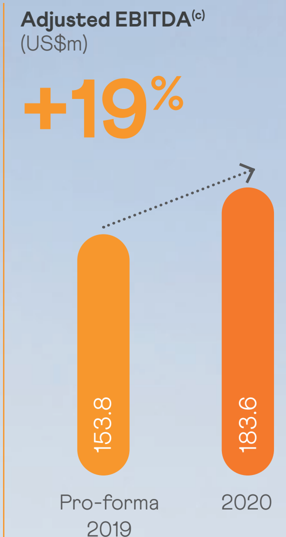
We expect continued strong revenue generation in 2021 as well as progressing our plans for delivering first oil from the R3 East development project in Niger. Looking further ahead, we are excited by the potential to continue our strong historic growth trajectory through a combination of organic and non-organic initiatives.

Read more about our plans for driving future growth in the Our Strategy section found on page 32

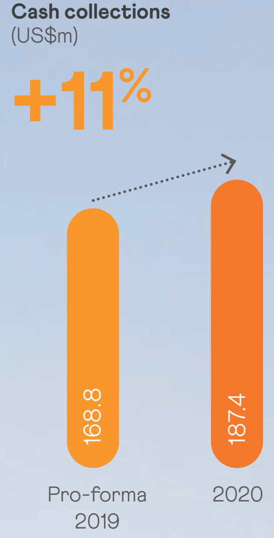
Total Revenues[a]
(US$m)
+23%



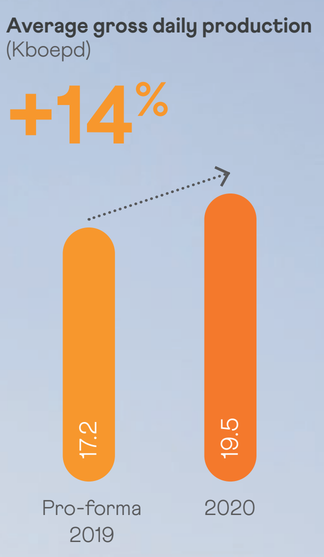
Adjusted EBITDA[c]
(US$m)
+19%



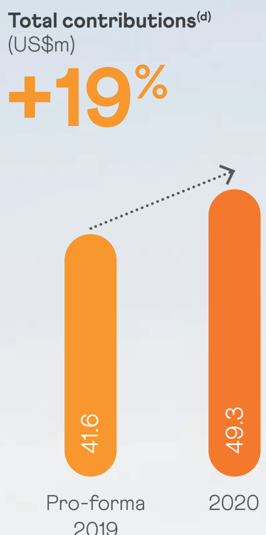
Cash collections
(US$m)
+11%



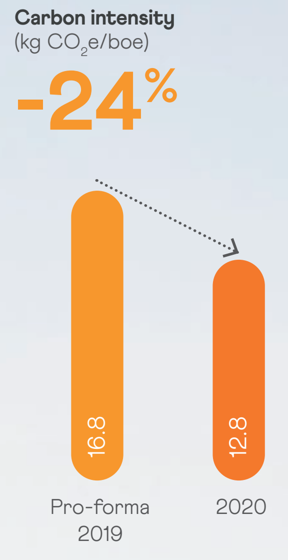
Average gross daily production
(Kboepd)
+14%



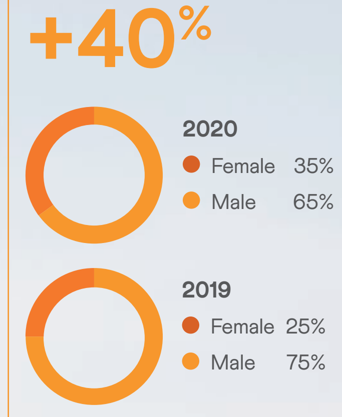
Total contributions[d]
(US$m)
+19%



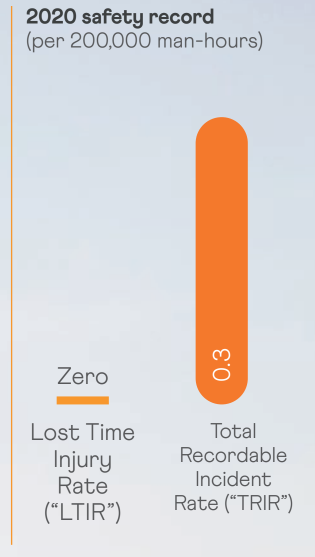
Carbon intensity
(kg CO_2e/boe)
-24%



Senior management female gender diversity (%)
+40%



2020 safety record
(per 200,000 man-hours)



Savannah's Jaouro base, Agadem, Niger

Generating real societal impact

We are seeking to deliver energy projects in the emerging world which are making meaningful positive socio-economic contributions to our host countries.

Savannah's energy projects are critical to driving socio-economic growth in the countries in which we operate in West Africa. In Nigeria, Africa's largest economy, we already play a critical role supplying gas to enable over 10% of the country's thermal power generation. Access to power is a critical driver of economic growth and Nigeria's progress has been hampered by chronic electricity shortages, which our gas-to-power projects are helping to alleviate. Recognising this, the Federal Government of Nigeria has declared 2021 to 2030 the "Decade of Gas" to harness Nigeria's vast natural gas resources to improve power generation and transform Nigeria into a modern industrialised nation.

In Niger, the hydrocarbons sector has become the driving force for future economic growth and is forecast to contribute up to 24% of Niger's GDP and 45% of tax revenues by 2025[1]. The policies of Niger's new administration under HE President Bazoum are focused on continuing to reinvest the country's hydrocarbon revenues to develop basic social sectors, such as education, health, agriculture and infrastructure. Savannah, one of only four energy companies operating in Niger, plans to progress our R3 East development project in 2021. As such, we expect to play a significant role in Niger's growing energy sector and to deliver substantial societal benefits.

More broadly, as we continue to expand our footprint in the region, with nations there continuing to rely on energy for economic development to lift their citizens out of poverty, we believe that Savannah will continue to have a significant role to play in generating real societal impact in Africa.

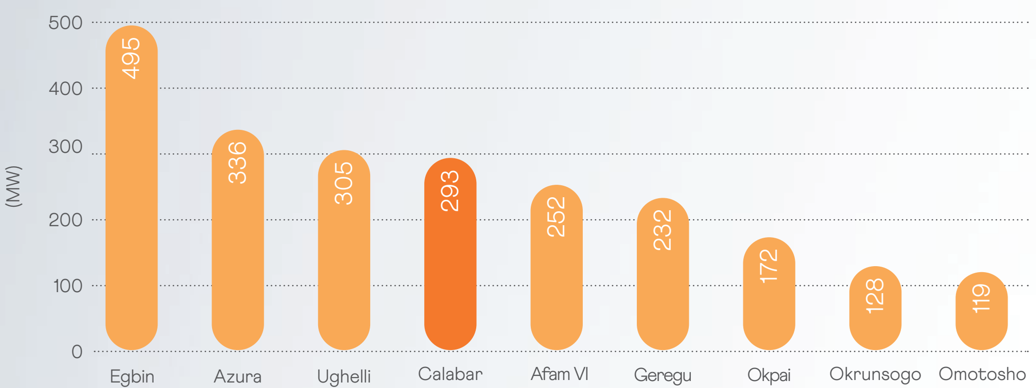
Read more about Nigeria's decade of gas on page 44

Read more about Niger's new administration's polices on page 49

"Thanks to Savannah's reliable supply of gas, our NIPP Calabar power plant is helping to keep Nigeria's lights on."

Chiedu Ugbo
Managing Director, Niger Delta Power Holding Company, Nigeria

Nigeria thermal power generation 2020
Savannah's largest customer, Calabar, was the fourth largest contributor



Source: Nigeria National Control Centre, Transmission Company of Nigeria.

Contribution to Nigeria's daily thermal power generation 2020

- Savannah Energy 317 MW 10%
- Other thermal plants 2,786 MW 90%

Source: Daily National Control Centre report from the Transmission Company of Nigeria.

Estimated Niger GDP components 2025

- Hydrocarbons sector 24%
- Other sectors 76%

Source: Republique Du Niger, Politique Pétrolière Nationale, December 2019.

Estimate Niger tax revenue components 2025

- Hydrocarbons sector 45%
- Other sectors 55%

Source: Republique Du Niger, Politique Pétrolière Nationale, December 2019.

Savannah's Jaouro base, Agadem, Niger

Why invest in Savannah Energy

A compelling investment opportunity

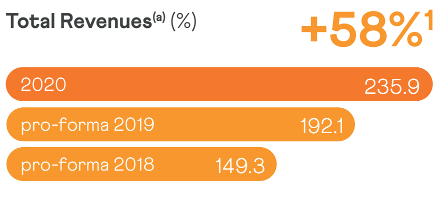
Predictable base revenue stream

Two high-quality, high-growth business units in Nigeria and Niger. Our Nigerian assets' future contracted revenues are derived from fixed price, long-term gas sales agreements with a weighted average remaining contract life of 17 years and over US$4.3 billion of remaining life-of-contract revenues[(b)], of which 95% of current contracted revenues are with customers providing investment grade credit guarantees[(e)].

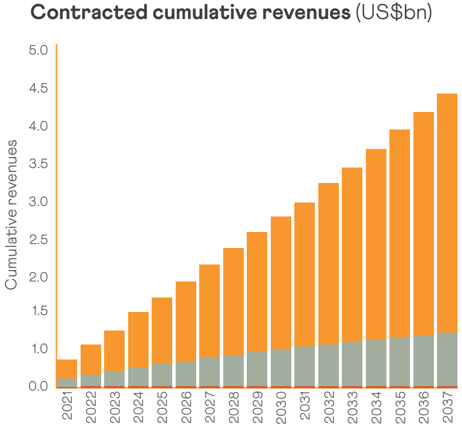
Highlight

- Total Revenues[(a)] up by 58% over the last three years to US$235.9 million in 2020

Total Revenues[(a)] (%) **+58%[1]**



Contracted cumulative revenues (US$bn)



Customers

- Ibom Power Company Limited
- Lafarge Africa PLC
- Calabar Generation Company Limited

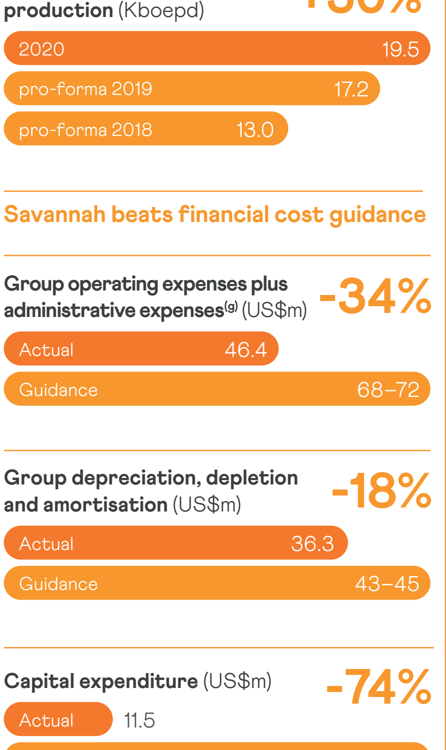
Proven track record of delivery

Savannah has a strong and proven track record of delivering value in a safe and sustainable manner. We benefit from a strong and functionally arranged operating platform, a purposeful/performance driven culture and highly-experienced Board and Senior Management team.

We have a strong track record of delivering our capital projects on time and budget, of delivering post-acquisition asset performance enhancements and of exploration excellence.

Highlights

- Adjusted EBITDA[(c)] up by 19% compared to pro-forma Adjusted EBITDA[(c)] in 2019
- Five discoveries from the five exploration wells drilled to date in Niger demonstrates our subsurface expertise

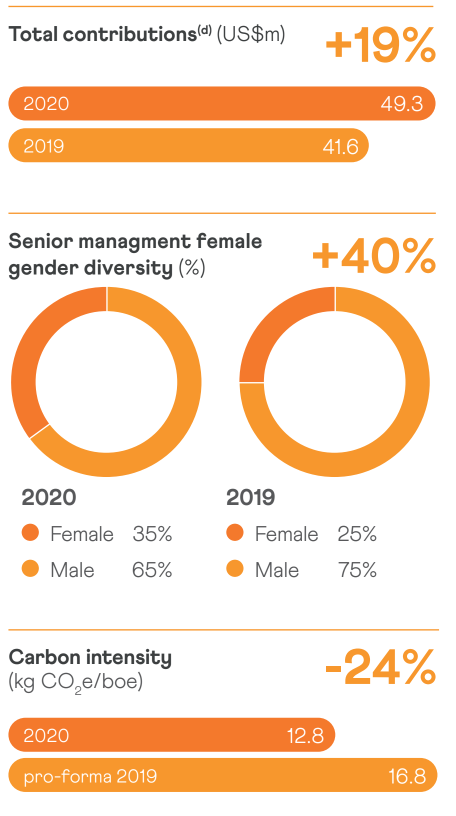


Making a sustainable impact

We are seeking to deliver energy projects in the emerging world which are making meaningful positive socio-economic contributions to our host countries. We strive to manage all of our operations in a safe, secure and environmentally sustainable manner. Our carbon intensity, diversity and local content performance and metrics are industry leading. Post-year-end we re-focused our sustainability strategy on four key pillars which are aligned with 13 of the United Nations Sustainable Development Goals.

Highlights

- We supply gas enabling over 10% of Nigeria's thermal power generation
- Our Total Contributions[(d)] to our host countries since 2014 were US$569.0 million
- In 2020 we delivered 11 social impact projects impacting 58 of our local communities



Read more about sustainability on page 61

Strong organic growth potential

In Nigeria, we expect to deliver significant organic growth from a combination of increased sales to existing customers and sales to new customers.

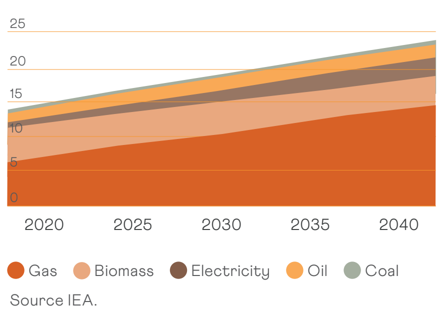
In Niger we expect to progress our R3 East development and have significant additional longer-term growth potential associated with our bank of 146 exploration targets within our licence areas.

Our growth ambitions are underpinned by a 31.4-year combined reserve and resource life.

Highlights

- GSA agreed with FIPL, revised GSA signed with Lafarge Africa and first Gas-to-CNG sales agreement announced with Mulak Energy in Q1 2021
- Subsurface work progressed for Niger R3 East development and updated Niger CPR published identifying 146 potential exploration targets

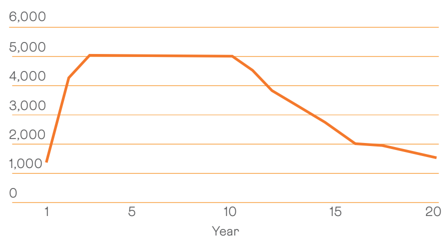
Projected Nigerian energy demand (Mtoe)



Source IEA.

Niger Agadem Rift Basin exploration success rate (%)

R3 East Early Production Scheme – average daily production (bopd)



Strong inorganic growth potential

We continue to actively review new acquisition opportunities in our core African region focused predominantly on: (1) cash-generative, or near-term cash-generative, upstream and midstream assets; and/or (2) "bolt-on" assets for which there is significant synergistic value to our existing operations. In the case of the former, typically larger opportunities, our focus is upon those that: (1) are being offered by vendors who are divesting assets for "strategic" reasons; (2) would be unit value per share accretive to Savannah; and (3) significantly enhance our ability to commence and accelerate shareholder distributions, by way of dividend and share buy-backs. We see significant value creation potential in such deals with the performance improvements we have delivered in our Nigerian asset base post-acquisition a prime example of how this can be achieved.

Highlights

- US$0.9 billion acquisition of the assets of Seven Energy in Nigeria completed in November 2019, with strong post-deal asset performance having been realised
- In 2020/21 a significant number of new hires have been made in our business development team to enhance our deal screening and execution capabilities

US$100bn

of divestments announced by oil majors in 2020[2]

US$0.9bn

acquisition of the assets of Seven Energy by Savannah in 2019

Chairman's statement

Steve Jenkins
Chairman of the Board

"2020 was a year of great progress and strong performance for Savannah Energy despite the challenges that the Covid-19 pandemic brought to all of us."

Dear fellow shareholders

I am pleased to provide my report on 2020 which was a year of great progress and strong performance for Savannah Energy despite the challenges that the Covid-19 pandemic brought to all of us.

Following the completion of the Nigerian assets acquisition in late 2019, this was our first full year of operating these assets and we delivered significant revenue, profitability and cash flow growth. In doing so, Savannah supplied gas enabling over 10% of Nigeria's thermal power generation in 2020, with the capacity to supply more. Economies and society in Africa need power to develop and grow and they need growth in order to improve the lives of their people and I am proud that we are making a significant contribution towards this.

We have defined our corporate purpose as seeking to deliver energy projects in the emerging world which are making meaningful positive socio-economic contrbutions to our host countries.

Commodity prices during the year were as volatile as at any time I can remember in the energy industry as a result of Covid-19. Brent oil prices started 2020 at over US$66.25 per barrel[1] and at one point in April reached a low of US$19.33 per barrel[1], whilst WTI prices even went into negative territory for a short time. Despite this backdrop, we recorded results significantly ahead of expectations. We achieved year-on-year Total Revenues[(a)] growth from our Nigerian assets of 23% to $235.9 million, unaffected by the fluctuations in the oil prices because over 90% of our revenues are derived from long-term gas contracts with no oil price linkage. We reported Adjusted EBITDA[(c)] of $183.6 million, representing an impressive first year return on our investment in the Nigerian assets.

Sustainability

Maintaining a high standard of health and safety in all operations must always be a top priority for any business engaged in the oil and gas industry. I am pleased to report that in 2020 we continued to deliver a year-on-year zero Lost Time Injury Rate ("LTIR") across the Savannah Group with a Total Recordable Incident Rate ("TRIR") of 0.28 per 200,000 man-hours.

The past year has represented an important period for our sustainability efforts as we conducted a comprehensive review of our approach to sustainability performance and reporting, with a view to harmonising and enhancing our approach across the Group. This culminated in our re-focused Sustainability Strategy which is based on four strategic pillars – promoting socio-economic prosperity, ensuring safe and secure operations, supporting and developing our people, and respecting the environment – which are aligned with the United Nations Sustainable Development Goals that are most relevant to us. These form the basis for our new Sustainability Performance and Reporting Framework, which we are currently rolling out across the Group. Further details on this are included in the Sustainability Review included in this Annual Report.

Covid-19

It is impossible to talk about 2020 without talking about the challenge Covid-19 presented to the world, and I am proud of the way Savannah responded to it. Systems and procedures were put in place rapidly at all our office and operational sites and personal protective equipment was made available. We continued to operate from all field locations without any Covid-19 cases being recorded and without disruption. Covid-19 has, therefore, not reduced our ability to perform or to manage the business.

Corporate governance and stakeholder engagement

The Board is committed to ensuring Savannah's sustainable success for the benefit of our shareholders whilst also having regard to all our other stakeholders' interests. Achieving best-in-class levels of corporate governance continues to be of paramount importance to us at Savannah. We continue to use the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework, and the Corporate Governance Report on page 88 explains how we applied the principles of the QCA Code in 2020.

We continue to place particular emphasis on engaging with all our key stakeholders, although the pandemic meant that such engagement has had to take a somewhat different form.

We launched our new corporate website in March 2021 and have notably increased our social media engagement, including the regular profiling of our diverse range of employees and the launch of a series of interviews with our senior women managers. I would encourage shareholders to look at these in order to gain an understanding of the strength and diversity of our people within Savannah.

Diversity

Diversity across the workforce is a key focus for the Company and, at the year end, women represented 14% of the Board, 35% of senior managers and 18% across the entire Group. These are impressive statistics given the industry and region in which we operate, but we are not complacent and we will continue to promote diversity across the whole organisation.

Outlook

Savannah is a very stable, highly cash-generative, predictable business, with embedded growth in our existing contractual arrangements. Further potential for significant organic growth exists through contract wins in Nigeria and our continued development in Niger. In addition to the underlying organic growth, and having proved our ability to execute and integrate a large and complex acquisition, Savannah will pursue its sharp focus on value-accretive M&A opportunities in Africa in order to further grow the business. We anticipate many such opportunities arising over the next few years and the Board, therefore, looks to the future with considerable confidence.

Steve Jenkins
Chairman of the Board
7 June 2021

The four strategic pillars of our sustainability strategy

1 Promoting socio-economic prosperity

Read more on page 64

2 Ensuring safe and secure operations

Read more on page 68

3 Supporting and developing our people

Read more on page 70

4 Respecting the environment

Read more on page 74

Chief Executive Officer's review

"Savannah delivered an industry-leading performance in 2020 across a range of financial, operational and ESG metrics."

Andrew Knott
Chief Executive Officer

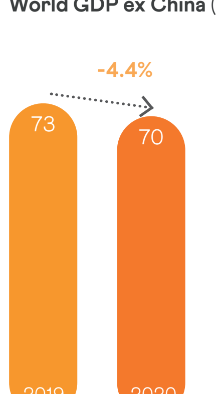
Dear fellow shareholders

I would like to welcome you to our seventh Annual Report as a listed company. This year's letter focuses on five key themes. The first discusses our industry-leading performance in 2020. The second focuses upon our value creation and capital allocation plans for 2021 and beyond. The third highlights the importance of our culture and operating platform to our historic and future successes. The fourth discusses the essential role that the hydrocarbon industry in general, and emerging market-focused companies such as Savannah, specifically, play in human development and poverty alleviation. The fifth discusses the key role that socially-conscious hydrocarbon asset stewards, such as Savannah, will need to play in the energy transition to deliver the Net Zero 2050[1] vision.

Performance delivery in 2020

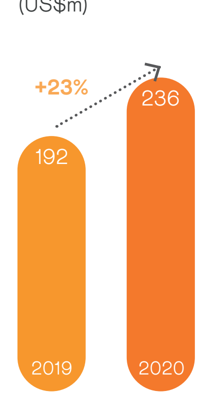
The impact of the Covid-19 pandemic dominated global socio-economic activity in 2020. Global GDP ex-China fell by 4.4%[2], the most since 1945. In many countries, government borrowing reached post-World War II records. The energy industry announced record financial losses and redundancies, with the seven supermajors reporting a combined US$89 billion of net losses and over 39,500 job cuts[3]. Global oil and gas production reduced by 5.0% year-on-year[4].

World GDP ex China (US$trn)

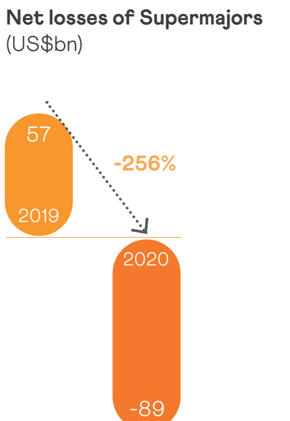


Source: IMF.

Savannah Total Revenues[(a)] (US$m)

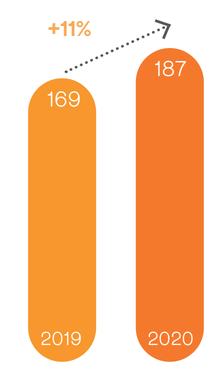


Net losses of Supermajors (US$bn)



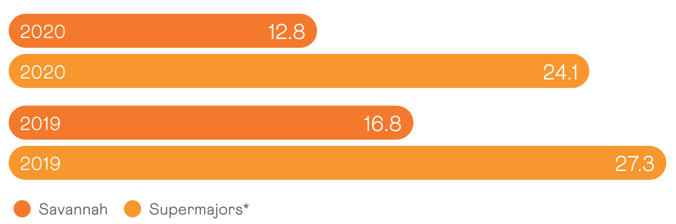
Source: Annual reports of the seven Supermajors (BP, Chevron, ConocoPhillips, ENI, ExxonMobil, Royal Dutch Shell and Total).

Savannah cash collections (US$m)



Against this challenging backdrop, Savannah recorded a robust financial and operating performance. We significantly exceeded all of our financial guidance metrics. Total Revenues[(a)] and cash collections rose for the fifth consecutive year on a pro-forma basis, while our Adjusted EBITDA[(c)] margin at 78% remained industry leading. Operationally, our daily production levels rose 14%. We achieved these results safely, with a zero incident Lost Time Injuries Rate ("LTIR") and a Total Recordable Incident Rate ("TRIR") of 0.28 per 200,000 man-hours. Our performance against key sustainability metrics such as carbon intensity (12.8kg CO_2e/boe versus industry average 17.0kg CO_2e/boe), senior management gender diversity (35% female) and local employee ratios (99%) are all equally industry leading.

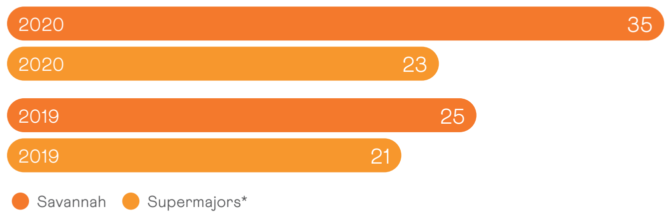
Savannah vs. Supermajors' carbon intensity (kg CO_2e/boe)



* Note: based on the latest published data by BP, ConocoPhillips and Eni who report their carbon intensity ratios on this basis.

Source: Annual and Sustainability reports of BP, ConocoPhillips and Eni.

Savannah vs. Supermajors' senior management female gender diversity (%)



Savannah Supermajors*

* Note: average of BP, Chevron, ConocoPhillips, Eni, ExxonMobil, Shell and Total.

Source: Annual Reports of BP, Chevron, ConocoPhillips, Eni, ExxonMobil, Shell and Total.

We sowed the seeds for our future growth, with three gas sales agreements ("GSAs") signed since the beginning of 2020, two of which opened up new markets with significant growth potential. Our GSA to supply gas to the FIPL Afam Power Station marked our entry into the potentially high growth Port Harcourt industrial area and envisions the supply of up to 35 MMscfpd (5.8 Kboepd) on an interruptible basis with first sales expected later this year. Our GSA with Mulak Energy, signed in Q1 2021, to supply gas for conversion into Compressed Natural Gas ("CNG") is targeting first sales in 2022. This GSA represents our entry into the CNG market where we are seeking to enable small-scale industrial, residential and transportation energy consumers in South East Nigeria to switch their fuel source from diesel to CNG, which is both cheaper (40%) and cleaner (30%). Lastly, Accugas' revised GSA with Lafarge Africa (our second largest customer) extended the existing contract tenor by five years to January 2037 and raised the average life-of-contract gas price.

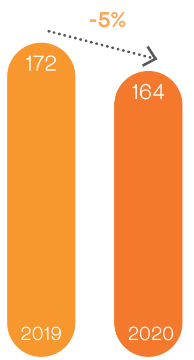
We ended 2020 with a 31.4 year combined reserve and resource life and US$4.3 billion of already contracted future gas revenues for the period 2021 to 2037. This existing revenue stream provides great long-term stability to our business and serves as a robust foundation from which we expect to deliver material incremental organic (e.g. through new GSAs and additional third-party pipeline tariff revenues) and inorganic (e.g. through new asset acquisitions) growth from over the course of the coming years.

Our value creation and shareholder return plans

We have started 2021 strongly. January to April 2021 production has grown 9% year-on-year to 22 Kboepd, a new all-time high level for our assets, and we are confident in the delivery of the 2021 financial guidance we issued in January. Other key organic value creation milestones we are focused on delivering this year include: (1) first gas sales to the FIPL Afam power station; (2) the re-financing of our US$371 million Accugas debt facility; and (3) the progression of the development of our Agadem Rift Basin oil project in Niger. Each of these workstreams has the potential to create meaningful stand-alone value for our business.

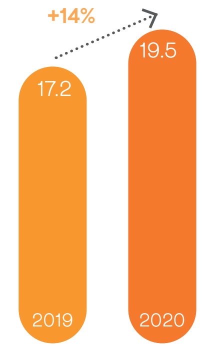
We continue to actively review new acquisition opportunities focused predominantly on cash-generative, or near-term cash-generative, upstream and midstream assets - of which there are many - and/or "bolt-on" assets for which there is a significant synergistic value to our existing operations. The seven supermajors alone have divestment programs reported to amount to over US$100 billion[5]. Their plans are "strategically" motivated by: (1) their focus on early-life, as opposed to, mature assets; (2) their need to raise capital to accelerate investments in the renewable space and strengthen their balance sheets following record 2020 losses; and (3) in some cases, a strategic desire to exit certain jurisdictions.

Oil and gas industry average daily production (Mboepd)



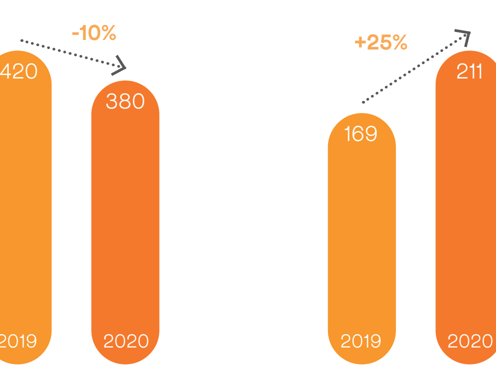
Source: IEA

Savannah average gross daily production (Kboepd)



Supermajors' headcount ('000)

Savannah headcount



Source: Annual reports of the seven Supermajors (BP, Chevron, ConocoPhillips, ENI, ExxonMobil, Shell and Total).

Chief Executive Officer's review continued

Our value creation and shareholder return plans continued

We believe that our proven operating platform, strong industrial reputation, access to finance and deep regional relationships place us in a strong position to acquire assets in this environment. We see significant value creation potential in such deals with the performance improvements we have delivered in our Nigerian asset base post-acquisition as a prime example of how this can be achieved.

It is important to reiterate my message of previous years that our approach to business development is a patient one. Our efforts are primarily focused on cash flow or near-cash flow generative assets and/or "bolt-on" assets within tie-in radius of our existing operations. In the case of the former opportunities our focus is upon those that: (1) are being offered by vendors who are divesting assets for "strategic" reasons; (2) would be unit value per share accretive to Savannah; and (3) significantly enhance our ability to commence and accelerate shareholder distributions, by way of dividend and share buy-backs.

The commencement of a policy of delivering shareholder distributions, by way of dividends and/or share buybacks, is a key pillar of our strategy. As a Board and management team we will continue to review the most appropriate time for such distributions to commence, with key considerations around the timing of this being: (1) our confidence in the outlook of the global economy and impact of the ongoing Covid-19 pandemic; (2) Accugas completing the refinancing of its existing US$371 million debt facility, into a longer-dated debt structure which will "free-up" substantial cash flows each year; and (3) whether we successfully acquire additional cash flow generative assets.

The importance of our culture and operating platform

Savannah has built a strong operating platform and nurtured a purposeful and performance-driven culture, which has been central to the achievement of our corporate successes to date. Our purpose is clear: we are seeking to deliver energy projects in the emerging world which are making meaningful positive socio-economic contributions to our host countries. The power of our purpose is shown in the adjacent example newspaper article and chart which highlight our strong response to the Covid-19 pandemic in Nigeria.

We assess performance versus targets[6] and reward our people accordingly. We make recruitment, retention and talent development decisions based on our views of people's belief in our purpose, adherence to our SEE-IT values system and individual track records of performance delivery versus objectives.

Our operating platform is organised functionally on: (1) the delivery of continuous performance improvements in our assets and processes; and (2) the delivery of our capital projects on time and to budget. Evidence of the former is clearly provided in our 2020 financial performance, while the latter has been consistently shown throughout Savannah's time as a listed company, whether we have been operating in the contrasting environments of the Sahara Desert of Niger or the rainy season swamps of South East Nigeria.

In particular, the strength of our culture and operating platform gives Savannah a significant advantage in the talent recruitment market. This is particularly important as we seek to "scale-up" to achieve our medium and long-term growth objectives. With this in mind, and in stark contrast to the wider industry trend, we invested in our people counter-cyclically last year. Savannah actually increased the size of our workforce by 25% to 211 people and provided almost 4,000 hours of training to our employees in 2020. In 2021, we are expecting training hours to increase further as we have implemented a host of new programmes to further develop our talent and support our business growth plans.

How Savannah responded to the pandemic in Nigeria

26 THISDAY • FRIDAY MAY 29, 2020

BUSINESSWORLD ANALYSIS

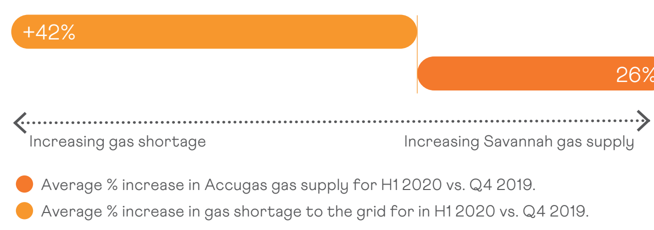
Rising to Gas Supply Challenge in COVID-19 Era

Eromosele Abiodun highlights the effort by Accugas, a subsidiary of Savannah Energy, to meet the gas supply needs by GenCos during the lockdown ordered by the federal government to curb the spread of COVID-19

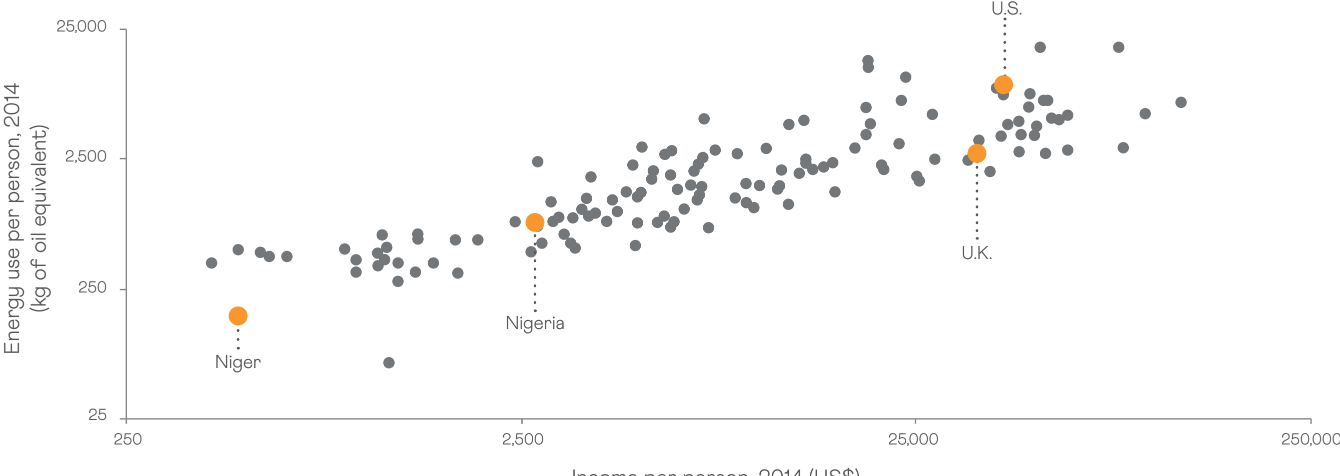
We are in discussions with a number of prospective off-takers that are eager to sign on to our reliable and sustained gas supply to help drive their business growth

Source: Business World May 2020.

Accugas performance versus gas shortage to the Nigerian grid in H1 2020 (%)



Correlation between income per person and energy use per person (note: logarithmic scale)



Source: IEA and World Bank

Sustainability and the essential nature of our work

I would like to draw readers' attention to two key sections in this year's Annual Report. Firstly, the Market Context section, guest authored by Dr Richard Norris, a leading commentator on the role of the energy sector in society, which contains a fact-based discussion about the importance of the energy industry and our work. Secondly, the Sustainability Review explains Savannah's sustainability strategy and reports our industry-leading performance across a range of sustainability metrics identified as being of critical importance to our core stakeholder groups (such as total contributions to our host nations, GHG emissions and carbon intensity, senior management gender diversity and local content provision).

I would now like to turn to what I view as critical sustainability issues associated with Savannah's stakeholder value proposition.

- **Growth and poverty alleviation require energy**
  The relationship between energy consumption per capita and GDP per capita has a strong correlation (an R^2 of 74%) as demonstrated on the chart above. Energy is, therefore, an essential pre-requisite to both lift people out of poverty in the emerging world and to sustain living standards in the developed world.
- **Hydrocarbons are an essential part of Net Zero 2050**
  The transition of a global energy system, from one in which 84%[7] of the current primary energy supply is from hydrocarbons, to one which has a vastly higher degree of electrification (whilst simultaneously decarbonising this electricity generation) is a monumental challenge and is going to take a very long time. Despite the many headlines implying that moving to Net Zero 2050 is easy, the reality is that hydrocarbons currently provide energy at a much cheaper cost than renewables and, in many cases, for purposes which currently no proven cleaner alternative has been invented, in locations in which cleaner alternatives cannot reasonably be expected to be used and at a level of uptime which renewables are currently unable to replicate. The technology to address many of these issues has either not been invented yet and/or used at scale. Bill Gates in his meticulously researched book which I would thoroughly recommend reading, "How to Avoid a Climate Disaster", discusses these issues at length and their applicability in an emerging-world context. Even in the situation where we manage as a society to achieve Net Zero 2050 (which would be a fantastic and laudable feat), this will still involve a lot of hydrocarbon production. The Net Zero 2050 visions of such diverse commentators as Bill Gates, the International Renewable Energy Association, the World Energy Council and BP all see hydrocarbon production as a material component of the energy mix in 2050.

  The only alternative to this would appear to be the de-industrialisation of developed countries and/or forcing emerging countries to remain poor. These solutions (especially the latter) are morally incomprehensible and reflected in the commentary of Elon Musk who has stated, "If there was a button I could press to stop all hydrocarbon usage today, I would not press it." A recent quote by John Kerry, the US Climate Change Envoy, is similarly revealing, "You don't have to give up a quality of life to achieve some of the things that we know we have to achieve…I am told by scientists that 50% of the reductions we have to make by 2050 or 2045 are going to come from technologies that we don't yet have. That's just a reality." What John Kerry is really saying is that we really, really need hydrocarbons in our energy mix for a long time because Americans will not agree to de-industrialisation.
- **Africa benefits most from energy consumption**
  Savannah's countries of operation, Nigeria and Niger, are amongst the poorest countries in the world, ranking 161 and 189 respectively, out of 189 in the UN Human Development Index[8]. The marginal GDP raising benefits of incremental energy production and consumption are, therefore, many times higher in these countries than in the developed world. It is easy to forget that many developing nations who are blessed with natural resources have socio-economic systems which are wholly dependent on the taxes realised from those natural resources. For example, in Nigeria today the hydrocarbons sector provides 65-70%[9] of fiscal receipts, while in Niger the development of the Agadem Rift Basin is expected to contribute 45% of fiscal receipts by 2025[10]. The development of both countries' welfare systems is, therefore, highly reliant on the hydrocarbons sector.
- **The onus of de-carbonisation lies outside of Africa**
  Much of Africa is, relatively speaking, the equivalent of

Chief Executive Officer's review continued

being decades, perhaps more than 50 years, behind the western world in terms of its industrialisation. Africa contributes only 2-3%[11] of global carbon emissions despite having 17%[12] of the world population, while the US contributes 15%[13], despite having 4%[12] of the global population.

The economic growth to energy consumption chart referenced above already shows the relative economic benefits the two have derived from their carbon emissions. Per capita carbon emissions are estimated to be 15 times higher per person in the US than in Africa[13]. While it is important that all countries play their part in the Net Zero 2050 transition, it is clear that the primary onus of global de-carbonisation lies outside of Africa.

- **Technology adoption is much slower in Africa**
  For a host of developmental reasons (access to capital, installed infrastructure base, education levels, etc.), Africa is a slow technology adopter. While the examples are many, I would cite two highly relevant ones. Firstly, wood, coal and diesel are the key components of the African energy mix, while in the developed world gas, nuclear and renewables are the dominant components. Secondly, the roll-out of Covid-19 vaccines at the time of writing is such that 47.6% of the US population had already received at least one vaccination dose[15], while the World Health Organisation forecasts that only 20% of Africans will have received a vaccination by the end of 2021.

Absent a material relative change in a host of key developmental factors, it is, therefore, highly likely that the hydrocarbon industry will be a critical quality of life-enabler in Africa for a greater portion of her population than for the US or Europe in any Net Zero 2050 scenario.

Savannah and our people are incredibly proud of the work we do and fundamentally believe that the social value our company is creating is unparalleled amongst our peers.

We are helping countries to develop in a critical area for which there is limited appetite for direct investment by international development agencies and/or western capital markets in general. I would quote our VP West Africa, Yacine Wafy, in this regard:

"It is non-negotiable that Africa is allowed to industrialise to lift our people out of poverty. The provision of energy is the only way to do this and scientifically this requires hydrocarbon production. It is critical that we achieve Net Zero 2050 in a way that does not exacerbate global income differentials further and that climate change strategists, who nearly all appear to be based in developed markets, recognise this reality."

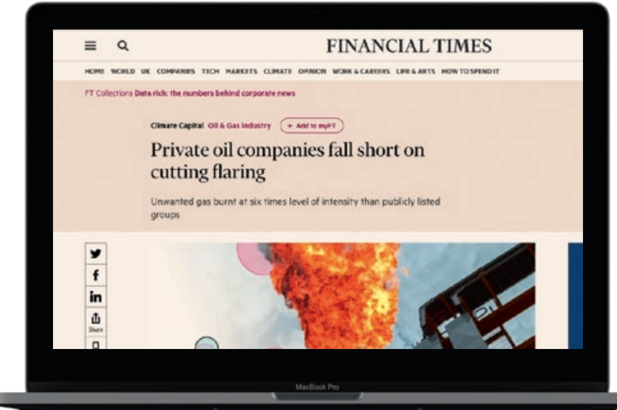
The importance of the Stewardship test

As discussed above, hydrocarbon assets are essential components of our socio-economic system and will almost certainly remain so in the Net Zero 2050 scenario. I believe it is important for society to recognise that when a large oil company sells an oil field, the oil field still exists and does not "go away". Ceteris paribus, while such sales may reduce an individual company's carbon emissions, they do not reduce global aggregate carbon emissions and, therefore, do not in isolation assist in the global energy transition. In fact, if the new assets are acquired by less transparent, operationally capable and socially responsible companies, then the opposite may happen; the assets would be managed less carbon efficiently and to lower ESG standards.

Management strategy session, Uyo, Akwa Ibom State, Nigeria
February 2020 (photo taken pre-Covid-19)

The recent Financial Times article highlighted below demonstrates the much worse ESG performance of private versus listed hydrocarbon companies, with, for example, six times more gas flaring being conducted by private companies as opposed to listed companies with similar assets.

Listed companies outperform private companies on ESG



Source: Financial Times May 2021.

It is, therefore, important that society focuses on the quality of hydrocarbon asset stewardship. Given the magnitude of the major oil companies' divestment programmes, society needs to encourage these companies to only divest to socially responsible companies, such as Savannah, and that we and they are provided with appropriately-priced capital to complete such transactions. If this does not happen, it is impossible in my opinion for the (already very difficult) Net Zero 2050 Vision to be achieved. This would be a perverse outcome given that a large motivator of these divestment schemes is to respond to investor pressure seeking to deliver the exact opposite outcome.

The key questions stakeholders need to ask when hydrocarbons assets are sold:

- Are the new owners technically, operationally and financially capable of managing the assets?
- Are the new owners operating the assets to international standards of HSE and human rights?
- Are the new owners actively seeking to build skills and capacity amongst its workforce and investing in the development of its countries of operation?
- Are the new owners continually seeking to improve corporate unit carbon intensity over time within the limitations of their asset base?
- How critical are the assets to enabling GDP growth and poverty alleviation and/or the generation of essential service funding tax revenues?

Our confidence in the future

I would hope that, having read through the letter, my reasons for being optimistic as to the future of the business are clear. Savannah is a purposeful organisation, doing societally essential work with a strong and growing asset base, and talented and passionate people who have consistently demonstrated our ability to "get things done". 2020 was a year where we particularly differentiated ourselves, delivering significant growth at a time when others shrank. We operate to industry-leading sustainability metrics. My personal confidence in the Company was demonstrated in Q3 2020 when I acquired a further nine million Savannah shares. Four of my Board colleagues also acquired shares at this time echoing this confidence. I truly believe that Savannah will achieve great things over the course of the coming years and look forward to continuing this journey with you, my fellow shareholders.

Lastly, I would like to thank my incredibly dedicated and passionate colleagues for their stellar performance and the contribution they made to our business in 2020. I would also like to express my condolences to those who have suffered losses over the course of the Covid-19 pandemic.

Andrew Knott
Chief Executive Officer
7 June 2021

Market context

Guest authored by Dr Richard Norris

Development depends on energy

Executive summary

For over a century, industrialisation has used coal, oil and gas as the engines of growth and development, lifting entire regions far above subsistence levels. Whilst there is now a dramatic increase in the development of renewable energy technologies, the role of oil and gas will not be disrupted within the short time-frames. If we look beyond the headlines and focus on the majority of the world's population in emerging-market economies, a rapid energy transition is not taking place. In the meantime, access to cheap, reliable and local sources of energy are underpinning the economic development of billions of people, who aspire to education, healthcare, job opportunities as well as good government and good food – things that people in high-income countries take for granted. Investing in oil and gas in emerging markets, and in particular in Africa, is an essential step on the development pathway.

Dr Richard Norris

Dr Richard Norris

We are delighted that Dr Richard Norris has guest authored this section of our Annual Report. Dr Norris is a Fellow of the Canadian Global Affairs Institute and separately runs his consultancy firm, Pandreco Energy Advisors. He is a leading author and speaker on the role of energy in society and economics. He advises public and private bodies on macro strategy as well as on specific energy investments.

Dr Norris' career has spanned research (Imperial College/BP), operational experience (Elf Aquitaine/Total), management (Geopetrol/Candax), board roles (Candax/Eland PLC/Duna Energia), as well as debt financing (BNP Paribas/BTG Pactual) and equity investments (Helios Investment Partners/BTG Pactual and Family Offices).

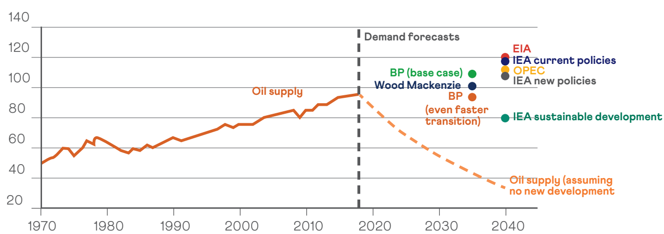
He holds a BSc in Geology, an MSc in Petroleum Geology and a PhD in Petroleum Engineering (Imperial College, London).

Please note that the opinions expressed in this Market Context section of the Annual Report are those of Richard Norris. They do not purport to reflect the opinions or views of the Company.

Introduction

According to many headlines, the age of hydrocarbons is over, reserves and resources are "stranded", and oil and gas companies must reinvent themselves or perish. Whilst the idea of Peak Demand (i.e. oil consumption will reach a peak and then start to decline) is very enticing, it distracts from the fact that we will continue to use oil and gas in large quantities for many decades, even in aggressive transition scenarios. Critically, as demand peaks and then wanes, so supply is assumed to be abundant; supply was so abundant in 2020 that the West Texas Intermediate oil price went briefly negative. In the rush to write off society's dependence on hydrocarbons, we overlook the awkward fact that existing oil fields decline or "deplete" year after year, much like how a balloon deflates as air escapes. This creates a significant gap between the future production of our existing oil and gas fields and the forecast requirements.

Oil "future production wedge": demand vs existing field supply
(million barrels per day)



Source: JP Morgan, 2021 Annual Energy Paper.

> **"Development depends on energy, and the alternative to development is suffering; poverty, disease and death. Such conditions create instability and the potential for widespread violence. National security therefore requires developed nations to help increase energy production in their more populous developing counterparts."**

Rhodes and Beller[4]

The global average depletion is poorly known, and can vary depending on how much money is spent in minimising the decline, but estimates vary from an optimistic 4% per annum ("p.a") to over 10% p.a. In the adjacent JP Morgan chart, the decline in the existing oil supply is c. 5.5% p.a.. These may seem like small numbers, but in the same way that compound interest has been called the "eighth wonder of the world" because of how the compounding increases wealth, so the compounding effect of even relatively small depletion rates can imperil our supply of critical resources.

At the same time, remarkable energy transitions are occurring; examples abound, including the almost complete phasing-out of coal in the UK's electricity supply, low-carbon electricity contributing to over 70% of Germany's power supply on certain days and electric vehicle sales exceeding 54% of all new car sales in Norway. These countries are linked, however, by factors other than just their leadership in decarbonisation: they are also generally wealthy and have mature energy markets, stable and ageing populations and decreasing energy demand.

There are complex interactions involved in how energy, population and economies are related, but it is clear that these countries are not "typical" and their transition stories should not blind us to how atypical they really are. Many countries are not starting from the same place: they have rapidly growing populations, there is a huge gap between available and needed energy, and wealth is an aspiration. In many countries, the question is less about what source of energy we would choose to use but is primarily about accessing any energy and then, if we have energy available, it is about the affordability and reliability of that energy. This is not just about having light to read by or fuel to cook with but, as Yoval Noah Harari puts it in Sapiens, "Economic growth also requires energy and raw materials…"

Economic growth, whilst seen in some sectors as a scourge, is in fact the most remarkable driver of improvement in the human condition. It is no coincidence that economically developed countries have the highest Human Development Index ("HDI") rankings, Norway at the top, and, conversely, Niger at the bottom.[2]

Equally, as economic development has progressed since the industrial revolution, so all HDIs have improved, initially in what are now the most developed economies, but increasingly in almost all other countries.

So much so that the idea of there being a separation between "developed" and "developing" countries is now completely obsolete; there is just a continuous spectrum, with all having moved significantly up the curve[3]

The problem with being at the top of the HDI ranking is that it is easy to forget how you got there and what maintains your quality of life.

In a recent UN survey[5] focused on the UN Sustainable Development Goals ("SDGs") not unsurprisingly, given the huge political and media focus in recent years, Climate Action was the top priority. However, it is significant that the polling was done exclusively online and was dominated by young, educated westerners – 30% of respondents were from Germany alone. 73% of respondents were from Europe and North America, regions that represent only 17% of the global population. 76% were college/university educated and 45% under 30 years old. Clearly this survey is very unrepresentative of the global population.

There is an interesting thought experiment which is used to help provide perspective on one's privileged place in global society, which is a variant of John Rawls, "The Veil of Ignorance".[6]

This exercise can be illuminating, for example, for high-school or university students in high-income countries, participants are asked to think about what they would change in the world if they had a magic wand. Once answers have been noted, some statistics are described: 700 million people live on less than US$2 per day (extreme poverty), and fully half of the world's population live on less than US$5.5 per day[7], one in three have no access to safe drinking water[8], etc. Then the participants roll a dice and see where they end up when "reborn" – statistically, everyone ends up at some point lower down the pyramid. They are then asked to research and describe their daily lives. Finally, the original question is asked again – if you had a magic wand, what would you change?

The results, unsurprisingly, are usually very different to the original answers. This thought experiment is effective precisely because we rarely, if ever, question our perspective.

As with the UN survey, if you ask any high-school student in a high-income country what is the biggest issue facing the global community, you will likely be told climate change. Whilst there is a consensus that this is an urgent global concern, for vast sections of the world's population there are more immediate and indeed more existential issues. Access to clean water, food, shelter and safety are essential. Once these are established, education, job opportunities and healthcare become important and in turn once these are robustly established, concerns for wildlife and the environment will receive more focus. Indeed, there is considerable work that shows that wealthier countries have better environments – because they can literally afford to look after them (environmental protection studies from Yale University[9]).

This is a direct parallel to Maslow's hierarchy of needs: people don't think much about "self-fulfilment", "self-esteem" or "respect by others" if they are focused on survival; but once your basic needs are met, focus can shift to higher order priorities.

Market context continued

Introduction continued

In an earlier survey ("MyWorld 2015")[10] also conducted by the UN that asked about priorities, the authors reported that they were "surprised that Climate Action was ranked in last place overall" – they shouldn't have been.

Crucially, this survey polled over 7 million people with the majority being "offline" questionnaires, and with c. 70% of respondents being from "low" and "middle" HDI countries, thereby skewing the average response to the concerns of those categories, in stark contrast to the later survey mentioned previously.

With Climate Action in 13th place, it is instructive to see the top priorities. This survey pre-dates the SDGs, so there is an indirect correlation, but we can still see that Education, Healthcare, Job Opportunities as well as Good Government and Good Food are the top five. These are the aspirations of literally millions of people as they focus on the continuation of economic development. And as previously mentioned in the quote from Sapiens, economic growth requires energy. Indeed, in the words of Vaclav Smil, "Energy is the Economy"[11]. The economy is the transformation of raw materials into useful products; the sum of all those transformations is measured in GDP. By the laws of physics, transformations either require (or give up, energy) and since we are creating order (e.g. making a tractor or a smartphone) out of disorder (raw materials) the economy is creating order. By the 2nd Law of Thermodynamics, creating order requires energy as an input, thus the economy requires energy input. The cheaper that energy input, the greater the leverage it provides in creating the growth needed to provide education, jobs, healthcare, etc. This was, and is, the industrial revolution.

The reason we do not see access to affordable energy in the top ranked spot is because this relationship of energy as an input is not understood. Modern economic theory looks at land, labour and capital – with much focus on money supply. Given that economists do not recognise that energy is the engine of growth, it is not surprising that there is a general blindness to its role. To return to Sapiens, Harari continued: "Economic growth requires energy and raw materials, and these are finite. When and if they run out, the entire system will collapse." The critical role is clear. He then goes on to take the "techno-optimist" path, which is to say that technology always has and always will find ways to better exploit these resources, which may or may not be true.

We can get a further hint of the importance of energy by looking at the SDGs again; we can consider the complex interactions between them. Indeed, such interactions are one of the reasons why prioritisation is difficult. There are positive ("co-benefits") and negative ("trade-offs") interactions. Whilst these cannot be easily, if at all, quantified, attempts have been made to understand the interactions. It is salient to note that the most consistent and biggest co-benefits are all coming from SDG 7: Affordable and Clean Energy. SDG 7 mixes two concepts, both of which have merit, but from a developmental perspective, the affordability of energy is key – which explains, amongst other things, the huge continuing deployment of coal in Asia.

From this perspective, SDG 7 – affordable and clean energy is not a "peer" SDG, but it is a foundation SDG upon which the others can be built.

In addition, a separate study of key policy makers noted that their top SDG priority is SDG 16, which is Peace, Justice and Strong Institutions. Again, this makes perfect sense – it is hard to imagine how any of the other SDGs can be achieved if you do not have these two as solid foundations upon which to build.

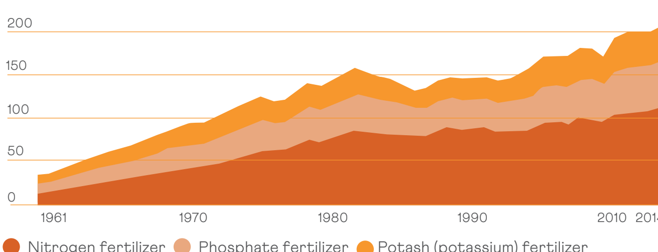
It is worth repeating: the problem with being at the top of the HDI ranking is that it is easy to forget how you got here and what maintains your quality of life.

Water well provided by Savannah in N'Gourti, Agadem, Niger

There is an old expression that "familiarity breeds contempt". Having as much energy as we need, and that energy always being available and affordable, has become so normal that we are unaware of its value. We have become energy blind.

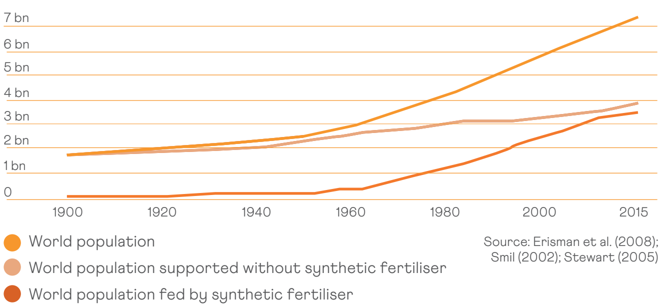
In addition, it is worth remembering what oil and gas contribute to modern society. We are perhaps most familiar with oil used as a key transport fuel and gas as a source of heating or as a source of electricity. In addition, we should also consider their roles in plastics, petrochemicals and indeed food production. Whilst plastic waste is a serious problem, plastic itself is integral to modern society – even simply in keeping food fresh longer, it has a positive global impact. Natural gas also underpins our ability to feed the global population of 7.8 billion people. Approximately half of all fertiliser used today[12] is derived from natural gas and it is estimated that globally, only 3.8 billion people could be supported without it[13].

Global fertiliser production by nutrient
(million tonnes)



Source: UN Food and Agricultural Organization (FAO).

Global population with and without synthetic nitrogen fertilisers*



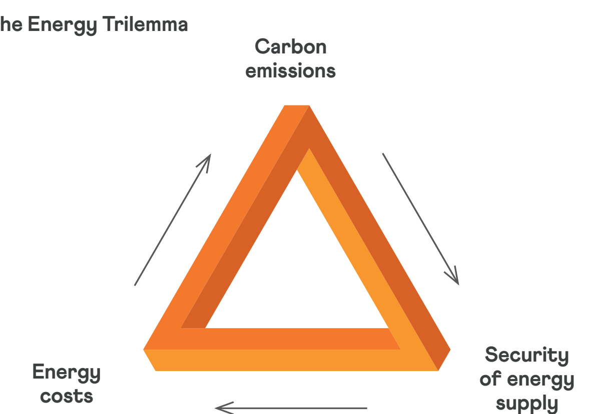
* Note: estimates of the global population reliant on synthetic nitrogenous ferilisers, produced via the Haber-Bosch process for food production. Best estimates project that just over half of the global population could be sustained without reactive nitrogen fertiliser derived from the Haber-Bosch process.

Wealthier countries are correlated with higher energy use per capita. Higher energy use is correlated with greater wealth. It is worth stating this both ways round because it is a symbiotic relationship.

Whilst energy is the fundamental underpinning of all modern economies and indeed of human development, it involves negative as well as positive aspects. The "Energy Trilemma" is an expression of the complexity and states that there are three elements to the supply of energy which cannot be thought of independently and cannot all be optimised – in other words, there will always be trade-offs. The three elements are:

- Affordability;
- Security of supply; and
- Environmental impact/Sustainability.

The Energy Trilemma



Due to the energy blindness in high HDI countries, familiarity with "always-on" energy has led to contempt and a consequent singularity of focus on the negative aspects of environmental impact. At some point this world view in high HDI countries will be disrupted by either higher costs, disruption of supply, or both. For lower HDI countries, because of the cost of energy and the daily disruption of supply, the perception of the Energy Trilemma is different, with much less focus on the less immediate environmental/sustainability issues. This is not to say that the environment and sustainability are not important issues to people in lower HDI countries; that would be incorrect and patronising. It is just that there is a more nuanced and balanced view of the real-world trade-offs that have to be addressed on a daily basis. This is most obviously manifest in the challenges of collecting and using firewood or dung for cooking fuel, but it is also manifest in more developed parts of society when there are electricity black-outs multiple times a day, or the impact on individuals and on state coffers when the cost of imported refined hydrocarbons jumps.

Global climate change will not be solved by an African energy transition, but the majority of the world's energy-poor people can have improved lives by greater access to affordable energy.

"Attempting to phase out Africa's oil industry to prevent climate change is like snuffing out a small, controlled campfire instead of focusing your attention on kilometres of blazing forestland."

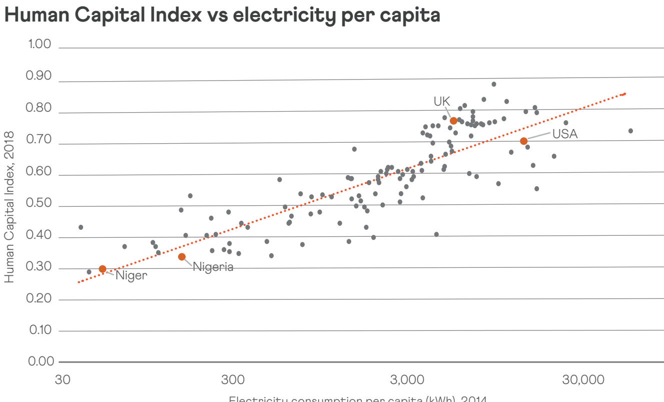
NJ Ayuk[14]

Market context continued

The importance of affordable and reliable energy

Energy is everything – but electrical energy is of particular quality, utility and importance in development. It has been demonstrated that electricity per capita vs HDI has an even tighter correlation than simply primary energy per capita vs HDI (Pasternack 2010[15]). Whilst transport remains non-electrified, hydrocarbons are essential for world trade, local trade and individual mobility. Currently 100% of global shipping and aviation depend on hydrocarbons, and in almost all countries road transport is well over 95% hydrocarbons.

Human Capital Index vs electricity per capita



Source: World Bank.

Electricity access is highly correlated with development, although there is no universally accepted definition of "access". Simply having "some" occasional electricity is not enough for economic growth. As a benchmark the International Energy Agency ("IEA") suggested that households have a specified minimum level of electricity, which is set based on whether the household is rural or urban. For rural households this minimum threshold is 250 kWh/year and for an urban household it is 500 kWh/year. Based on these numbers, 13% of the world did not have any meaningful access to electricity in 2016 according to analysis by OurWorldInData[16] and it is reported that up to 600 million of these people are in Africa. It is worth noting that these thresholds represent a very small amount of electricity and are per household, it is very low indeed on a per person basis. Indeed, Nigerians are reported to have roughly 170 kWh/year per capita – although this average hides very wide disparities. Niger has one of the lowest values anywhere in the world with the IEA reporting a figure of just 70 kWh/year per capita. These numbers can be contrasted with the UK which has c. 5,500 kWh/year per capita and the USA which has c. 12,000 kWh/year per capita. The electricity consumption of an average Nigerien, is not even a rounding error in the wealthy countries' figures.

Savannah's Lagos Office, Nigeria – L-R: Mushafau Tajudeen, Team Lead, Planning & Performance, Finance and Chioma Okpara, HSE Advisor

Alan Pasternack of Lawrence Livermore National Laboratory in the USA showed that there is also a different threshold of 4,000 kWh/year per capita. Below this level there is a strong correlation of increasing electricity consumption with increasing HDI; above it more electricity does not necessarily mean more development. Robert Bryce, in his book "A Question of Power", has divided the global community into three tiers:

- "Unplugged": (<1,000 kWh/y/p);
- "Low Watt": (1,000–4,000 kWh/y/p); and
- "High Watt": (>4,000 kWh/y/p).

The lower threshold is calibrated on 1,000 kWh/year per capita because this is the equivalent usage of a typical North American two-door fridge-freezer. On this basis roughly 3.3 billion people (45% of the global population) are Unplugged and use less electricity than one average refrigerator. Per-capita GDP is roughly 20x higher in High Watt countries than in Unplugged countries.

Adequate "access" to electricity clearly matters enormously, and by access we mean "quality of supply", which includes technical availability, adequacy, reliability, convenience, safety and affordability.[17]

Whilst solar lanterns and even mini-grids make for great photo opportunities, studies have shown that grid electrification has significant positive socio-economic impacts on industry, businesses and connected households. One study showed a 21% jump in income and 1.5% decrease in poverty every year [18].

There is no doubt that African nations will benefit from increased use of renewable energy sources, above and beyond the existing hydroelectric and geothermal sources. Vast areas have extremely high insolation, and some areas have good potential for wind. It is common to hear that renewables are now the cheapest way to generate electricity – and this may well be true in specific circumstances and locations. However, as a rule, the deployment into under-served nations, at a scale that will meaningfully impact development, is more complex and costly on a systemic basis. In reality, countries facing rapid development, with burgeoning populations, will need any and all sources of energy. The idea that energy supply can simply "leap-frog" traditional (and locally available) energy sources – in the same way that mobile telephony and banking bypassed the need for landlines – is to dream of perfection at the expense of progress.

> **"For hundreds of millions of people across Africa, energy is scarce, food is expensive and often imported, and full-time employment is hard to find. Much of what is necessary for development – roads, schools, housing, reliable power – cannot be realised quickly with green power alone."**
>
> **V. Ramachandran**

Increased household income is leveraged into improved education and wellbeing, key HDI markers

When sitting on the top of the pyramid it may be tempting to think that the only problem is GHG emissions. However, for very large sections of the Unplugged world, socio-economic development is a more pressing priority, as witnessed by the 2015 UN survey results. Beyond the positive impacts on individuals and households, access to affordable, reliable and safe energy is necessary for economic growth. As the IEA notes: "All of these elements are crucial to economic and social development:

- Household access to a minimum level of electricity;
- Household access to safer and more sustainable cooking and heating fuels and stoves;
- Access to modern energy that enables productive economic activity, e.g. mechanical power for agriculture, textile and other industries; and
- Access to modern energy for public services, e.g. electricity for health facilities, schools and street lighting."

Borrowing from and paraphrasing V. Ramachandran, an ex-World Bank and Harvard economist, "Blanket bans on fossil-fuel funds will entrench poverty"[19]; excluding a few outlier countries such as South Africa and several North African countries, the other 48 countries have a capacity of only 81 gigawatts between them which is roughly the same as demand in France in winter.

If these countries used their abundant natural gas to create an electricity supply that becomes 300% of what it is today, it would add less than 1% to global carbon emissions yet help lift hundreds of millions of people out of poverty.

To hinder the development of many of the world's poorest people, who have almost no historical legacy of carbon emissions, would be "…the height of climate injustice…" (V. Ramachandran, idem).

Indeed, as African nations ascend the development pathway it is instructive to understand the role of urbanisation. It is predicted that 13 of the world's 20 largest cities (65%) will be in Africa by 2100, including Lagos and Niamey.[20]

Urbanisation is a direct proxy for development and is well correlated to energy use. South Korea is the poster child for rapid development. By comparing the trajectories of other countries, we can see how far they have got and, importantly, how far there is left to go. China is about 60% of the way up this curve, India only about 10%. The implication from the position of these two vast countries is that their energy demand will continue to rise rapidly and will require any and all sources. Nigeria is rapidly urbanising (as are many other African nations) and will see equally rapidly increasing energy demands. Whilst gas may not be the perfect solution, it is abundant and clearly a "lesser evil" than coal. So African nations will use their resources, whether they be hydroelectric, wind and solar, geothermal in the Great Rift Valley or oil and gas in Nigeria and Niger to participate in the development path every other country is on.

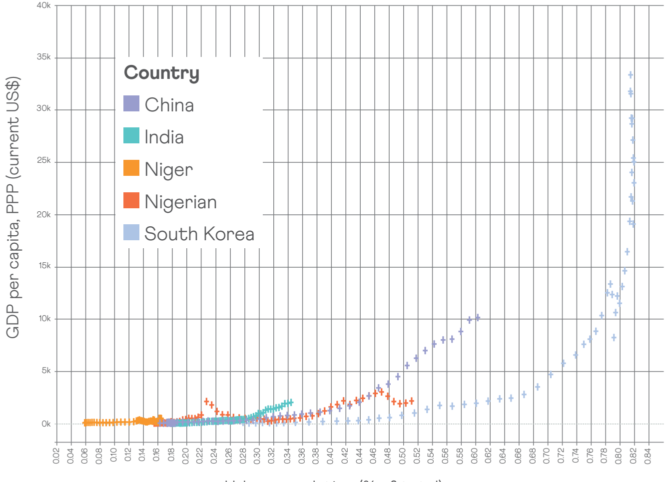
Savannah's Lagos Office, Nigeria - Suraj Oyewale, Tax Manager, Finance (sitting) and Okwudili Onyia, Communications Manager

Hydrocarbon energy

The "problem" with oil and gas is that, if we allow ourselves to abstract from the carbon emissions for a moment, they are immensely useful and convenient. Oil in particular has huge energy density and is easily transported at normal pressures and temperatures. Thanks to the advent of liquification technology, gas can also be transported great distances with relative ease.

As noted above, global trade and transport are almost entirely dependent upon oil, and large parts of heating and electricity production depend on gas, petrochemicals

GDP per capital versus urban population



Source: DataWorldBank.

Market context continued

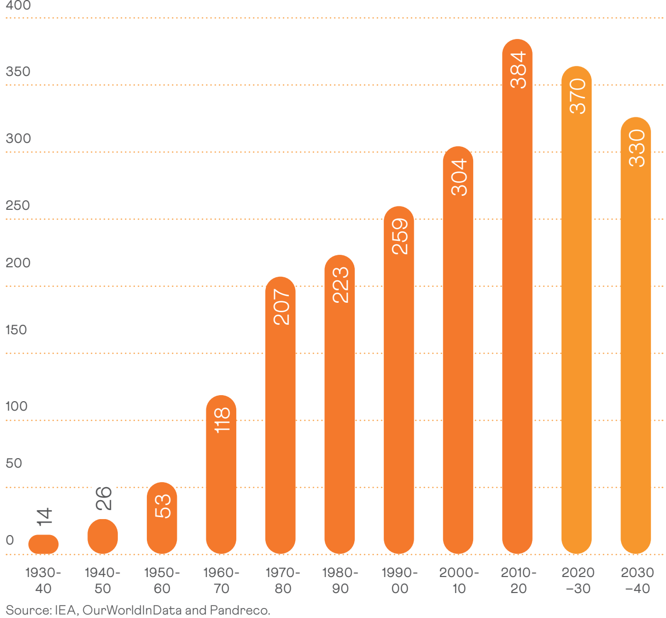
including fertiliser or both. Whilst there is clear momentum to reduce our dependence on oil and gas, it is a mistake to think that Peak Demand is the same as the end of oil. There are various scenarios that try to forecast when Peak Oil Demand will occur. Some are based on wishful thinking; some are based on reverse-engineering from emissions outcomes. Neither of these are particularly useful or likely to occur. More reasonable forecasts look at how the energy transition might play out given the stated commitments and aspirational commitments from key countries. By taking the Rapid Transition Scenario from BP's 2019 Energy Outlook we can start to understand just how different "Peak Demand" and "the end of oil" really are. The Rapid Transition Scenario is a case in which the energy transition happens faster than a case in which all countries meet their stated goals (Nationally Determined Contributions ("NDCs") from the Paris COP 25 agreement. In this scenario, oil production plateaus and then starts to decline. The problem is that the initial plateau is very high. At 100 million barrels per day, the world used approximately 36 billion barrels per year pre-Covid, and is rapidly regaining that level.

In the Rapid Transition Scenario, this forecasts a usage of approximately 700 billion barrels in the next 20 years alone. To put this in perspective, that is about half of all the oil produced and consumed in the entire history of our oil-fuelled societies. So again, it is worth emphasising that in the Rapid Transition Scenario we will need a volume of oil equivalent to half of all the oil ever produced and consumed – in just the next two decades.

The same enormous, but necessary, volumes of gas will be required, albeit with a potentially higher call on gas as coal is phased out for heating and electricity around the world. Whilst gas is not carbon neutral, it is a much cleaner fuel than coal and as such is seen as a key bridging energy source. Indeed in the latest draft of the European Commission's Sustainable Taxonomy Proposal, gas has been proposed as a "Green Fuel" source.[21]

Africa has long been a key geography for oil production and is becoming increasingly important in the global gas supply. Nigeria is a heavyweight with 37 billion barrels of proven oil reserves and 190 trillion cubic feet of proven gas reserves

Historical global oil production in billion barrels per decade with the IEA Rapid Transition Scenario



Source: IEA, OurWorldInData and Pandreco.

(and this despite the fact gas has never been a target of exploration). Indeed, Nigeria has recognised the importance of its gas resources both for secure electricity production, as well as for export as LNG.

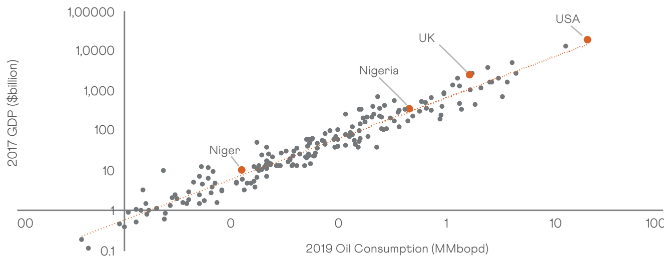
Niger is a newcomer, but has 2P reserves of over 1 billion barrels and a very high exploration success rate (>80%).

Oil and gas provide critical energy for citizens of each nation. When a nation is a net importer, this rapidly and negatively impacts their balance of payments and can often be limited by a lack of hard currency reserves. Conversely, exporting nations benefit from positive balance of payments with the additional benefit of those payments received in hard currency as well as receiving tax and royalty income levied on production. In addition, oil and gas projects attract significant foreign direct investment. The Total-led development of just part of Mozambique's huge gas reserves is slated to involve US$20 billion of direct investment, with US$2.5 billion going to local companies. In addition, it is estimated that the gas projects will generate over US$115 billion of revenues for the state[22] – numbers which can be contrasted with the total current GDP of Mozambique of US$12 billion.

Nigeria has a diversified economy and a well-established oil and gas industry which consequently contributes only 9–10% of GDP[23]. However, in terms of state income, oil and gas revenues account for 65–70% of all stage budget earnings[24] and 95% of foreign exchange earnings.[25]

Niger, on the other hand, is at the beginning of its resource development journey, but it is expected that the development of its oil resources could contribute up to 24% of its enlarged GDP by 2025 (source: Republique du Niger, Politique Pétrolière National, December 2018). Not unsurprisingly there is a strong correlation of GDP to energy use.

GDP is proportional to oil consumption (note: logarithmic scale)



Source: World Bank and BP.

Despite the well-publicised transformations of listed oil companies into "energy companies", reports of the death of the oil and gas industry have been greatly exaggerated.

The consequences of this kind of forecast are manifest. The future supply of oil is not guaranteed; much of the world's current supply comes from the Middle East and Russia, and both areas are characterised by having a lot of production coming from giant fields which were discovered decades ago and are mature or, indeed, super-mature. Globally, discoveries of new oil fields have declined significantly and the clear inability to replace the declining reserves drove the "Peak Oil" scare of the early 21st century. Whilst the logic behind Peak Oil has not changed, there is a growing realisation that we have extensive known oil (and gas) resources. However, our future production is likely to come increasingly from "non-conventional" sources, because the easy, conventional sources have been exploited. This may sound anodyne, but harder-to-exploit resources means more expensive oil.

The fact that we will continue to use oil and gas in vast quantities is not a popular narrative because of carbon emissions and the misplaced expectation that the era of oil is over. "We'll all be driving Teslas in the near future", so oil is not needed or wanted. This is again a form of energy blindness that borders on disdain. Unfortunately, we have had experience of what oil shortages look like (albeit due to political events not resource limits). When the price of oil rose by 10x in the late 1970s, western economies were badly affected. In 1977 James Schlesinger, the US Energy Secretary, noted, on the country's approach to energy: "We have only two modes – complacency and panic." Complacency is indeed a fitting description of the current world view.

As and when this flips to panic, oil prices will do their usual thing and rise, which will in turn reduce demand and encourage substitution. But within that generic pattern, it is clear that price rises primarily hurt importing countries, and disproportionately hurt poorer countries. The importation of fuel, of food and of technology all become more expensive. For a country such as Niger at the bottom of the HDI, the ability to be a net exporter of hydrocarbons will have significant positive impacts on its economy.

Practical manifestations of the changes in the market are the divestment of non-core assets by oil majors. There is considerable pressure to accelerate their decarbonisation – and selling assets is one key tool. "Non-core" can be many things, but these are either geographically distal or higher-carbon. One thing is clear: as oil majors divest assets that oil will not stay in the ground whilst there is demand and, as such, the stewardship of those oil and gas fields will pass into different hands.

As assets in Africa drop out of favour by the IOCs, there is a significant role for nimble junior oil and gas companies. Junior listed companies continue the role of developing local industry as well as bringing world-class ESG and channelling foreign direct investment. In many cases the assets being divested have languished in global IOC portfolios and can benefit from the greater focus on emissions and overall ESG that the right new custodian can bring.

"…on top of providing jobs, international companies also share knowledge and technology and often improve the communities where they operate.

But the most important reason why Africa should be free to continue hydrocarbon production is this: Africa's huge natural gas reserves are the continent's best shot at alleviating energy poverty."

NJ Ayuk[26]

Savannah sponsored livestock vaccination and screening programmes for the local N'Gourti community, Agadem, Niger

A healthy and sustainable business model

Our resources and relationships

Investors

60%

Top 10 investors hold 60% of total shares outstanding[1]

US$514.7m

Total debt being provided by a group of 12 lenders, plus a listed bond

Assets

US$1.2bn

Total Group assets

- Combined 2P reserves and 2C resources of 157 MMboe with a reserve life of 31.4 years
- Two producing oil and gas fields in Nigeria
- 19.5 Kboepd average daily production in 2020
- Central gas processing facility with 200 MMscfpd production capacity and 260km gas transportation and distribution network
- Five undeveloped discoveries in Niger, with a total of 146 further potential exploration targets

People

211

What we do

Explore/Discover/Appraise

Through the acquisition of seismic and other geophysical data and detailed subsurface studies, we build exploration portfolios and identify drilling targets. Through exploration and appraisal drilling we find oil and gas reserves and resources to be produced and monetised in the future.

Develop/Produce

We drill wells and install facilities to enable oil and gas reserves to be produced.

Process/Transport/Sell

We invest in infrastructure to process and transport oil and gas production to end customers.

Reinvest/Acquire/Return

Our reinvestment strategy is to prioritise opportunities that have the potential to deliver high quality near-term cash flows and are net asset value-accretive. To this end, we will reinvest in projects that extend the economic life of our existing asset base and we will acquire assets that either have synergies with our existing portfolio, or represent new ventures which are aligned with our corporate purpose and strategy. Our reinvestment and acquisition strategy is balanced with our intention to adopt a progressive dividend policy to return cash to shareholders.

The commencement of a policy delivering shareholder distributions, by way of dividends and/or share buybacks, is a key aspect of our strategy. As a Board and management team we will continue to review the most appropriate time for such distributions to commence.

The value we create for our stakeholders

Our people

- Our employees received a total of 3,897 hours of training in 2020 or an average of 18.5 training hours per employee, which included compliance training for anti-bribery and corruption, whistleblowing and data protection/privacy, as well as training for a variety of IT skills
- Zero incidents recorded for the Lost Time Injury Rate ("LTIR") in 2020 and a 2020 Total Recordable Incident Rate ("TRIR") of 0.28 per 200,000 man-hours

Our host countries and communities

- We supplied gas to enable over 10% of Nigeria's thermal power generation in 2020
- US$1.6 billion[2] investment in Nigeria and Niger assets made since 2014
- 58 local communities positively impacted by our 11 social impact projects in 2020

Governments, local authorities and regulators

- US$569 million total contributions[(d)] to Nigeria and Niger since 2014 in the form of payments to governments, employee salaries and payments to local suppliers and contractors

Our shareholders and lenders

- Cash flow from operating activities of US$115.6 million in FY 2020

Our customers, suppliers and partners

- We are a reliable supplier with a track record of meeting 100% of all customer nominations since first gas delivery in 2014
- GSAs signed with new power and industrial customers such as First Independent Power Limited and Mulak Energy Limited. Contract with Lafarge Africa PLC extended until 2037
- Successful ongoing partnerships with Africa Infrastructure Investment Managers, a leading African-focused private equity firm, and Sinopec, the Chinese national oil company

Fostering strong relationships with our key stakeholders

Why we engage	How we engage

Our people

As of 31 December 2020, we employed 211 people across the Group.

Why we engage

Our employees bring a broad range of experience, expertise and perspective to Savannah that contributes to our collective values and culture and is essential to the delivery of our strategic objectives. We recognise that employees are the cornerstone of our business. We engage with our employees in a variety of ways to ensure that they are well informed, motivated and appropriately developed to execute our strategy such that we are able to deliver on the long-term goals of the business.

The Board is updated regularly via the HSSE Committee on health and safety matters.

We have an open, collaborative and inclusive management structure and engage regularly with our employees. We do this through a continuous feedback performance management process, structured career conversations, CEO internal announcements, town hall sessions, employee surveys, a corporate intranet site, Company presentations, away days, a quarterly employee newsletter and our training and well being programmes. In February 2020 the Company held an offsite meeting in Uyo, Nigeria, for managers and leaders from across the Group at which the executive management team communicated business plans and objectives for 2020. During the year we also introduced a new Group-wide intranet site, began our new monthly "Lunch and Learn" sessions for all Group employees, launched a new "Employee of the Month" award, and held fresh elections for our Employee Engagement Committee to improve communication and feedback. Post-year-end we also published our first quarterly employee newsletter for all Group employees. There is also an independent "Speak Up" whistleblowing service for employees to report concerns relating to ethics, compliance and significant workplace issues.

Our host countries and communities

Our host countries are Nigeria and Niger in West Africa. We work closely with the local communities in our areas of operation in both countries. In South East Nigeria we work with 252 local communities in Akwa Ibom State and Cross Rivers State – including 22 Local Government Areas ("LGAs") and their youth councils, 50 tribal heads and 252 village heads, councils, and youth and women groups. In Niger we work with 13 local communities in and around N'Gourti within the Diffa region, which is located in the south-east of the country. We also liaise with in-country non-governmental organisations.

Why we engage

Engagement is key to maintaining our social licence to operate. Our corporate philosophy is based on the conviction that our projects should benefit all of our stakeholders and particularly our host countries and the local communities in which we operate. Acting in a responsible manner towards our stakeholders is seen as critical to the ongoing effectiveness of our operations.

We take a constructive and positive approach to working with local communities, seeking to maintain good relationships with them all.

We engage with the local communities in which we operate via our social impact programmes in Nigeria and Niger. We maintain our social licence to operate by ensuring that our policies on safety, the environment and human rights are followed to the highest standards in our operations, projects and activities. Our social impact investment focuses on improving local living standards via health, education and agricultural initiatives, as well as the provision of drinking water and local infrastructure projects. Our projects also provide skills training to foster future economic self-sufficiency. In addition, we have implemented a local content policy designed to ensure that, wherever possible and appropriate, we prioritise qualified local people as employees and suppliers.

Section 172 statement

Section 172 of the Companies Act 2006 ("S172") requires Savannah's Directors to act in good faith and in the way that they consider to be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard to the interests of other stakeholders. The Directors should also consider the desirability of maintaining high standards of business conduct and the likely long-term consequences of their decisions.

In the table below we set out our key stakeholder groups and how we engage with each of them. Each type of engagement is designed to foster effective and mutually beneficial relationships, so that we continue to work effectively with our people, our host countries and communities, governments, local authorities and regulators, our shareholders and lenders, and our customers, suppliers and partners.

Acting in a fair and responsible manner is a core element of our business practice. More details can be found in our Sustainability Review on page 61. Information on how the Board works and makes decisions can be found on page 90.

Key material issues for our stakeholders, being that Savannah:	How was the engagement affected by Covid-19 in 2020?	Outcomes of engagement
		Read more about our people on page 70
- Maintains a healthy, safe and secure working environment; - Treats all employees in a fair and transparent manner; - Provides business appropriate training and career development opportunities; - Retains its entrepreneurial and performance-driven culture; - Is a successful company which our employees are proud to be associated with; - Provides opportunities for employees to share ideas for business improvements with senior management; and - Maintains, develops and appropriately incentivises human talent to deliver upon the above.	The main impact was the reduction in travel and the lack of face time across the business. We put in place strict Covid-19 protocols which allowed employees at our field locations to continue working without disruption while the majority of our office staff worked from home. Our Chief Operating Officer is based in Nigeria and was able to undertake regular site visits to our operations as usual. Two employee wellbeing "pulse surveys" specifically linked to Covid-19 were carried out during 2020.	The Company's initiatives supported, informed and motivated our employees through a difficult year. They helped the business to continue to function successfully during 2020 and produce a set of robust results despite the Covid-19 pandemic.
		Read more about our communities on page 65
- Delivers local and national economic benefits; - Safeguards the environment; and - Acts as a responsible neighbour and good corporate citizen.	The Covid-19 pandemic made it difficult to complete many of our social impact projects in Nigeria and Niger due to local lockdowns and restrictions on travel. However, we were still able to complete 11 projects in Nigeria and Niger which positively impacted 58 local communities in our areas of operation.	The engagement process further strengthened the existing relationships between the Company and the local communities in which we operate in Nigeria and Niger. In Niger the Minister for Oil, the General Director of Hydrocarbons, the Governor of the region, the Prefect of the district, and the local Mayor and council have all publicly praised Savannah's social impact policies in the region.

Section 172 continued

Why we engage	How we engage

Governments, local authorities and regulators

We engage with over 49 stakeholders within the federal, state and local government as well as other national entities in Nigeria. In Niger, we engage with over 50 stakeholders within the national government and local authorities, including the chiefs of the 13 tribes located within our asset areas. In the UK, we engage with various governmental departments, primarily, those providing assistance and support to UK companies operating abroad.

Why we engage
To maintain Savannah's social and legal licences to operate and to build collaborative partnerships with government agencies that generates value for both parties.

We take a constructive and positive approach to working with national and local authorities, as well as regulators in both countries, seeking to maintain good relationships with them all.

We contribute to government and local authorities in the countries in which we operate in the form of royalties, taxes and fees every year. Our cumulative payments to local governments in Nigeria and Niger since 2014 total US$157 million.

Our shareholders and lenders

Our shareholders include both institutional and retail investors who are principally based in the UK and US. Our top 10 shareholders account for over 60% of our shareholder base.

We have a group of 12 lenders consisting of West African and UK-based banks and institutions, plus a listed bond.

Why we engage
We believe that maintaining a regular and transparent dialogue with our shareholders and lenders is essential in order to earn and retain their confidence. In line with the QCA Corporate Governance Code, the Board must manage shareholders' expectations and should try to understand the purpose behind their voting decisions.

The lenders are an important source of funding for the Group's operations. In addition, we benefit from their advice and experience in other cash management and risk mitigation tools in the markets in which we operate.

Our investor relations programme is designed to answer investor queries and provide public disclosure on results and other material developments within the business as well as ensuring that shareholders' views are communicated to our Board and considered in the Company's decision making.

Our investor relations programme includes regular updates, calls, meetings, investor roadshows and our Annual General Meeting as well as participation in investor and industry conferences. In adherence to Covid-19 protocols as appropriate, the Company held several physical and virtual investor roadshows during the year with investors in the UK, the US, Europe and South Africa. The Company also conducted an opinion survey amongst its top investors on environmental, social and governance ("ESG") issues to help frame our re-focused sustainability strategy.

Regular contact is maintained with our lenders through a combination of physical and virtual meetings.

Our customers, suppliers and partners

Our customers in Nigeria include Calabar Generation Company Limited, Lafarge Africa PLC, Ibom Power Company Limited and ExxonMobil. We also signed a new GSA during 2020 with First Independent Power Limited and, post-year end, Mulak Energy Limited. Our partners include: African Infrastructure Investment Managers ("AIIM"), which holds a 20% interest in each of Accugas Limited and Savannah Energy Uquo Gas Limited; and Sinopec International Petroleum Exploration and Production Company Nigeria Limited, our 49% partner in the Stubb Creek field. We work with a wide range of suppliers in Nigeria, Niger and the UK.

Why we engage
We engage with our customers, suppliers and partners to meet our strategic objectives, grow our business and enable the smooth running of our operations.

Our senior management engages in regular meetings with our customers, suppliers and partners and we also participate in local industry events. The purpose of this engagement is to establish and maintain relationships with these important stakeholder groups.

In Nigeria, our Commercial team is responsible for identifying and marketing our unique selling proposition ("USP") of "reliable, cost-effective, clean energy to power growth" to potential new customers.

Supply chain procedures are in place which govern all procurements for goods and services and we have a comprehensive vendor contracting strategy in place. These ensure that ethical, regulatory and best practices are strictly adhered to.

Key material issues for our stakeholders, being that Savannah:	How was the engagement affected by Covid-19 in 2020?	Outcomes of engagement
		Read more about our markets on page 42
- Interacts in an appropriately open and transparent manner with these stakeholders; - Has in place the policies and procedures to ensure internationally recognised practices are followed by our people and that local laws are complied with; - Operates in a healthy, safe and secure manner; - Contributes towards national and local economic development; and - Secures required approvals and licence renewals from regulatory bodies to maintain our regulatory licence to operate.	We complied with all relevant in-country Covid-19 regulations. This resulted in a higher proportion of meetings taking place virtually than in prior years. However, in situations where facility inspections were required, strict Covid-19 protocols were put in place.	Sustained cordial and productive working relationship were maintained with the various government agencies we interact with in Nigeria and Niger. In Nigeria, Savannah's Universal Energy Resources Limited ("UERL") subsidiary was commended by the Nigeria Extractive Industries Transparency Initiative ("NEITI") for its performance in terms of its compliance and provision of requested industry data for NEITI's 2019 oil and gas audit. NEITI gave UERL 100% ratings for "Timeliness" and "Completeness".
- Delivers robust long-term share price performance and adopts a strategy, culture and business model designed to enable this; - Maintains appropriate operational, financial and sustainability reporting procedures; and - Actively engages with lenders regarding servicing existing debt facilities.	The main impact of Covid-19 was the delay to the announcement of our FY 2019 results to July 2020, resulting in the need to hold both an Annual General Meeting in June 2020 and a subsequent General Meeting in September 2020 to approve the Annual Report and Accounts. Both the Annual General Meeting and the subsequent General Meeting were held virtually for the first time in compliance with the UK's Covid-19 regulations. Shareholders were able to submit questions in advance, all of which were answered during the meetings by management. In general, there was a greater proportion of shareholder and lender interaction through virtual meetings and calls than face-to-face meetings during the year.	Shareholders and lenders were keen to participate in regular communication with the Company, with both physical and virtual meetings and investor roadshows well attended.
		Read more about our customers on page 40
- Is a reliable business counterparty; - Operates in a safe, secure and compliant manner; - Is straight forward to engage with; and - In Nigeria, provides a consistent and stable delivery of on-specification, non-associated gas to our customers.	We complied with all relevant in-country Covid-19 regulations. There was no material impact on our customer, supplier and partner relationships as a result of Covid-19 vis-à-vis our existing operations. New business ventures typically experienced a slow-down in activity as counterparties focused on the maintenance of existing operations.	We were able to deliver on all of our principal customer, supplier and partner-facing KPI metrics.

Our strategy

Our roadmap for realising opportunities

1. Deliver value safely and sustainably

Long-term objective

To deliver value in a safe, responsible and sustainable manner to maintain our licence to operate.

Key risks

2020 achievements

- Zero incidents recorded for the Lost Time Injury Rate ("LTIR") and a Total Recordable Incident Rate ("TRIR") of 0.28 per 200,000 man-hours
- An average of 18.5 hours training per employee in 2020 including HSSE, ethical conduct and IT skills training
- US$49.3 million of Total Contributions[d] to host communities
- Carbon intensity of 12.8kg CO_2e/boe compared to industry average of 17.0kg CO_2e/boe

2021 KPIs

- Operate safely and in an environmentally appropriate manner
- Maintain social licence to operate
- Increased investment in the training and development of our people to support our medium and long-term growth plans
- Roll out enhanced sustainability reporting and performance framework across the Group

2. Optimise existing portfolio performance

Long-term objective

To optimise portfolio performance and to sustain low-cost production.

Key risks

2020 achievements

- Group operating expenses plus administrative expenses[g] per unit of production reduced by 6% to US$6.6/boe
- Adjusted EBITDA[c] margin of 78%

2021 KPIs

- Progress the compression project in Nigeria for completion in 2022
- Drill an additional gas supply well on the Uquo Field
- Deliver Group financial guidance for 2021 (see page 60 in the Financial Review)

3. Deliver organic growth

Long-term objective

To deliver organic growth by increasing gas sales and expanding the production, reserve and resource base through targeted exploration, appraisal and development.

Key risks

2020 achievements

- New Gas Sales Agreement ("GSA") entered into with First Independent Power
- Term sheet agreed with Mulak Energy and GSA entered into in Q1 2021
- Maintained operational and logistics bases in Niger in readiness to progress the well test and drilling programme

2021 KPIs

- Deliver first gas to FIPL Afam
- Finalise the new Niger PSC contractual and commercial framework
- Progress the R3 East development

4.

Deliver value accretive inorganic growth

Long-term objective

To pursue an inorganic growth strategy focused on the acquisition of cash generative assets or assets that supplement our existing asset base.

Key risks

2020 achievements

- 27 new business opportunities vetted with six of these opportunities still under review at year end

2021 KPIs

- Actively review >20 potential growth opportunities
- Deliver at least one materially accretive growth opportunity

5.

Provide cash returns to shareholders

Long-term objective

To develop and maintain stable financial foundations and disciplines to enable future cash returns to shareholders.

Key risks

2020 achievements

- Cash flow from operating activities of US$115.6 million
- Effective cost control measures reduced Group operating expenses and administrative expenses[g] to US$46.4 million compared to initial guidance of US$68.0–72.0 million

2021 KPIs

- Refinancing our US$371 million Accugas debt facility
- Deliver Group financial guidance for 2021 (see page 60 in the Financial Review)

Key risk legend

1. Country
2. Acquisitions
3. Reserves and resources
4. Exploration and appraisal
5. Capital projects
6. Industrial action
7. Supply interruption
8. Foreign exchange
9. Gas sales agreements
10. Liquidity
11. Ethical conduct
12. HSSE and our social "licence to operate"
13. Cyber security and data protection
14. ESG and climate change
15. Organisation

Read more about our key risks on page 77

Key performance indicators

Strong and sustainable performance in 2020

2020 Objectives	2020 KPIs	2020 Performance	2021 Strategic objectives
Deliver value in a safe and responsible manner	- Operate safely, within time and budget expectations and with no harm to the environment - Maintain social licence to operate	✓ Zero incidents recorded for the Lost Time Injury Rate ("LTIR") and a Total Recordable Incident Rate ("TRIR") of 0.28 per 200,000 man-hours ✓ Total Contributions[(d)] to host country stakeholders (governments, employees and suppliers) of US$49.3 million ✓ US$161,000 social impact investment for host communities	1
Deliver group financial guidance for 2020	- Total Revenues[(a)] of greater than US$200 million - Group Operating expenses plus administrative expenses[(g)] of US$68.0 million to US$72.0 million - Group depreciation, depletion and amortisation of US$25.0 million for infrastructure assets plus US$2.6/boe i.e. US$43.0 million -US$45.0 million based on production guidance - Capital expenditure of up to US$45.0 million	✓ Total Revenues[(a)] of US$235.9 million ✓ Group Operating expenses plus administrative expenses[(g)] of US$46.4 million ✓ Group depreciation, depletion and amortisation of US$36.3 million ✓ Capital expenditure of US$11.5 million	2 5
Deliver exploration success in Niger	- Continue to maintain operational and logistic bases to enable the commencement of our future exploration drilling campaign in Niger which is intended to commence in 2021 - Ratification of the new R1/R2/R4 PSC	✓ Maintained operational and logistics bases in readiness to progress the well test and drilling programme ✓ New amalgamated R1/R2/R3/R4 PSC agreed in principle in 2021[1]	3
Pursue a focused organic and inorganic growth strategy	- Actively review >20 potential growth opportunities - Deliver at least one materially value-accretive growth opportunity (or a series of smaller opportunities which in aggregate are material) - Secure new gas customers for Accugas	✓ 27 new business opportunities vetted, six of which remain under review ✓ New Gas Sales Agreement ("GSA") entered into with First Independent Power Limited ✓ Term sheet agreed with Mulak Energy Limited and GSA entered into in Q1 2021	3 4 5
Finance our business	- Ensure the availability of sufficient debt and equity capital to finance our business	✓ Cash collections of US$187.4 million ✓ Net cash flow from operating activities of US$115.6 million	3 4 5

Strategic objectives legend

1. Deliver value safely and sustainably
2. Optimise existing portfolio performance
3. Deliver organic growth
4. Deliver value accretive inorganic growth
5. Provide cash returns to shareholders

2020 performance versus financial guidance

Total Revenues[a] (US$m)

+18%

Actual	235.9
Guidance	>200

Group operating expenses plus administrative expenses[g] (US$m)

-34%

Actual	46.4
Guidance	68–72

Group depreciation, depletion and amortisation (US$m)

-18%

Actual	36.3
Guidance	43–45

Capital expenditure (US$m)

-74%

Actual	11.5
Guidance	<45

Read more about our strategy on page 32

Read more about our remuneration policy on page 99

Savannah enters Nigeria's Compressed Natural Gas Market with Mulak Energy

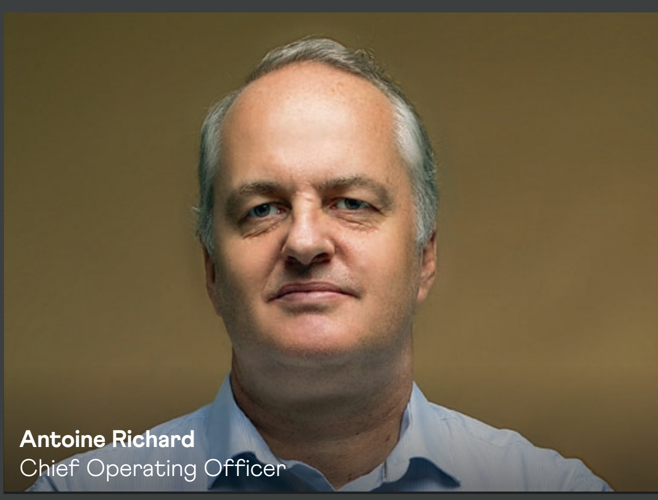
In February 2021 we entered Nigeria's compressed natural gas ("CNG") market via a new seven year agreement with Mulak Energy Limited, a member of the Mansour Group, the leading Egyptian multinational conglomerate. We will supply gas to Mulak who plan to distribute CNG to their industrial customers in Nigeria allowing them to substitute cheaper and cleaner CNG for diesel in generators supplied by the Mantrac Group. Mantrac is also a member of the Mansour Group and one of the world's largest dealers in Caterpillar machinery, power systems and equipment. Savannah's gas offers an opportunity for Mulak to covert Mantrac's existing 400MW of diesel-fuelled generators to CNG-fuelled generators, expected to provide Mantrac customers with up to a 40% saving in energy costs and a 30% reduction in their carbon footprint.

Read more about Nigeria's decade of gas on page 44

Uquo Central Processing facility, Eket, Nigeria

Operational review

Ensuring the 100% reliability of gas supply to our customers



"Despite the Covid-19 pandemic, in 2020 we continued to operate across all of Savannah's field locations and offices without disruption, ensuring the 100% reliability of gas supply to our customers in Nigeria. In particular, thanks to the implementation of strict Covid-19 protocols, no Covid-19 cases were recorded at any of our operational locations."

Zero LTIR[1]

Recorded in 2020

+14%

Increase in average gross daily production

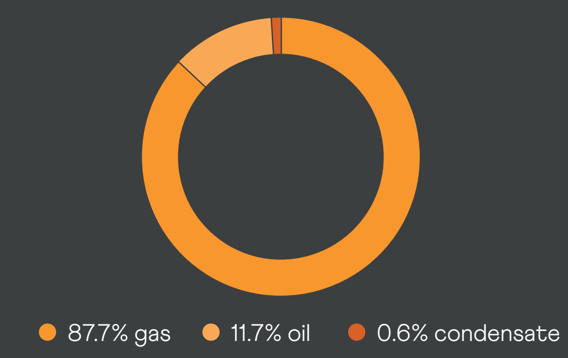
177 MMscfpd

All-time daily gas production record achieved on 30 May 2020

>US$75m

Planned capital expenditure programme 2021-23

2020 average gross daily production mix (%)



87.7% gas   11.7% oil   0.6% condensate

Average gross daily production (Kboepd) **+14%**

	Kboepd
2020	19.5
Pro-forma 2019	17.2

2020 achievements

- Maintaining a high standard of health and safety throughout our operations is a top priority for Savannah. In 2020 we achieved an impressive zero incident LTIR and a TRIR of 0.28 per 200,000 man-hours
- We maintained excellent gas supply reliability to our customers in Nigeria during the year, delivering 100% of customer nominations and achieving an all-time gas production record of 177 MMscfpd on 30 May 2020.
- In January 2020 we announced the first new gas sales agreement ("GSA") for our Accugas business in five years, signing an agreement with First Independent Power Limited ("FIPL") for the provision of gas sales to the FIPL Afam power plant in Nigeria.
- In January and April 2020 respectively, we successfully took over the operatorships of both the Accugas central processing facility ("CPF") and the FUN Manifold crude gathering station from the previous third-party operator, following the acquisition of the Nigerian assets in late 2019.
- We installed and commissioned new mechanical refrigeration units at the Accugas CPF to maintain the high-quality specification of our gas supply.
- Subsurface work in Niger progressed well during the year following the completion of our Pre-Stack Depth Migration ("PSDM") processing of the R3 East seismic in 2019, allowing us to complete the seismic interpretation of the R3 East area.
- In Niger post-year end, we agreed with the Ministry of Petroleum to combine our R1/R2 PSC area with our R3/R4 PSC area into one amalgamated R1/R2/R3/R4 PSC, extending our PSC licences for up to a further ten years' exploration phase[1]

2021 outlook

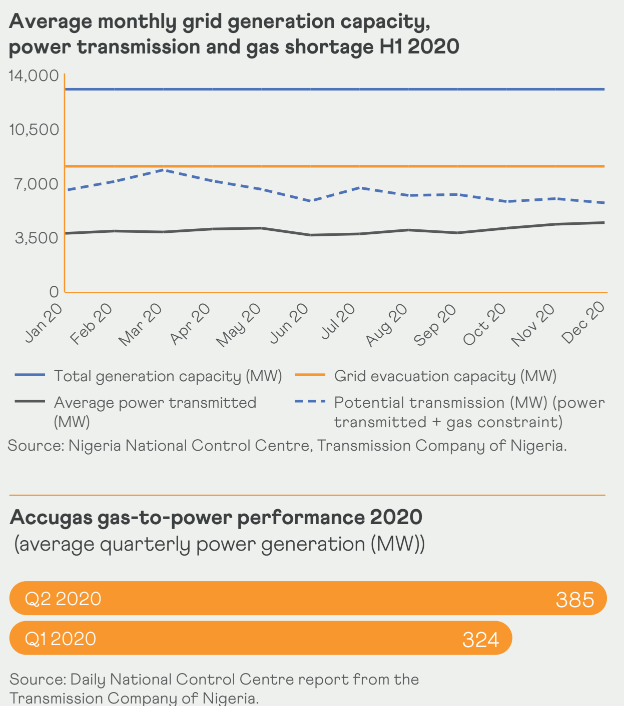
- We are investing approximately US$18 million this year in the drilling of a new gas well at the Uquo field.
- We have decided to bring forward the approximate US$45 million CPF export compression project to 2021/22 from 2026/27. Both this project and the new gas well will enable us to maintain sufficient gas supply within the Uquo field for years to come, ensuring the continued reliability of our gas supply to existing and future customers.
- In April this year, we completed the connection of the FIPL Afam power plant to our pipeline network, enabling us to commence gas deliveries later this year of up to a maximum daily nominated quantity of 35 MMscfpd.
- We are actively targeting the addition of other potential new power and industrial gas customers this year. In February 2021, we signed a new GSA with Mulak Energy Limited ("Mulak") representing Savannah's entry into the high-growth compressed natural gas ("CNG") market in Nigeria.
- We are implementing a comprehensive US$1.9 million maintenance programme at our Accugas midstream business over the course of this year, covering maintenance activities on our 260km pipeline network, to ensure that we continue to maintain our 100% gas supply reliability record to our customers.
- In Niger, plans for delivering the R3 East development continue to progress with the intention to commence installation of an Early Production Scheme by the end of 2021, subject to market conditions, financing and the outcome of the well test.

CPF export compression project. Source: Solar Turbines

Savannah is a reliable supplier of non-associated gas in Nigeria

The majority of gas produced in Nigeria is associated gas, a by-product of oil production. In contrast, Savannah produces non-associated gas from our Uquo field, so our production and supply of gas is not impacted by oil production factors.

Declining global oil demand and a lower OPEC production quota in 2020 led to reduced Nigerian oil production which, in turn, resulted in lower associated gas supplies into the domestic market. This led to power generation constraints at a number of Nigerian power stations. During this time, Savannah was one of the few producers able to step up gas supply to help our power generation customers increase power supply to the grid to compensate for this shortfall and reliably meet Nigeria's power generation needs. During the first half of 2020, Accugas ramped up gas supply to the Nigerian power sector by 35% when industry-wide gas shortages increased by 35%[1]. Highlighting the reliability of our supply during this period, our Accugas power generation customers achieved an all-time 2020 record peak generation of 486MW on 23 May 2020, accounting for 11.5% of Nigeria's electricity generation, and on 29 June 2020 achieved a record peak generation contribution to the grid of 12.8% or 457MW of electricity. In both cases the contributed electricity was exclusively generated from Accugas' gas.



Country review: Nigeria

2020 was a milestone year representing our first full year of operations in Nigeria

Funmilola Ogunmekan,
Head of Finance, Nigeria

"In 2020, we successfully drove strong performance improvements within the Nigerian business with cash collections up 11% year-on-year and average gross daily production up 14% year-on-year. We continued to be a reliable supplier of gas to our customers, supplying gas to enable over 10% of Nigeria's thermal power generation in 2020. We signed a new gas sales agreement with First Independent Power Limited ("FIPL"), representing our first new customer win in Nigeria in over five years, and, in another strategic move, post-year end we entered Nigeria's promising compressed natural gas ("CNG") market, signing Mulak Energy Limited as a new customer."

2020 performance highlights

Cash collections

US$187.4m +11%

(2019 pro-forma: US$168.8m)

Average gross daily production

19.5 Kboepd +14%

(2019: 17.2 Kboepd)

Average gross daily gas production

102.8 MMscfpd/ 17.1 Kboepd +17%

(2019: 88.1 MMscfpd/14.7 Kboepd)

Share of gas in total production

88%

(2019: 85%)

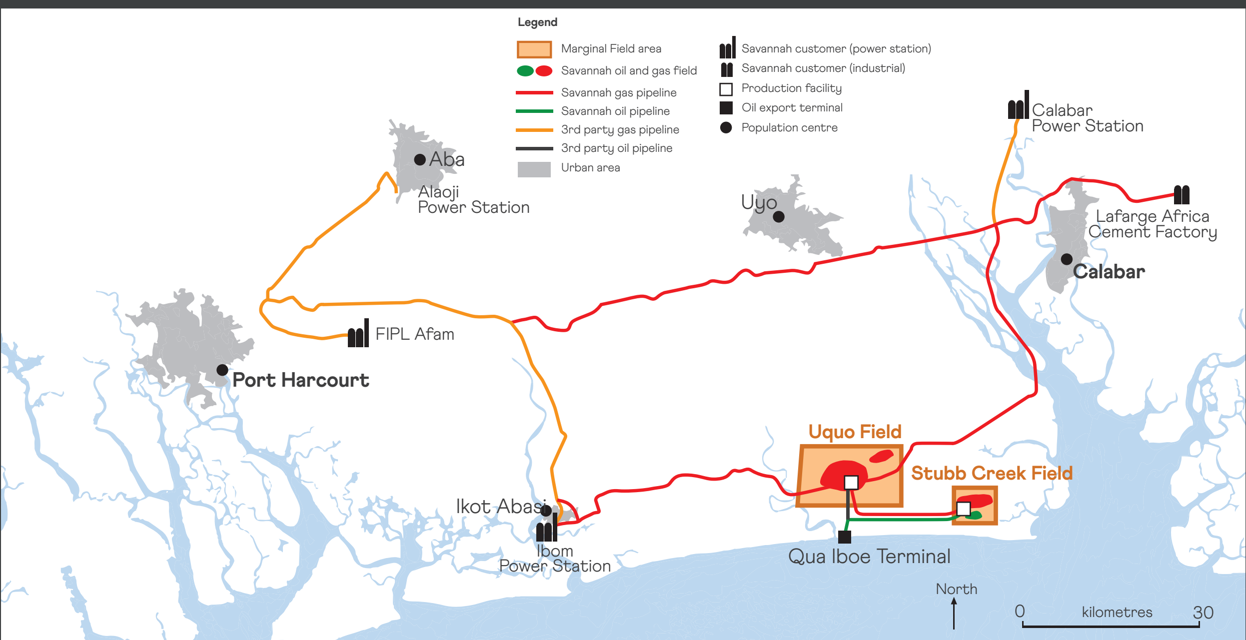
Two new gas customer wins

First Independent Power Limited

and

Mulak Energy Limited

Savannah's operations in South East Nigeria



Key figures and facts

Two large-scale oil and gas fields

Uquo and Stubb Creek, located in South East Nigeria

The only significant gas processing and transportation company in South East Nigeria

200 MMscfpd processing facility and an approximately 260km pipeline network

Five gas customers

Calabar Generation Company Limited (owner of the Calabar power station), Ibom Power Company Limited (owner of the Ibom power station), Lafarge Africa PLC (owner of the Lafarge Mfamosing cement plant), FIPL Afam Limited (owner of the FIPL Afam power plant) and Mulak Energy Limited

65 MMboe

Net 2P reserves as at end 2020

59 MMboe

Net 2C resources as at end 2020

26.5 years

2P/2C reserve and resource life as at end 2020

Remaining life-of-contract revenues[(b)] of

US$4.3bn

on a maintenance-adjusted take-or-pay basis

17 years

weighted average remaining contract life to 2037

95% of revenues

underpinned by investment grade credit guarantees[(e)]

Country review: Nigeria continued

2020 update

We drove strong performance improvements throughout our Nigerian business in 2020. Cash collections were up 11% year-on-year to US$187.4 million in 2020 from US$168.8 million in 2019. Average gross daily production increased 14% to 19.5 Kboepd in 2020 compared to 17.2 Kboepd in 2019. Gas production, which accounted for 88% of total average gross daily production, increased 16.6% year-on-year to 102.8 MMscfpd (17.1 Kboepd) in 2020, compared to 88.1 MMscfpd in 2019.

In addition to signing a new gas sales agreement ("GSA")with First Independent Power Limited ("FIPL") for the supply of gas to the FIPL Afam power plant, we also successfully revised the terms of the GSA with our second largest customer, Lafarge Africa PLC, extending the contract for a further five years and securing a higher effective price over the length of the contract.

2021 outlook

We have had a strong start to 2021, having already signed a new GSA with Mulak Energy Limited ("Mulak") in February this year. We are actively targeting new power and industrial gas customers this year with discussions well advanced with several potential new customers.

We are continuing to invest in our Nigerian assets with plans already underway to drill a new gas well at the Uquo field during the course of 2021, while we have also brought forward our planned US$45 million Uquo gas Central Processing Facility ("CPF") non-associated gas compression project to 2021/22 from 2026/27. Both of these projects will enable us to continue to provide gas to our existing and future customers for years to come.

We are also focusing on achieving a refinancing of the US$371 million Accugas debt facility this year, with the process already well underway.

"Savannah has two world-class oil and gas fields, and midstream facilities strategically located in South East Nigeria where we expect significant future demand from power stations and industrial off-takers in the Calabar, Port Harcourt, Aba and Uyo areas."

Our assets

Savannah's assets in Nigeria include two world-scale oil and gas fields, Uquo and Stubb Creek, and the Accugas midstream business, all of which are located in South East Nigeria.

Accugas

Savannah's Accugas midstream business focuses on the marketing, processing, distribution and sale of gas to the Nigerian market. Savannah holds an 80% interest in Accugas, with the remaining 20% held by Africa Investment Infrastructure Managers ("AIIM"). Accugas receives gas from Uquo at its 200 MMscfpd processing facility, where the gas is treated and then transported through its 260km pipeline network. In 2020, gas was sold to three customers under long-term GSAs at a weighted average realised price of US$3.96/Mscf. The GSAs are all "take-or-pay" contracts where, if customers take less than the take-or-pay quantity, they are still required to pay for the minimum contractual amount of gas, equivalent to an aggregate maintenance-adjusted take-or-pay volume of 132 MMscfpd. Customers may opt to take make-up gas at a later date according to their contractual arrangements.

In January 2020 a new GSA was signed with FIPL for the supply of gas to the FIPL Afam power plant with gas sales expected to commence later this year. Also post-year end in February 2021, a GSA was signed with Mulak to supply gas to Mulak's compressed natural gas ("CNG") project in Nigeria, representing Savannah's first gas-to-CNG agreement with gas sales expected to commence in 2022.

Savannah's five current gas sales agreements are:

- a GSA to supply Calabar Electricity Generation Company Ltd, which owns and operates the Calabar power station, with 131 MMscfpd of gas for a 20-year period which ends in September 2037, with a take-or-pay commitment of 80% of the contracted volume. This GSA benefits from a World Bank supported US$112 million Partial Risk Guarantee which guarantees payment to Accugas for gas supplied. The Calabar power station has installed capacity of 560MW;
- a GSA to supply Lafarge Africa PLC, a wholly owned subsidiary of Lafarge Holcim, with 24 MMscfpd of gas to its Mfamosing cement plant in Cross River State, Nigeria, with an 80% take-or-pay commitment. This contract was revised in December 2020 with an extension for a further five years to January 2037, giving a remaining contract life of 17 years. The Daily Contracted Quantity ("DCQ") of gas was reduced from 39 MMscfpd to 24 MMscfpd, compensated by an advanced payment of US$20 million in December 2020 and a new pre-payment structure to 2027. The revised structure also allows Lafarge to utilise its accumulated make-up gas balance, whilst we have preserved the capacity to supply higher volumes when these are required. Lafarge's commitments under the revised GSA continue to be guaranteed by an international investment grade[e] bank guarantee;
- a GSA to supply 20 MMscfpd of gas to Ibom Power, operator of the Ibom power station, for a 10-year period which ends in 2023 with a take-or-pay commitment of 80% of the contracted volume. The Ibom power station has a current installed capacity of 191 MW and is owned by the Akwa Ibom State of Nigeria;
- a GSA with FIPL to supply a maximum nominated daily quantity of 35 MMscfpd of gas to the FIPL Afam power plant which has a current power generation capacity of 180MW. FIPL is an affiliate company of the Sahara Group, a leading international energy and infrastructure conglomerate with operations in over 42 countries across Africa, the Middle East, Europe and Asia. The GSA is for an initial term of one year with the ability to extend upon mutual agreement; and

- a GSA with Mulak for an initial seven-year term. During the first two years gas will be supplied on an interruptible basis (the "Interruptible Gas Delivery Period") and the subsequent five years on a firm contract basis (the "Firm Delivery Period"). During the Interruptible Gas Delivery Period, Mulak is able to nominate a maximum daily quantity of up to 2.5 MMscfpd. Volumes in the Firm Delivery Period will be agreed by the parties before the end of the Interruptible Gas Delivery Period. The GSA is priced to reflect Mulak's status as an industrial customer. Mulak is a member of the Mansour Group, the leading Egyptian multinational conglomerate with operations in more than 100 countries and annual revenues exceeding US$7.5 billion.

The Accugas facilities and pipelines have significant spare capacity and are strategically located in South East Nigeria, an area where there is both substantial undeveloped gas resources (c. 10 Tscf undeveloped gas estimated to be located within tie-in radius of Accugas pipelines) and significant expected demand for gas from power stations and industrial off-takers in the Calabar, Port Harcourt, Aba and Uyo areas.

Savannah's forward growth plans are focused on the addition of new customers, both power stations and new lower volume, high-value industrial customers whose typical alternative source of power is from higher cost, higher carbon footprint, diesel-fuelled generation.

Uquo

Savannah holds an 80% economic interest in the exploration, development and production of gas within the Uquo field. The Uquo field is a non-associated gas field, with gross 2P reserves of 458.0 Bscf as at the end of 2020, which produces gas that is processed and transported through Accugas' infrastructure to end customers. Condensate produced from the Uquo field is exported via ExxonMobil's Qua Iboe terminal. The remaining 20% economic interest in the Uquo field is held by AIIM, a leading African-focused private equity firm.

In 2020 gas production from the Uquo field averaged 102.8 MMscfpd, an increase of 16.6% compared to 88.1 MMscfpd in 2019. On 30 May 2020 Savannah achieved an all-time record volume of gas production of 177.0 MMscfpd or 29.5 Kboepd. The Uquo field has recorded cumulative production of 180.9 Bscf of gas (to 31 December 2020) since first gas in Q4 2013.

Stubb Creek

Savannah holds a 51% operating interest in the Stubb Creek field with the remaining 49% interest held by Sinopec. Stubb Creek is an oil field with a considerable (515.3 Bscf gross 2C) undeveloped, non-associated gas resource. Commercial production started in 2015, and 4.7 MMstb has been produced to date (to 31 December 2020). Gross remaining 2P reserves are 14.4 MMstb, of which 3.5 MMstb are attributable to Savannah's economic interest.

Oil produced at Stubb Creek is processed through production facilities which have a capacity of c. 3.0 Kbopd and is exported to the ExxonMobil Qua Iboe terminal via a 25km pipeline. It is expected that the existing Stubb Creek production facilities will be debottlenecked in 2022 to increase oil production capacity to c. 5.0 Kbopd. Development of the contingent gas resources at Stubb Creek is anticipated to begin in 2030 as the Uquo field comes off plateau to meet Accugas' contracted gas sales volumes.

Of the average daily amount of 1.58 MMscfpd of associated gas produced at Stubb Creek in 2020, approximately 25%, or an average daily amount of 0.40 MMscfpd, was exported to the Uquo central processing facility, with the balance of 1.18 MMscfpd flared. We are working on a project to improve the performance and efficiency of the gas compressor at Stubb Creek with a view to reducing or completely eliminating future flaring.

Stubb Creek facility, Akwa Ibom State, Nigeria

Reserves, resources and production

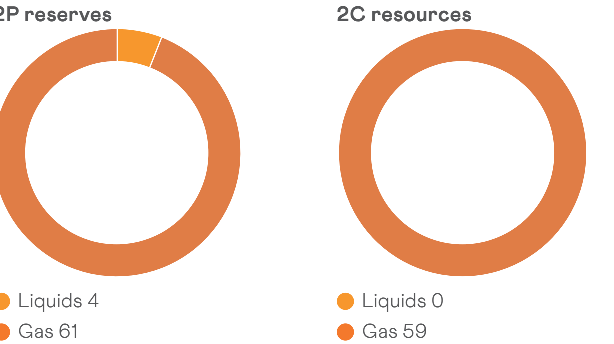
As at 31 December 2020, Savannah had Nigerian net 2P reserves of 65 MMboe and 2C resources of 59 MMboe.

Average full-year gross production in 2020 was 102.8 MMscfpd of gas and 0.1 Kbopd of condensate from the Uquo field. Gross production averaged 2.3 Kbopd from the Stubb Creek field over the same period. Average gross daily production from the Nigerian assets for 2020 rose 14% to 19.5 Kboepd from 17.2 Kboepd for 2019.

2020 Average daily gross total production (Kboepd)

+14%

Nigeria net 2P reserves and 2C resources[1] (MMboe)



Uquo Central Processing Facility, Esit Eket, Akwa Ibom State, Nigeria

Country review: Nigeria continued

Our market

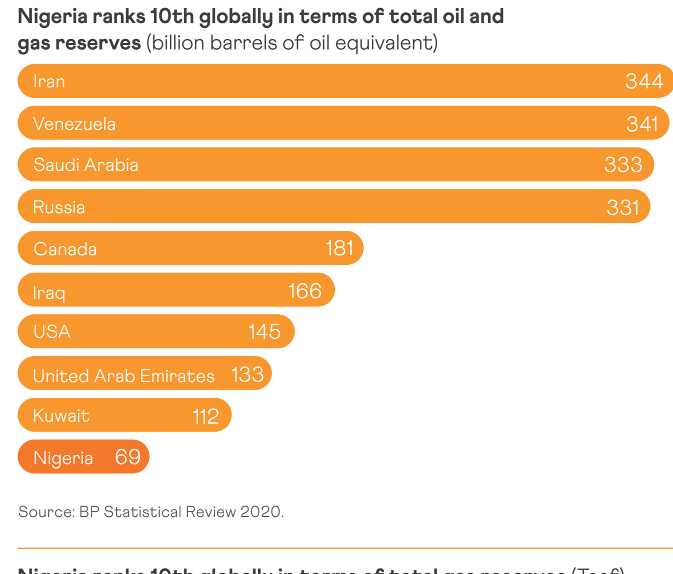
Nigeria is estimated to hold approximately 190 Tscf of proved natural gas reserves, making it the tenth largest gas reserve holder in the world and the largest in Africa[1].

Nigeria has proven oil reserves of approximately 37.0 billion boe, ranking as the second largest in Africa and the tenth largest in the world[1]. In 2019 Nigeria produced on average 2.11 MMbopd[1], making it the largest oil producer in Africa, with substantially all production coming from the Niger Delta region. Oil and gas industry majors and contractors have been operating in Nigeria since the 1950s but there has been a general trend for the oil majors to sell their interests in marginal onshore and shallow water oil fields mostly to Nigerian companies and smaller international oil companies as they focus on deep offshore exploration and production. Attractive risk-adjusted upstream and midstream opportunities, coupled with well-established oil and gas service infrastructure, provide an enabling environment for companies such as Savannah to invest and operate in Nigeria.

Suraj Oyewale
Tax Manager, Finance
Nigeria

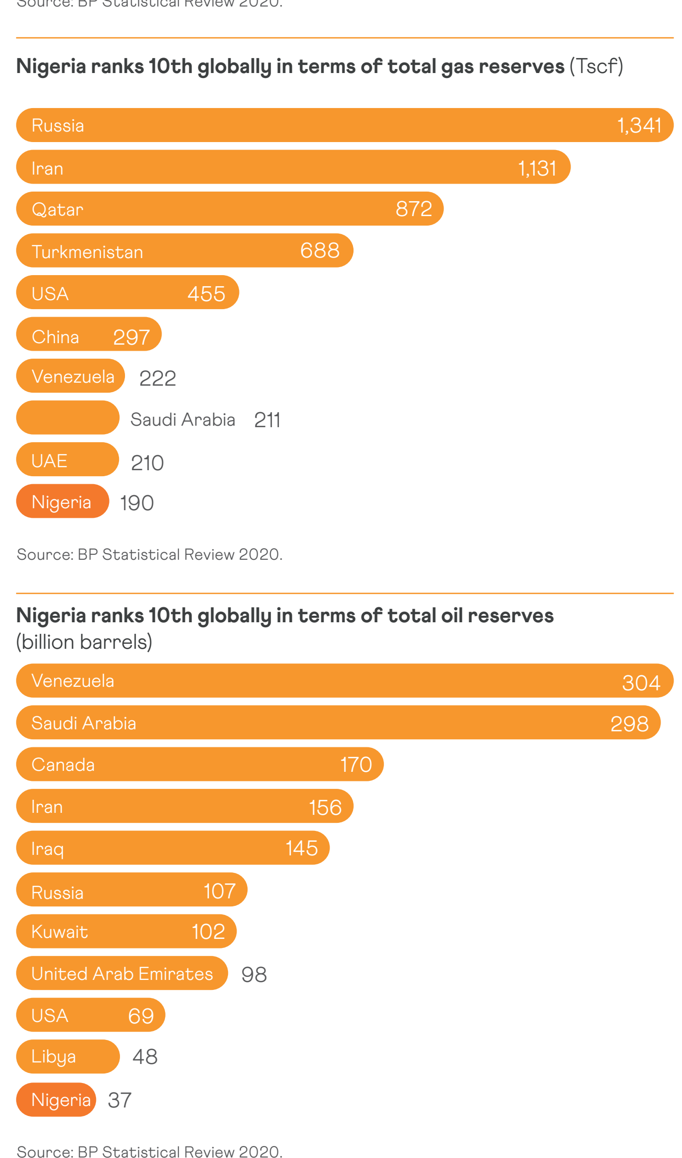
"Savannah possesses great ambition!"

Nigeria ranks 10th globally in terms of total oil and gas reserves (billion barrels of oil equivalent)



Source: BP Statistical Review 2020.

Nigeria ranks 10th globally in terms of total gas reserves (Tscf)



Source: BP Statistical Review 2020.

Economy

Nigeria ranks as Africa's largest economy[3]. It relies heavily on oil as its main source of foreign exchange earnings and government revenues, with crude oil accounting for an estimated 83% of total export earnings and 70% of fiscal revenues[4]. 2020 registered a decline in the oil sector's contributions to both exports and fiscal revenues as a result of the Covid-19 pandemic, the oil price crash in the first half of the year and adherence to OPEC quotas for oil production in the second half of the year. As a result, the Nigerian economy contracted by 1.8% in 2020[5]. Nigeria's crude and condensate production is estimated to have fallen to approximately 1.66 MMbopd in 2020 from 2.11 MMbopd in 2019, representing Nigeria's highest ever compliance since the OPEC+ alliance began its output deal in 2017[6].

Nigeria formally entered a recession in 2020 with two consecutive quarters of economic contraction; Gross Domestic Product ("GDP") in real terms declined by -6.10% (year-on-year) in Q2 2020 and by -3.62% (year-on-year) in Q3 2020[7]. However, the Federal Government of Nigeria stated that it expected the recession to be short-lived. This positive outlook for the Nigerian economy has been borne out by more recent estimates in 2021 from both the World Bank and International Monetary Fund ("IMF") which see Nigeria's economy re-bounding faster this year than had previously been predicted. For example, in its April 2021 World Economic Outlook, the IMF has projected an economic growth rate of 2.5% for Nigeria in 2021, substantially higher than the 1.5% they previously forecast in January 2021.

Gas production and development

Nigeria has 190 Tscf of proved gas reserves, yet only produces 4.9 Bscfpd[1], the majority of which is exported as LNG, with Nigeria ranking as the world's fifth largest exporter of LNG in 2018[8]. With a gas reserves to production ratio of approximately 110 years, the under-developed gas resources of Nigeria represent a significant opportunity to be exploited, in particular for the benefit of the domestic economy.

The Nigerian Government has stated that it sees the provision of adequate gas supply as a means of increasing industrial output and electricity supply, and thereby economic growth, prosperity and employment opportunities. In March 2021, the Government formally launched Nigeria's Decade of Gas to capitalise on these opportunities (see page 46 for further details).

The gas distribution network in Nigeria is a significant factor holding back the development of gas, with just 4,500km of gas pipelines in the country, which compares unfavourably on a worldwide basis. This lack of infrastructure discourages development of gas fields due to the high cost of building pipelines and the lack of availability of gas likewise discourages potential major energy consumers from switching to gas. Savannah's Accugas pipeline network is one of the very few privately owned pipeline systems built in Nigeria and ranks as one of the largest privately owned gas transportation and distribution networks in sub-Saharan Africa.

Power sector

Nigeria has one of the lowest rates of grid-based electricity generation capacity per capita in the world, according to the Federal Government's Power Sector Recovery Program Report of April 2017. Nigeria has a population of approximately 206 million[2] people with an installed power generation capacity of 13,014MW[9], but with a national electricity grid transmission capacity of 8,100MW[9]. Approximately 85%[4] of installed capacity is from 22 gas-thermal power plants and the remainder is hydro-electric. The young population is growing at a rate of 2.5% per annum and is forecast to reach 392 million people in 2050[10], becoming the world's fourth most populous country. The population is urbanising rapidly and the country is beset with chronic electricity shortages. Based on the country's GDP and global trends, electricity consumption is expected to grow to 90,279 MWh by 2040[11], approximately seven times higher than it was in 2018.

Gas reserves/production ratio (years)

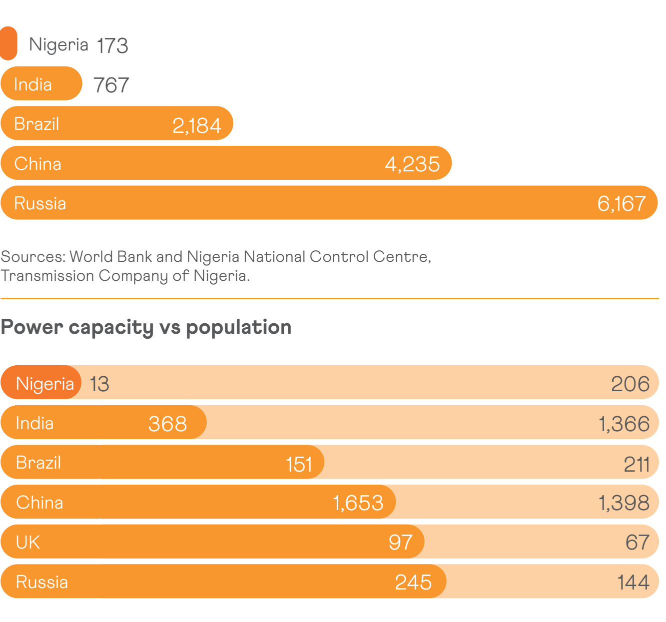
Country	Ratio
Nigeria	109 (190 Tscf)
Russia	56 (1,341 Tscf)
India	49 (47 Tscf)
China	47 (297 Tscf)
Brazil	15 (13 Tscf)

Source: BP Statistical Review 2020.

Gas pipelines ('000km)

Country	'000km
Russia	178
China	76
India	13
Brazil	11
Nigeria	4

Source: CIA World Factbook 2021.



Country review: Nigeria continued

Case study

Nigeria's decade of gas

Oge Peters
Head of Commercial, Nigeria

"The time has finally come for the proliferation of natural gas in Nigeria."

On 29 March 2021 HE President Muhammadu Buhari, together with Vice President Yemi Osinbajo and the Minister of State for Petroleum Resources, Timipre Sylva, formally launched a new initiative declaring 2021 to 2030 as "the Decade of Gas Development for Nigeria".

The mission of the Federal Government of Nigeria (the "FGN") is to:

- Diversify the nation's oil and gas industry through the strategic exploitation of its vast and easily developed natural gas resources; and
- Transform Nigeria into an industrialised nation driven by gas through projects and policies such as the Presidential Power Initiative, the National Gas Expansion Programme (NGEP), the Nigerian Gas Transportation Network Code (NGTNC), the Nigerian Gas Flare Commercialisation Programme (NGFCP) and the National Gas Policy (NGP).

The three strategic pillars of growth for natural gas in Nigeria are:

1. Power sector reforms
FGN's initiatives to improve electricity generation, transmission and distribution infrastructure should provide opportunities for Savannah to increase gas supply to the power sector beyond current levels which enable over 10% of Nigeria's thermal power generation;

2. Global energy transition
The global demand for liquefied natural gas ("LNG") and Nigeria's demand for natural gas and its derivatives is expected to increase over the medium to long-term presenting Savannah with the opportunity to increase upstream gas production to meet domestic demand; and

3. Sustainability
In launching the NGFCP the FGN recognises that the elimination of gas flaring in oil producing communities is beneficial to the quality of the environment and also improves economic wellbeing through job creation. In line with this, Accugas has positively contributed to the environment by predominantly producing gas rather than oil, as well as making plans to collaborate with other producers to eliminate gas flaring completely. These initiatives are forecast to increase domestic demand for natural gas from 2020 levels of 1.5 Bcf to 7.4 Bcf by 2027.[1]

Savannah is well positioned to facilitate and benefit from the FGN's mission with our upstream producing assets and infrastructure easily able to supply additional customers in Akwa Ibom and Cross Rivers states, where we currently operate, as well extending our reach to the burgeoning gas markets within the neighbouring Rivers and Abia states.

1.

Power sector reforms

Initially proposed in 2015, President Muhammadu Buhari presented the reworked Petroleum Industry Bill (the "PIB") to the Nigeria Legislature in September 2020 for consideration. The passage of the PIB has been delayed for nearly two decades and faced further delays with the onset of the Covid-19 pandemic. However, the current draft of the PIB with respect to gas development aligns with the 2017 National Gas Policy and the Prevention of Waste (Flare Gas) Regulation 2019, and demonstrates the FGN's drive to transform the Nigerian economy into a 'gas-based' economy.

Currently the power sector is suffering from an imbalance between power generation, transmission, and demand. Nigeria has 13,014 MW[2] of installed power generation capacity but only 8,100MW[2] of electricity grid transmission capacity. However, less than 4,000 MW is actually dispatched on average on a daily basis due to combined constraints in gas supply, electricity transmission and distribution. In its bid to expand gas utilisation in the country, the Presidential Power Initiative outlined by the FGN and Siemens AG in July 2019 aims to upgrade Nigeria's electricity network to achieve an operational capacity of 25,000MW by 2025[3].

As an independent and African-focused company, Savannah is committed to working with the FGN to support its aspirations regarding the energy sector, especially with regard to gas-to-power initiatives such as the Siemens project, which is split into three phases:

- Phase 1 will focus on essential and quick-win measures to increase the system's operational capacity to 7,000 MW;

- Phase 2 will target the remaining network bottlenecks, increasing the system's operational capacity to 11,000 MW; and
- Phase 3 will develop the system up to 25,000 MW in the long-term. This includes upgrades and expansions in generation, transmission and distribution.

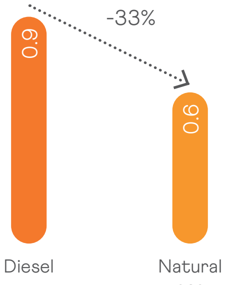
2.

Global energy transition

Nigeria's largely untapped natural gas resources could provide the means for the country to fund its way through the global energy transition. As consumers switch away from higher-emission liquid fossil fuels, the long-term outlook for gas is brighter with natural gas some 50-60% cleaner than coal and 33% cleaner than oil. Nigeria is Africa's leading LNG exporter[4], showing impressive resilience in 2020 despite the impact of the Covid-19 pandemic on gas demand generally[5]. The Nigeria Liquefied Natural Gas (NLNG) plant located on Bonny Island is one of the FGN's biggest investments, with six operational LNG trains and the capacity to produce 22Mtpa of LNG and 5Mtpa of liquefied petroleum gas ("LPG") and condensate. The NLNG Train 7 expansion project is a strategic undertaking that will increase overall capacity to 30 Mtpa, boosting output by close to a third[6]. NLNG's current natural gas requirement is 3.5 Bscfd.

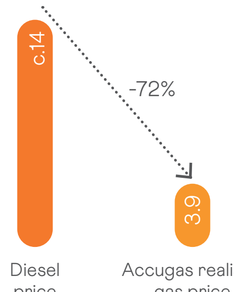
Additionally, within Nigeria, gas is increasingly being recognised as a cheaper and cleaner source of fuel for industrial power generation, providing compelling switching economics. Gas is over 70% cheaper and 33% cleaner than diesel-fuelled power generation. On 1 December 2020 the FGN launched the Federal Gas Expansion Programme, focusing on the distribution of CNG and LPG across petrol stations operated by state energy company, NNPC. The FGN hopes to make CNG a key transport fuel in Nigeria by converting up to one million vehicles to CNG by the end of 2021, as part of its strategy to gradually replace high sulphur gasoline[7]. Through our latest new customer, Mulak Energy Limited, Savannah has entered Nigeria's CNG market and we expect to reduce end-customers' carbon footprints by an estimated 30% (see page 35 for further details).

Carbon intensity reduction opportunity
(kg CO2/kWh)



Source: Greenhouse Gas Emissions from Energy Systems: Comparison and Overview by R. Dones, T. Heck, S. Hirschberg.

Switching economics
($/Mscfe)



Source: Allafrica.com.

3.

Sustainability

Approximately 90.9 bcf (606 MMscfd) of natural gas was flared in Nigeria from January to May 2020. Authorities estimate the financial loss of c.US$230 million due to gas flaring during those months[8]. The Nigerian Gas Flare Commercialisation Programme (NGFCP), launched in 2016, was designed to implement the FGN's objective of achieving zero flaring by 2030, through a transparent and competitive bidding process of monetising the flare gas volumes. The economic and environmental benefits of eliminating gas flaring are that:

1. Flare capture projects lower emissions and improve environmental conditions;

2. Flare capture projects stimulate the economy, create jobs and improve ESG rankings – the NGFCP's program manager disclosed that proper channelling of flared gas could impact the country's gross domestic product by up to US$1 billion per year and can create up to 300,000 jobs; and

3. Flare capture projects generate additional revenue – recovered gas (and associated liquids) can produce 600,000 MT of LPG per year and generate 2,500 MW of power creating potential revenue streams.

88% of Accugas' production is natural gas with negligible gas flaring from the Uquo field. We are eliminating associated gas flaring by sending associated gas produced by the Stubb Creek field to our gas central processing facility at Uquo for processing and sale. In addition to this, our extensive gas infrastructure network in the South East Niger Delta region would potentially facilitate gas flare reduction by processing associated gas from other producers in up to four states: Akwa Ibom, Cross Rivers, Abia and Rivers.

Savannah is excited to be part of this new chapter in Niger's history

Yacine Wafy
VP West Africa

"In late 2020 and early 2021 Niger held free and transparent democratic Presidential elections with the former President, HE Mahamadou Issoufou, awarded Africa's prestigious Mo Ibrahim Prize in recognition of his many achievements in office. Under his presidency since 2011, Niger has seen a 48.5% increase in GDP and a 17.0% reduction in the number of Nigeriens living below the poverty line. Niger's new President, HE Mohamed Bazoum, is expected to build on this legacy with a particular focus on attracting more foreign direct investment to the energy industry and on promoting education. Savannah is excited to be part of this new chapter of Niger's history, with the energy sector expected to play a critical role in the country's economic development.
We plan to commence installation of the Early Production Scheme for our R3 development by the end of 2021, subject to market conditions and financing. The construction of the Niger-Benin oil export pipeline, Niger's biggest infrastructure project since its independence in 1960, is expected to be completed in 2022."

Performance highlights

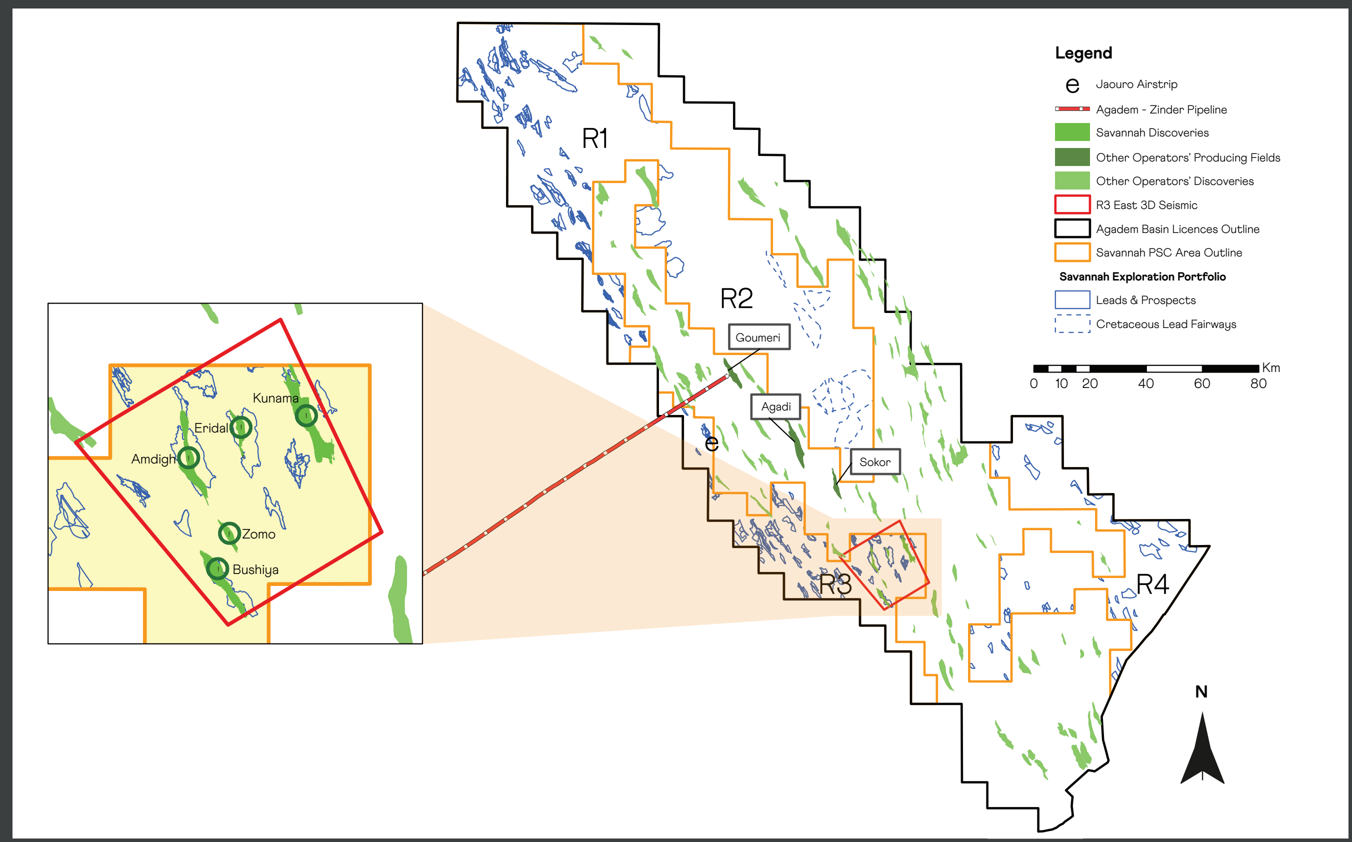
Agreement in principle to combine licences into one PSC valid for a further 10 years[1]

Subsurface work progressed well during 2020

Future plans focused on producing up to 5 Kbopd

from our R3 East Early Production Scheme

Savannah's Licence Areas



Key figures and facts

Licences cover 50% of the ARB

Savannah's licence interests cover approximately 13,655km, equating to 50% of Niger's main petroleum basin, the Agadem Rift Basin ("ARB") in South East Niger[1]

100% exploration success rate

achieved to date with five discoveries from the five wells drilled

35 MMstb

of Gross 2C Resources for our R3 East discoveries

90 MMstb

of additional Gross Unrisked Prospective Resources (Best case) from five prospects and leads within tie-in distance to the planned R3 East facilities

Total of 146 potential exploration targets

Country review: Niger continued

Update and outlook

In May 2020, we published an updated Competent Person's Report for our Niger assets compiled by CGG Services (UK) Ltd. ("CGG"). This certified 35MMstb of Gross 2C Resources for the R3 East discoveries with an additional 90MMstb of Gross Unrisked Prospective Resources (Best case) from five prospects and leads within tie-in distance to the planned R3 East facilities, and a 2C case economic break-even oil price estimated at US$26/bbl.

In Niger post-year end in May 2021, we reached an agreement in principle with the Ministry of Petroleum to combine our R1/R2 PSC area with our R3/R4 PSC, area into one amalgamated R1/R2/R3/R4 PSC, which would extend our PSC licences for up to a further ten years' exploration phase[1].

Subsurface work in Niger progressed well during the year following the completion of our Pre-Stack Depth Migration ("PSDM") processing of the R3 East seismic data in 2019, which allowed us to complete the seismic interpretation of the R3 East area in 2020. The PSDM dataset showed an overall improvement in the interpretation of faults and horizons, supported by attributes analysis which also improved our structural, stratigraphic and sedimentological interpretations. Based on the newly interpreted PSDM, 3D geocellular models have been built for the Amdigh and Eridal discoveries. The resulting oil in place volumes were in line with previously reported estimated figures from the earlier Niger CPR.

We continue to progress our plans in Niger for delivering the R3 East development with the intention to commence installation of an Early Production Scheme ("EPS") by the end of 2021, subject to market conditions and financing. Significant further potential on our licence areas in Niger remains, with an exploration portfolio containing a total of 146 leads and prospects to date with a total Unrisked Best Estimate of c. 6.7 bn bbls Oil Initially In Place.

Our assets

The Agadem Rift Basin ("ARB"), which forms part of the larger Central African rift system, has proven to be one of the world's most successful exploration provinces since 2008, with an estimated one billion barrels 2P reserve base established and an exploration success rate of over 80%. Savannah's acreage covers approximately 50% of the ARB, an area equivalent to the Central North Sea Basin. The ARB evolved in two main rift phases (early Cretaceous and Tertiary), resulting in sediments of up to 10km being deposited in the basin centre.

To date, most discoveries have been made in the Sokor Alternances, with the average size of discoveries of c. 30 MMstb oil in place. This can be explained by the high probability of all petroleum system elements (i.e. source rock & migration, reservoir presence, trap & seal) being present within this Tertiary play.

The additional five prospects and leads within tie-in distance to the planned R3 East facilities are located within the R3 licence area, with three Yogou Cretaceous prospects mapped on 3D seismic, at depths below our main discoveries (i.e. Amdigh, Eridal, Bushiya and Kunama), and two leads in the Central part of R3. Savannah has identified 146 potential exploration targets in total to consider drilling in the future. CGG has stated that estimated average play geological chance of success for the Alternances exploration prospects and leads, such as those drilled to date by Savannah in the R3 East area, is high, at more than 75%.

HE President Mohamed Bazoum with Savannah's CEO, Andrew Knott (left), and VP West Africa, Yacine Wafy (centre)

Overview of the new administration's policies

Following the Presidential elections held in late 2020 and early 2021, HE President Mohamed Bazoum was inaugurated on 2 April 2021 for a five-year term. His new administration's policies aim to strengthen Niger's democratic and state institutions by improving political, judicial, administrative and local governance in a secure and sustainable environment, with a particular focus on the following areas:

The economy

The President has pledged to increase Niger's average annual growth rate to 8% by 2026, to reduce poverty to 25% by 2025 (from 40% in 2018) and to keep the inflation rate below 3%.

The energy sector

Niger is set to become an oil exporting nation in 2022 following the expected completion of the Niger-Benin oil export pipeline connecting Koulélé in Niger to the port of Sèmè in Benin.

The new administration's energy sector policies are focused on:

1) Attracting more foreign direct investment into the energy sector in order to increase Niger's oil production and increase exploration activities in under-explored or new areas;
2) Promoting technical education and skills to increase national employment in the sector; and
3) Promoting the creation of industries within Niger using petrochemical raw materials in order to further Niger's industrialisation and benefit from the country's membership of the new African Continental Free Trade Area ("AfCEFTA"). AfCEFTA began trading on 1 January 2021 and, with 44 African member nations, is second only to the World Trade Organisation in size in terms of number of participants.

Education

Increased educational opportunities, especially for women and girls, is a priority for the new administration. For example, the new President told AFP (the French news agency) on 27 December 2020, "We will focus on the education of young girls to keep them in school for as long as possible. My recipe is to create boarding schools in rural colleges. I will put all my energy into applying this measure," he promised.

Increasing digitalisation

The new administration is highly committed to increasing digitalisation in Niger by 2026, including:

1) The effective use of digital technology in the Nigerien education system;
2) An acceleration in the deployment of 'Smart Villages' to provide high tech environments;
3) The implementation of e-government;
4) A targeted national mobile penetration rate of 100%; and
5) A targeted national high speed internet penetration rate of 66%.

Country facts

Population[1]

24.2m

GDP[1]

US$13.7bn

GDP growth[1]

1.2%

GDP per capita[1]

US$568

Agriculture

Building on the 3N (Nigeriens Nourishing Nigeriens) programme implemented by the former President Issoufou's administration, the new administration's Rural Development, Food and Nutrition Security programme will focus on the scaling up of good practices and stimulating sustainable socio-economic development through water control, to increase and diversify agro-pastoral and fisheries production, and through sustainable land management and environmental protection.

Idriss Naino
Logistics Base Manager, Niger

"In my role coordinating logistics and supplies across our various sites from Savannah's Jaouro base in the Agadem Rift Basin, I source as many local supplies for projects as possible, while 90% of our contractors are drawn from the surrounding communities."

Savannah's planned Early Production Scheme

Yannick Le Bloa
Head of Operations, Niger

"The Early Production Scheme is intended to develop resources discovered on the R3 East portion of the original R3/R4 PSC area and is composed of two phases."

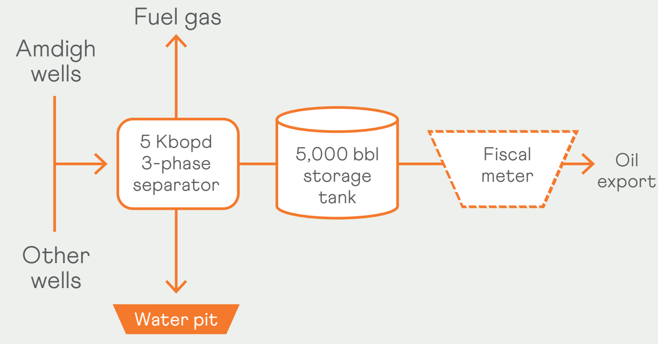
The first phase is expected to deliver an initial production of c. 1.5 Kbopd to the local Sociètè de Raffinage de Zinder ("SORAZ") refinery, which is connected to the Agadem Rift Basin ("ARB") at the Goumeri Export Station ("GES") via the 463km Agadem-Zinder pipeline. In this first phase, following testing of our Amdigh-1 and Eridal-1 wells, raw crude will be processed in a 5 Kbopd capacity Early Production Facility ("EPF") to be built, and the processed crude will be exported to the GES through a new 90km pipeline. Savannah then anticipates a second phase to drill more wells and build a gathering system (mainly flowlines) to produce adjacent fields and process the crude in the EPF installed during the first phase. Production is then expected to ramp up to 5 Kbopd with the processed crude being transported to the GES via the newly built 90km pipeline. The construction of the Niger-Benin pipeline by China National Petroleum Corporation ("CNPC"), which is expected to be completed in 2022, will provide an important export route and the ability to monetise further our existing and future oil discoveries in the ARB.

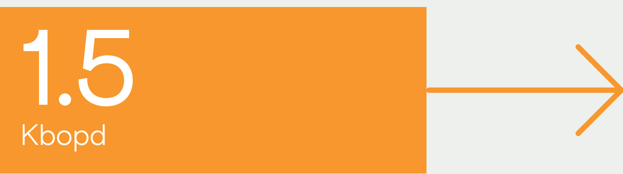
Proposed EPS

Phase 1 - Sales to local refinery

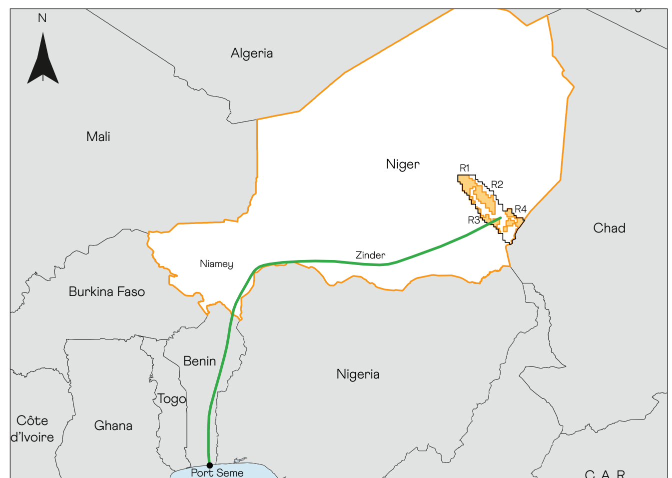
Expected to deliver up to 1.5 Kbopd

- 5 Kbopd capacity EPF to be built on site at Amdigh
- 90km pipeline to be laid between the EPF and the GES
- Oil to be piped to the GES, then routed to the SORAZ refinery at Zinder (using the existing 463km Agadem-Zinder pipeline)

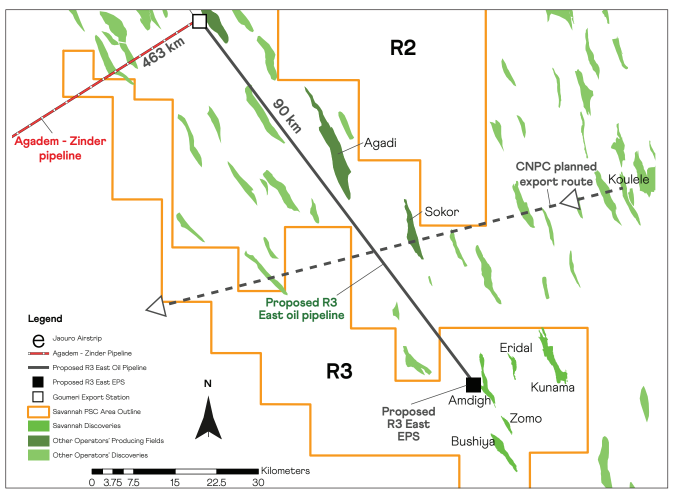




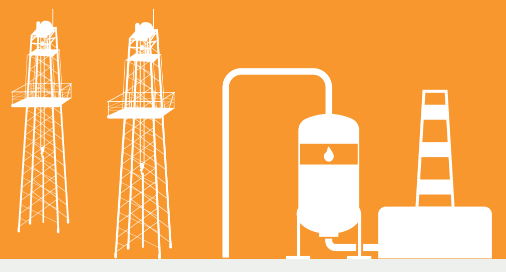
The Niger-Benin Export Pipeline



Savannah's planned Early Production Scheme



Further exploration and development



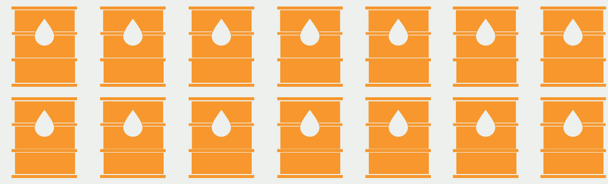
Phase 2 - Export

- Use of existing EPF and 90km pipeline
- Construction of a gathering system to enable adjacent discovered fields (e.g. Bushiya, Eridal and Kunama) to be tied into the EPF
- Drilling Appraisal and Development wells
- Production expected to ramp up to around 5 Kbopd which will continue to be handled by the SORAZ refinery at Zinder

Further long-term potential

Two sources of upside exist for production in excess of the second phase of the planned EPS:

- Firstly, with 146 further potential exploration targets having been identified for future drilling consideration, the addition of further resources to Savannah's portfolio through the next phase of the planned exploration programme.
- Secondly, the ability to export production above 5.0 Kbopd via the new international Niger-Benin export pipeline which is expected to be completed in 2022.
- The initial export pipeline capacity will be 110 Kbopd. Alongside the 20 Kbopd capacity of the SORAZ refinery, this will provide an export route (national to Zinder and international to Benin) of around 130 Kbopd. With CNPC's production expected to ramp up from c. 15 Kbopd to 110 Kbopd, over 30 Kbopd of spare capacity will be available for other operators. It is also planned that eight pumping stations will then be installed along the 20" Niger-Benin pipeline on average every 250km, which will be linked to tie-in points every 40-50km. The addition of the pumping stations should ultimately increase pipeline capacity to 300 Kbopd in four phases.



Country review: Niger continued

Q&A with Mr Mahamadou Abara, Director of Cabinet

Mr Mahamadou Abara
Director of Cabinet, Ministry of Petroleum, Niger

"Niger's partnership with Savannah Energy has been exemplary"

How do you regard the current energy sector landscape in Niger and how do you see this evolving over the medium term?

I am extremely optimistic about the energy sector in Niger. Indeed, considerable efforts have been made by the Government to continue to develop the hydrocarbons sector, with a focus on the further development of the Agadem Rift Basin, as well as the construction of the critically-important Niger-Benin export pipeline. The pipeline, connecting Koulélé in Niger to the port of Sèmè in Benin over a distance of 1,950 km, is expected to be completed in 2022 and will facilitate the export of Niger's crude oil.

The commissioning of the export pipeline project is expected to strengthen the contribution of the energy sector to the Niger economy significantly. Between 2011 and 2019 the energy sector generated more than US$2 billion of cumulative income and, depending on the year, accounted for between 4% to 7% of GDP, 17% to 30% of tax revenues and 16 to 29% of exports. In contrast, by 2025, the hydrocarbons sector is expected to represent approximately 24% of GDP, 45% of tax revenues and 68% of exports as well as 8% to 12% of formal employment in Niger.[1]

How important is it for Niger to attract foreign direct investment both in general and for the development of the energy sector?

The energy sector has become the driving force of the Nigerien economy, with oil revenues being reinvested in the development of basic social sectors, such as public health, education, agriculture and infrastructure.

Attracting new international partners is a major catalyst for the future development of Niger's oil sector and our economy in general. Recognising the importance of this, Niger has granted exclusive licences to Savannah and Sonatrach, in addition to CNPC, who have already been operating in Niger for more than a decade. Our vision is that increased competition will lead to increased investment, which in turn will contribute to the rapid development of the hydrocarbons sector in Niger.

In order to attract foreign direct investment into the energy sector, the Government has undertaken and implemented a number of regulatory, legislative and institutional reforms which are favourable to international energy companies. These included the new petroleum code which came into force in 2017 and a new National Oil Policy which was introduced in January 2019, with the objective of converting the Niger petroleum sector into the driving force of the economy by 2025. In the latest 2020 World Bank Report on "Doing Business", Niger improved its ranking, advancing from 143rd position in 2019 to 132nd in 2020. At the African level, Niger achieved a ranking of 22nd in 2020, placing us in fourth, fifth and sixth position respectively in the Economic Community of West African States, the West African Economic and Monetary Union and the Organisation for the Harmonisation of Business Law in Africa.

How important is the Niger-Benin export pipeline? Where are we in relation to its construction?

The Niger-Benin pipeline is critical to Niger, as it will allow the export of Nigerien crude oil and its sale on the international market. The project is expected to help Niger increase its export capacity by a factor of five, increasing it from 20,000 barrels per day currently to 110,000 barrels per day.

Some key facts about the pipeline include:

- It will be 1,950km long, comprising 1,275km in Niger and 675km in Benin;
- The 508mm or 20-inch diameter pipeline will have the capacity to transport over 40 million barrels of oil per year;

- Eight pumping stations will be installed along its length, with a total of 35 valve stations to increase capacity, with six in Niger and two in Benin;
- A terminal station will be built at the port of Sèmè, in Benin, with the crude oil stored there before it is sent on, via a 15.4km-long maritime pipeline, to the loading buoy at the tanker terminal; and
- An optical fibre line will be built on the full length of the Nigerien portion of the pipeline to provide a state-of-the-art communication system for monitoring the pipeline and the flow of crude oil in real-time.

A number of legal milestones have been accomplished since 2018 to date, including:

- The Framework Agreement relating to the construction and operation of a cross-border crude oil pipeline from Niger to Benin, between the Republic of Niger and the China National Oil and Gas Exploration and Development Corporation ("CNODC"), was signed on 20 September 2018;
- The Bilateral Agreement relating to the construction of a pipeline transportation system for hydrocarbons, between the Republic of Niger and the Republic of Benin, was signed on 23 January 2019; and
- The Transport Convention relating to the construction and operation of the Niger-Benin pipeline was signed on 15 September 2019 between the State Minister in charge of Oil, Mr Foumakoye Gado, and the Managing Director of CNODC, Mr Wang Zhong Cai, at a ceremony chaired by the Prime Minister of Niger, His Excellency, Mr Brigi Rafini.

The operational milestones achieved so far include:

- The geotechnical and topographical investigations have been completed and the final route has been confirmed;
- In early 2020, a large shipment of pipes arrived in Benin from China. These have since been successfully transported, via over 600 separate trips, to the remote Agadem region for the construction of the pipeline; and
- Although the pipeline has suffered some delays due to the Covid-19 pandemic, it is still expected to be completed in 2022.

How do you regard Savannah Energy's partnership with Niger since 2014?

Niger's partnership with Savannah Energy has been exemplary. Over the last seven years Savannah has made significant progress and has worked hard to respect its commitments to the Government. Savannah has also been very active in the context of its social responsibility to help the local N'Gourti community within the Agadem region where its operations are based.

We fully support Savannah's significant ambitions in Niger and look forward to the commencement of the next phase of development with the installation of an Early Production Scheme on the R3 East development, market and financing conditions permitting.

Mohamed Silimane
Director of PR and Stakeholder Relations for Savannah, Niger

"What I enjoy most is putting a smile on people's faces through our corporate social responsibility initiatives in Niger."

Financial review

A successful first full year of operating our high margin assets

Isatou Semega-Janneh
Chief Financial Officer and Company Secretary

"Savannah produced a strong financial and operational performance in 2020, our first full year of operating our high margin, cash-generative assets in South East Nigeria. Our results were significantly ahead of the original financial guidance we set for the year and reflect a series of significant year-on-year asset-level improvements delivered by our management team."

	Full-year 2020 actuals	Full-year 2020 guidance
Total Revenues[a], US$ million	235.9	>200
Operating expenses plus administrative expenses[g], US$ million	46.4	68–72
Group depreciation, depletion and amortisation, US$ million	36.3	43–45
Capital expenditure, US$ million	11.5	<45

Total Revenues[a]

US$235.9m +23%

(2019 pro-forma: US$192.1m)

Cash balances

US$106.0m +121%

(2019: US$48.1m)

Net debt

US$408.7m -16%

(2019: US$484.0m)

Adjusted EBITDA[c]

US$183.6m +19%

(2019 pro-forma: US$153.8m)

Leverage (Net debt/Adjusted EBITDA[c])

2.2x -31%

(2019 pro-forma: 3.2x)

Interest cover ratio [h]

2.8x +33%

(2019 pro-forma: 2.1x)

Performance summary

The Group's full-year 2020 results reflect a milestone year for Savannah, demonstrating the great progress made in the business, despite a challenging macro-economic environment and the impact of the Covid-19 pandemic. Our continued focus in 2020 was to deliver safe, secure and reliable operations whilst maintaining tight financial controls throughout the business.

The table below summarises key full-year 2020 metrics as compared to our full-year 2019 pro-forma and 2019 reported results. Note that our 2019 reported results only included six weeks' contribution to results from our assets in Nigeria. The full-year 2019 pro-forma column shows what our results would have been had we owned the Nigerian assets throughout the year.

Overall the metrics clearly demonstrate a material year-on-year improvement in the performance of the Nigerian business with increased deliveries, prices, revenues and cash generation as well as improved leverage. A key result to highlight is the Total Revenues[a] number of US$235.9 million, representing a 23% year-on-year improvement on a pro-forma basis. We also delivered an Adjusted EBITDA[c] of US$183.6 million (+19% year-on-year on a pro-forma basis) which ensured our Adjusted EBITDA[c] margin remained robust and broadly unchanged at 78%. These metrics demonstrate the continued strong cash-generating capacity of the business which we expect to continue to provide a solid foundation to enable our future growth plans.

On a reported basis the Group delivered a maiden Profit before tax of US$10.9 million (2019: loss US$105.4 million) which comprises a full year of operations in Nigeria compared to six weeks in 2019, and also reflects a substantially improved operational performance from the Nigerian business under Savannah's ownership. We reported a net loss after tax of US$6.0 million for 2020 (2019: loss US$96.8 million) which included a current tax charge of US$4.2 million and a deferred tax charge of US$12.7 million due to our first full year of operating profits in Nigeria.

Importantly the gas revenue stream, which comprised 95% of Total Revenues[a] in 2020, is insulated from fluctuations in the oil price, given the fixed price long-term nature of our gas contracts, which have a weighted average remaining contract life of 17 years and a resulting contracted revenues stream of over US$4.3 billion. These are take-or-pay contracts, whereby our three principal customers have contracted to either take, or pay for, on a maintenance-adjusted basis, 132 MMscfpd of gas.

All these figures are discussed in more detail below.

Key performance metrics summary

	Full-year 2020	Full-year 2019 pro-forma	2019 reported results
Gross production, Kboepd	19.5	17.2	n/m
Total Revenues[a], US$ million	235.9	192.1	31.1
Revenue, US$ million	169.0	132.3	17.8
Average gas sales price, US$/Mscf	3.96	3.56	3.64
Average liquids sales price, US$/bbl	46.2	66.3	64.0
Normalised operating expenses plus administrative expenses[g], US$ million[1]	42.5	39.0	n/m
Normalised operating expenses plus administrative expenses[g], US$/Mscfe	1.1	1.2	n/m
Operating profit/(loss), US$ million	93.3	8.2	(37.5)
Closing cash balances, US$ million	106.0	48.1	48.1
Adjusted EBITDA[c], US$ million	183.6	153.8	15.1
Total assets, US$ million	1,207.2	1,145.0	1,145.0
Net debt, US$ million	408.7	484.0	484.0
Leverage (Net debt/Adjusted EBITDA[c])	2.2x	3.2x	n/m
Profit/(loss) before tax, US$ million	10.9	n/m	(105.4)
Loss after tax, US$ million	(6.0)	n/m	(96.8)

Financial review continued

Consolidated Statement of Comprehensive Income

Revenue

Revenue during the year amounted to US$169.0 million (2019 as reported: US$17.8 million; 2019 pro-forma: US$132.3 million), of which US$157.1 million (2019 as reported: US$16.8 million; 2019 pro-forma US$121.8 million) was for gas sales, US$11.1 million (2019 as reported: US$0.9 million; 2019 pro-forma: US$10.5 million) was for liquids sales and US$0.8 million (2019: US$nil) was for processing of third-party crude oil.

Significantly, 93% of Savannah's revenue was derived from long-term fixed price gas sales contracts. The average realised price for gas in 2020 was US$3.96/Mscf (2019 pro-forma: US$3.56/Mscf). It is important to understand that our gas revenue stream is priced independently of oil prices and is, therefore, not subject to oil price fluctuations. Additionally, 95% of the gas sales are backed by investment grade[e] credit guarantees, including a World Bank supported Partial Risk Guarantee in the case of the Calabar power station gas sales agreement.

Savannah achieved an average sales price for liquids of US$46.2/bbl during 2020 (2019 pro-forma: US$66.3/bbl), during a year of high oil price volatility, with prices reaching a low point of US$19.33[1] in April 2020, though showing a marked improvement later in the year and into early 2021.

Impact of take-or-pay accounting rules under IFRS 15

Revenue recognition for our gas sales agreements is impacted by the take-or-pay accounting rules under IFRS 15. Under take-or-pay contracts, customers agree to buy a minimum amount of gas from us each year. This gas is either delivered to them, or the volume not taken (which is described as make-up gas) is effectively prepaid for by the customer for potential delivery in future periods. During 2020, in aggregate, our customers had contracted to buy more gas (132 MMscfpd) than they ultimately requested delivery of (109 MMscfpd), so there was a difference between invoiced oil and gas sales of US$235.9 million (Total Revenues[a]) and Revenue as reported in our Consolidated Statement of Comprehensive Income of US$169.0 million. Revenue in our Consolidated Statement of Comprehensive Income of US$169.0 million only reflects the value of oil and gas actually delivered, with the difference of US$66.9 million reported as an increase in Contract Liabilities ("deferred revenue") in the Consolidated Statement of Financial Position, less any make-up gas that is consumed, plus other invoiced amounts.

A key point to highlight is the cash neutrality of the take-or-pay accounting treatment; had our customers requested the make-up gas to be delivered to them in the accounting year, then all the invoiced sales would have been recognised as Revenue in the Consolidated Statement of Comprehensive Income and our cash generation would have been the same in either case (as this reflects receipts from customers regardless of whether they related to delivered gas or make-up gas). The table below summarises the position for FY 2020 and shows the comparison on a pro-forma basis for 2019.

Impact of take-or-pay gas contracts on Total Revenues[a] compared to Revenue

	Year ended 31 December 2020 US$ million	Year ended 31 December 2019 pro-forma US$ million	Percentage change
Revenue (as reported in Consolidated Statement of Comprehensive Income)	169.0	132.3	28%
Other invoiced amounts	66.9	59.8	12%
Total Revenues[a]	235.9	192.1	23%

In order to provide clarity on the take-or-pay accounting rules, a theoretical simplified worked example is set out in the table opposite. In the first three cases, customers are taking volumes either less than or equal to their minimum bill quantity (or take-or-pay quantity). In the fourth case, an example is shown in which the customer has increased its demand for gas in excess of minimum bill quantities and is therefore requesting delivery of make up gas that has already been paid for.

Simplified worked examples of IFRS 15 take-or-pay accounting

Example of the impact of take-or-pay accounting on the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position: an invoice is raised for US$100.

In all cases the cash payable is US$100 but the accounting treatment differs depending on whether gas is delivered or yet to be delivered, or has been paid for in a prior period.

Case 1: US$80 relates to gas that has been delivered to the customer, and US$20 is for gas that is due to be delivered to the customer in the future under take-or-pay terms	Case 2: US$100 relates to gas that has been delivered	Case 3: US$100 is for gas that is due to be delivered to the customer in the future under take-or-pay terms	Case 4: The customer takes delivery of US$120 worth of gas, of which US$20 was paid for previously (make up gas)
Statement of Financial Position: Trade receivable (a) = (b) + (c)			
US$100	US$100	US$100	US$100
Statement of Comprehensive Income: Revenue for gas delivered (b)			
US$80	US$100	—	US$120
Statement of Financial Position: contract liability (deferred revenue) – gas invoiced/paid for (known as make-up gas) to be delivered in the future, at which time it is then recorded as revenue (c)			
US$20	—	US$100	US$(20)
Total expected cash/Total Revenues[a] (d)			
US$100	US$100	US$100	US$100

During 2020 both Case 1 and Case 4 were applicable (see note 31 in the Financial Statements).

EBITDA and Adjusted EBITDA[c]

EBITDA for 2020 was US$129.6 million (2019: pro-forma: US$91.6 million) based on our reported Revenue as shown in the table. In 2019 Adjusted EBITDA[c] was defined as EDITDA adjusted for Transaction costs. Adjusting this to include Total Revenues[a] as described above, Adjusted EBITDA[c], which takes account of the gas that has been invoiced under our take-or-pay contracts, but not yet delivered, was US$183.6 million (2019 pro-forma: US$153.8 million). Management believes that the alternative performance measure of Adjusted EBITDA[c] more accurately reflects the cash-generating capacity of the business.

EBITDA and Adjusted EBITDA[c]

	Year ended 31 December 2020 US$ million	Year ended 31 December 2019 pro-forma US$ million	Percentage change
Operating profit	93.3	8.2	>100%
Add back:			
Depletion, depreciation and amortisation	36.3	53.7	(32)%
Adjust for transaction costs	—	29.7	—
EBITDA	129.6	91.6	41%
Add: other invoiced amounts	66.9	59.8	—
Deduct: royalty payable on additional gas volume[1]	(1.9)	(1.4)	—
Remove impact of expected credit loss and other related adjustments	(11.0)	3.8	—
Adjusted EBITDA[c]	**183.6**	153.8	19%

Financial review continued

Consolidated Statement of Comprehensive Income continued

Cost of sales, administrative and other operating expenses

Cost of sales includes depreciation, depletion and amortisation ("DD&A"), facility operational and maintenance costs ("Operating expenses") and royalties. Our Operating expenses plus administrative and other operating expenses ("Administrative expenses") for 2020 were US$46.4 million which compared to our 2020 guidance of US$68–72 million. The reduction was due to certain planned activities not being required, including a well workover, and other items in the work programme being deferred or cancelled across the business.

Operating expenses comprise the expenditures associated with running the upstream facilities, gas processing facilities, gas receiving facilities adjacent to customers premises and the Accugas pipeline network. Also included in Operating expenses are the operations functional support costs of the business.

Administrative expenses cover corporate support costs incurred in the UK, Nigeria and Niger.

Having normalised costs to account for one-off amounts relating to transaction expenses and inventory adjustments, we had a 6% reduction in operating expenses plus administrative expenses[g] on a unit of production basis.

Operating expenses plus administrative expenses[g]

	Full-year 2020	Full-year 2019 pro-forma	Percentage change
Operating expenses plus administrative expenses[g] US$ million as reported	**46.4**	32.8	+41%
Normalised Operating expenses plus administrative expenses[g] US$ million	**42.5**	39.0	+9%
Operating expenses plus administrative expenses[g] (based on normalised costs) US$/Mscfe	**1.1**	1.2	(6%)
US$/boe	**6.6**	7.0	(6%)

DD&A amounted to US$36.3 million (2019 pro-forma: US$53.7 million), a 34% reduction, made up of US$17.6 million (2019 pro-forma: US$35.8 million) for infrastructure assets, which are depreciated on a straight-line basis over their estimated useful life and US$17.2 million (2019 pro-forma: US$16.9 million) for upstream assets which are depreciated on a unit of production basis plus US$1.5 million (2019 pro-forma: US$1.1 million) for other assets and right-of-use assets. DD&A for the year was 18% below the 2020 guidance of US$43–45 million largely associated with the independent re-assessment of the useful life of Accugas' pipelines in Nigeria which resulted in their estimated useful life being extended by 15 years to 40 years in line with industry standards. This led to the DD&A costs in 2020 being US$0.9/Mscfe, down 42% on the 2019 pro-forma cost of US$1.6/Mscfe.

Finance costs

Finance costs for the year amounted to US$75.8 million (2019: US$12.2 million), of which US$58.9 million (2019: US$9.6 million) related to bank and loan note interest expense. The average interest rate on debt for the Group was 11.0% (2019: 12.5%) due to lower US Libor rates in 2020. The increase in finance costs reflects the full-year impact of the debt acquired on acquisition of the Nigerian assets in November 2019, with just six weeks' impact in 2019.

The interest cover ratio[h], on an Adjusted EBITDA[c] basis, was 2.8 times versus 2.1 times for 2019, a notable improvement.

Foreign exchange losses

Foreign exchange losses amounted to US$5.4 million (2019: US$12.7 million).

These losses arise mainly from US Dollar gas sales invoices which are settled in local currency and then converted at the Central Bank of Nigeria ("CBN") official rate to settle US Dollar invoices. In order to purchase US Dollars to service US Dollar obligations, Savannah typically accessed the Nigerian Autonomous Foreign Exchange rate ("NAFEX"), which is the benchmark rate for foreign exchange spot operations in the Investors' and Exporters' foreign exchange window. The differential between these exchange rates averaged 6% during 2020.

The majority of these losses are recoverable through a foreign exchange "true-up" clause in the Calabar GSA. The overall impact of this for Savannah in 2020 was US$4.3 million, in addition to realised translation losses of US$0.7 million for the payments for goods and services. The Group has an active contracting strategy to ensure wherever possible that providers of goods and services locally and, in particular, non-Nigerian suppliers are able to accept payment in Naira.

Tax

The tax charge of US$16.9 million (2019: US$8.6 million credit) is made up of a current tax charge of US$4.2 million and a deferred tax charge of US$12.7 million. The current tax charge includes tax on our first full year of operations in Nigeria.

The deferred tax charge principally arises on the utilisation of unused losses, including a one-off charge of US$8.9 million following a review of joint arrangement costs after our first full year of operations in Nigeria.

Consolidated Statement of Financial Position

Group assets

	31 December 2020 US$ million	31 December 2019 US$ million
Property, plant and equipment	**612.7**	618.3
Exploration and evaluation assets	**159.6**	154.7
Deferred tax asset	**197.0**	209.4
Other non-current assets	**8.2**	6.0
Total non-current assets	**977.5**	988.4
Inventory	**2.9**	4.0
Trade and other receivables	**122.4**	106.3
Cash at bank	**104.4**	46.3
Total current assets	**229.7**	156.6
Total assets	**1,207.2**	1,145.0

Total Group assets now amount to US$1,207.2 million (2019: US$1,145.0 million). The increase in Group assets is largely due to a US$58 million increase in cash at bank.

During 2020 the Nigerian economy was negatively impacted by the dual impact of Covid-19 and lower oil prices in the early part of the year. This led to a notable reduction in foreign exchange liquidity within the market (and this can be seen from the 45% decline between 2019 and 2020 in volumes traded through the I&E window). This trend has continued to persist into 2021. As a result of the illiquidity seen in the FX market, Savannah agreed with the Accugas lenders to retain a sufficient equivalent balance in Naira to cover the US$ denominated debt service for the year. The Company continues to explore options for conversion of the Naira balances and intends to convert into US$ when market conditions allow. We currently anticipate that liquidity will return to the FX market during H2 2021 as a result of the stronger commodity pricing environment and the actions taken by the Central Bank of Nigeria. The Adjusted net debt amount in the table below removes the amount of cash that is held to pay interest.

Debt

The net debt at year end for the Group was US$408.7 million (2019: US$484.0 million), a reduction of 16% compared to year end 2019.

During the year our leverage ratio, based on our Adjusted EBITDA[c], has improved significantly, both as a result of the improvement in Adjusted EBITDA[c] and the reduction in net debt.

Leverage

	2020 US$ million	2019 US$ million
Adjusted EBITDA[c]	**183.6**	153.8
Net debt	**408.7**	484.0
Naira held in cash to pay 2020 interest	**48.0**	—
Adjusted Net debt[f]:	**456.7**	484.0
Leverage (Net debt/Adjusted EBITDA[c])	**2.2**	3.2
Adjusted Leverage (Adjusted Net debt[f]/Adjusted EBITDA[c])	**2.5**	3.2

Summary of the debt facilities

	Total drawn US$ million	Maturity
Accugas Ltd bank loan facility	370.6	2025
Savannah Energy Uquo Gas Ltd Senior Secured Note	92.4	2026
Savannah Energy Uquo Gas Ltd term facility	11.0	2026
Accugas Holdings UK plc Senior Secured Note	19.5	2024
Accugas Holdings UK plc promissory note	12.9	2025
Savannah Petroleum Niger revolving credit facility	13.0	2022
Other loan notes	5.7	2021
Total debt facilities	525.1	
Call option asset	(5.4)	
Unamortised debt fees	(5.0)	
Total Consolidated Statement of Financial Position debt	514.7	
Less: cash balances	(106.0)	
Net debt	408.7	

Financial review continued

Consolidated Statement of Financial Position continued

Receivables and payables

The Group has Trade and other receivables of US$122.4 million (2019: US$106.3 million), of which US$131.1 million (2019: US$50.3 million) represents gross amounts due from customers in Nigeria under the current sales agreements in place.

The receivables balance includes an Expected Credit Loss ("ECL") provision of US$17.2 million which we are required to recognise based on historical payment patterns and forecast customer performance and economic conditions (see Note 23 in Financial Statements). During 2020, a net gain of US$11.0 million was reported in the income statement which was principally due to the full recovery of credit impaired trade receivables acquired as part of the Nigerian assets acquisition as a result of improved credit control procedures.

The Group has current Trade and other payables of US$102.0 million (2019: US$120.2 million), which includes legacy payables relating to the Nigeria business for which long-term settlement arrangements are still to be finalised with the relevant counter parties but which are unlikely to have a material impact on cash flow in the short term. All other items will be settled in the normal course of business.

Cash flow

	Full-year 2020 US$ million	Full-year 2019 US$ million
Net cash generated from/(used in) operating activities	115.6	(12.3)
Net cash used in investing activities	(11.3)	(9.0)
Net cash (used in)/provided by financing activities[1]	(46.6)	65.8
Impact of exchange rate changes on cash balances	0.4	—
Net increase in cash	**58.1**	44.5
Cash at bank	104.4	46.3
Restricted cash	1.6	1.8
Cash balances	**106.0**	48.1
Amounts included within cash balances to cover 2020 debt service	78.9	—

Cash balances at 31 December 2020 amounted to US$106.0 million which included US$1.6 million of restricted cash (2019: US$48.1 million, including US$1.8 million of restricted cash). Of these cash balances, US$78.9 million was set aside for debt service purposes (of which US$48.0 million was for interest and US$30.9 million was for principal repayments) as at 31 December 2020 (2019: US$nil).

Cash flow from operating activities amounted to US$115.6 million (2019: US$12.3 million). The increase was driven by the robust cash flow generated by the Nigerian assets and the fact that the 2019 figure only included cash flow from the November 2019 date of acquisition of the Nigerian assets.

Total investing activity spend was US$11.3 million, of which US$9.4 million was for property, plant and equipment and US$2.2 million was for exploration and evaluation activities.

Net cash used in financing activities amounted to US$46.6 million (2019: US$65.9 million inflow), of which US$21.8 million was for interest costs and a net US$24.3 million in repayments of borrowings.

2021 financial guidance and outlook

In 2021 we are providing the following guidance in relation to our business:

- Total Revenues[(a)] of greater than US$205.0 million from upstream and midstream activities associated with the Group's three active Nigerian gas sales agreements and liquids sales from the Group's Stubb Creek and Uquo fields. Any revenues received from new additional gas sales agreements would, therefore, be incremental to this;
- Group operating expenses plus administrative expenses[(g)] of US$55.0–US$65.0 million;
- Group depreciation, depletion and amortisation of US$19 million fixed for infrastructure assets plus US$2.6/boe of production; and
- Group capital expenditure of up to US$65.0 million.

In 2021 the Group is focused on adding new gas customers in Nigeria and assessing options to refinance the Accugas debt, with a view to increasing tenor and reducing cost. In addition we are accessing capital to progress our Niger project, which we view as a significant corporate asset.

Going concern

The Group places significant importance in managing its liquidity position and ensuring that all parts of the business have appropriate funding as needed to meet their obligations. The Directors have considered the Groups forecasted cash flows and funding requirements for the period to 30 June 2022 (including sensitivity analysis of key assumptions which has been undertaken) and in addition the Directors have considered the range of risks facing the business on an ongoing basis as set out in the risk section on page 77. The principal assumptions made in relation to going concern assessment relate to (1) the timely payments of our gas invoices by our customers, (2) the forecast commodity price environment and (3) continued access to FX markets. Considering this last point, the Directors are highly confident that the Group will continue to be able to access US dollars as required to maintain going concern status. However, a remote risk exists that the Group may not be able to continue to do so and/or the Group may not be able to amend its debt facilities and/or complete its planned debt refinancing. These facts indicate that a material uncertainty exists that may cast significant doubt on the Group's, ability to continue to apply the going concern basis of accounting. Notwithstanding this, the Directors have full confidence in the Group's forecasts and have continued to adopt the going concern basis in preparing the consolidated financial statements.

Please refer to note 2 of the consolidated financial statements for further details on the going concern review.

Isatou Semega-Janneh
Chief Financial Officer and Company Secretary
7 June 2021

Refer to page 124 for full Going Concern disclosure.

Sustainability review

Delivering societally-critical African energy projects

Introduction

At Savannah sustainability underpins everything we do. Our Accugas subsidiary in Nigeria has operated in accordance with the key requirements of the International Finance Corporation's eight Performance Standards ("IFC PS") and the World Bank's Environmental, Health & Safety Guidelines ("WBG EHS Guidelines") for the energy sector since 2017.

Following the acquisition of our Nigerian assets in November 2019, we have undertaken a thorough review of the sustainability strategy of the enlarged group, taking into account the feedback of an extensive consultation exercise we conducted with our key external and internal stakeholder groups.

Following this exercise, we have chosen to refocus our sustainability strategy around four strategic pillars:

1
Promoting socio-economic prosperity

Read more on page 64

2
Ensuring safe and secure operations

Read more on page 68

3
Supporting and developing our people

Read more on page 70

4
Respecting the environment

Read more on page 74

Our four strategic pillars are aligned with the 13 key United Nations Sustainable Development Goals ("UN SDGs") where we believe Savannah can have the biggest economic, environmental, social and governance impact to achieve a better and more sustainable future for all. We have embedded the four strategic pillars across our business.

While anchoring our strategy around the 13 most relevant UN SDGs to Savannah, we have chosen to integrate six additional sustainability reporting standards into our new performance and reporting framework. These have been selected on the basis of those most relevant for our sector and of most importance to our stakeholders.

As we continue to grow our footprint in Africa, we will continue to evaluate our approach and the evolving priorities of our stakeholders so that we are best positioned to contribute to the prosperity of our host nations and strengthen our capacity to succeed.

Nigeria Extractive Industries Transparency Initiative

In October 2020, Savannah's Universal Energy Resources Limited ("UERL") subsidiary was commended by the Nigeria Extractive Industries Transparency Initiative ("NEITI") for its performance in terms of compliance and provision of requested industry data for NEITI's 2019 oil and gas audit. NEITI gave UERL 100% ratings for "Timeliness" and "Completeness". NEITI has produced the data submission compliance report for the Nigerian oil and gas industry audit process since 2015. The report ranks participating entities in terms of compliance with the data submission requirements of the 2019 oil and gas audit process.

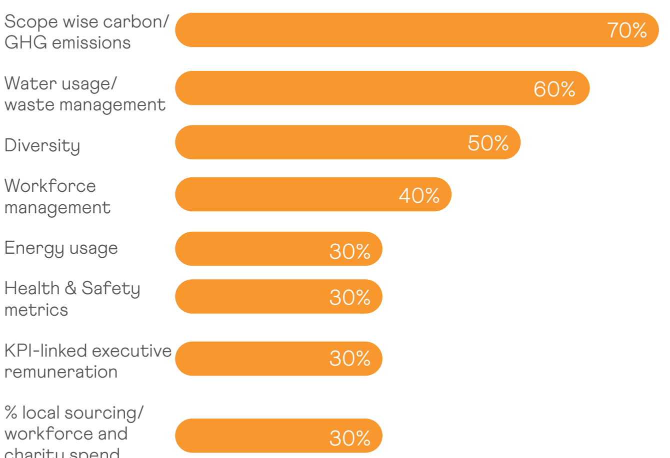
Sustainability review continued

Savannah's materiality assessment process

In formulating our revised sustainability strategy, we conducted an extensive consultation exercise with our key external and internal stakeholder groups. This included a materiality assessment process where we held a number of materiality workshops facilitated by external consultants. These helped us to understand which issues matter most and to decide for which areas the Company has the most potential to track performance and ultimately set targets for itself.

We also conducted an in-depth consultation with our largest institutional investors to identify their material issues regarding sustainability and their views on which sustainability reporting standards our new performance and reporting framework should include. The eight most important sustainability issues upon which our investors sought to see us reporting against are detailed in the chart below:

Top eight sustainability issues of most importance to our investors[1]



Isatou Semega-Janneh
Chief Financial Officer and Company Secretary

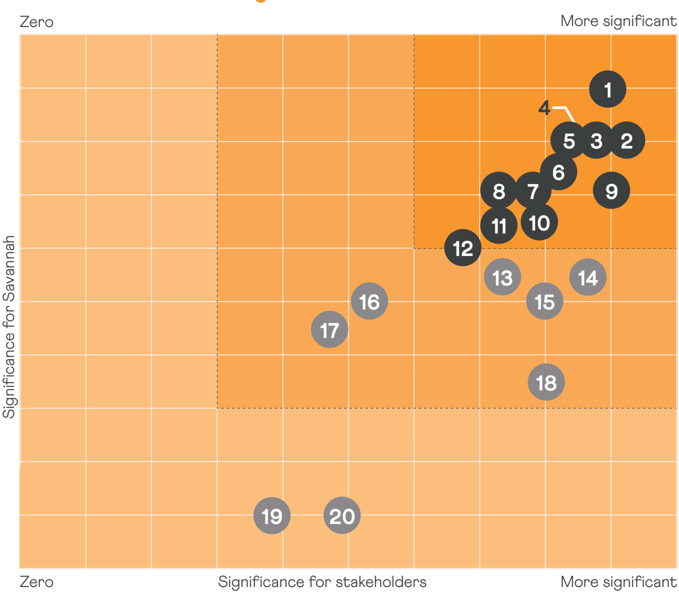
"I believe diversity is important for organisations as it encourages a wider variety of ideas to be considered in corporate decision-making."

Savannah's materiality assessment

The intelligence we gathered through our stakeholder engagement exercise in 2020, together with an evaluation of the material issues for our industry peer group, allowed us to prioritise a list of 12 material issues and an additional eight to report on. These are ranked in order of importance to Savannah and our stakeholders, and are shown in our materiality matrix below together with how they align to each of our four strategic pillars.

To ensure we continue to focus on the issues that matter as we grow our business in the region, we intend to review our materiality assessment on an annual basis and, in light of this, update our sustainability strategy and performance and reporting framework as necessary.

Savannah's materiality assessment matrix



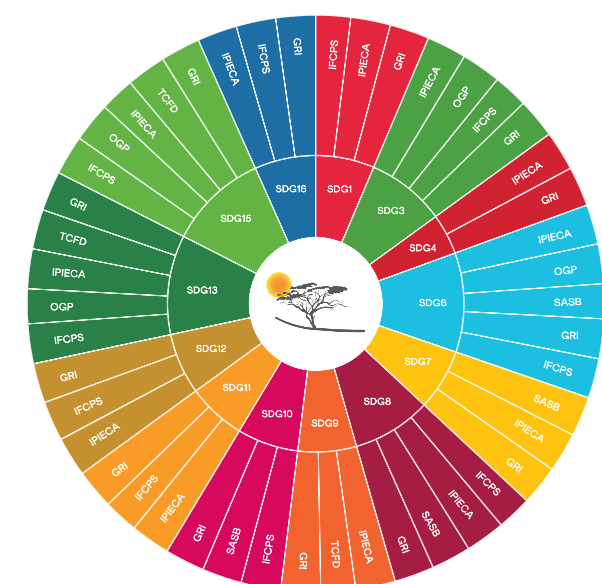
1.	**Security and human rights**	2
2.	**Operational Health and Safety**	2
3.	**Workplace culture and engagement**	3
4.	**Socio-economic prosperity**	1
5.	**Community engagement and development**	1
6.	**Training and development**	3
7.	**GHG emissions**	4
8.	**Biodiversity**	4
9.	**Water management**	4
10.	**Tax transparency and contribution**	1
11.	**Local content and responsible procurement**	1
12.	**Diversity and equality**	3
13.	Climate change and the energy transition	
14.	Mental health and wellbeing	
15.	Anti-bribery and corruption	
16.	Waste management	
17.	Energy and transport efficiency	
18.	Local air quality	
19.	Decommissioning and restoration	
20.	Lobbying and political donations	

Our new performance and reporting framework

We have formulated each of our four strategic pillars by grouping our related material issues and the sustainability issues of most importance to our investors for each, with the relevant UN SDG they relate to. We show below the mapping of each pillar to the relevant UN SDG together with our high-level ambitions and priorities for each pillar. Our sustainability strategy is aligned to those UN SDGs where Savannah can have the biggest economic, environmental, social and governance impact to achieve a better and more sustainable future for our host nations in Africa.

During 2021 we are rolling out our new sustainability performance and reporting framework which incorporates six sustainability reporting standards mapped to each of our 13 UN SDGs. We plan to provide measurable, verifiable and trackable performance metrics for this going forward. This will allow us to set meaningful sustainability performance targets for the Group and track our progress against these, which will form the basis for our sustainability reporting from 2022 onwards.

Savannah's sustainability performance and reporting framework



1 Promoting socio-economic prosperity

Material issues

- Socio-economic prosperity
- Tax transparency and contribution
- Community engagement and development
- Local content and responsible procurement

Ambitions

1. Make a positive difference to the socio-economic development of our host countries.
2. Build strong and meaningful relationships with our local communities based on mutual trust and benefit.
3. Enhance value creation potential by championing the development of local content.

SDGs

2020 reporting metrics

- Total contributions
- Social impact investment
- # of social impact projects
- Payments to local suppliers and contractors

2 Ensuring safe and secure operations

Material issues

- Health and safety
- Security and human rights

Ambitions

1. Continually prioritise and improve upon the safety and security of our work environment.

SDGs

2020 reporting metrics

- # of security/transport incidents,
- # of journeys safely managed

3 Supporting and developing our people

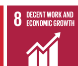
Material issues

- Workforce culture and engagement
- Training and development
- Diversity and equality

Ambitions

1. Cultivate a winning and inclusive culture to position our employees and the business for success.
2. Recruit, develop and retain the best talent through our commitment to professional development.

SDGs



2020 reporting metrics

- # of employees
- Amount of training hours
- Gender diversity
- % of local employees
- Ethnicity statistics

4 Respecting the environment

Material issues

- GHG emissions
- Biodiversity
- Water management

Ambitions

1. Deliver a cleaner performance by minimising our GHG emissions.
2. Monitor and manage our impacts on biodiversity and water.

SDGs

2020 reporting metrics

- Scope 1 GHG emissions
- Scope 2 GHG emissions
- Carbon intensity ratios
- UK energy usage

Sustainability review continued

Promoting socio-economic prosperity – a force for sustainable growth

The first pillar of our sustainability strategy is to promote socio-economic prosperity within the countries in which we operate. In Nigeria we currently supply gas which enables over 10% of Nigeria's thermal power generation. In Niger, we are participating in a wider energy sector project which is forecast to contribute up to 24% of Niger's GDP by 2025 and up to 45% of tax revenues.[1]

Strategic objectives

-

1 2 3 4

2020 performance

- We supplied gas enabling over 10% of Nigeria's thermal power generation and continued to play a strategic role providing a stable and reliable supply of gas to power stations and industrial users
- Our direct socio-economic contributions to our host countries comprising tax contributions, social investment projects and payments to local suppliers, contractors and employees totalled US$49.3 million
- We invested US$161,000 in 11 social impact projects in Nigeria and Niger which impacted 58 local communities

2021 objectives

- Aim to continue to be a strong, trustworthy and reliable partner for both Nigeria and Niger
- Progress the R3 East Development in Niger
- Continue to nurture positive, transparent and proactive relationships with our local host communities
- Further develop our strategic social impact programmes
- Progress our local content policy

Principal risks

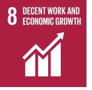
-

4 5 7 9 11 12 14

Material issues

- Socio-economic prosperity
- Tax transparency and contribution
- Community engagement and development
- Local content and responsible procurement

Alignment with UN SDGs



Central Processing facility in Esit Eket, Akwa Ibom State

Nkoyo Etuk
Head of Stakeholder Relations & Communications and Regional Manager SE, Nigeria

"Our Total Contributions since 2014 are approximately US$569 million and we have invested US$1.6 billion in our assets in Nigeria and Niger."

Contributing to the development of our host countries

In Nigeria we play a strategic role in providing a much-needed stable and reliable gas supply to power stations and industrial users. This is in line with the Nigerian Federal Government's National Gas Policy and the related 2021 to 2030 "Decade of Gas" initiative announced in March 2021 (see page 44 for further details) which seek to leverage off Nigeria's vast natural gas resources and reposition the country as an attractive gas-based industrial nation, helping to drive economic growth, prosperity and employment opportunities. In Niger, the new administration under HE President Bazoum is focused on attracting more foreign direct investment into the energy industry. This sector has become the driving force of the Nigerien economy and is the principal basis on which the new administration will be able to implement its social and economic strategy.

Savannah's direct socio-economic contributions to our host countries can be measured by tax contributions, social investment projects and payments to local suppliers, contractors and employees. Despite the impact of the Covid-19 pandemic in 2020, our total contributions to our host countries increased by 19% in 2020 compared to 2019 largely as a result of an increase in payments to local employees as we increased local headcount during the year.

Total contributions[d] **+26%**

Year	Total contributions
2018	US$39.1m
2019	US$41.6m
2020	US$49.3m

In 2020 Savannah qualified as a "large" company for the first time for the purposes of the EU Transparency Directive. Accordingly, in this year's Annual Report a detailed breakdown of our total contributions to governments is provided on page 175 in line with the EU Transparency Directive.

Our social impact investment (US$'000)

	2018	2019	2020
Nigeria	70	176	149
Niger	120	120	12
Total	194	296	161

Engaging with our communities

We are committed to multiplying our impact by taking action to promote the development of stable and prosperous communities in the areas in which we operate. To us, this means actively engaging with our host communities in Nigeria and Niger to understand their concerns and priorities, which allows us to better target our social impact investment and to build strong, productive relationships based on mutual trust and respect. Our engagement with local communities is spearheaded by our local Stakeholder Relations teams in Nigeria and Niger. (For further details on our engagement with communities please see the S172 on page 28.)

In terms of social investment, we are proactive in our approach with a focus on delivering social impact projects which develop local skills and foster economic self-sufficiency and provide shared infrastructure and potable water facilities as well as improving local living conditions through a range of social, health and education initiatives. Since 2014, Savannah has invested approximately US$1.7 million in such projects in the local communities in which we operate in Nigeria and Niger. In 2020 the Covid-19 pandemic made it difficult to complete many of our planned projects due to local lockdowns and restrictions on travel in Nigeria and especially in Niger. However, we were still able to complete 11 social impact projects in 2020, eight in Nigeria and three in Niger, for a total investment spend of US$161,000.

Infrastructure projects
5

Water projects
1

Skills training and economic projects
2

Health-related projects
1

Social action projects
1

Education-related projects
1

His Royal Highness (HRH), Etinyin Edet Nyong Ekeng
Clan Head of Idua /
Village Head of Idua Afaha Eduok in Oron LGA, Akwa Ibom State, Nigeria

"Savannah Energy has positively impacted our community. For example, they constructed a drainage system to tackle erosion in our community and they also provide employment opportunities to our local people."

Sustainability review continued

1. Promoting socio-economic prosperity – a force for sustainable growth continued

QIT Primary School renovation, Nigeria

In 2020 Savannah participated in the renovation of a classroom block at the QIT Primary School, Esit Uruan, in the Eket Local Government Area, Akwa Ibom State. The classroom block comprised three separate classrooms, each accommodating a minimum of 50 students. A water borehole was also provided as part of this project to ensure a supply of clean water to the school. This was an Uquo Field joint venture project in line with the Uquo Field Memorandum of Understanding signed with the host communities.

QIT Primary School, Esit Uruan, in Eket Local Government Area, Akwa Ibom State

Niamey Children's Centre, Niger

The Niamey Children's Centre provides health care, hygiene and education for the children of families in difficulty and for lost, abandoned and orphaned children. The centre currently accommodates 26 children aged from birth up to four years old and is run by a Director with a support team of doctors, psychologists and nurses. Depending on the situation, the centre aims to trace the children's birth parents or find suitable adoptive parents for them. In 2020 Savannah donated food products such as rice, pasta, milk and sugar, as well as cleaning and hygiene products to the centre.

Niamey Children's Centre, Niger

Raising standards in local content

Savannah has a well-established local content policy in Nigeria and Niger where we have seen the opportunity to support the development of robust local supply chains and local employment. Through our procurement policies, onboarding procedures and supplier training initiatives, we are augmenting our contribution to the capacity of local content.

Savannah has a standardised vendor onboarding policy that ensures vendors are subject to the necessary Know Your Customer ("KYC") processes and qualified prior to commitment or award of contract. The qualification process involves a compliance review and checks, legal due diligence and, in some cases, health, safety and environment and technical checks for vendors performing technical work. The level of risk and criticality of service being performed determines the qualification level assigned to the vendor. A vendor performance management system is in place to actively report and monitor the performance of all vendors. All vendors are maintained in a database on our enterprise resource planning system and are re-qualified every four years. Regular vendor forums are held to ensure vendors understand and work in line with our standards, performance and ethics, especially as they relate to UK anti-bribery policies. Community vendors are supported and encouraged to work with Savannah and are also subject to the same onboarding process. Only pre-qualified vendors are eligible to bid in the Company's tender process.

To ensure standardised processes, Savannah operates a global supply chain policy across the UK, Nigeria and Niger. This policy ensures that the same standards and practices, with the exception of unique local regulations, are implemented in all regions. This approach also affords opportunities for shared optimisation across regions.

Payments to local suppliers and contractors

Year	Amount
2018	US$16.0m
2019	US$10.3m
2020	US$16.7m

In Nigeria we have spent over US$325 million with local contractors and suppliers since 2014[1] and, as at 31 December 2020, we employed 167 people in country, of whom 99% were local workers. We are in full compliance with the Nigerian Oil and Gas Industry Content Development ("NOGICD") Act 2010 and we give first consideration to indigenes in our areas of operation. We hire local labour whenever possible to stimulate the local community and develop their skills through formal training and job development with experienced Savannah employees.

In Niger we and our subcontractors have a robust local content policy in place which includes recruiting local community residents whenever possible during our drilling and seismic campaigns as well as sourcing as many local supplies for projects as possible. All of our 13 employees in Niger are local while 90% of the contractors at our logistics base are drawn from the surrounding communities in line with our local content policy.

Savannah's sponsorship of leading Nigerian judo athlete Enku Ekuta

Savannah's Accugas subsidiary is proudly sponsoring 22-year-old Enku Ekuta, Nigeria's highest-ranked judo athlete. Enku's unbelievable dedication, determination and talent coupled with her adherence to the judo moral code make her a fantastic ambassador for Savannah. Enku was born and raised in Akwa Ibom State, where Savannah's field operations are located.

The sponsorship is part of our social impact investment programme and a demonstration of Savannah's commitment to the development of judo in Nigeria, a sport which is growing in popularity. Enku was selected for this prestigious sponsorship award on the basis that she personifies Savannah's "SEE-IT" values of Sustainability, Excellence, Entrepreneurialism, Integrity and Teamwork.

The sponsorship has already tremendously impacted Enku's performance. So far, Enku has participated in four major judo competitions in Africa, winning medals in each: Enku won a bronze medal at the 2020 Senior African Open Judo Championship in Yaoundé, Cameroon; gold at the 4th African Judo Open in Dakar, Senegal; another bronze at the 41st African Seniors Championship in Antananarivo, Madagascar; and gold at Nigeria's National Sports Festival, as well as being awarded the "Most Valuable Female Judoka" of the event. In addition, Enku participated at the Judo Grand Slam 2021 Tashkent, Uzbekistan, in her first competition outside of Africa.

Since benefiting from Savannah's sponsorship, Enku's world ranking has moved from 112 to 61.

"I would like to thank Accugas for the support and belief they have shown in me."

Enku Ekuta
Nigerian judo athlete

Enku Ekuta, Nigerian judo athlete

We recognise that the nature and context of our business and supply chain expose Savannah to the potential risk of instances of modern slavery and human trafficking. Savannah operates and applies a zero-tolerance policy towards any form of modern slavery and ensures that the rights of all workers operating within the Company's supply chains are protected throughout. Savannah undertakes to not use forced, bonded or involuntary labour, and workers are not required to lodge "deposits" or identity papers with the Company and can leave after giving reasonable notice, with all wages owed to be paid. We have a zero-tolerance approach towards human trafficking.

Soraya Moulaye
Head of Human Resources & Administration, Niger

"My colleagues are wonderful people. They are truly like family and we are a great team."

Chief Elder Efiong Abia
Chairman of Okpo Clan in Udung Uko LGA, Akwa Ibom State, Nigeria

"I can see the light of Savannah Energy shining in Udun Uko. Savannah has invested in local projects, such as electrification and a new town hall and water borehole, while an orphan from our village has benefited from the Company's scholarship programme. May God continue to bless Savannah Energy."

Sustainability review continued

Safe and secure operations – embedding a zero-harm culture

2

Ensuring a high standard of health and safety throughout our operations is a top priority for Savannah and we firmly embed this culture across the business. Our robust health and safety policies are accompanied by strong security practices.

Strategic objectives

-

2020 performance

- Savannah continued to achieve an impressive safety record across the Group with zero incidents recorded for the Lost Time Injury Rate (“LTIR”) and a Total Recordable Incident Rate (“TRIR”) of 0.28 per 200,000 man-hours
- We conducted regular security risk and threat assessments for our areas of operation and project locations, both for predictive and preventive purposes
- Savannah has worked with our assigned government security forces (“GSF”) personnel so as to ensure the maintenance of the rule of law, including the safeguarding of human rights, by deterring acts that threaten the security of our operating facilities and project locations
- We have co-ordinated and ensured that the type and number of GSF personnel deployed at all Company assets are competent, appropriate and proportionate in number to the assessed project risk and, as part of our day-to-day operations and activities, have organised meetings with the GSF commanders on a regular basis to discuss both regional and local security and threats

2021 objectives

- Continue to target zero injuries and asset damage and ensure our contractors’, service providers’ and vendors’ HSE management performance is in line with our policies
- Ensure that all our assets (people, facilities, environment, reputation and stakeholders) are protected from attack and other threats and manage the associated risks to a level that is as low as reasonably practicable
- Further develop and embed our crisis management and emergency response planning and management capabilities in our operational business activities
- Maintain the current high level of performance for human rights within the Voluntary Principles on Security and Human Rights (“VPoSHR”) framework
- Continue to develop and implement constant training and knowledge transfer programmes throughout 2021 to aid Savannah’s commitment to international industry best practice and operating frameworks

Principal risks

-

Material issues

- Health and safety
- Security and human rights

Alignment with UN SDGs

Savannah’s Jaouro base, Agadem Niger

Prioritising safety in the workplace

Savannah is committed to managing our operations in a safe, secure and reliable manner and considers that a high standard of health and safety is critical to the ongoing success of the Group's operations, activities and projects. We are firmly committed to the goal of injury-free time across the business and consider this performance metric a top priority for our people and contractors, and other stakeholders.

Savannah continued to achieve an impressive safety record in 2020 with zero incidents recorded for the Lost Time Injury Rate ("LTIR") and a Total Recordable Incident Rate ("TRIR") of 0.28 per 200,000 man-hours.

This is due to our workforce's adherence to Savannah's policies and management system processes at a high level. In addition, thanks to the swift implementation of strict Covid-19 protocols across the business in 2020, no Covid-19 cases were recorded at any of our operational sites and we continued to operate in all offices and field locations without any disruption.

Security and human rights

We are deeply cognisant of the security challenges in the regions where we operate, and we proactively manage these threats through our strong relationships with communities, governments and our people.

Read more about our principal risk on security in our Risk Management section on page 77

Savannah's Asset Protection team is tasked with continually monitoring, assessing and, thereby, seeking to mitigate the security threats and risks present in the Group's operational and project environments. We conduct regular security risk and threat assessments for our areas of operation and project locations, both for predictive and preventive purposes. We also maintain a human rights register and conduct conflict analysis in the Group's operational and project areas. We seek to ensure as far as possible that actions taken by host governments in relation to projects we are involved in, particularly the actions of GSFs, are consistent with the protection and promotion of human rights.

Savannah is committed to acting in accordance with internationally-recognised human rights and standards, including the International Bill of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the United Nations Guiding Principles on Business and Human Rights, making them integral to the way we operate. Our Human Rights Policy as posted on our website (www.savannah-energy.com) applies to all Savannah Energy employees worldwide and we also require our contractors and suppliers to respect and adhere to this policy.

Respecting human rights is a fundamental part of Savannah's commitment to protecting all of our stakeholders across the business. We have a stringent set of policies, regulations and work practices to ensure this commitment is upheld. We adhere to the VPoSHR framework as laid out by the Voluntary Principles Initiative and, as such, are committed to maintaining the safety and security of our operations, activities and projects in a way that ensures respect for human rights and fundamental freedoms.

A key aspect of Savannah's approach to, and implementation of, our Human Rights Policy in the workplace is the requirement that all suppliers, service providers, partners and contractors shall understand, acknowledge and follow the same standards that are enshrined in the Group's Code of Ethics. Any person or organisation which does not follow and implement these stated principles shall be excluded from the Group's approved vendor list.

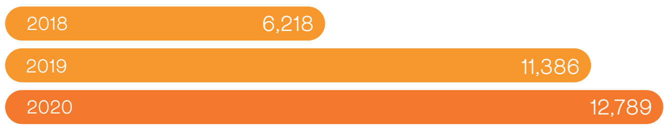
We work and co-operate with host governments to ensure any action taken by them is consistent with the protection and promotion of human rights. To underpin this operational management practice, Savannah organises and implements regular structured meetings involving governments and their assigned agencies, to discuss security and human rights in Savannah's areas of operations, activities and projects.

Moussa Chétima
Health, Safety and Environment Officer for Savannah, Niger

"I pride myself on making sure that Savannah meets its objective of providing a safe workplace for all."

Number of security/transport incidents

Total number of journeys safely managed



Sustainability review continued

Supporting and developing our people – empowering our colleagues to thrive

3

Our employees bring a broad range of experience, expertise and perspective to Savannah that contributes to our collective values and culture, and are essential to the delivery of our strategic objectives. We recognise that an inclusive culture and diverse workplace are critical to maintaining a sustainable business and, as such, are important factors in Savannah's ongoing and long-term success.

Strategic objectives

-

2020 performance

- We implemented a range of human resources and internal communications initiatives during the year to boost employee engagement across the Group
- We conducted a full range of training and awareness-raising courses, with a total of 3,897 training hours in 2020 or an average of 18.5 hours per employee
- Savannah achieved 35% female diversity for leadership and senior management roles, and 18% female diversity for the Group
- In Nigeria and Niger, we employed 99% and 100% local staff respectively while in the UK 19% of our employees disclosed themselves to be from ethnic minority backgrounds
- We launched our new "Speak Up" whistleblowing hotline available to staff in any location, 24 hours a day and seven days a week

2021 objectives

- Continued focus on training, awareness-raising and skills reinforcement programmes for all staff members and contractors
- Savannah will make every effort to search out and employ the most talented, skilled and experienced people
- Continue to improve our gender and ethnic minority diversity ratios

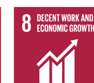
Principal risks

-

Material issues

- Workforce culture and engagement
- Training and development
- Diversity and equality

Alignment with UN SDGs



Central Processing facility, Esit Eket, Akwa Ibom State, Nigeria

Engaging with our employees

We engage with our employees in a variety of ways to ensure that they are well informed, motivated and appropriately developed to execute our strategy and the long-term goals of the business. Our culture is designed to foster excellence and is built on our SEE-IT corporate values of Sustainability, Excellence, Entrepreneurialism, Integrity and Teamwork. We have an open, collaborative and inclusive management structure and engage regularly with our employees. We do this through a continuous feedback performance management process, structured career conversations, CEO internal announcements, town hall sessions, employee surveys, a corporate intranet site, Company presentations, away days, and our training and well being programme.

Read more about our stakeholder engagement on page 28

Training and development

We underpin our culture with rigorous training and development programmes that seek to develop our colleagues to reach their full potential. We aim to employ the best talent, offering tailored training programmes, both external and "on the job", mentoring by more experienced staff and senior management of the Company, continual professional development and new skills development. Despite the difficulties due to Covid-19, in 2020 our employees received a total of 3,897 training hours, or an average of 18.5 hours per employee, which included compliance training for anti-bribery and corruption, whistleblowing and data protection/privacy, training for health and safety and a variety of IT skills, and a series of monthly "Lunch and Learns" for all Group employees.

Stubb Creek facility,
Akwa Ibom State, Nigeria

Employee and contractor numbers by year +21%

Year	Employees	Contractors
2019	169	34
2020	211	34

Enhancing employee engagement and communications

We focused on implementing a range of human resources and internal communications initiatives during the year designed to boost employee engagement across the Group. We launched a new intranet site to help our employees access useful information, receive human resources updates and learn more about the organisation and the industry in which we operate. We also published the first edition of our new quarterly SEE-IT employee newsletter whose name is an acronym of Savannah's five corporate values, Sustainability, Excellence, Entrepreneurialism, Integrity and Teamwork – and which is designed to keep our employees informed about all the latest developments at Savannah. We recognised our employees who go the extra mile in demonstrating our SEE-IT values with a new Group-wide Employee of the Month award based on nominations from colleagues, while our Employee Engagement Committee in Nigeria was refreshed with new membership elections held in December 2020. We also began a new series of monthly "Lunch and Learns" for all Group employees to share knowledge and foster a collaborative culture across the business.

We launched two new social media series during the year published externally on Savannah's Twitter and LinkedIn feeds, focusing on "A Day in the Life" of our employees in Nigeria and Niger, as well as a series of in-depth interviews with Savannah's senior women leaders across the business.

Olatundun Williams,
Head of Human Resources & Supply Chain, Nigeria

"We look forward to 2021 with confidence as we continue to add talented new employees to serve our growing customer base and successfully expand the business in Nigeria."

Sustainability review continued

3. Supporting and developing our people – empowering our colleagues to thrive continued

Training and development continued

In Nigeria we also undertook a competency assessment project to establish a competency framework for the Operations Function. This entailed, assessing 77 employees against the skills and knowledge requirement for their roles to identify skills and knowledge gaps. These individuals then also developed competency development plans to close the identified gaps.

Diverse and inclusive workplace

Savannah endeavours to create an inclusive and collaborative working environment that allows all employees to build their careers in an open and collaborative culture. We strongly believe that diversity throughout the organisation helps build a stronger workforce and improves business performance. Therefore, Savannah is committed to being an equal opportunity employer, with policies in place to ensure that the best person, irrespective of gender, race, disability, ethnicity, religious belief or sexual orientation, is appointed to a particular role or position within the organisation.

Our gender diversity for the organisation as a whole remained broadly similar in 2020 to 2019 but improved notably for senior management roles where female diversity increased from 25% in 2019 to 35% in 2020.

In Nigeria and Niger, we employed 99% and 100% local staff respectively as at the end of 2020 which we are extremely proud of. In the UK 19% of our employees disclosed themselves to be from ethnic minorities, which compares favourably to the UK benchmark of 14% as a whole according to the 2011 UK census data.

Patience Emmanuel-Onyegu
Senior HR Business Partner, Nigeria

"Savannah promotes diversity and inclusion, a rare quality in many organisations."

Gender diversity 2019

Senior management:

Female	25%
Male	75%

Group:

Female	20%
Male	80%

Gender diversity 2020

Senior management:

Female	35%
Male	65%

Group:

Female	18%
Male	82%

NECA Employer of the Year Award

Savannah's Universal Energy Resources Limited ("UERL") subsidiary was awarded the prestigious Employer of the Year Award for the Oil and Gas (Upstream) sector at the Nigeria Employers' Consultative Association ("NECA") Annual Employers' Excellence Awards held in May 2021.

The NECA Awards recognise companies that have exhibited "Excellence", one of Savannah's own SEE-IT core values. UERL was evaluated on its leadership, corporate performance, governance, health and safety, human resource management, innovation and technological innovation, as well as its ability to promote best practices and responsible business engagement for the benefit of the Nigerian economy.

NECA is the biggest umbrella organisation of private-sector employers in Nigeria.

Okwudili Onyia (R) and Obinna Okorie (L) from Savannah's Nigeria Stakeholder Relations team accepting the NECA Award

Promoting strong ethics in the workplace

Our Anti-Corruption and Bribery Policy is available to download from our website (www.savannah-energy.com). It sets out responsibilities with regards to compliance with anti-bribery and corruption laws in all jurisdictions in which the Group operates, as well as providing guidance on how to recognise and deal with bribery and corruption issues and their potential consequences. Our policy is circulated to all Group employees and is provided to any new joiners and contractors employed by the Group. All Group employees are required to confirm receipt of the policy and undergo anti-corruption and money laundering training on an annual basis. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, conduct business in compliance with this policy.

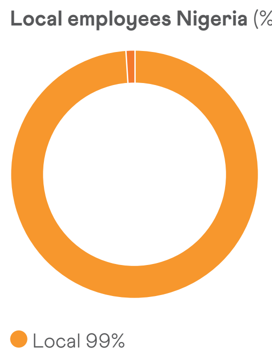
Savannah has a whistleblowing policy, which includes an independent and confidential whistleblowing hotline. Employees may also report any unethical behaviours to their line manager or the Compliance, Legal or HR functions without fear of penalty or punishment.

"Savannah is committed to achieving high standards of conduct and accountability."

Titilayo Okoye
Group Head of Compliance

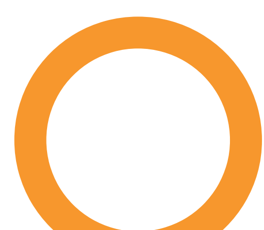
Ethnicity 2020

Local employees Nigeria (%)



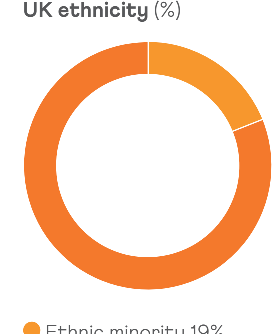
Local 99%
Non-local 1%

Local employees Niger (%)



Local 100%
Non-local 0%

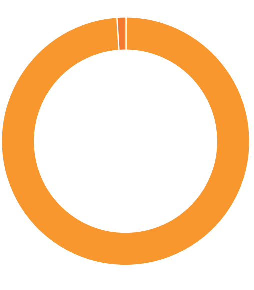
UK ethnicity (%)



Ethnic minority 19%
White 81%

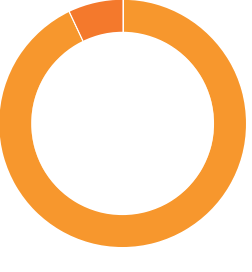
Ethnicity 2019

Local employees Nigeria (%)



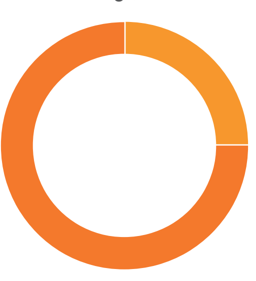
Local 99%
Non-local 1%

Local employees Niger (%)



Local 93%
Non-local 7%

UK ethnicity (%)



Ethnic minority 25%
White 75%

Sustainability review continued

Respecting the environment – managing our environmental impacts

We believe that fossil fuels have a critical role to play in the energy transition in Africa. Good stewardship of our assets is essential to manage the environmental footprint over time of our existing projects and markedly improve those we seek to acquire and operate in the future.

Strategic objectives

-

2020 performance

- Undertook a robust and detailed GHG emissions measuring project to provide Savannah's Scope 1 and 2 GHG emissions data and carbon intensity status for the last three years
- Managed the Company's "produced" water arising from our operations, activities and projects in Nigeria in line with the Nigerian Department of Petroleum Resources' guidelines
- In Nigeria all of Accugas' environmental emissions were recorded as being within the national, regional and local regulatory limits as prescribed by the relevant national environmental legislation

2021 objectives

- Commit to measuring and tracking our GHG emissions and carbon intensity status going forward
- Improve the performance and efficiency of the gas compressor at Stubb Creek (Nigeria) to achieve a reduction in future flaring at the facility.
- Commit to reporting on Savannah's biodiversity and water management activities.
- Install sewage treatment plants at all operational and field facilities in Nigeria

Principal risks

-

Material issues

- GHG emissions
- Biodiversity
- Water management

Alignment with UN SDGs

Savannah's Jaouro base, Agadem, Niger

Mitigating our GHG emissions

In line with the re-focus of our sustainability strategy on four key pillars, and our advanced plans to roll out a new sustainability performance and reporting framework for the Group in the remainder of 2021, during the past year we have worked with an external consultant to undertake an extensive and detailed assessment of our carbon footprint and intensity baseline status. This assessment has been achieved via a robust and extensive analysis of Savannah's Scope 1 and Scope 2 greenhouse gas ("GHG") emissions over the last three years from 2018 to 2020 (inclusive) and arising from all of Savannah's operational and administrative locations (i.e. the UK, Nigeria and Niger). Although we did not acquire our assets in Nigeria until November 2019, we have included data for the Nigerian assets on a proforma basis since 2018, but it should be noted that the assets were not under our operational control until late 2019.

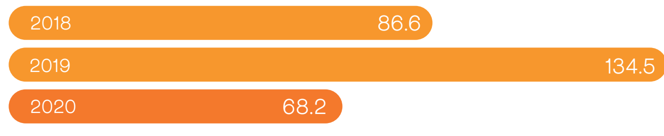
While we intend to commence formally reporting against our new sustainability performance and reporting framework in our 2021 Annual Report. However, as an energy company at the forefront of the energy transition in Africa, we have prioritised the assessment of our carbon footprint and intensity baseline status in order to report our GHG Scope 1 and 2 emissions data for the Group for the first time this year, providing annualised data for the previous three years. As part of our re-focused sustainability strategy, we are committed to the measuring and tracking of our GHG emissions and carbon intensity status going forward. As shown in the charts below, our carbon intensity ratios expressed both as "tonnes of CO_2e emitted per thousand tonnes of hydrocarbons produced/exported" and "kg of CO_2e/boe" fell substantially in 2020 compared to 2019. This is attributable to a combination of the 13% reduction in the volume of our Scope 1 emissions from 105,629 tonnes in 2019 to 91,507 tonnes in 2020 due to a reduction in transportation-related emissions in Nigeria and an increase in our average gross daily production from 17.2 Kboepd in 2019 (on a pro-forma basis) to 19.5 Kboepd in 2020. Our carbon intensity ratio expressed as CO_2e + CO_2e MJ-1, which takes into account our Scope 3 emissions, also fell from 55.6 to 54.5 g CO_2eMJ-1 between 2019 and 2020.

As shown in the two charts at the foot of the page, our carbon intensity ratios compare favourably with the averages of those of the supermajors' for the past three year period (2018-2020) on both a "kg of CO_2e/boe" and a "g CO_2eMJ-1" basis where published data is available.

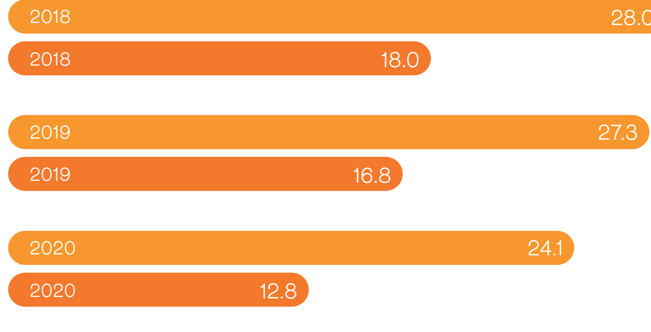
Scope 1 CO_2 and CO_2e combined GHG emissions (tonnes)

Scope 2 CO_2 and CO_2e combined GHG emissions (tonnes)

Emissions resulting from the purchase of third-party electricity or national grid company electrical power related to Savannah's offices and headquarters in our three principal countries of operation.



Savannah vs. supermajors' carbon intensity (kg CO_2e/boe)



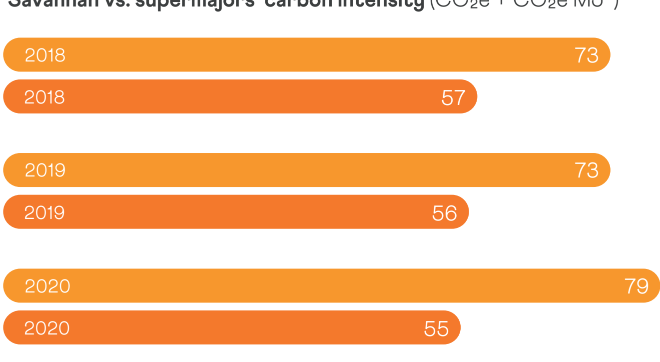
* Note: based on the latest published data by BP, ConocoPhillips and Eni who report their carbon intensity ratios on this basis.

Carbon intensity (tonnes of CO_2e/'000 tonnes of hydrocarbons)

Carbon intensity (kg CO_2e/boe)

Carbon intensity (g CO_2e MJ^{-1})

Savannah vs. supermajors' carbon intensity (CO_2e + CO_2e MJ^{-1})



** Note: based on the latest published data by Royal Dutch Shell and Total who report their carbon intensity ratios on this basis.

Sustainability review continued

4. Respecting the environment – managing our environmental impacts continued

Streamlined Energy & Carbon Reporting ("SECR") requirements

These disclosures are made in accordance with SECR Guidelines. The data included covers the FY 2020 financial year and will form the base year for future comparison due to this being the first year that Savannah has been subject to the SECR requirements. The data covers carbon emissions and energy usage for our London, UK head office only.

Carbon emissions and energy usage from our subsidiaries outside of the UK are outside the scope of the SECR reporting requirements and are, therefore, excluded from the figures below. However, as part of our re-focused sustainability strategy and new Group sustainability performance and reporting framework, we are also reporting our Scope 1 and 2 carbon emissions and carbon intensity ratios for the Group as a whole for the first time this year. For further details please see the Sustainability Review on page 74.

For the purposes of the SECR requirements, our UK Scope 2 carbon emissions and energy usage for the UK are presented in the table below. We do not have any Scope 1 carbon emissions in the UK. The data has been compiled by an external consultant who has undertaken a robust and extensive analysis of Savannah's GHG emissions and energy usage. Our UK energy consumption relates entirely to the purchase of grid electricity from third parties for our London, UK head office use. Our energy usage, GHG emissions and carbon intensity ratios have been compiled using raw electricity usage data supplied by our electricity providers to which the American Petroleum Institute ("API") average emissions factor of 0.233 kg CO_2e KWh-1 (the coefficient for an average energy fuel mix) has been applied. It should be noted that we substantially reduced our UK Scope 2 carbon emissions and energy usage in 2020 compared to 2019. This was primarily due to the Covid-19 pandemic which resulted in more staff working from home and, consequently, lower electricity usage in our London office. Our kWh/person carbon intensity ratio was also positively impacted by a 30% increase in headcount in our London, UK office between 2019 and 2020. Following the gathering of this year's UK base line assessment data, and in the light of our refocused sustainability strategy and new Group sustainability performance and reporting framework, we intend to focus on ways in which we could potentially improve our UK energy efficiency metrics for the next reporting year and beyond.

Stubb Creek facility, Akwa Ibom State, Nigeria

Emissions Type	2019	2020	% reductions
UK Scope 2 emissions (tCO_2e)	76.9	**33.6**	-56%
UK energy use (kWh)	330,000.0	**144,000.0**	-56%
UK carbon intensity (kWh/person)	13,750.0	**4,645.0**	-66%

Addressing biodiversity, water management and waste

As part of our re-focused sustainability strategy, we are committed to understanding how our operations affect biodiversity and local water supplies in our areas of operations to ensure we have the protocols in place to minimise our impact on vital natural resources. While our Accugas subsidiary has operated within the requirements of the International Finance Corporation's eight Performance Standards and the World Bank's Environmental, Health & Safety Guidelines ("WBG EHS Guidelines") for a number of years, including IFC PS 3 relating to Resource Efficiency and IFC PS 6 relating to Biodiversity, with the roll out of our new sustainability performance and reporting framework, we intend to measure and track our performance in these two areas on a Group-wide basis. With this in place, we plan to report on biodiversity, water management and waste on a Group-wide basis in our sustainability reporting from 2022 onwards.

With regard to the measurement and tracking we undertake for our Accugas subsidiary in Nigeria, in line with the requirements of the IFC Performance Standards and EHS Guidelines, an overview of Accugas' operational environmental performance in Nigeria in 2020 is as follows:

- Produced sand and hydrotest effluent: no produced sand (no vessel de-sanding took place) and hydrotest water effluent;
- Domestic sewage: all domestic sewage (offices and facility based) was transported off site and disposed of by government-approved contractors;
- Facility storm (runoff) water: all facility storm water runoff was successfully treated on site prior to discharge after the Department of Petroleum Resources and IFC Environmental, Health and Safety ("EHS") Guideline parameter values were met;
- Atmospheric emissions (point source): air (atmospheric) emissions were measured throughout 2020 and were recorded as being within the parameter limits stipulated within the World Bank/IFC EHS Guidelines; and
- Noise emissions: similarly, noise limits stipulated by the above guidelines were also found to be within range for daytime operations.

Shedrack Siakpebru
Head of HSE & Regulatory Affairs, Nigeria

"Accugas has operated in accordance with the International Finance Corporation's eight Performance Standards and the World Bank's Environmental, Health & Safety Guidelines for the energy sector since 2017."

Risk management

Our approach to risk management

Risk management is an integral part of the Group's business activities and our ability to identify, assess, monitor and manage our business risks is fundamental to Savannah's ability to deliver long-term performance.

In this section of the Annual Report we discuss the Group's approach to risk management and how the risk environment changed over the course of 2020.

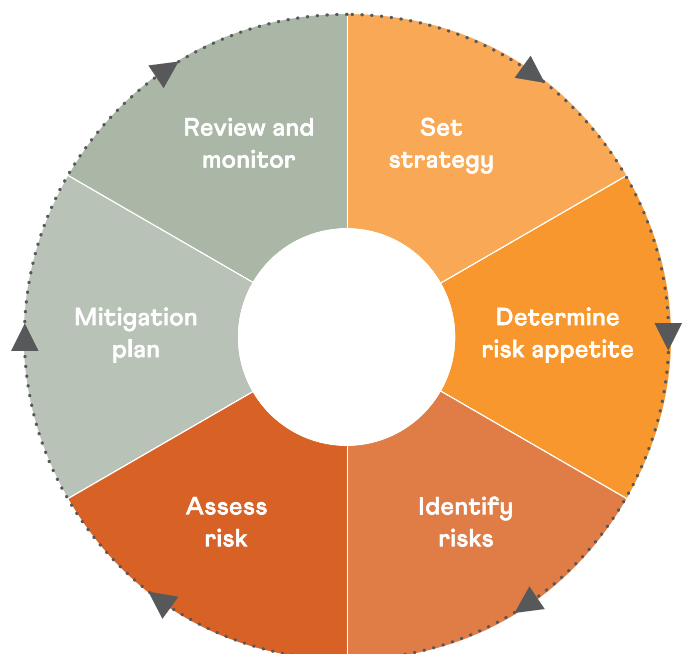
Risk management framework

Savannah's risk management framework is made up of six components which combine to create an effective system of risk management and internal control. It is through the application of the risk management framework that clear procedures for risk identification, assessment, measurement, mitigation, monitoring and reporting are aligned with the Group's strategic aims and the Board's risk appetite. The Group considers both prevailing and emerging risks in the risk identification process. Every risk has a designated Risk Owner and a member of the Executive Team has responsibility for oversight of each risk. Whilst the Board is ultimately responsible for the management of risk, the Group is structured in such a way that risk management is conducted at all levels of the Group and is embedded in our business practices:

- **The Board** sets the risk appetite for the Group, establishes and monitors the risk management strategy and is responsible for maintaining a robust and effective internal control system;
- **The Executive Team** runs the business in line with the risk management strategy established by the Board and is responsible for the day-to-day application of this strategy; and
- **Managers and staff** are responsible for identifying and assessing risks relevant to their functions, roles or activities and for managing and reporting those risks in line with the Group's policies and procedures.

Risk registers are maintained at the business and functional levels, and are consolidated into the corporate risk register. These risks are assessed, after taking into account mitigation plans and actions, on two levels: the likelihood of the risk arising and the potential impact of such risk.

Risk management framework



Risk management continued

Mapping our principal risks

The mapping of our risks is based on both qualitative and quantitative assessment of the likelihood and impact of each particular risk over the short and medium term, taking into account the Group's strategic and business objectives.

Of the risks that are trending upwards, country risk, foreign exchange risk and liquidity risk are to a large extent inter-related and the upward trend stems from the impact that the Covid-19 pandemic has had on the Nigerian economy and the rising risk of devaluation of the Naira. Cyber security and ESG and climate change are continuously evolving risks for businesses. Those risks that are trending downwards are largely as a result of affirmative actions taken by the Group in conjunction with other relevant stakeholders during 2020.

Risk Factors	Trend
Strategic	
1. Country	↗
2. Acquisitions	→
3. Reserves and resources	→
4. Exploration and appraisal	→
Operational	
5. Capital projects	↗
6. Industrial action	↘
7. Supply interruption	↘

Risk Factors	Trend
Financial	
8. Foreign exchange	↗
9. Gas sales agreements	→
10. Liquidity	↗
Sustainability	
11. Ethical conduct	→
12. HSSE and our social "licence to operate"	→
13. Cyber security and data protection	↗
14. ESG and climate change	↗
15. Organisation	↘

Uquo Central Processing facility,
Esit Eket, Akwa Ibom State, Nigeria.

Set out below are the risks which the Directors consider particularly relevant to the Group's business activities at the date of this report and the mitigating actions that are being taken to manage these risks. This section is not intended to be an exhaustive list of all the risks that may arise, nor is the order of the content intended to be any indication of priority. In a changing business environment, other risks are assessed as part of the Group's risk management framework and are mitigated as they arise.

Principal risks – strategic

Country risk

Description

The Group's assets and operations are located in Nigeria and Niger, countries which are classified as emerging markets. These markets are typically seen as being at heightened risk of adverse changes to the political, economic, fiscal or regulatory environments and for the rule of law to be less predictable than in developed markets.

2020 saw a significant global recession, which particularly affected Nigeria's economy and state finances. This deteriorating economic outlook has resulted in the Group assessing the country risk of operating in Nigeria to be higher in 2020 than in 2019. The economic impact of the global recession on Niger was muted given the more insular nature of the country's economy. Given this, the country risk of operating in Niger was assessed to be stable in 2020 compared to 2019.

Strategy link: 1 2 3 4 5

Risk movement: Increased

Direct oversight: Chief Executive Officer

Potential impact

A change in the political, fiscal or regulatory environment in our countries of operation may result in us being unable to meet one or more of our strategic objectives.

In Nigeria, the Group is particularly sensitive to any changes impacting the country's gas and power sector. In Niger the Group is particularly sensitive to any changes impacting the country's oil sector.

Key mitigants

- Continuous, open engagement with regulators and other authorities and agencies in our countries of operation, particularly in the Nigerian power sector
- Principal contractual arrangements subject to international arbitration provisions where possible.
- Largest Nigerian gas sales agreements benefit from credit enhancements associated with investment-grade international bank guarantees
- Various state sponsored (and World Bank assisted) initiatives to improve operating efficiency in the Nigerian power sector

2021 objectives or KPIs

- Total Revenues from Nigeria operations of more than US$205 million

2

Acquisitions

Description

The success of the Group's acquisition strategy depends on identifying suitable targets, procuring the necessary financing and obtaining any consents or authorisations required to carry out the acquisition. Furthermore, there is a risk in M&A transactions that they do not close and the Group suffers aborted transaction expenses, which can be material. There is also a risk that actual performance of the acquired assets or businesses does not meet expectations.

Strategy link: 4 5

Risk movement: Stable

Direct oversight: Chief Executive Officer

Potential impact

If anticipated benefits are not realised, or trading by acquired businesses is below expectations, the Group's financial performance may suffer.

Key mitigants

- Structured and appropriate due diligence undertaken on potential targets
- Strong operating platform designed to enable successful asset or business integration to deliver transaction benefits
- Experienced Board and management team

2021 objectives or KPIs

- Deliver at least one material value and free cash flow accretive acquisition

Strategic objectives legend

1. Deliver value safely and sustainably
2. Optimise existing portfolio performance
3. Deliver organic growth
4. Deliver value accretive inorganic growth
5. Provide cash returns to shareholders

Risk movement legend

Increased

Stable

Reduced

Risk management continued

Principal risks – strategic continued

Reserves and resources

Description

Hydrocarbon reserve and resource estimates are highly subjective and no assurance can be given that they will be recovered at the rates, or in the quantities, estimated or that they can be brought into profitable production. Hydrocarbon reserve and resource estimates can, therefore, be subject to revision.

In Nigeria, the Group has entered into long-term gas sales agreements which are backed by the Group's gross 2P + 2C gas reserves and resources. In Niger, the proposed R3 East Development is based upon an estimated 2C resource base of at least 30 MMbbls.

Strategy link: 1 2 3 5

Risk movement: Stable

Direct oversight: Chief Operating Officer

Potential impact

In Nigeria, if the Group's gas reserve and resource estimates were to be revised downwards, it could impact on production and revenue, and the Group might be unable to meet its downstream contractual commitments. In Niger, if the estimated R3 East oil resources are lower than currently estimated, the field development could prove to be uneconomic.

Key mitigants

- Extensive internal and independent sub-surface and engineering studies undertaken throughout the assets life cycles

2021 objectives or KPIs

- Business Development activities to access additional gas supplies
- Testing of the Amdigh and Eridal discovery wells

4

Exploration and appraisal

Description

Exploration and appraisal of oil and gas is speculative and involves a high degree of subjectivity in the assessment of risk.

Strategy link: 3 5

Risk movement: Stable

Direct oversight: Chief Operating Officer

Potential impact

The Group may not discover hydrocarbons in anticipated commercial quantities and those discovered may not be developed into profitable production.

Key mitigants

- The Group has rigorous processes and procedures in place to assess the risks associated with its exploration and appraisal activities, and engages appropriate consultants to supplement its in-house expertise

2021 objectives or KPIs

- Testing of the Amdigh and Eridal wells

Strategic objectives legend

1. Deliver value safely and sustainably
2. Optimise existing portfolio performance
3. Deliver organic growth
4. Deliver value accretive inorganic growth
5. Provide cash returns to shareholders

Risk movement legend

- Increased
- Stable
- Reduced

Principal risks – operational

5

Capital projects

Description

There is both operational and financial risk to the delivery of capital projects safely, on time and to budget. In Nigeria, the CPF compression project is scheduled to commence in 2021 and drilling of an additional gas well on Uquo is scheduled for 2021. Both projects are necessary to sustain the production capacity from the Uquo Field and the specification of the produced gas. For this reason, we have assessed Capital Project risk to be higher this year.

Strategy link: 1 2 3 5

Risk movement:

Direct oversight: Chief Operating Officer

Potential impact

Failure to achieve this could result in an HSSE incident, project delays or may result in a negative impact on future anticipated cash flows.

Key mitigants

- Robust project execution planning, scope of work definition and project management procedures over the full project life cycle
- Competitive tendering for services and contractor selection

2021 objectives or KPIs

- Progress the compression project in Nigeria for completion in 2022
- Drill an additional gas supply well to increase production capacity of the Uquo Field
- Capital expenditure of up to US$65 million

6

Industrial action

Description

Labour disputes, unrest or strike activity ("Industrial Action") could adversely affect the Group's ongoing operations and the Group's ability to produce and market oil and gas production. Industrial Action in our countries of operation could be on a company, industry or national scale. We have assessed this risk to be lower this year following successful employee engagements and other initiatives.

Strategy link: 1 2 3

Risk movement:

Direct oversight: Group Head of Strategy

Potential impact

Business interruptions caused by Industrial Action could have a negative impact on anticipated future cash flows.

Key mitigants

- The Group actively engages with its staff and has in place competitive remuneration packages for its employees
- The Group has made and will continue to make significant investments in employee training and development programmes

Risk management continued

Principal risks – operational continued

7

Supply interruption

Description

The integrity and productive capacity of the Group's wells, processing facilities and pipelines is central to our ability to continue to supply gas in a safe and socially responsible manner and to meet contractual obligations. We have assessed this risk to be lower as a result of maintenance programmes introduced after we took over CPF operations and enhancements made to the CPF during 2020.

Strategy link: 1 2 3

Risk movement: Reduced

Direct oversight: Chief Operating Officer

Potential impact

Failure to proactively maintain the Group's assets, could lead to HSSE issues (see Risk Factor 12) and/or a failure to meet contractual obligations, leading to a negative impact on future anticipated cash flows.

Key mitigants

- Comprehensive maintenance programmes in place to ensure integrity of facilities and continuous operations
- Regular inspection, clearing and maintenance of pipelines and their rights of way
- Additional gas wells to be drilled to maintain gas production capacity to meet contractual obligations

2021 objectives or KPIs

- Gas supply well to be drilled on the Uquo field

Principal risks – financial

8

Foreign exchange

Description

The Group is exposed to fluctuations in foreign currency exchange rates and liquidity, particularly as it relates to the Nigerian Naira, the West African CFA, the US Dollar and the British Pound. Of particular focus for the Group is the Nigerian Naira because under the terms of our GSAs, which are Dollar-denominated, customers are able to pay in Naira. The Naira has devalued significantly over the last five years and is currently going through a period of relative illiquidity compared to other currencies and, for this reason, we have upgraded this risk this year.

Strategy link:

Risk movement: Increased

Direct oversight: Chief Financial Officer

Potential impact

Significant movements in the exchange rates of our operating currencies may result in exchange rate losses, and consequently may impact our anticipated cash flows.

Key mitigants

- Foreign Exchange true-up mechanism in the Calabar gas sales agreement reduces exposure to foreign exchange losses
- Significant proportion of Nigerian cost base is currency matched
- **2021 objectives or KPIs**
- Refinancing of Accugas debt facility into a Naira-denominated facility

Strategic objectives legend

1. Deliver value safely and sustainably
2. Optimise existing portfolio performance
3. Deliver organic growth
4. Deliver value accretive inorganic growth
5. Provide cash returns to shareholders

Risk movement legend

- Increased
- Stable
- Reduced

9

Gas sales agreements

Description

The Group's revenues from gas production in Nigeria are currently derived from three long-term contracts. The contract counterparties may fail to fulfil their contractual obligations, particularly in respect of the payment of invoices in accordance with the contractual terms.

Strategy link: 3

Risk movement:

Direct oversight: Group Head of Strategy

Potential impact

The delayed or non-payment of invoices could have a material impact on the Group's anticipated cash flows.

Key mitigants

- The Group has credit support arrangements with investment-grade banks covering over 95% of its gas revenues
- The Calabar gas sales agreement, representing over 65% of contracted gas sales revenues, is supported by an IDA World Bank Partial Risk Guarantee
- Regular engagement at operational and executive level with counter-party executives and other key stakeholders

2021 objectives or KPIs

- Enter into additional gas sales agreement to diversify customer risk
- Total Revenue[a] of more than US$205 million

10

Liquidity

Description

The Group manages its liquidity to be able to fund its ongoing operations, capital expenditure programmes and to service its debt facilities, but there is a risk that it is unable to meet its financial obligations as they fall due or to fund growth projects in a timely manner. We have upgraded this risk this year as a result of the foreign exchange risk referred to in the risk factor above, which is also linked to the elevated Country Risk in Nigeria (see Risk Factor 1).

Strategy link: 5

Risk movement:

Direct oversight: Chief Financial Officer

Potential impact

If the Group is unable to fund its activities and to service its debt, this could lead to financial restructuring. If the Group is unable to fund new projects or acquisitions it will not realise its strategic objectives

Key mitigants

- Close monitoring of the liquidity position and forecast cash flows to manage its risk exposures at both a Group and individual entity level
- Regular engagement with the Group's lenders
- Tight cost control and working capital management

2021 objectives or KPI

- Refinancing of the Accugas debt facility

Risk management continued

Principal risks – sustainability

Ethical conduct

Description
Ethical conduct, including compliance with relevant anti-bribery and corruption laws, is a risk common to the global oil and gas industry and to the Group which operates in some of the lower ranking countries on the Transparency International Corruption Index.

Strategy link:

Risk movement:

Direct oversight: Chief Compliance Officer

Potential impact
A major breach of our values or code of conduct could damage the Company's reputation, have legal implications or impact our financial position.

Key mitigants
- Integrity is one of Savannah's core "SEE-IT" values and is placed at the heart of everything we do
- The Group has robust compliance policies and procedures in place, including a Compliance Committee at Board level, and the Group operates a confidential whistleblowing service accessible to all employees
- Staff and contractors are given regular and extensive training in these policies and procedures to raise awareness at all levels

12

HSSE and our social "licence to operate"

Description
The Group's operations are subject to all the health, safety and environmental hazards and risks common to the oil and gas industry.

Political instability, religious differences, ethnicity, internal security, militant activity and labour unrest pose security risks that could also impact the Group's operations.

Strategy link:

Risk movement:

Direct oversight: Chief Operating Officer

Potential impact
A failure to adhere to the Group's HSSE policies could result in significant non-financial and financial impacts and harm to our people, our host communities or our contractors.

If the business were unable to operate in a safe and secure and HSSE compliant manner, we would have to suspend operations at the impacted locations. This could have an adverse effect on the Company's earnings and cash flow and be reputationally damaging.

Key mitigants
- Standards and clear policies defined in our Health, Safety, Security, Environment and Social Management Systems
- Regular engagement with local communities and Memoranda of Understanding in place for employment, capacity building and infrastructure development
- 24/7 security on all assets, security monitoring and intelligence
- The Group has comprehensive all-risk insurance in place

2021 objectives or KPIs
- Operate safely and in an environmentally appropriate manner
- Maintain social licence to operate

Strategic objectives legend
1. Deliver value safely and sustainably
2. Optimise existing portfolio performance
3. Deliver organic growth
4. Deliver value accretive inorganic growth
5. Provide cash returns to shareholders

Risk movement legend
Increased

Stable
Reduced

13

Cyber security and data protection

Description
The threats from cyber-attack on the Group's digital infrastructure, information technology security breaches and data protection are ongoing risks that are continuously evolving. For this reason, we have upgraded this risk this year.

Strategy link: 1 2

Risk movement:

Direct oversight: Group Head of Strategy

Potential impact
Failure to prevent or respond to a cyber-attack could have far reaching consequences and could result in business interruption through disruption to networks and industrial control systems. It could also result in the loss of sensitive personal or business data, reputational damage and financial loss.

Key mitigants
- 24/7 network, e-mail and device monitoring, access authentication and controls in place to protect against phishing attacks
- GDPR and Acceptable Use device policies
- Increased staff training relating to data security and GDPR

14

ESG and climate change

Description
There is increased attention from stakeholders on climate change and greenhouse gas emissions and for this reason we have upgraded this risk. Poor sustainability ratings and performance could impact on the Company's ability to access capital.

Strategy link: 1 2 3 4 5

Risk movement:

Direct oversight: Chief Executive Officer

Potential impact
This is likely to lead to increased regulations which could impact on our financial performance. Poor sustainability ratings could result in reputational damage, increased costs, including the cost of capital, and issues with retaining and attracting talent.

Limited access to capital could result in us being unable to meet one or more of our strategic objectives.

Key mitigants
- Implementing our Sustainability Strategy and monitoring and reporting systems and policies
- Promotion of efficient energy use in activities with business partners and service providers

2021 objectives or KPIs
- Launch new Sustainability Strategy

15

Organisation risk

Description
The ongoing growth and success of Savannah will be driven by a strong performance-based culture and the quality of talent that we can attract and retain. We have significantly strengthened the team over the course of the last 18 months and have, therefore, downgraded this risk relative to last year, but it is recognised that strength and depth in organisational competence is critical to delivering our strategy and that the impact of this risk could still be significant.

Strategy link: 1 2 3 4 5

Risk movement:

Direct oversight: Group Head of Strategy

Potential impact
The loss of key personnel, or the failure to plan adequately for succession, or to develop and recruit new talent has an opportunity cost, is a barrier to growth and may, therefore, impact on the Group's ability to deliver its strategic objectives.

Key mitigants
- The Group has a competitive compensation and retention package in place which is reviewed against the market regularly
- Key employees participate in equity and performance-based reward schemes that contribute towards retention
- Contractual arrangements have been put in place to support retention of key employees
- Key employees are part of ongoing talent review processes to ensure the risk of leaving is mitigated

2021 key priorities and KPIs
- Continued focus on developing our people through employee engagement, training and talent management

Board of Directors

Experienced and entrepreneurial leadership

Steve Jenkins
Chairman
Appointed: July 2014
R H

Experience

Steve joined Savannah as Non-Executive Chairman in July 2014. He is widely recognised as one of the most capable oil and gas executives in the UK. Steve was the CEO of Nautical Petroleum Limited and led the company's £414 million sale to Cairn Energy in 2012. Prior to this, Steve held a variety of senior roles at Nimir Petroleum Limited, a private company focused on emerging markets with extensive global exploration and production interests.

Key strengths

Geologist by profession; significant experience in emerging markets, transactions and M&A; deep understanding of commercial, operations and strategic aspects of managing an oil and gas company.

External appointments[1]

Chairman of the Oil and Gas Independents Association; Non-Executive Director of Talon Petroleum Limited, Viaro Energy Limited, Microenergy Generation Services Limited and Evoterra Limited.

Sir Stephen O'Brien
Vice Chairman
Appointed: December 2017
A CC* H

Experience

Sir Stephen is a former UN Under-Secretary General for Humanitarian Affairs and Emergency Relief Co-ordinator. Prior to this, he was an MP, serving as Parliamentary Under-Secretary of State for International Development and as the Prime Minister's Envoy & UK Special Representative for the Sahel. Prior to that, Sir Stephen was International Director and Group Company Secretary of the FTSE 100 company, Redland plc, and he began his career as a corporate lawyer.

Key strengths

In-depth understanding of international political, social, economic and government affairs; experience in African and emerging markets, industrial management and global public health.

External appointments[1]

Member of the Privy Council; Chairman of Motability Operations Group Plc; and Non-Executive Board Member of Department for International Trade.

Andrew Knott
Chief Executive Officer
Appointed: July 2014

Experience

Andrew is the principal founder of Savannah and has been the Group's CEO since inception. As such, he has led all of the Group's key growth initiatives, including the acquisition of the Niger PSCs and the Group's expansion into Nigeria. Prior to establishing Savannah, Andrew held a series of leading roles in the European oil and gas sector, including Head of Global Energy Investments for GLG Partners/ MAN Group and Head of Upstream Oil & Gas Research at Merrill Lynch.

Key strengths

Deep knowledge of and contact network within the oil and gas industry; experienced leader with a proven track record of identifying, financing and successfully managing projects in emerging market environments.

External appointments[1]

n/a

Isatou Semega-Janneh
Chief Financial Officer and Company Secretary
Appointed: December 2017

Experience

Isatou is an accountant with over 18 years' experience. Prior to joining Savannah, she spent nine years with BP, most recently as Financial Controller for operations in North Africa. Isatou has extensive experience of financial and regulatory compliance in emerging market oil and gas environments and of managing large, multi-country finance teams. Since joining Savannah, Isatou has strengthened the Group's financial reporting framework, processes and procedures and played a key role in the negotiation and implementation of the Nigerian assets acquisition.

Key strengths

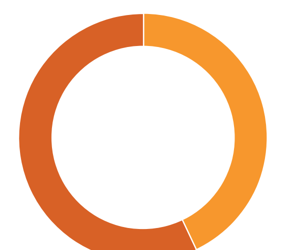
Chartered Certified Accountant; robust understanding of the financial, commercial, regulatory and compliance aspects of managing an oil and gas company.

External appointments[1]

n/a

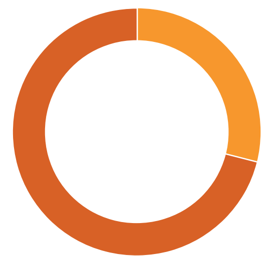
Board tenure

- 1-4 years 43%
- 4-7 years 57%



Composition of the Board

- Executives 2
- Non-Executives 5



David Clarkson
Non-Executive Director
Appointed: December 2017

A CC H

Experience

David initially served on the Board as an independent Non-Executive Director from December 2017 to June 2018 and then acted as COO of the Company from June 2018 to December 2019. Upon appointment of the new COO, David resumed his role as a Non-Executive Director in December 2019. David was formerly a member of BP's Group Leadership Team and Senior Vice President for Projects and Engineering (Upstream) at BP. Throughout a 34-year career with BP, he was responsible for delivering safe, reliable industry-leading projects in challenging frontier locations.

Key strengths

Chartered Engineer; extensive knowledge of the oil and gas industry, including safety, operational, commercial and strategic aspects of running oil and gas operations.

External appointments[1]

Non-Executive Director of Adergy Limited and Storegga Geotechnologies Limited.

Mark Iannotti
Non-Executive Director
Appointed: July 2014

A R CC

Experience

Mark is an experienced capital markets professional with over 20 years' experience in EMEA equities, largely focused on the oil and gas sector. Previously, he acted as Managing Director and Head of Securities, UK & Europe of Canaccord Genuity Group Inc., and was a member of Bank of America Merrill Lynch's EMEA Executive Committee.

Key strengths

Experienced in capital markets, including equities markets, corporate financing, debt and M&A; strong understanding of institutional investor perspectives.

External appointments[1]

Non-Executive Director of Rocksteady Restaurant Enterprises Limited.

David Jamison
Non-Executive Director
Appointed: July 2014

R CC

Experience

David was one of the founders of the modern-day Vitol (currently the world's largest oil trading company), having executed a management buyout of the company alongside three partners in 1976. He left Vitol in 1986 to operate as an independent venture capitalist. David was a founder director of oil and gas company Sibir Energy Plc and independent gasoline company Blue Ocean Associates Limited.

Key strengths

Strong track record of investing in, growing and managing businesses in the oil and gas industry; extensive network in the global oil and gas industry.

External appointments[1]

Non-Executive Director of Aquila Energy International Limited.

Further details on Directors who served during the year and the membership of the Board Committees are included on page 90.

1. External appointments are defined as those directorships taking a material amount of time.

Skills and experience

Energy markets	86%
Strategy	100%
Finance	86%
Risk	100%
Operations	86%
Local context	71%
UK governance	100%
Compliance	100%

Committee memberships

- A Audit and Risk Committee
- R Remuneration and Nomination Committee
- CC Compliance Committee
- H Health, Safety, Security and Environment Committee
- Denotes Chairperson

* Sir Stephen O'Brien became Chairman of the Compliance Committee in December 2020 replacing Michael Wachtel.

Chairman's introduction to Corporate Governance Report

Focus on developing a growing, sustainable business

Steve Jenkins
Chairman

The Board remains committed to:
- Driving the Company's long-term objectives and setting strategy;
- Oversight of operations to ensure competent and prudent management;
- Sound financial planning and internal control;
- Developing leadership and succession plans; and
- Maintaining strong relationships with key stakeholders.

"Our governance framework supports delivering our objectives and promotes long-term, sustainable success."

This report describes how our governance framework helps us meet our objectives, realise our strategy and achieve long-term, sustainable success. Savannah adopts the 2018 Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code") as the basis of the Group's governance framework. The Corporate Governance Report on page 90 explains in detail my role, the role of the Board and Committees, and how Savannah has applied the principles of the QCA Code.

2020 presented us all with various challenges on the corporate governance front as we continued to follow through the operational and compliance aspects of the previous year's Nigerian assets acquisition, while doing everything possible to mitigate the strains placed by the Covid-19 pandemic on our employees, operations and finances.

Again we performed well on safety, with no Lost Time Injuries or adverse environmental impacts. Savannah also responded promptly to the Covid-19 challenges, ensuring that appropriate systems and procedures were quickly put in place at all our offices and operational sites, and personal protective equipment distributed.

We have continued to promote a positive Group-wide culture by means of Savannah's vision to create a best-in-class energy company that we and our stakeholders are proud of, the focus on our five core "SEE-IT" values of Sustainability, Excellence, Entrepreneurialism, Integrity and Teamwork, and the creation during the year of a Group-wide intranet for improving internal communications.

The Directors take seriously their responsibility for the proper management of the Company, achieving a high standard of corporate governance, and engaging with our shareholders and wider stakeholders. The following pages describe how this is carried on through the work of the Board and its Committees.

Steve Jenkins
Chairman
7 June 2021

Applying the Quoted Companies Alliance Corporate Governance Code (the "QCA Code")

Introduction to the QCA Code

The Board is collectively responsible to the shareholders of Savannah for the effective oversight and long-term success of the Company, and has adopted the QCA Code as the basis of the Group's governance framework and reviewed its existing governance policies and procedures to align them with the recommendations of the QCA Code. The Corporate Governance Report on page 90 explains the key features of the Company's governance structure and describes how Savannah applies the QCA Code principles.

The Company has chosen not to establish a separate Nomination Committee or to appoint a Senior Independent Director as, at present, the Board considers that this would be unnecessarily burdensome in the context of the current size and complexity of the business. The Board intends to continue to keep these decisions under review as the business evolves.

Principle 1

Establish a strategy and business model which promote long-term value for shareholders.

See Strategic Report, in particular Business Model and Strategy and Performance

Principle 2

Seek to understand and meet shareholder needs and expectations.

See Corporate Governance Report, in particular Chairman's Introduction to Governance, and Section 172

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success.

See Strategic Report, in particular Section 172 and Sustainability Review

Principle 4

Embed effective risk management, considering both opportunities and threats throughout the organisation.

See Strategic Report, in particular Principal Risks, and Uncertainties and the Audit and Risk Committee Report in the Governance section

Principle 5

Maintaining the Board as a well-functioning, balanced team led by the Chair.

See Corporate Governance Report, in particular Composition and Qualifications of the Board and Independence of the Board

Principle 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

See Board of Directors and Corporate Governance Report, in particular Composition and Qualifications of the Board and Independence of the Board

Principle 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

See Corporate Governance Report, in particular Board Evaluation and the Remuneration Committee Report

Principle 8

Promote a culture that is based on ethical values and behaviours.

See Our Values, Sustainability Review and Corporate Governance Report, in particular Ethical Conduct and Culture

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making.

See Corporate Governance Report, in particular Chairman's Introduction to Governance, How the Board Works and Composition and Qualifications of the Board

Principle 10

Communicate how the Company is governed and is performing by maintaining dialogue with stakeholders.

See Strategic Report, in particular Section172 and Corporate Governance Report - Stakeholder section

Corporate Governance Report

Promoting sustainable, long-term success of the business

How the Board works

The Board has overall responsibility for the Company's purpose, strategy, business model, performance, capital structure, approval of key contracts and major capital investment plans, the framework for risk management and internal controls, governance matters and engagement with shareholders and other key stakeholders. The Board remains committed to understanding the needs of our shareholders and the wider stakeholders and it always considers how the Board's decisions impact them in the longer term. In Section 172 on page 28 we explain who the key stakeholders are and how the Directors engage with them. The Board's full responsibilities are set out in a formal schedule of matters reserved for its decision.

Board composition

The Board delegates certain responsibilities to its Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The Company has an Audit and Risk Committee, a combined Remuneration and Nomination Committee, a Health, Safety, Security and Environment Committee and a Compliance Committee, all of which operate within a scope and remit defined by specific terms of reference determined by the Board. The Annual Report includes a report from each of these Committees and describes the work each Committee has undertaken during the year. The composition and role of each Committee is summarised from page 94. The terms of reference of each Committee are available on the Company's website at https://www.savannah-energy.com/about/corporate-governance/board-committees/

Board meetings

The Board has established a schedule of quarterly meetings, with additional meetings convened when required. The Board addresses several recurring items at each Board meeting, including strategic, operational and financial performance updates, reports from the Board Committees, risk management, investor relations, corporate communications, governance matters, stakeholder engagement and ESG matters. The Directors maintain a dialogue between Board meetings on a variety of matters.

The Board and its Committees are supported by the Company Secretary and during 2020 by a team at Link Company Matters, which provided assistance with any governance, statutory and compliance matters, as well as with organising and circulating the meeting papers to ensure that the Directors receive appropriate materials in advance of the meetings.

The table below sets out the attendance record of individual Directors at the Board meetings held during 2020.

Director	Board	Audit and Risk	Remuneration and Nomination	HSSE	Compliance
Steve Jenkins	5/5	—	2/2	4/4	—
Sir Stephen O'Brien	5/5	4/4	—	4/4	—
Andrew Knott	5/5	—	—	—	—
Isatou Semega-Janneh	4/5	—	—	—	—
David Clarkson	5/5	4/4	—	4/4	4/4
Mark Iannotti	5/5	4/4	2/2	—	4/4
David Jamison	5/5	—	2/2	—	4/4
Michael Wachtel[1]	4/4	4/4	—	—	4/4

1. Michael Wachtel, who was a Non-Executive Director, left the Board before the December board meeting.

Biographies for the Directors in office at the date of this Annual Report are included on page 86.

Composition and qualifications of the Board

The Board currently comprises seven Directors: the Non-Executive Chairman, the Non-Executive Vice Chairman, three Non-Executive Directors and two Executive Directors (the CEO and the CFO). The names and responsibilities of all current Directors are set out on page 86.

The Directors' biographies on page 86 illustrate the wide range of skills, experience and diversity of perspective that the Directors bring to the Board to lead and support the Executives in the development and execution of the Group's strategy. As last year, the Directors carefully reviewed the skills, capabilities and experience they bring, which informs the review of the Board's effectiveness and contributes to discussions on long-term succession planning. The review demonstrated that the Board as a whole has the necessary mix of experience, skills, personal qualities and capabilities, which include industry, strategic, operational, risk management, financial, legal, geopolitical and regulatory experience. The composition of the Board continues to be reviewed in the context of the Company's changing circumstances, goals and future strategy.

The Directors receive regular updates on market and regulatory developments and are provided training as required to ensure that their skills and experience are kept up to date.

The roles of the Chairman and the Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate, with a clear division of responsibilities. The separation of authority enhances independent oversight of the Executive Management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

In accordance with the principles of the QCA Code, the Chairman is responsible for leading the Board and ensuring that it remains effective in fulfilling its role. He sets the Board's agenda and ensures that there is appropriate focus on strategic issues and the monitoring of performance. The Committee Chairmen perform the same role for their respective Committees. Andrew Knott is the Chief Executive Officer. He is responsible for managing the day-to-day operations and the implementation of the strategy of the Company on behalf of the Board. The Company's performance and development planning are considered by the Directors in the context of the Company's overall strategy and goals, within the Company's risk and governance frameworks and taking into account their impact on stakeholders in the longer term. With a culture of openness and debate, the Directors can discuss and challenge the actions of the Executive Management, as well as the views of all Directors, promoting good decision-making and ultimately supporting the Company's long-term, sustainable success.

Independence of the Board

The Board has considered and reviewed the independence and effectiveness of each Non-Executive Director, taking into account any factors that might, or could appear to, affect a Director's judgement and therefore their independence. The Board considers that the performance-related shares and options awarded to certain of the Non-Executive Directors encourage the alignment of their interests with those of the Company's shareholders and are not material enough to compromise their independence, character and judgement. In line with the QCA Code, the Board is therefore of the view that Sir Stephen O'Brien, Vice Chairman of the Board and current Chairman of the Compliance Committee, Mark Iannotti, Chairman of the Audit and Risk Committee, David Jamison, Chairman of the Remuneration and Nomination Committee, and David Clarkson, Chairman of the Health, Safety and Security Committee, were, and continue to be, independent in character and judgement and free from relationships or circumstances that could affect their independence. Steve Jenkins, the Chairman of the Board, was deemed to have met the criteria for independence set out in the QCA Code upon his appointment and continues to be considered independent.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have, or could have, interests that conflict with those of the Company, unless that conflict is first authorised by the Board. The Company's Articles allow the Board to authorise any potential or actual conflict of interest that a Director may have and a process to identify and deal with any such conflicts is in place. Should a Director become aware that they, or their connected parties, have a new potential or actual conflict of interest, they notify the Board. The Board then deals with each conflict on its merits, taking into consideration all the relevant circumstances. All potential and actual conflicts approved by the Board are recorded in a Register of Interests, which is reviewed by the Board at each Board meeting.

Appointments and approach to tenure

Appointments are made on merit and taking into account the balance of skills, experience and knowledge required on the Board. After their appointment by the Board, Directors offer themselves for election at the first AGM following their appointment. Directors then stand for re-election at three-year intervals.

All Non-Executive Directors, including the Chairman, have letters of appointment which are available for inspection at the Company's registered office. The letters of appointment set out the time commitment expected from Non-Executive Directors who, on appointment, undertake that they will have sufficient time to fulfil their duties. Subject to continued satisfactory performance, the Board does not believe that it would be beneficial to limit the term of appointment of the Non-Executive Directors at this time.

The Executive Directors' service contracts are available for inspection at the Company's registered office. Further details on the service agreements can be found on page 102.

Corporate Governance Report continued

Time commitment
During the year under review, the Directors have considered the amount of time necessary to commit to the affairs of the Company to fulfil their roles. The Executive Directors are expected to devote substantially the whole of their time to their duties and, on average, the Chairman and the other Non-Executive Directors typically devote up to five days a month and up to two and a half days a month respectively to the Company's matters. The Board concluded that all Directors continue to be effective and committed to their roles and have sufficient time available to fulfil their responsibilities.

Board evaluation
In line with the recommendations of the QCA Code, the Board undertook an evaluation of its performance, that of the Chairman, the Board's Committees and individual Directors, through a detailed questionnaire followed by discussion to assess the effectiveness of the current activities and processes and to identify any possible areas for improvement. The questionnaire focused on the following areas:

- balance of matters discussed at Board meetings;
- communications with shareholders and other stakeholders;
- effectiveness of the Chairman and the individual Directors;
- work of the Board Committees;
- relationship between the Non-Executive Directors and the Executive Directors; and
- governance arrangements.

The results were anonymised and the findings were presented to the Board for review. The results suggested that despite the constraints imposed by the Covid-19 pandemic the Board, its Committees and the individual Directors continued to be well briefed by management and to perform effectively. Actions arising from recommendations to further improve the effectiveness of the Board are being implemented, and will include the holding of periodic in-depth reviews of various aspects of strategy and risk, and a continuing focus on succession planning, in particular with a view to diversity on the Board. One recommendation already put into effect is that the Chief Operating Officer now routinely attends and reports at Board meetings.

The Board is grateful for management's efforts to ensure that it has been kept well informed through video conferences and looks forward to a return to physical meetings as soon as practicable. The Chairman continues to offer the Non-Executive Directors the opportunity to meet regularly, as necessary, in the absence of the CEO and CFO.

Ethical conduct and culture
Savannah's purpose is to provide sustainable energy to Nigeria and Niger though exploration and production assets and, in doing so, the Company is committed to promoting a healthy and responsible corporate culture. Accordingly, a number of policies and mechanisms are in place to ensure that ethical values and behaviours and fair business practices are embedded in the way Savannah operates. The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner.

The framework of policies and procedures in place enables the Board to ensure that the Group's employees and those who provide services to it act in accordance with high standards of ethical conduct and that Savannah only does business with persons who are engaged in legitimate business activities and who use funds from legitimate sources.

Whistleblowing and anti-bribery and corruption controls
Savannah is committed to achieving high standards of conduct and accountability. Our functional matrix organisational structure allows employees to openly report legitimate concerns regarding any possible improprieties in financial reporting or any non-compliance with applicable laws, regulations or Group policies, danger to health and safety, damage to the environment or other matters. The Company has an independently run whistleblowing hotline and other mechanisms that enable the employees to raise any concerns anonymously, without fear of penalty or punishment. The Compliance Committee regularly reviews whether these arrangements continue to function effectively.

The Company has adopted an Anti-Bribery & Corruption policy which applies to the Board and all employees of the Group. It generally sets out their responsibilities in observing and upholding a zero-tolerance position on bribery and corruption in all jurisdictions in which the Group operates, as well as providing guidance on how to recognise and deal with bribery and corruption issues and their potential consequences. The Group's policy is circulated to all Group employees and is provided to any new joiners and consultants employed by the Group, to ensure it is embedded across the organisation and jurisdictions. All Group employees are required to confirm receipt of the policy and undergo anti-corruption and money laundering training on an annual basis. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, conduct business in compliance with this policy.

Stakeholders

Employees

Savannah's "SEE-IT" values are Sustainability, Excellence, Entrepreneurialism, Integrity and Teamwork. The Company believes that people are its key asset. People over process is a fundamental element of Savannah's culture and all efforts are made to employ great people, who work together as a high achieving team. With this approach, Savannah is a more flexible, stimulating, innovative, collaborative organisation. More details on Savannah's vision and values can be found on page 1.

At the end of 2020 Savannah had 211 employees across three different countries. The Company has established various ways to engage with, and listen to, the views of its employees, including regular individual updates and employee-wide meetings.

Shareholders

The Board is committed to ensuring that there is open and effective communication with the Company's shareholders on matters such as governance, strategy and performance-related remuneration, and that the Directors understand the views of major shareholders on such matters. The Company communicates with shareholders and potential investors through a variety of channels, including the Annual Report, regulatory announcements, operational updates and a proactive and comprehensive investor relations programme which is managed in line with operational developments, corporate news flow and the Company's financial calendar. In 2020, the CEO and the Investor Relations team continued to maintain regular dialogue with major institutional investors and analysts and provided the Board with regular reports on investor and analyst feedback. The Company holds investor roadshows throughout the year but in line with Covid-19 precautions from March 2020 these were held virtually. The Company's representatives participate in a number of investor events virtually during the year. Presentations to investors are posted on the Company's website at www.savannah-energy.com. The CEO is available to meet or speak to institutional investors to explain the Group's strategy and performance and listen to investors' views. The Chairman and Non-Executive Directors are also available to meet or speak to shareholders on request.

The AGM is usually also another opportunity for shareholders to meet and speak to members of the Board directly, although in 2020 restrictions on movement and gatherings meant that shareholders could not be admitted in person to the AGM in June or a second General Meeting to receive the Annual Report in September. Instead, both of these meetings were live streamed on the internet, accessible via the Company's website. As shareholders watching the meetings online could not vote or ask questions on the day, they were encouraged to vote by proxy ahead of the meeting and, if they wished to ask questions, to send them to Investor Relations before the meeting so that they could be answered during the meeting.

As Covid-19 restrictions are still in force in 2021, the Company will continue to keep shareholders updated on opportunities to interact with the Board.

The Company maintains a database of meetings held by the Directors with shareholders, potential investors and analysts. Reports on meetings held with existing and potential investors and briefings from the Company's corporate brokers are provided to the Directors and discussed at Board meetings. Analysts' reports received on the Company are reviewed and monitored by the senior management team and circulated to the Board as appropriate. Investor relations support is provided to analysts covering and initiating coverage of the Company.

Other stakeholders

Savannah is committed to seeking to create, add and realise value not just for its financial stakeholders but for its employees, local communities and its business partners. Savannah believes that maintaining effective stakeholder engagement programmes is essential. Environmental, social and governance aspects of the Company's business are very important to Savannah and a number of initiatives are in place to support the communities in which we operate. More information can be found in the Sustainability Review starting on page 61.

Audit and Risk Committee Report

Evolving procedures, policies and systems

Mark Iannotti
Chairman, Audit and Risk Committee

Members	Meetings attended	Member since
Mark Iannotti (Chair)[1]	4/4	January 2018
David Clarkson	4/4	January 2020
Sir Stephen O'Brien	4/4	January 2018
Michael Wachtel[2]	4/4	January 2018

1. Chair since January 2015.
2. Michael Wachtel left the Board in December 2020.

Key responsibilities:
- Reviewing the integrity and content of the financial statements, including reviewing and reporting to the Board on significant financial reporting issues and judgements;
- Reviewing the adequacy and effectiveness of the Group's internal controls and risk management policies and systems, ensuring that there are procedures in place for identifying the material risks, threats and opportunities, and that the Group's internal control and risk management systems are embedded in day-to-day management and decision-making practices;
- Reviewing and monitoring compliance policies and systems, including the prevention and detection of fraud, bribery and tax evasion;
- Monitoring compliance with applicable regulations.
- Reviewing and approving the annual audit plan and reviewing the audit findings with the external auditor; and
- Assessing external auditor objectivity and independence and reviewing the performance and remuneration of the external auditor.

The terms of reference for the Committee are available on the Company's website at www.savannah-energy.com.

The role of the Committee is to support the Board in discharging its oversight responsibilities with regard to reviewing the financial reporting process, the system of internal controls and management of risk, assessing the effectiveness of the audit process, and the procedures for monitoring compliance. Any significant findings raised by the external auditor during its review of the half-yearly results or audit of the full-year results are reviewed and discussed by the Audit and Risk Committee and reported or referred to the Board as appropriate.

Membership of the Audit and Risk Committee

The Audit and Risk Committee continues to be chaired by Mark Iannotti, who, along with its other members, David Clarkson, Sir Stephen O'Brien and Michael Wachtel (until he left the Board in December 2020), are considered to be independent Non-Executive Directors of the Company.

Mark Iannotti is considered by the Board to have recent and relevant financial experience, and the Committee as a whole has competence relevant to the oil and gas industry. If required, at the request of the Chairman of the Committee, the Chief Executive Officer, the Chief Financial Officer and other members of the senior management team are also invited to attend meetings.

The terms of reference of the Committee reflect the current statutory requirements and best practice proportionate to a company of Savannah's size, nature and stage of development. Where there is an overlap of responsibilities between the Audit and Risk, Compliance and Health, Safety, Security and Environment Committees, the respective Committee Chairperson have the discretion to agree which is the most appropriate Committee to fulfil any obligation. The terms of reference for the Audit and Risk Committee were reviewed during the year and are available on the Group's website at www.savannah-energy.com.

Activities during the year

During the financial year ended 31 December 2020, the Committee:

- reviewed the full-year and half-year results, including the underlying accounting issues and judgements, the processes underpinning the preparation of those documents and the information supporting the statements in relation to going concern and disclosure of information to the external auditor;
- reviewed the latest management accounts at each meeting to assess the Group's financial position on a regular basis;
- considered the external auditor's audit plans and reports on the full year results;
- conducted a formal tender for the external audit (see "External Audit" below);
- continued to review the need to establish an internal audit function in light of the increased size and complexity of the Group following the completion of the Nigerian assets acquisition at the end of 2019. At the beginning of 2020 the Committee agreed with the CFO's recommendation to establish an internal audit function for the Group in due course. Due to the Covid-19 situation a decision was later postponed until 2021, but in the meantime work has been ongoing to improve internal processes and reporting capabilities and tighten controls;
- assessed the internal controls and risk management systems and procedures within the Group;
- approved a Group Tax policy, formulated an attitude to tax risk, and approved a schedule of payments to governments; and
- reviewed and amended the Committee's Terms of Reference.

Significant issues related to the financial statements

In respect of the year ended 31 December 2020, and following a robust assessment of the risks facing the Group, the Committee considered the following issues, among others, to be significant to the financial statements:

- oil and gas revenue;
- take-or-pay;
- deferred tax asset;
- exploration and evaluation assets;
- tangible oil and gas assets;
- receivables from trade and joint operations;
- decommissioning provision;
- deferred revenue/contract liabilities;
- borrowings;
- depreciation useful life re-assessment; and
- going concern.

Internal controls and risk management

The Board has overall responsibility for establishing and maintaining the Group's system of internal controls and risk management and reviewing its effectiveness. As with any successful company, delivering the Group's business objectives and overall strategy will involve taking considered risks. The Group's internal controls and risk management framework have been designed to assist the Board in making robust decisions to create and protect shareholder value by creating sustainable growth over the medium to long term.

The Board recognises that such a system has its limitations. Internal controls can only provide reasonable, not absolute, assurance against material misstatement or loss. The purpose of an effective risk management framework is to assess and manage, rather than eliminate risk entirely, which involves Directors and senior management exercising a degree of judgement.

The internal control framework within which the Group operates includes the following key elements:

- organisational structures (functional matrix organisational structure), delegations of authority and reporting lines;
- Group accounting and control procedures to manage the Group consolidation and reporting requirements, including:
  - review of monthly management accounts with comparison of actual performance against budget, and consideration of the outturn for the year; and
  - monthly reconciliation of all key control accounts;
- budgetary process and monthly monitoring of the annual budget, business performance and deviations from the budget; and
- operational and strategic review processes for all aspects of the Group's business.

A number of policies and procedures are also in place as part of the Group's internal control framework, which include the Group Anti-Corruption and Money Laundering policy, the Delegation of Authority system, and Travel and Entertainment and Petty Cash policies.

Audit and Risk Committee Report continued

Internal controls and risk management continued

The Board has undertaken a review of the effectiveness of the Group's risk management and internal control systems, based on a report from the CFO, which provided comfort regarding all material controls, including financial, operational and compliance controls. The overall conclusion was that the risk management and internal control systems were effective in terms of ensuring consistent achievement of their key objectives in the current context of the Group. In view of the material increase in Savannah's activity following the Nigerian assets acquisition, during 2020 the Board also considered amendments to delegations of authority, supply chain management controls, finance and IT systems integrations, and the month-end close and reporting process which is now conducted in-house.

The principal risks faced by the business, their potential impact and how they are mitigated are described in the Principal Risks section on page 77.

The Group's whistleblowing, anti-bribery and corruption controls are described on page 92.

Evaluation of the Audit and Risk Committee's performance

As part of the overall evaluation process, the performance and effectiveness of the Audit and Risk Committee was considered and it was agreed that the Committee continues to work effectively. Committee members recommended that a review of the Group's risk register should be carried out in the first half of 2021, with a focus on the current economic and geopolitical environment for the oil and gas industry and for Savannah in particular. This review was duly carried out.

External audit

Grant Thornton UK LLP ("Grant Thornton") was appointed as the external auditor of the Group on 9 October 2014. The Committee reviews the continued appointment of Grant Thornton each year, taking into account the relevant legislation, guidance and best practice appropriate for a company of Savannah's size, nature and stage of development.

Although the Group would normally have undertaken a competitive audit tender process after 10 years, its growth following the Nigerian assets acquisition has entailed a change in requirements as far as the external auditor is concerned and has prompted an earlier review. The Committee therefore carried out a formal tender towards the end of 2020 and as part of this process, four firms were approached, of which two submitted bids: the incumbents, Grant Thornton, and BDO. BDO will be recommended to the shareholders for appointment at the 2021 AGM.

Deloitte LLP ("Deloitte") is the current auditor of the companies acquired from Seven Energy. Grant Thornton worked closely with Deloitte to agree the scope of the audit for the Seven Energy entities, but due to the coronavirus pandemic it was not possible for Grant Thornton to undertake the site visit to Deloitte's offices as initially planned. However, Grant Thornton obtained the information required electronically.

The Committee considered the performance of the external auditor and the effectiveness and quality of the audit process by discussing the results of the 2020 external audit, including the auditor's views on material accounting issues and key judgements and estimates; considering the robustness of the audit process; reviewing the quality of the people and service provided by Grant Thornton UK LLP; and assessing their independence and objectivity. The Committee carefully considered the independence of the auditor and received confirmation that the firm was independent of the Group and continued to comply with International Standards on Auditing and other relevant auditing and ethical standards.

The Committee believes that it may be appropriate in certain, limited circumstances for the Company to engage its external auditor to provide non-audit services. The provision of any such services is reviewed by the Committee, seeking to ensure that the external auditor's independence and objectivity are not impaired or perceived to be impaired. The fees paid to Grant Thornton in respect of non-audit services amounted to approximately 27% of the statutory audit fees and were in respect of certain procedures conducted in relation to the financial statements for the six months ended 30 June 2020 and advisory fees paid in connection with the acquisition of the Nigerian assets. Refer to Note 8 to the Group's consolidated financial statements for more details.

Following this review of the effectiveness of the audit, the Committee was satisfied that Grant Thornton has carried out its duties properly; however, for the reasons described above (audit tender) the Committee has recommended to the Board that the appointment of BDO as the Group external auditor be put to shareholders at the Annual General Meeting.

Mark Iannotti
Chairman, Audit and Risk Committee
7 June 2021

Remuneration and Nomination Committee Report

Promoting sustainable, long-term success of Savannah

David Jamison
Chairman, Remuneration and Nomination Committee

Members	Meetings attended	Member since
David Jamison (Chair)	2/2	January 2015
Steve Jenkins	2/2	July 2015
Mark Iannotti	2/2	July 2015

Key responsibilities:

- Determining and reviewing the terms and conditions of service and termination of employment of Executive Directors and senior employees
- Determining and reviewing the remuneration of Executive Directors and senior employees;
- Reviewing and approving grants of shares or options, from time to time;
- Reviewing and recommending to the Board appointments and re-elections of Directors to the Board; and
- Reviewing the composition of the Board, and the membership of the Committees and making recommendations to the Board on any proposed changes.

The terms of reference of the Committee reflect the current statutory requirements and best practice commensurate to Savannah's size, nature and stage of development. The terms of reference for the Committee are available on the Company's website at www.savannah-energy.com.

Membership of the Remuneration and Nomination Committee

During 2020, the Remuneration and Nomination Committee was chaired by David Jamison and its other members were Steve Jenkins and Mark Iannotti. All members of the Committee are independent Non-Executive Directors. The Chief Executive Officer and other members of the senior management team are also invited to attend meetings when considered appropriate.

Activities during the year

During the financial year ended 31 December 2020, the Committee:

- following a review carried out in 2019, amended and standardised the terms of appointment of the Chairman and the other Non-Executive Directors;
- decided, in light of the time taken to complete the Nigerian assets acquisition in 2019, to roll forward the determination and award of the 2019 bonuses, so that 2019 and 2020 performance would be awarded in aggregate; and
- decided on principles to underlie future bonus arrangements for employees, in the context of ongoing work to set up a new remuneration framework.

Remuneration and Nomination Committee Report continued

Activities during the year continued

During the year, the Board, supported by Link Company Matters, which provided company secretarial services to the Group, undertook an evaluation of the effectiveness of the Board, its Committees and the Directors. Further details on the process and results can be found on page 92.

As disclosed in previous Annual Reports, the Group operates a share incentive scheme (the "Employee Benefit Trust" or "EBT") to incentivise certain existing and future senior managers by offering them an option of participating in the EBT. Awards under the EBT take the form of nil-cost options over a total of 42,624,837 existing ordinary shares in the Group currently held in an employee benefit trust. Vesting of the awards to participants is linked to total shareholder return (based on share price performance and dividends), measured against the 30-day volume weighted average price of the Group's shares during a five-year period. Further details of the EBT are set out in the Directors' Remuneration Report on page 99.

At the 2018 Annual General Meeting of the Group, Savannah's shareholders approved a grant of nil-cost options over 21,312,418 existing ordinary shares to Andrew Knott. These options were granted on 30 April 2020.

2019/2020 bonus awards

As was noted in last year's Annual Report the Remuneration and Nomination Committee discussion, in conjunction with the CEO and CFO elected to defer decisions relating to 2019 executive director variable pay awards until end 2020. This decision was made in view of the Board's choice to delay the completion of the transformational Seven Energy Transaction and the emerging uncertainties at the beginning of 2020 relating to the COVID-19 pandemic and oil price crash. In relation to the former choice, it should be remembered that this was made so as to enable a series of value accretive amendments to be made which: (1) secured control over Accugas and the Uquo gas field (which was not originally envisioned in the deal); (2) were demonstrably Net Present Value and cash flow accretive to the Group; and (3) resulted in the release of US$54 million of cash to the Company while also significantly increasing the upside exposure of our South East Nigerian gas business to rising gas volumes and prices. This choice implicitly delayed the benefits of the acquisition being reflected in our reported results and the Board and Remuneration Committee were keen to see the post-acquisition asset performance when assessing 2019 remuneration.

As has been narrated in both this year's Annual Report and the 2019 Annual Report, the Group has achieved, or exceeded, substantially all of its corporate KPIs over the period 2019/20 with the exception of the delivery of first oil of the Niger R3 East development project. The Executive Management Team delivered an industry-leading financial, operating and ESG performance associated with the assets acquired as part of the Nigerian acquisition. Savannah grew at a time that the wider industry was shrinking and critically supported Nigeria with the provision of additional gas for power when others failed to do so. The Committee has, therefore, reflected this assessment in the variable pay awards for the Executive Management Team in 2019 which are discussed in this year's Annual report. A portion of the CEO's 2019 bonus is subject to the achievement of future share price performance.

Remuneration framework

A new framework is being developed for determining staff salaries and bonus awards. The bonus pool will be linked to profitability and the delivery of key business objectives for the year in question.

Succession planning and corporate diversity

The Board and the Committee acknowledge the importance and the value of succession planning in order to ensure that the Group has the benefit of an appropriate mix of skills and experience as the business evolves. The Board will continue to undertake an annual evaluation of its performance, that of its Committees and the individual Directors, to ensure that the Board continues to function effectively. Succession plans for the Board are informed by discussions around the Group's strategy, objectives and forward plans, as well as an assessment of the Directors' current mix of skills, experiences and personal qualities. Succession planning for key members of the senior management team is also an ongoing process.

The Board places value on attracting Directors with diverse outlooks and experience, and the Committee encourages the inclusion of the best male and female candidates from all backgrounds when conducting external searches. On the Committee's recommendation, the Board makes appointments to achieve the balance of skills, outlook and experience needed, but does so solely on merit.

As Savannah prepares for future expansion, the Board is looking to appoint additional Non-Executive Directors, with a view also to increasing diversity on the Board. At the end of 2020 the Board of Directors comprised six men and one woman, while female representation in senior management is 35%.

Non-Executive Director fees

During 2020 the Committee agreed to make a few changes to the terms of appointment of the Non-Executive Directors. The Chairman's basic annual fee is based on his spending up to five days a month on the Company's business, and the Non-Executive Directors' fees are based on up to 2.5 days a month. In addition, the Non-Executive Directors are now entitled to compensation of £1,500 per day for any days worked in excess of that commitment, subject to obtaining written approval in advance. The notice period for terminating the appointment of a Non-Executive Director is now six months by either side, except where there has been a change of control of the Company, in which case the notice period would be 12 months.

The Directors' Remuneration report is set out on page 99.

David Jamison
Chairman, Remuneration and Nomination Committee
7 June 2021

Directors' Remuneration report

Rewards that promote long-term, sustainable success of the Company

As an AIM-quoted company, Savannah is not required to disclose all of the information set out below as required under the Companies Act 2006 and AIM listing rules but has chosen to do so in the interests of transparency.

Directors' remuneration policy

The Board aims to provide remuneration packages that are competitive and help to attract, retain and motivate high-quality individuals who are capable of delivering the Group's objectives and promoting the long-term, sustainable success of the Company. The Board believes that structuring the remuneration packages with a significant performance-related element supports the execution of the Group's strategy and aligns the Directors' interests with those of shareholders.

The table below sets out the main elements of the Directors' remuneration. The overall package is weighted towards performance-related pay, with an appropriate focus on the Company's sustainable, long-term performance through the award of long-term incentives.

Component	Purpose and link to strategy	Overview
Executive Directors		
Basic salary	To attract, retain and motivate talented individuals who are critical to the Group's success.	Reviewed by the Remuneration and Nomination Committee annually or in the event of a change in an individual's position or responsibilities. Basic salary set to reflect individual performance, the scope and scale of the role and having regard for compensation levels in companies of a similar size and complexity in the independent oil and gas industry.
Performance-related bonus	To encourage and reward delivery of the Group's objectives.	Performance-related bonus payments are made at the sole discretion of the Remuneration and Nomination Committee. These are capped at a maximum percentage of annual salary.
Employer's pension contribution	To attract and retain talented individuals who are critical to the Group's success.	The Chief Executive Officer is entitled to receive an employer's pension contribution equivalent to 10% of annual salary, and the Chief Financial Officer is entitled to receive an employer's pension contribution equivalent to 8% of annual salary.
Non-Executive Directors		
Fees	To attract and motivate talented individuals with the appropriate breadth of experience.	Set at competitive market levels. Reviewed by the Chairman in consultation with the CEO, periodically or in the event of a change in an individual's position or responsibilities.
Executive and Non-Executive Directors		

Directors' Remuneration report continued

Component	Purpose and link to strategy	Overview
Management Long-Term Incentive Plan ("LTIP")	To incentivise and retain key individuals within the Company.	Participants entitled to receive ordinary shares in the Company for nil consideration subject to certain conditions, described further on page 102. Established on 28 November 2014. Now closed and not expected to be reopened.
Supplementary Plan	To further incentivise certain Directors and employees of the Group. To mechanically adjust for the dilutive impact of the placing announced on 10 July 2015.	Structured principally on the same terms as the LTIP, with participants being entitled to receive ordinary shares in the Company for nil consideration subject to certain conditions, further described below. Established on 30 July 2015. Now closed and not expected to be reopened.
New Share Scheme and Unapproved Scheme	To incentivise management and employees of the Group.	Awards are in the form of nil-cost options over ordinary shares in the Company held in an employee benefit trust, subject to certain conditions, described further below. As at 31 December 2020, 24,937,852 options have been awarded under the New Share Scheme, of which 428,571 were awarded to Non-Executive Directors under the Unapproved Scheme.

Management Long-Term Incentive Plan
On 28 November 2014, the Company established a management long-term equity incentive plan ("LTIP"). The LTIP is now closed and is not expected to reopen, given the material change in the Company's business.

Under the terms of the LTIP, participants could subscribe for shares in Savannah Energy 1 Limited ("SE1L"), with an entitlement to exchange such shares for ordinary shares in the Company if the closing middle market quotation of the ordinary shares on any day equals or exceeds £1.68 (the "Hurdle Price"). As disclosed in the Company's Admission Document dated 22 December 2017, in the view of the Remuneration and Nomination Committee, the vesting and hurdle conditions of the LTIP were too stretching to serve as a realistic incentive.

The number of ordinary shares of the Company that can be acquired by participants following the Hurdle Price being achieved will be determined on the date of the share exchange in accordance with the following formula:

$X = A - ((AxB)/C)$

Where:

- X is the number of ordinary shares of the Company to be issued on exchange (rounded to the nearest whole number);
- A is the number of SE1L shares being exchanged;
- B is £0.56 (being the price at which the ordinary shares were admitted to dealing on AIM at the time of the Company's admission to AIM); and
- C is the closing middle market quotation of the ordinary shares of the Company on the date of the share exchange.

The awards issued pursuant to the LTIP are subject to a vesting date determined for each award. If the Hurdle Price is met after the vesting date, the award will vest when the Hurdle Price is met and the participant can then elect to exchange his or her SE1L shares for the relevant number of ordinary shares of the Company at any time thereafter. If the Hurdle Price is met prior to the vesting date, the award will not vest until the vesting date and the participant will not be able to exchange his or her SE1L shares for ordinary shares of the Company until after the vesting date unless there is a change of control of the Company, or the individual ceases to be an employee, Director or member of the Group.

Awards issued pursuant to the LTIP will be subject to full or partial forfeiture if the participant ceases to be either: (i) employed by a member of the Group; or (ii) a Director or a member of the Group prior to the vesting date (a "Leaver") (other than awards held by Andrew Knott, which are not subject to forfeiture provisions).

Pursuant to the terms of the forfeiture provisions, the participant would be required to transfer the following proportion of his or her awards for nil consideration to the Company or a person nominated by the Company:

i. 100% if the participant becomes a Leaver within 2.5 years of being issued the awards;

ii. 0% if the participant becomes a Leaver after five years of being issued the awards; and

iii. if the participant becomes a Leaver at or after 2.5 years of being issued the awards but before the fifth anniversary of the awards being issued, the proportion will be determined by the following formula: 50–50 ((Y-2.5)/2.5), where Y is the number of years that have elapsed between the awards being issued and the participant becoming a Leaver.

The number of ordinary shares of the Company that may be issued pursuant to the LTIP cannot, in aggregate, exceed 15% of the Company's fully diluted ordinary share capital at the time.

On 27 March 2015, the Company's shareholders passed an ordinary resolution approving the waiver by the Panel on Takeovers and Mergers of the obligation on the Concert Party (as defined below) to make a general offer to shareholders of the Company under Rule 9 of the City Code on Takeovers and Mergers as a result of the potential issue of new ordinary shares of the Company to Andrew Knott (who is a member of the Concert Party) under the LTIP. "Concert Party" means Andrew Knott (and companies he controls) and his family members, Aralia Capital SA (which also includes the holding of Peleng Holding Corporation, wholly owned by the same investor as Aralia Capital SA) and Luzon Investments S.A.

Supplementary Plan

On 30 July 2015, the Company established a supplementary share option plan (the "Supplementary Plan"). The Supplementary Plan is now closed and is not expected to reopen, given the material change in the Company's business.

The Supplementary Plan was implemented and structured principally on the same terms as the LTIP, subject to the following differences:

a) the aggregate number of any issued or unissued ordinary shares being the subject of such schemes from time to time shall not exceed 15% of the Company's fully diluted share capital;

b) one-half of the equity available under the Supplementary Plan and the LTIP shall be awarded to Mr Knott;

c) the share price hurdle rate is three times that of the share option exercise price, which, for the purposes of the issue of share options under the Supplementary Plan, is £0.38 per ordinary share;

d) options granted pursuant to the Supplementary Plan will vest and become exercisable on the earliest to occur of:

   i. the Company's share price on any day equalling or exceeding £1.14 per ordinary share;

   ii. any person or group of persons acting in concert obtaining control of 30% or more of the Company's issued share capital (other than the existing Concert Party);

   iii. the sale of a substantial proportion of the Group's assets (as shall be determined by the Company's Remuneration and Nomination Committee in its sole discretion); and

   iv. the passing of a resolution for the voluntary winding up of the Company;

e) options granted pursuant to the Supplementary Plan will be granted over unissued ordinary shares of the Company, rather than shares in SE1L; and

f) options granted pursuant to the Supplementary Plan will lapse in the event that a participant ceases to be either:

   i. employed by a member of the Group; or

   ii. a Director or a member of the Group prior to 28 November 2017.

As disclosed in the Company's Admission Document dated 22 December 2017, in the view of the Remuneration and Nomination Committee, the vesting and hurdle conditions of the Supplementary Plan were too stretching to serve as a realistic incentive.

Additional Schemes and Employee Benefit Trust

Previously, the LTIP and the Supplementary Plan (the "Existing Plans") permitted the grant of awards over issued or unissued ordinary shares equal to, in aggregate, up to 15% of the Company's fully diluted share capital. This aggregate limit (applicable collectively to the Existing Plans and the Additional Schemes) has been reduced to 10% of the fully diluted share capital from time to time. As with the Existing Plans, it is intended that up to one-half of the equity available under any Additional Schemes would be made available to the Chief Executive Officer.

The Remuneration and Nomination Committee intends to attach conditions to any awards granted under the Additional Schemes, which may include long-term vesting criteria, key business metric KPIs and future share price performance conditions and would be determined in consultation with the Company's Nominated Adviser.

In order to facilitate the Additional Schemes, the Company established the Employee Benefit Trust ("EBT"). The EBT holds 42,624,837 ordinary shares (the "EBT Shares") of the Company. Subject to the Trustee's compliance with its obligations as a trustee and relevant legislation, the voting rights attaching to the shares held by the EBT are exercised in accordance with the instructions of the Board and the Trustee will waive all rights to any dividends on these shares.

Directors' Remuneration report continued

New Share Scheme

The Board believes that the success of the Company will depend to a significant degree on the future performance of the Company's senior management team, in particular its Chief Executive Officer. It is therefore important to ensure that the members of the senior management team are well motivated and identify closely with the success of the Company. To incentivise certain existing and future senior management, the Remuneration and Nomination Committee recommended to offer them the option of participating in a new share incentive scheme (the "New Share Scheme").

Awards under the New Share Scheme take the form of nil-cost options over a total of 42,624,837 existing ordinary shares in the Company currently held in an employee benefit trust. Vesting of the awards to participants will be linked to total shareholder return (based on share price performance and dividends), measured against the 30-day volume weighted average price ("VWAP") of the Company's shares during a five-year period.

For initial participants, the awards vest on a straight-line basis should the VWAP at any point during the five-year period exceed a hurdle price of 47 pence, with 100% vesting on the VWAP reaching 68 pence. Participants who receive shares pursuant to the awards are subject to a three-month lock-in period during which they will not be permitted to deal in such shares, subject to certain limited exceptions.

All awards under the New Share Scheme are subject to, inter alia, the participant's continued employment or other engagement with the Company, and malus provisions. To further align the interests of the Company's senior management team and those of shareholders, it is intended that employees who are participants in the New Share Scheme and who are awarded shares will only be permitted to dispose of such shares if, post-disposal, their residual shareholding will be valued at an amount equal to at least 200% of their base salary (based on the VWAP on the date of such disposal).

At the 2018 Annual General Meeting of the Company, shareholders approved a grant of nil-cost options over 21,312,418 existing ordinary shares to Mr Knott (held in the Employee Benefit Trust) under the terms of the New Share Scheme. The options were granted in April 2020. At the same time 1,065,621 options were granted to Isatou Semega-Janneh. In February 2021 Mr Knott was granted 2,200,000 options and Isatou Semega-Janneh was granted 625,000 options under the same scheme in lieu of payment of cash bonuses.

Directors' service contracts or letters of appointment

Andrew Knott (Chief Executive Officer)

Andrew Knott entered into a service agreement with the Company effective from its Admission to trading on AIM (1 August 2014), which provided for a 12-month notice period and an initial fixed term of two years.

Under the terms of the agreement, Mr Knott is entitled to an annual salary of £525,000 (2019: £525,000) and, at the sole discretion of the Company's Remuneration and Nomination Committee, a performance-related bonus. Mr Knott is entitled to participate in any management incentive programme.

Isatou Semega-Janneh (Chief Financial Officer)

Isatou Semega-Janneh was appointed as the Company's CFO on a permanent basis in March 2019, having served as the Company's interim CFO from December 2017. Her service agreement provides for written notice by either party of six months, or for early termination in the event of, inter alia, a serious breach of the agreement. Under the terms of the agreement, in 2020 Ms Semega-Janneh was entitled to an annual salary of £250,000 (2019: £200,000), payable on a monthly basis and, at the sole discretion of the Company's Remuneration and Nomination Committee, a performance-related bonus. Ms Semega-Janneh is eligible to participate in any management incentive programme that the Group may adopt.

Non-Executive Directors

The Non-Executive Directors were appointed under letters of appointment which during 2020 were terminable by three months' written notice by either side. This has now been changed so that appointments can be terminated by six months' written notice by either side except where there has been a change of control of the Company, in which case the notice period would be 12 months. The Chairman's basic annual fee is based on his spending up to five days a month on the Company's business, and the Non-Executive Directors' fees are based on up to 2.5 days a month. In addition, the Non-Executive Directors are now entitled to compensation of £1,500 per day for any days worked in excess of that commitment, subject to obtaining written approval in advance.

Under the terms of their letters of appointment, Mr Jenkins is entitled to an annual fee of £175,000 (2019: £175,000) and the remaining Non-Executive Directors are entitled to an annual fee of £60,000 (2019: £60,000).

David Clarkson and Sir Stephen O'Brien also received in May 2020 a grant of options over new ordinary shares with an aggregate value of £50,000 (based on the Placing Price of 35 pence per share).

Subject to continued satisfactory performance, the Board does not think it appropriate to limit the term of appointment of the Non-Executive Directors. However, the Board recognises the value of regular refreshing of its composition and remains committed to ensuring that it has the right mix of skills and experience that are aligned with the evolution and strategic plans of the Company, while maintaining its independence of character and judgement. The Directors believe that the value brought through continuity and experience of Directors with longer periods of service is desirable for a company such as Savannah. With an objective to deliver long-term and consistent returns to shareholders it is important that the Board is able to maintain effectively its long-term perspective, supported by some corporate memory, but with the regular challenge provided by fresh thinking. The Board also believes that the performance-related shares and options awarded to certain of the Non-Executive Directors further encourage the alignment of their interests with those of the Company's shareholders and are not material enough to compromise their independence, character and judgement.

Directors' remuneration

The remuneration of the Directors who served the Company during the financial year under review was as follows:

Year ended 31 December 2020	Salary US$	2019 Performance-related bonus US$	Employer's pension contribution US$	Other benefits US$	Fees US$	Total US$
Executive Directors						
Andrew Knott[1,2]	675,379	1,364,405	67,538	3,425	—	2,110,747
Isatou Semega-Janneh[3]	321,609	255,826	27,564	1,479	—	606,478
Non-Executive Directors						
Steve Jenkins	—	—	—	—	225,126	225,126
David Clarkson	—	—	—	—	77,186	77,186
Sir Stephen O'Brien	—	—	—	—	77,186	77,186
Mark Iannotti	—	—	—	—	77,186	77,186
David Jamison	—	—	—	—	77,186	77,186
Michael Wachtel[4]	—	—	—	—	131,308	131,308
Total	**996,988**	**1,620,231**	**95,102**	**4,904**	**665,178**	**3,382,403**

1. Highest paid Director.
2. Andrew Knott receives his employer's pension allowance equivalent to 10% of salary as cash. In 2019, his employer's pension allowance was included within Other benefits.
3. Isatou Semega-Janneh's employer's pension allowance was 8% of salary in 2020.
4. Michael Wachtel (who left the Board in December 2020) received a fee of US$71,034 in respect of his appointment as a Non-Executive Director and earned additional fees of US$60,274 for additional services. The additional fees are recognised at the year-end rate of exchange of US$1.37/£1.00.

Note 1: Directors' remuneration is incurred in GB Pounds. The average rate of exchange for the year ended 31 December 2020 was US$1.32/£1.00.

Note 2: As at 31 December 2020, additional fees of US$0.4 million were accrued in relation to additional services for certain directors which were disclosed in the relevant period.

The remuneration of the Directors who served the Company during the prior financial year was as follows:

Year ended 31 December 2019	Salary US$	2018 Performance-related bonus US$	Employer's pension contribution US$	Other benefits US$	Fees US$	Total US$
Executive Directors						
Andrew Knott[1]	658,514	1,326,200	—	69,473[2]	—	2,054,187
Isatou Semega-Janneh	263,025	232,085	15,288[3]	1,549	—	511,947
David Clarkson[4]	382,105	132,620	—	—	—	514,725
Non-Executive Directors						
Steve Jenkins	—	—	—	—	350,199[5]	350,199
Sir Stephen O'Brien	—	—	—	—	76,421	76,421
Mark Iannotti	—	—	—	—	127,343[6]	127,343
David Jamison	—	—	—	—	76,421	76,421
Michael Wachtel	—	—	—	—	142,619[7]	142,619
Total	**1,303,644**	**1,690,905**	**15,288**	**71,022**	**773,003**	**3,853,863**

1. Highest paid Director.
2. Andrew Knott receives his employer's pension allowance equivalent to 10% of salary as cash. In addition to his salary of US$658,514 Mr Knott received back-pay from 2018 of US$72,419.
3. With effect from November 2019, the employer's pension allowance of Isatou Semega-Janneh increased to 8% per annum.
4. David Clarkson served as an Executive Director until 12 December 2019, when he resumed his service as a Non-Executive Director. No Non-Executive fees were paid to Mr Clarkson in 2019. In addition to his salary of US$382,105 he also received back-pay from 2018 of US$232,101.
5. Steve Jenkins received a fee of US$222,895 in respect of his appointment as a Non-Executive Director and earned additional fees of US$127,304 for additional services.
6. Mark Iannotti received a fee of US$76,421 in respect of his appointment as a Non-Executive Director and earned fees of US$50,922 for additional services.
7. Michael Wachtel received a fee of US$76,421 in respect of his appointment as a Non-Executive Director and earned additional fees of US$66,198 for additional services.

Note: Directors' remuneration is incurred in GB Pounds. The average rate of exchange for the year ended 31 December 2019 was US$1.27/£1.00.

Directors' Remuneration report continued

Directors' shareholdings and share interests

The table below sets out the Directors' interests in the ordinary shares of the Company, including shares held by persons connected to them, together with the number of awards held by Directors under the New Share Scheme, the LTIP and the Supplementary Plan as at 31 December 2020 and as at 7 June 2021, being the latest practicable date prior to the publication of this report.

	As at 31 December 2020 Number of ordinary shares	Changes from 31 December 2020 to 7 June 2021 Number of ordinary shares	% of issued shares at 7 June 2021	Grant awards over new ordinary shares as at 7 June 2021 Number of options	Additional Share scheme unvested awards Number of options	LTIP outstanding unvested awards Number of SE1L shares	Supplementary Plan – outstanding unvested awards Number of ordinary shares
Executive Directors							
Andrew Knott	36,942,019	—	3.17%	—	23,512,418[1]	11,588,574	5,446,630
Isatou Semega-Janneh	167,579	—	0.02%	—	1,690,621[1]	446,429	358,786
Non-Executive Directors							
Steve Jenkins	463,800	—	0.05%	—	—	1,785,714	1,019,501
David Clarkson	1,113,692	—	0.11%	142,857		—	—
Sir Stephen O'Brien	275,601	—	0.03%	142,857		—	—
Mark Iannotti	3,667,984	—	0.37%	—	—	547,765	2,257,450
David Jamison	651,009	—	0.07%	—	—	273,883	128,725
Total	**43,281,684**	**—**	**4.36%**	**285,714**	**25,203,039**	**14,642,365**	**9,211,092**

1. Share options granted under the Additional Share Scheme over Ordinary Shares held by the EBT.
2. The option awards were made to each of Sir Stephen O'Brien and David Clarkson in May 2020 in full satisfaction of the Company's obligation to grant awards over new ordinary shares with an aggregate value of £50,000 (based on a price per ordinary share of £0.35) to each of them. The options were granted over new ordinary shares, are exercisable for a period of five years and have an exercise price of £0.001 per ordinary share. The options are not subject to any vesting or other performance conditions.

The closing share price of one Savannah share on 31 December 2020 was 13.7 pence and the highest and lowest prices during the year were 21.50 pence and 6.60 pence respectively.

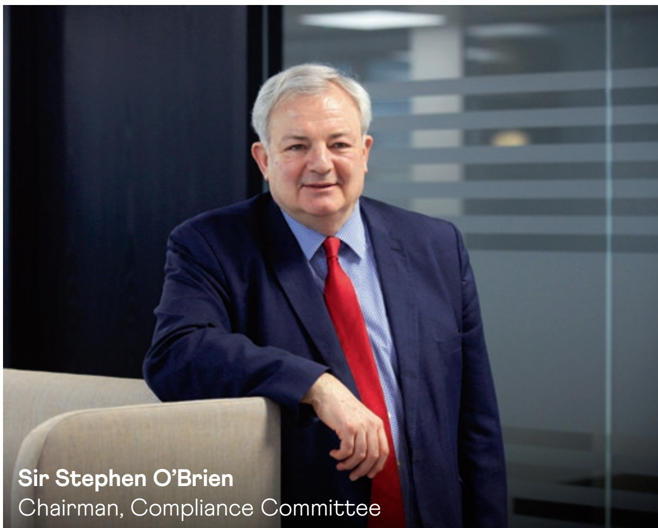
On behalf of the Board

David Jamison
Chairman, Remuneration and Nomination Committee

7 June 2021

Compliance Committee Report

Strong focus on compliance


Sir Stephen O'Brien
Chairman, Compliance Committee

Members	Meetings attended	Member since
Michael Wachtel (Chair)[1]	4/4	January 2018
Sir Stephen O'Brien (Chair)	—	December 2020
David Clarkson	4/4	January 2018
Mark Iannotti	4/4	January 2018
David Jamison	4/4	January 2018

1. Michael Wachtel left the Board in December 2020.

Key responsibilities:
- Reviewing and monitoring compliance controls, policies and systems to identify, assess, manage and report on compliance matters, including:
  - maintaining adequate compliance procedures, policies and systems;
  - the prevention of bribery, corruption, money laundering and countering of terrorist financing;
  - gifts and hospitality, per diem payments, business relationships, including dealings with public officials, host communities, agents, intermediaries, consultants, contractors and advisers;
  - mergers, acquisitions and major new projects;
  - whistleblowing arrangements and reports;
  - conflicts of interest; and
  - legal and regulatory compliance risks;
- Assessing the adequacy and effectiveness of the compliance framework; and
- Communicating the Board's commitment to compliance to the Group's staff, contractors and other stakeholders.

The role of the Committee is to support the Board in carrying out its duty to promote and oversee compliance with all legal and regulatory obligations. The terms of reference of the Committee outline its key responsibilities and reflect the current statutory requirements and best practice proportionate to a company of Savannah's size, nature and stage of development.

The terms of reference for the Committee are available on the Company's website at www.savannah-energy.com.

Activities during the year

During the financial year ended 31 December 2020, the Committee:

- reviewed work undertaken to align policies and procedures across the enlarged Group following the completion of the Nigerian assets acquisition, so as to ensure proper compliance standards were maintained. At the beginning of the year a new Head of Compliance, Nigeria was appointed, and anti-bribery training in Nigeria was stepped up in view of the Group's expanded activities there. By the end of the year Savannah was fully compliant with the Nigeria Extractive Industries Transparency Initiative;
- received quarterly compliance reports from the Chief Compliance Officer ("CCO"), including any matters referred to the CCO for decision; and
- continued to monitor the whistleblowing hotline (which migrated to a new platform during the year following the acquisition of the third-party operator).

During 2021, the Committee will continue to monitor, inter alia, the annual mandatory compliance training programme for employees, covering anti-bribery and corruption, and whistleblowing (for all staff), and anti-money-laundering, and prevention of tax evasion (for relevant staff). The Committee attaches great importance to this training.

Stephen O'Brien

Sir Stephen O'Brien
Chairman, Compliance Committee
7 June 2021

Health, Safety, Security and Environment Committee Report

Maintaining safe, secure, reliable, compliant and sustainable operations

David Clarkson
Chairman, Health, Safety, Security and Environment Committee

Members	Meetings attended	Member since
David Clarkson (Chair)	4/4	January 2018
Steve Jenkins	4/4	January 2018
Sir Stephen O'Brien	4/4	January 2018

Key responsibilities:

- Ensuring that the Company has an appropriate framework of policies, procedures, systems and controls in place in relation to the health, safety, operational integrity, security and environmental risks arising from the operations of the Group;
- Overseeing compliance with, and effectiveness of, the HSSE framework;
- Promoting appropriate behaviours, decisions and culture;
- Communicating the Board's commitment to these matters to the Group's staff, contractors and other stakeholders;
- Receiving reports on any serious accidents and incidents within the Group, including corresponding actions taken by management; and
- Overseeing the quality and integrity of any reporting to external stakeholders regarding health, safety, operational integrity, security and environmental matters.

The terms of reference for the Committee are available on the Company's website at www.savannah-energy.com.

The role of the Committee is to oversee the framework of policies, procedures, systems and controls in place in relation to the health, safety, environmental, operational integrity and security risks arising from the operations of the Group. The terms of reference of the Committee outline its key responsibilities and reflect the current statutory requirements and best practice commensurate and proportionate to a company evolving to a full-cycle energy company of Savannah's scale.

Activities during the year

During the financial year ended 31 December 2020, the Committee:

- received regular operational updates from the Chief Operating Officer on health, safety, security and environmental performance and risks, including any breaches or incidents of non-compliance. There were no Lost Time Injuries or adverse environmental impacts in 2020;
- monitored and discussed the Company's activities to embed, and ultimately report on, environmental, social and governance ("ESG") aspects of the enlarged operations;
- oversaw the Company's Health, Safety, Security and Environmental management plan;
- oversaw the Corporate HSSE Report, defining the leading and lagging indicators for the Group and paying particular attention to issues arising from the Covid-19 pandemic in terms of staff welfare and working practices;
- reviewed the 2020 Group Performance Plan; and
- Worked in concert with the COO to establish the Company's process safety and integrity requirements and in providing sounding-board support in the resolution of operational issues encountered in the transition of the operation to Savannah Energy control.

More information on Savannah's efforts in this area can be found in the Sustainability Review starting on page 61.

From 2021, the Committee is being assisted at its meetings by the attendance of the Chief Operating Officer, which will help to foster the culture of constructive challenge and engagement.

David Clarkson
Chairman, Health, Safety, Security and Environment Committee
7 June 2021

Directors' Report

Focus on delivering growth in long-term shareholder value

The Directors' Report, prepared in accordance with the Companies Act 2006, comprises pages 107 to 108. The Corporate Governance Report on pages 90 to 93 forms part of this Directors' Report.

Principal activity, review of the business and future developments

The principal business and activities of the Group during the financial year, together with the factors likely to affect its future developments, are set out in the Strategic Report on pages 1 to 85, which are incorporated into this Directors' Report by reference.

Corporate structure

Savannah Energy PLC (registered no. 09115262), formerly Savannah Petroleum PLC, is a public company limited by shares, incorporated in England and Wales. Its shares are traded on the Alternative Investment Market of the London Stock Exchange.

The Board

The details of the Directors during the year under review are shown on pages 86 to 87.

Directors' indemnity

As permitted by its Articles of Association, the Company has granted a third-party indemnity to each Director against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by English law. This indemnity was in force during the financial year and up to the date of signing of this report. In addition, all Directors and officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance.

Financial risk management objectives and policies

The Group's financial risk management objectives and policies, including its policy for managing the exposure of the Company to price risk, credit risk, liquidity risk and foreign currency risk, are set out in Note 33 to the Group's consolidated financial statements.

Going concern

The Group's business activities, together with the principal risks and uncertainties that are likely to affect it, are set out in the Strategic Report on pages 1 to 85, and the financial position of the Group at the year end and its cash flows and liquidity position are set out in the Group's consolidated financial statements.

The Directors have reviewed the budgets and forecasts as well as the funding requirements of the business for the next 12 months. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review on pages 54 to 60.

The Directors continue to adopt the going concern basis in preparing the consolidated financial statements. Please refer to Note 2 on page 124 for further details on going concern review.

Dividends and Share Buybacks

The commencement of a policy of delivering shareholder distributions, by way of dividends and/or share buybacks, is a key pillar of our strategy. As a Board and management team we will continue to review the most appropriate time for such distributions to commence, with key considerations around the timing of this being: (1) our confidence in the outlook of the global economy and impact of the ongoing Covid-19 pandemic; (2) Accugas completing the refinancing of its existing US$371 million debt facility, into a longer-dated debt structure which will "free-up" substantial cash flows each year; and (3) whether we successfully acquire additional cash flow generative assets.

External auditor

Following a tender process (described in the Audit and Risk Committee Report on page 95), a resolution to appoint BDO LLP as auditor will be proposed at the forthcoming Annual General Meeting.

Purchase of own shares

The Company has not acquired any of its own shares in the period to 31 December 2020, nor in the period up to the date of approval of this Annual Report.

Disclosures relating to the Streamlined Energy and Carbon Reporting ("SECR") framework

The disclosures required in relation to greenhouse gas emissions and energy usage are provided in the Sustainability Review on page 75.

Research and development

The Company does not undertake any material research and development activities.

Existence of branches outside the UK

The Group's activities in overseas jurisdictions are carried out through subsidiary companies. The Company does not have any branches outside the UK. Details of the Company's overseas subsidiaries are set out in Note 21 to the Group's consolidated financial statements.

Political donations

No political donations were made in 2020.

Approval of Directors' Report

This Directors' Report, including the Corporate Governance Report, was approved for and on behalf of the Board on 7 June 2021.

For and on behalf of the Board

Andrew Knott
Chief Executive Officer
7 June 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and the financial statements, taken as a whole, provide the information necessary to assess the Company's position, performance, business model and strategy and are fair, balanced and understandable.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Andrew Knott
Chief Executive Officer
7 June 2021

Independent Auditor's Report

to the members of Savannah Energy PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Savannah Energy PLC (the "parent company") and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the facility terms on the Group's principal debt agreement were amended such that no repayments are required in respect of this facility until November 2021 during which time the Group is currently working to refinance its principal US$371 million debt facility from US dollars to Nigerian Naira, both of which require access to appropriately priced US dollars. As stated in note 2 there is a risk that the Group may not be able to amend the facility within the going concern assessment period. These events or conditions, along with the other matters as set forth in note 2 indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of management's assessment of the entity's ability to continue as a going concern

Our evaluation of the Directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtained management's cash flow forecasts covering the period to June 2022. We assessed how these forecasts were compiled, and assessed their accuracy by validating to underlying information and verifying mathematical accuracy of the model used;
- Challenged management on the key assumptions used within the forecast, including the forecast oil price, timing of expected payments to creditors and income, licence amalgamation fees and payment of the Accugas Limited borrowings. Furthermore we
  - considered whether the assumptions (including management's assessment of the impact of Brexit/Covid) are consistent with our understanding of the business derived from other detailed work undertaken;
  - performed sensitivity analysis on the inputs and assumptions included within the cash flow forecasts in order to understand what would break the model;
  - challenged management on any mitigating actions including ability to restrict cash impact, in addition to the level of available facilities; and
  - agreed committed facilities to external confirmations
- Challenged management how Covid-19 has impacted their cash flow forecasts and how this has been incorporated into the model;
- Challenged management on the position of the borrowings in Accugas Limited where the debt facility was amended during the year so that repayments were not required (with instead Naira cash balances set aside), and further amended post year-end such that repayments are now not required until November 2021. We further considered the options available to management to access the US dollars required to make further loan repayments through other markets should appropriately priced US dollars not be available; and
- Assessed the appropriateness of the disclosures included within the financial statements relating to going concern.

Our responsibilities

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

The responsibilities of the Directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Independent Auditor's Report continued

to the members of Savannah Energy PLC

Our approach to the audit

Grant Thornton

Materiality
Key audit matters
Scoping

Overview of our audit approach

Overall materiality:

Group: US$3,547,000, which represents approximately 0.3% of the Group's total assets. Parent company: US$968,000, which represents 0.3% of the parent company's total assets.

Key audit matters were identified as:

- carrying value of exploration and evaluation assets (same as previous year);
- oil and gas revenue recognition (same as previous year);
- accuracy of the decommissioning provision (new);
- impairment of the oil and gas assets (new); and
- going concern (as in as previous year).

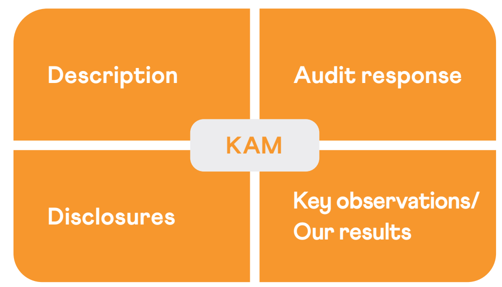
Our auditor's report for the year ended 31 December 2019 included two key audit matters that have not been reported as key audit matters in our current year's report. These relate to the acquisition from the Seven Energy Group which is not relevant in the current financial year, The accuracy of the deferred tax asset which was not considered a Key Audit Matter ("KAM") in the current year due to the judgements by management in the prior year not changing significantly.

We performed a full scope audit of the financial statements of Savannah Energy PLC using component materiality (full scope procedures) and an audit of significant classes of transactions and account balances were performed for Savannah Petroleum Niger SA. We issued component auditor instructions to Deloitte Nigeria to perform full scope audit procedures on the financial information of Accugas Limited, Savannah Energy Uquo Gas Limited and Universal Energy Resources Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.

Key Audit Matter – Group	How our scope addressed the matter – Group
Risk 1: Carrying value of exploration and evaluation assets We identified the valuation and allocation of exploration and evaluation assets as one of the most significant assessed risks of material misstatement due to error. The exploration and evaluation ("E&E") assets balance as at 31 December 2020 is US$159,572,000 (31 December 2019: $154,745,000) with the movement being $4,827,000. As the Group is currently in the exploration phase of the project in Niger, these costs are being capitalised. Management have to consider the specific recognition criteria under IFRS 6: Exploration and Evaluation for Mineral Resources for which costs can be capitalised and management judgement is required to determine which costs fall under the IFRS 6 capitalisation criteria. The E&E assets have been accumulating over a number of years and the Group is not yet in the production phase in Niger. As a result there is the risk that carrying value of assets may not be recoverable and impairment may be required.	In responding to the key audit matter, we performed the following audit procedures: - Considering management's assessment of any indicators of impairment as outlined in IFRS 6: Exploration and Evaluation of Mineral Resources and their assertion that none are applicable, including the status and likelihood of the R1/R2/R4 licence amalgamation process completing given the R1/R2 licence expired and R4 was relinquished in in 2019. Additionally, we challenged management on the plans for the R3 licence given its expiry in 2021; - Challenging management on the CGU's considered within the impairment assessment of E&E assets; - Using our auditor's external expert to assess the accuracy and relevance of management's forecasts and judgements in bringing the assets into use and becoming a producing area of oil including challenging assumptions; and - Performing substantive testing on a sample of additions to E&E assets during the year to assess if these were in line with capitalisation criteria per IFRS 6.
Relevant disclosures in the Annual Report and Accounts 2020 Financial statements: Note 3, Significant Accounting Policies; and Note 17, Exploration and evaluation assets.	**Key observations** Our testing identified that the R1/R2/R4 licence amalgamation has not yet been legally finalised. We have considered the documented correspondence regarding the approval and its likelihood and have not identified any indicators of impairment relating to the carrying value of the E&E assets.
Risk 2: Oil and gas revenue recognition We identified manual adjustments to oil and gas revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Accugas Limited, Savannah Energy Uquo Gas Limited and Universal Energy Resources Limited were acquired in the prior year from the Seven Energy Group. This is the first full year of trade for the Group and these entities account for 100% of Group revenue recognised being $169,005,000 for the year ended 31 December 2020 (31 December 2019: $17,758,000). IFRS 15: Revenue from Contracts with customers was applicable to the above noted entities , there is a risk around the appropriate recognition of revenue in the current year due to contract modification which could result in manual adjustments to revenue.	In responding to the key audit matter, we performed the following audit procedures: - Agreeing the inputs within the calculation of revenue and contract liability to the underlying contracts for the contractual values; - Performing substantive testing of inputs for the calculation to relevant third party evidence including Bill of Lading or Gas Consumption Certificates; - Assessing management's application of IFRS 15 requirements and challenged them on their assessment of the contract modification; and - We assessed the appropriateness of the manual journals that were recorded in revenue against the results of the substantive work performed.
Relevant disclosures in the Annual Report and Accounts 2020 Financial statements: Note 3, Significant Accounting Policies; and Note 6, Revenue.	**Key observations** Our substantive testing performed did not identify any material misstatements in the occurrence of revenue. We did note that the accounting for contract modification was applied by management using the cumulative catch up approach when it should have been applied prospectively however this did not have a material impact on the amount of revenue recognised in the year, no adjustment was processed.
Risk 3: Accuracy of the decommissioning provision We identified the accuracy of the decommissioning provision as one of the most significant assessed risks of material misstatement due to error. The decommissioning provision balance as at 31 December 2020 is US$101,511,000 (31 December 2019: US$104,408,000) with the movement being an adjustment due to change in assumptions. The change in assumptions was management judgement which caused a material change to the provision calculation. Management engaged an external expert to update the decommissioning costs which form the basis of the provision calculation, these had previously been internally generated. The estimate is sensitive to changes in assumptions due to the time period the assessment is over.	In responding to the key audit matter, we performed the following audit procedures: - Considering the expert report commissioned by management on the determination of the basis of the provision for decommissioning including challenging underlying assumptions; - Using our auditor's external expert to assess the competence of management's expert and assessing the report prepared by management to inform our work in particular around industry expectations; and - Substantive testing of the inputs to the provision calculation, re-performance of calculations and challenging management's judgements, corroborating these with those in the client technical team.
Relevant disclosures in the Annual Report and Accounts 2020 Financial statements: Note 3, Significant Accounting Policies; and Note 30, Provisions	**Our results** Our testing performed did not identify any material misstatements in the accuracy of the decommissioning provision.

Independent Auditor's Report continued

to the members of Savannah Energy PLC

Key audit matters continued

Key Audit Matter – Group	How our scope addressed the matter – Group
Risk 4: Carrying value of the oil and gas assets We identified the carrying value of oil and gas assets as one of the most significant assessed risks of material misstatement due to error. The oil and gas assets balance as at 31 December 2020 is US$163,525,000 (31 December 2019: US$164,621,000). We have assessed there to be a significant risk around the valuation of oil and gas assets within Universal Energy Resources Limited ("UERL") as a result of the reduction of global oil prices in 2020, which indicates potential for impairment of these assets. Oil and gas asset value in UERL was $34,341,000 as at 31 December 2020.	In responding to the key audit matter, we performed the following audit procedures: - Considering management's impairment assessment including challenging and corroborating inputs and assumptions in the calculation; - Challenging management on the assessment of the CGU's forming the impairment calculation; - Assessing management's sensitivity analysis to confirm if the most judgemental areas were changed that the outcome still indicates headroom; - Assessing management's forecasts in relation to production expectations and calculation for depletion amounts including challenging any assumptions; - Performing substantive testing on a sample of additions to oil and gas assets during the year to confirm existence and accuracy; and - Understanding the nature and form of the transfer from receivables from a joint arrangement to oil and gas assets to confirm that it was appropriate to reclassify in the current year.
Relevant disclosures in the Annual Report and Accounts 2020 Financial statements: Note 3, Significant Accounting Policies; and Note 16, Property, plant and equipment	**Our results** Based on our audit work, we are satisfied that the assumptions made in management's impairment calculations were appropriate. Our testing of management's calculations did not identify any impairment of the carrying value of oil and gas assets.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	US$3,547,000 which is approximately 0.3% of total assets.	US$968,000 which is 0.3% of total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: The business is in a transitional period post-acquisition given the assets purchased were distressed, therefore profit and revenue generation have been diminished. We therefore deem total assets to be the most appropriate method of calculating materiality and 0.3% was assessed to be the most appropriate measurement percentage as this gives a materiality not dissimilar to the prior year. Materiality for the current year is marginally higher than the level that we determined for the year ended 31 December 2019 to reflect the larger total asset value as at 31 December 2020.	In determining materiality, we made the following significant judgements: As Savannah Energy PLC company is a holding company primarily with investments and intercompany balances with the wider Group, it would not be appropriate to use a profit or revenue based benchmark. As a result, we consider total assets to be the most appropriate and we have remained consistent with the Group calculation and used the measurement percentage of 0.3%. Materiality for the current year is marginally lower than the level that we determined for the year ended 31 December 2019 with no specific change driving this.
Significant revision of materiality threshold that was made as the audit progressed	No significant adjustments to the Group materiality.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual total assets for the year ended 31 December 2020 and adjusted our audit procedures accordingly.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	US$2,660,250 which is 75% of financial statement materiality.	US$726,000 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the following significant judgements regarding a higher performance materiality. The business has not undergone significant changes since the end of the prior year, there are no prior going concern issues and prior misstatements did not relate to fraud.	There are no factors or historic issues at the parent company level which would reduce the performance materiality percentage used.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for directors remuneration.	We determined a lower level of specific materiality for directors remuneration.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	US$177,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	US$48,400 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

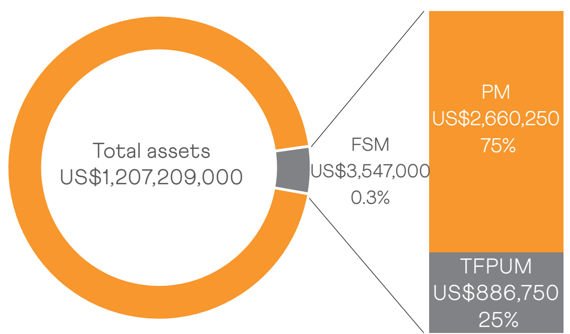
Independent Auditor's Report continued

to the members of Savannah Energy PLC

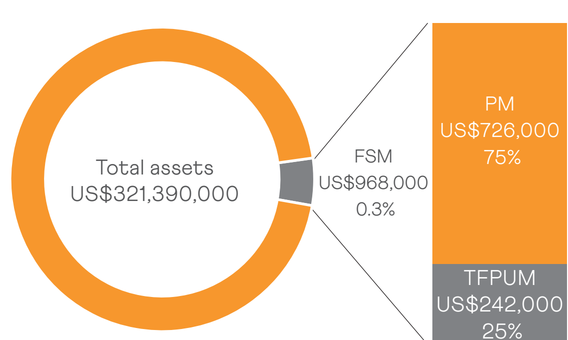
Our application of materiality continued

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements.

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the Group and its environment, including group-wide controls, and assessed the risks of material misstatement at the Group level.

Identifying significant components

- The identified components of the Group were evaluated by the Group audit team based on a measure of total Group assets, cash, revenue and profit/(loss) before tax to assess the significance of the component and to determine the planned audit response.
- For those components that we determined to be significant, either a full scope approach or audit of classes of balances and transactions was carried out. This approach was determined based on their relative materiality to the Group and our assessment of audit risk.

Performance of our audit

- In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the components by us, as the Group engagement team, or component auditors out with Grant Thornton UK LLP, operating under our instruction.
- Where the work was performed by component auditors, we determined the relevant risk for the component as it relates to the Group, the level of involvement we needed to have in the audit work, issued Group instructions to the component auditor including details of component materiality and reviewed the workpapers through planning, fieldwork and completion of the identified risk areas.
- As in the prior year, due to the impact of Covid-19, the Group engagement team were unable to travel to the component auditor location in order to carry out the reviews of the work of the component auditor; however, alternative methods were identified in order to obtain sufficient, appropriate audit evidence to support the Group opinion.
- The components where a full scope audit was performed by component auditors were Accugas Limited, Savannah Energy Uquo Gas Limited and Universal Energy Resources Limited which are all based in Nigeria and acquired in the acquisition in the prior year. These three entities make up 84% of Group total assets, 100% of Group revenues and 75% of Group profit before tax.

Changes in approach from previous year

- There have been no changes to the approach taken in the prior year.
- The below table shows the Group audit approach taken and coverage of key balances. Although there are 15 components showing 0% of the total assets, revenue and 11% of PBT of the Group, this is because they are non-trading, made up entirely of intercompany balances and in comparison to the Nigerian trading entities are very small.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage PBT
Full-scope audit	4	84%	100%	84%
Audit one or more SCOT+s relating to significant risks	1	16%	—	3%
Specified audit procedures	1	—	—	2%
Analytical procedures	15	—	—	11%

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

Independent Auditor's Report continued

to the members of Savannah Energy PLC

Auditor's responsibilities for the audit of the financial statements continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud continued

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the Group and industry in which they operate. We determined that the following laws and regulations were most significant: IFRS, Companies Act 2006, and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, and bribery and corruption practices;
- We understood how the parent company and the Group is complying with those legal and regulatory frameworks by, making inquiries to management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the parent company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team and component auditors included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - challenging assumptions and judgements made by management in its significant accounting estimates;
  - identifying and testing journal entries, in particular any journal entries posted with unusual blank descriptions or unusual posters; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates; and
  - understanding of the legal and regulatory requirements specific to the entity including, the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules and the applicable statutory provision.
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue occurence. This is also reported as a key audit matter in the key audit matter section of our report where the matter is explained in more detail and the specific procedures we performed in response to the key audit matter are described in more detail;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the parent company's and the Group's operations, including the nature of its revenue sources, and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the applicable statutory provisions; and
  - the parent company's and the Group's control environment, including:
  - the adequacy of procedures for authorisation of transactions, internal review procedures over the parent company's and the Group's compliance with regulatory requirements; and
  - procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the Group financial statements. No such matters were identified by the component auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

James Chadwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
7 June 2021

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Revenue	6	**169,005**	17,758
Cost of sales	7	**(72,460)**	(11,514)
Gross profit		**96,545**	6,244
Administrative and other operating expenses		**(14,227)**	(13,581)
Transaction costs	8	**—**	(29,732)
Expected credit loss and other related adjustments	23	**10,992**	(431)
Operating profit/(loss)	8	**93,310**	(37,500)
Finance income	10	**472**	1,378
Finance costs	11	**(75,796)**	(12,173)
Gain on acquisition of subsidiaries	39	**—**	10,209
Fair value adjustment	12	**(1,682)**	(54,664)
Foreign translation loss	13	**(5,396)**	(12,663)
Profit/(loss) before tax		**10,908**	(105,413)
Current tax expense	14	**(4,197)**	(341)
Deferred tax (expense)/credit	14	**(12,685)**	8,907
Tax (expense)/credit	14	**(16,882)**	8,566
Loss after tax		**(5,974)**	(96,847)
Other comprehensive income			
Items not reclassified to profit or loss:			
Actuarial losses relating to post-employment benefits	32	**(362)**	—
Tax relating to items not reclassified to profit or loss	14	**308**	—
Other comprehensive loss		**(54)**	—
Total comprehensive loss		**(6,028)**	(96,847)
Profit/(loss) after tax attributable to:			
Owners of the Company		**(6,220)**	(92,585)
Non-controlling interests	27	**246**	(4,262)
		(5,974)	(96,847)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		**(6,274)**	(92,585)
Non-controlling interests	27	**246**	(4,262)
		(6,028)	(96,847)
Loss per share			
Basic (US$)	15	**(0.01)**	(0.10)
Diluted (US$)	15	**(0.01)**	(0.10)

All results in the current financial year derive from continuing operations.

The notes on pages 124 to 173 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2020

	Note	2020 US$'000	2019 US$'000
Assets			
Non-current assets			
Property, plant and equipment	16	**612,707**	618,286
Exploration and evaluation assets	17	**159,572**	154,745
Deferred tax assets	14	**196,986**	209,363
Right-of-use assets	18	**5,581**	4,183
Restricted cash	20	**1,635**	1,828
Finance lease receivable	19	**1,049**	—
Total non-current assets		**977,530**	988,405
Current assets			
Inventory	22	**2,916**	4,020
Trade and other receivables	23	**122,400**	106,332
Cash at bank	24	**104,363**	46,256
Total current assets		**229,679**	156,608
Total assets		**1,207,209**	1,145,013
Equity and liabilities			
Capital and reserves			
Share capital	25	**1,409**	1,393
Share premium	25	**62,092**	61,204
Treasury shares	25	**(59)**	—
Capital contribution	25	**458**	458
Share-based payment reserve	25	**7,104**	6,448
Retained earnings		**158,670**	164,885
Equity attributable to owners of the Company		**229,674**	234,388
Non-controlling interests	27	**(2,737)**	(2,983)
Total equity		**226,937**	231,405
Non-current liabilities			
Other payables	28	**4,648**	7,500
Borrowings	29	**424,667**	460,665
Lease liabilities	18	**7,057**	4,956
Provisions	30	**106,606**	109,503
Contract liabilities	31	**185,172**	118,052
Total non-current liabilities		**728,150**	700,676
Current liabilities			
Trade and other payables	28	**101,975**	120,184
Borrowings	29	**89,995**	71,387
Interest payable		**51,544**	13,715
Tax liabilities	14	**2,539**	3,090
Lease liabilities	18	**1,004**	614
Contract liabilities	31	**5,065**	3,942
Total current liabilities		**252,122**	212,932
Total equity and liabilities		**1,207,209**	1,145,013

The notes on pages 124 to 173 form part of these financial statements.

The financial statements of Savannah Energy PLC (Company number: 09115262) were approved by the Board of Directors and authorised for issue on 7 June 2021 and are signed on its behalf by:

Isatou Semega-Janneh
Director

Company Statement of Financial Position

as at 31 December 2020

	Note	2020 US$'000	2019 US$'000
Assets			
Non-current assets			
Property, plant and equipment	16	**389**	491
Investment in subsidiaries	21	**7,121**	81,804
Right-of-use assets	18	**2,732**	4,168
Finance lease receivable	19	**1,049**	—
Total non-current assets		**11,291**	86,463
Current assets			
Trade and other receivables	23	**1,190**	3,176
Intercompany receivable	34	**308,718**	184,444
Cash at bank	24	**191**	1,009
Total current assets		**310,099**	188,629
Total assets		**321,390**	275,092
Equity and liabilities			
Capital and reserves			
Share capital	25	**1,409**	1,393
Share premium	25	**62,092**	61,204
Capital contribution	25	**458**	458
Share-based payment reserve	25	**7,104**	6,448
Retained earnings		**206,453**	171,598
Total equity		**277,516**	241,101
Non-current liabilities			
Other payables	28	**—**	7,500
Lease liabilities	18	**4,617**	4,956
Total non-current liabilities		**4,617**	12,456
Current liabilities			
Trade and other payables	28	**19,658**	14,085
Borrowings	29	**5,791**	6,596
Interest payable		**652**	—
Intercompany payable	34	**12,460**	—
Tax liabilities	14	**—**	240
Lease liabilities	18	**696**	614
Total current liabilities		**39,257**	21,535
Total equity and liabilities		**321,390**	275,092

Company number: 09115262

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the Company Statement of Comprehensive Income. The profit of the legal parent company for the year to 31 December 2020 was US$34.9 million (2019: US$82.2 million loss).

The notes on pages 124 to 173 form part of these financial statements.

The financial statements of Savannah Energy PLC (Company number: 09115262) were approved by the Board of Directors and authorised for issue on 7 June 2021 and are signed on its behalf by:

Isatou Semega-Janneh
Director

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Cash flows from operating activities:			
Net cash generated from/(used in) operating activities	36	**115,569**	(12,323)
Cash flows from investing activities:			
Interest received		**110**	—
Payments for property, plant and equipment		**(9,381)**	(1,690)
Exploration and evaluation payments		**(2,167)**	(5,719)
Lessor receipts		**113**	—
Cash acquired on acquisition of a subsidiary		**—**	10,471
Loan to Seven Energy International Limited		**—**	(12,084)
Net cash used in investing activities		**(11,325)**	(9,022)
Cash flows from financing activities:			
Finance costs		**(21,767)**	(2,055)
Proceeds from issues of equity shares, net of issue costs		**—**	28,767
Borrowing proceeds		**7,213**	18,650
Borrowing repayments		**(31,474)**	(16,381)
Sale of a non-controlling interest	27	**—**	39,000
Lease payments		**(767)**	(302)
Cash to debt service accounts		**(30,105)**	—
Cash from/(to) restricted cash accounts		**181**	(1,828)
Net cash (used in)/provided by financing activities		**(76,719)**	65,851
Net increase in cash and cash equivalents		**27,525**	44,506
Effect of exchange rate changes on cash and cash equivalents		**477**	—
Cash and cash equivalents at beginning of year		**46,256**	1,750
Cash and cash equivalents at end of year	24	**74,258**	46,256
Amounts held for debt service at end of year	24	**30,105**	—
Cash at bank at end of year as per Statement of Financial Position	24	**104,363**	46,256

The notes on pages 124 to 173 form part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Cash flows from operating activities:			
Net cash used in operating activities	36	**(2,378)**	(28,102)
Cash flows from investing activities:			
Payments for property, plant and equipment		**(8)**	(210)
Proceeds to subsidiary undertakings		**(4,643)**	—
Repayments from subsidiary undertakings		**8,753**	7,956
Lessor receipts		**113**	—
Loan to Seven Energy International Limited		**—**	(12,084)
Net cash provided by/(used in) investing activities		**4,215**	(4,338)
Cash flows from financing activities:			
Finance costs		**(596)**	—
Proceeds from issues of equity shares, net of issue costs		**—**	28,767
Borrowing proceeds		**2,098**	4,650
Borrowing repayments		**(3,846)**	—
Lease payments		**(360)**	(302)
Net cash (used in)/provided by financing activities		**(2,704)**	33,115
Net (decrease)/increase in cash and cash equivalents		**(867)**	675
Effect of exchange rate changes on cash and cash equivalents		**49**	—
Cash and cash equivalents at beginning of year		**1,009**	334
Cash and cash equivalents at end of year	24	**191**	1,009

The notes on pages 124 to 173 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital US$'000	Share premium US$'000	Treasury shares US$'000	Capital contribution US$'000	Share-based payment reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Equity attributable to the owners of the Company US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 January 2019	1,240	—	—	458	5,908	(4,989)	225,229	227,846	(491)	227,355
Loss for the year	—	—	—	—	—	—	(92,585)	(92,585)	(4,262)	(96,847)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	—	(92,585)	(92,585)	(4,262)	(96,847)
Transactions with shareholders:										
Equity-settled share-based payments	—	—	—	—	540	—	—	540	—	540
Issue of ordinary shares to shareholders, net of issue costs (note 25)	153	61,204	—	—	—	—	—	61,357	—	61,357
Warrants expired	—	—	—	—	—	4,989	(4,989)	—	—	—
Transactions with equity holders (note 27)	—	—	—	—	—	—	37,230	37,230	1,770	39,000
Balance at 31 December 2019	1,393	61,204	—	458	6,448	—	164,885	234,388	(2,983)	231,405
(Loss)/profit for the year	—	—	—	—	—	—	(6,220)	(6,220)	246	(5,974)
Other comprehensive loss	—	—	—	—	—	—	(54)	(54)	—	(54)
Total comprehensive (loss)/profit for the year	—	—	—	—	—	—	(6,274)	(6,274)	246	(6,028)
Transactions with shareholders:										
Equity-settled share-based payments	—	—	—	—	656	—	—	656	—	656
Share adjustments (note 25)	16	888	—	—	—	—	—	904	—	904
Treasury shares recognition (note 25)	—	—	(59)	—	—	—	59	—	—	—
Balance at 31 December 2020	**1,409**	**62,092**	**(59)**	**458**	**7,104**	**—**	**158,670**	**229,674**	**(2,737)**	**226,937**

The notes on pages 124 to 173 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital US$'000	Share premium US$'000	Capital contribution US$'000	Share-based payment reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Total equity US$'000
Balance at 1 January 2019	1,240	—	458	5,908	(4,989)	258,779	261,396
Loss for the year	—	—	—	—	—	(82,192)	(82,192)
Total comprehensive loss for the year	—	—	—	—	—	(82,192)	(82,192)
Transactions with shareholders:							
Equity-settled share-based payments	—	—	—	540	—	—	540
Issue of ordinary shares to shareholders, net of issue costs (note 25)	153	61,204	—	—	—	—	61,357
Warrants expired	—	—	—	—	4,989	(4,989)	—
Balance at 31 December 2019	1,393	61,204	458	6,448	—	171,598	241,101
Profit for the year	—	—	—	—	—	34,855	34,855
Total comprehensive profit for the year	—	—	—	—	—	34,855	34,855
Transactions with shareholders:							
Equity-settled share-based payments	—	—	—	656	—	—	656
Share adjustments (note 25)	16	888	—	—	—	—	904
Balance at 31 December 2020	**1,409**	**62,092**	**458**	**7,104**	**—**	**206,453**	**277,516**

The notes on pages 124 to 173 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2020

1. Corporate information

The consolidated financial statements of Savannah Energy PLC ("Savannah" or the "Company") and its subsidiaries (together, the "Group") for the year to 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 7 June 2021.

Savannah was incorporated in the United Kingdom on 3 July 2014. On 16 April 2020, the Company changed its name from Savannah Petroleum PLC to Savannah Energy PLC. Savannah's sole activity, until 14 November 2019, was the management of its investment in Savannah Energy 1 Limited ("SE1"). SE1 was incorporated in Scotland on 3 July 2013. SE1's principal activity is the management of its investment in Savannah Energy 2 Limited ("SE2"), and the provision of services to other companies within the Group. SE2 has a 95% interest in Savannah Petroleum Niger SA ("Savannah Niger") whose principal activity is the exploration of hydrocarbons in the Republic of Niger.

On 14 November 2019 Savannah acquired certain operational entities and assets from Seven Energy International Limited ("SEIL") and its subsidiaries (the "Transaction" or the "Nigerian assets"). This resulted in a significant expansion of the business. The principal activity of these entities is the exploration, development and production of natural gas and crude oil in Nigeria.

The Company is domiciled in England for tax purposes and is a public company, and its shares were listed on the Alternative Investment Market ("AIM") of the London Stock Exchange on 1 August 2014.

The functional currency of the Group's subsidiaries is US Dollars ("US$"), and the consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand (US$'000), except when otherwise stated.

No dividends have been declared or paid since incorporation.

The Company's registered address is 40 Bank Street, London E14 5NR.

2. Basis of preparation

The consolidated financial statements of the Group and the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements of the Group incorporate the results for the year ended 31 December 2020.

Going concern

The Directors have considered the factors relevant to support a statement of going concern; in assessing the going concern assumption the Directors have reviewed the Group's forecasted cash flows as well as the funding requirements of the Group for the period to 30 June 2022. This forecast was prepared on a "bottom-up" basis and it reflects the Group's best estimate of costs and revenues for the period. The capital expenditure and operating costs used in this forecast are based on the Group's approved corporate budget which includes operating budgets for each of the operating subsidiaries and an estimate of the corporate general and administrative costs for the period.

The base case model assumes that cash collections from our three existing gas customers in Nigeria – Calabar Generation Company Ltd, Lafarge Africa PLC and Ibom Power Station – are received on a timely and regular basis in line with the contracted committed volumes stipulated in agreed long-term supply contracts. The going concern base case model also assumes that only these current customers are supplied and that no new customers - such as, for example, First Independent Power Limited which has the potential to increase daily sales volumes by 34% versus 2020 levels and for which sales are expected by the Directors to commence in summer 2021 – are sold gas. Forecast liquid revenues from the Stubb Creek and Uquo fields are based on in-house production forecasts which are in line with the forecasts in the current Competent Persons Report.

As detailed in note 29 the Group has a range of financing arrangements in place with different groups of lenders and as detailed in note 40, after the reporting date the Group entered into an increased US$20 million committed financing agreement. Certain of these agreements contain financial covenants and management monitors performance against these covenants as part of the cash flow forecasting process. The Group is forecasting to meet its financial covenant obligations. Both the base case forecast and sensitised versions of this base case confirm that the Group and each subsidiary company has sufficient liquidity to continue as a going concern for the period to 30 June 2022.

As part of its analysis in making the going concern assumption, the Directors have considered the range of risks facing the business on an ongoing basis, as set out in the risk section of this Annual Report. The principal assumptions made in relation to our going concern assessment relate to the timely payments of our gas invoices by our customers, the forecast commodity price environment and continued access to FX markets:

Timely Payment of Gas Invoices

It is clearly fundamental for the Group to be paid on a timely basis for the gas supplied to its existing gas customers. The Group has a relatively concentrated customer base with the largest single customer accounting for approximately 64% of forecast revenues in the next 12-month period. This creates a reliance risk on this single customer for a large portion of total forecast revenues. The Group is anticipating that its customer base will be further diversified in 2021 through commencing supply of gas under new GSA's with commercial parties but recognises that the current situation gives rise to a risk in the event of delayed payments.

This risk is mitigated through the external credit support covering the offtake contracts at Accugas where we have a Partial Risk Guarantee in place via the World Bank to support Calabar supply, and a standby letter of credit provided from an investment grade rated financial institution for Lafarge Africa PLC. Approximately 95% of the revenue base is therefore of investment grade calibre. This credit support provides additional comfort therefore in assessing our future forecast revenues and for purposes of the base case model we have assumed that payments are received on a timely basis as per the contracts.

2. Basis of preparation continued

Going concern continued

Commodity Price Environment

The Group operates in the energy sector and is clearly therefore exposed to fluctuations in commodity prices. During 2020, there were significant and dramatic fluctuations in Brent prices which traded from a high of US$68.91bbl to a low of just US$19.33bbl. This creates uncertainty around future cashflows for the Group.

In making an assessment of an appropriate oil price to use in the forecasts we have considered a number of factors including the pricing of the futures market and considerations around future demand and supply fundamentals. Management has adopted an oil price of US$63.1/bbl for remainder of 2021 and an average of US$58.1/bbl for 2022-2025. This is considered to be a conservative price assumption based upon the current spot price of approximately US$70/bbl and dated brent futures where the forecast price is always higher than our assumption.

Commodities remain volatile and can fluctuate based on a wide range of factors. The Group does not currently have any hedging in place which would mitigate price risk however, this will be reviewed during the year.

FX market access

The Group generates the majority of its revenues under long-term fixed price gas sales agreements whereby our principal customers have the option to pay the Group in either US dollar or Nigerian Naira, while our debt facilities are primarily US dollar denominated.

The Group is currently working with its existing and new lenders to refinance its principal US$371.0 million debt facility from US dollars to Naira and expects this process to complete by the end of 2021. The debt facility terms were amended such that no repayment was due at year-end. We have subsequently further amended the facility such that no repayments are required until November 2021. As at 31 December 2020, the Company agreed with its lending banks to set aside approximately NGN29.1 billion (US$71.0 million) for debt service purposes, pending completion of this re-financing process both of which require access to an appropriately priced US dollars; (any FX loss incurred in this transaction would be recoverable under the terms of the Calabar GSA). Throughout 2020 the Group accessed US dollars as required to pay its non-Naira denominated expenditures. The Directors are highly confident that the Group will continue to be able to access US dollars as required to maintain going concern status. However, a remote risk exists that the Group may not be able to continue to do so and/or the Group may not be able to amend its debt facilities and/or complete its planned debt refinancing. These facts indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue to apply the going concern basis of accounting.

Covid-19

The Directors have also considered the impact on the forecasted cash flows from the ongoing Covid-19 pandemic. The impact on the Group from the Covid-19 virus during 2020 was considered to be fairly limited. In Nigeria, operations continued on an uninterrupted basis with strong demand seen – Accugas was the most reliable supplier of gas to the Nigerian power sector during the year. The Group did not, and does not expect to, furlough any staff and did not access any Government-backed loan support schemes in the United Kingdom or overseas. Having considered the risks arising from the pandemic and taking into consideration the efficient response of the Group and the robust business model, management does not consider that any specific adjustments are required to the forecast model arising from Covid-19.

Sensitivity Analysis

The Group has undertaken sensitivity analysis on its cashflow forecasts and considered the material risk areas for the business which could impact upon the going concern assumption. These risks included: (i) timely payment of payments from customers, (ii) commodity pricing and (iii) accelerated payment required for accrued expenses. Mitigating actions were considered which could be taken by the Group to prevent a shortfall arising under any scenario and these could include:

(i) deferring or reducing costs – given its high equity ownership levels and operatorship of all key assets, the Group has significant levels of control over capital and operating spend and can directly manage costs where necessary with only minimal committed capital spend;

(ii) enforcing its rights to claim payment under the credit support arrangements in place; and

(iii) raising of additional debt or equity if required – the leverage on the Nigerian assets is low and given the long-term gas sales contracts and long-life nature of the assets, the Group believes further funding could be accessed if the need arose.

Under sensitivity analysis, the operating cash flows and funding available to the Group remain sufficient at all times during the forecast period to meet obligations as required whilst still maintaining headroom.

As a result of their review, and despite the aforementioned material uncertainty, the Directors have confidence in the Group's forecasts and have a reasonable expectation that the Group will continue in operational existence for the going concern assessment period and have therefore used the going concern basis in preparing these consolidated financial statements.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Notes to the Financial Statements continued

for the year ended 31 December 2020

2. Basis of preparation continued

Basis of consolidation continued

Subsidiaries continued

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

See note 21 for the companies that have been consolidated within the Group financial statements.

Transactions eliminated upon consolidation

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. Significant accounting policies

New and amended IFRS standards

The following relevant new standards, amendments to standards and interpretations were mandatory for the first time for the financial year beginning 1 January 2020:

Standard	Key requirements	Effective date
Amendments to IFRS 3: Business Combinations	Amendments issued aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.	1 January 2020
Interest rate benchmark reform, amendments to IFRS 9: Financial instruments and IFRS 7: Financial instruments – Disclosures	Phase 1 reforms issued as a first reaction to the potential effects the IBOR reform could have on financial reporting. Phase 1 deals with pre-replacement issues; issues affecting financial reporting the period before the replacement of an existing interest rate benchmark. Amendments to relevant standards are effective for annual reporting periods beginning on or after 1 January 2020. Phase 2, effective for annual reporting periods beginning on or after 1 January 2021, deals with replacement issues; issues that might affect financial reporting when an existing interest rate benchmark is replaced.	1 January 2020
Amendments to IFRS 16: Leases	The IASB has issued an amendment to IFRS 16: Leases to make it easier for lessees to account for Covid-19 related rent concessions such as rent holidays and temporary rent reductions. The amendment is effective for financial periods ending on or after 1 June 2020 but, to ensure relief is available when needed most, lessees can apply the amendment immediately.	Periods ending on or after 1 June 2020

Amendments to IFRS 3: Business Combinations

There have been no business combinations in 2020 and therefore the interpretation has no impact on the Group's financial information.

Interest rate benchmark reform, amendments to IFRS 9: Financial instruments and IFRS 7: Financial instruments – Disclosures

Phase 1 reforms and its associated amendments have no impact on the Group's financial information.

Standards issued but not yet effective

The following relevant new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2020, and have not been early adopted:

Standard	Key requirements	Effective date
Interest rate benchmark reform, amendments to IFRS 9: Financial instruments and IFRS 7: Financial instruments – Disclosures	Phase 2, effective for annual reporting periods beginning on or after 1 January 2021, deals with replacement issues; issues that might affect financial reporting when an existing interest rate benchmark is replaced. The Group does not expect these standards to have a material impact on its financial information.	1 January 2021

3. Significant accounting policies continued

Foreign currency translation

Transactions and balances

Transactions entered into in a currency other than the functional currency are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions. At each Statement of Financial Position date, the monetary assets and liabilities of the Group's entities that are not in the functional currency of that entity are translated into the functional currency at exchange rates prevailing at the Statement of Financial Position date. The resulting exchange differences are recognised in the Statement of Comprehensive Income.

Functional and presentation currency

Management has concluded that the US Dollar is the functional currency of each entity of the Group due to it being the currency of the primary economic environment in which the Group operates, based on the following facts:

- oil and gas reserves are priced and invoiced in US Dollars;
- most of the expenses of the entities of the Group are denominated in US Dollars; and
- the majority of funds raised from financing activities (debt or equity instruments) are generated in or converted to US Dollars.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For each business combination, the Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses if not material. When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised separately, but instead are subsumed in goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for any NCI and the acquisition-date fair value of any previously held interest (aggregate consideration transferred) over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (a bargain purchase), before recognising a gain, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Statement of Comprehensive Income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Revenue recognition

The Group is principally engaged in the exploration, development and production of crude oil and natural gas, as well as the processing, marketing and distribution of gas. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sale of gas

The Group recognises revenue from the sale of gas over time because the customer simultaneously receives and consumes the benefits provided by the Group. The customer does not need to re-perform the processing or re-deliver the gas the Group has provided to date and therefore demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs. Revenue from sale of gas delivered is considered to be a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The promised quantity of gas committed to be transferred to the customer in the contract is the minimum quantity of gas to be purchased by the customer. Purchases above and beyond the estimated minimum have been considered optional purchases and accounted for as separate contracts at a price that would reflect the stand-alone selling price of the gas delivered. In determining the transaction price for the sale of gas, the Group considers the existence of significant financing components and consideration payable to the customer (if any).

Sales of crude oil and condensates

Revenue from sales of crude oil and condensates is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the processed crude at the delivery point. The normal credit term is 30 days upon delivery.

Notes to the Financial Statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

Revenue recognition continued

Significant financing component

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when it transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. In addition, a significant financing component assessment is carried out where the Group receives take-or-pay deficiency payment on gas sales. Take-or-pay gas sales contracts provide that the customer must sometimes pay for gas even when not delivered to the customer. The customer, in future contract years, takes delivery of the product without further payment. As a practical expedient, a significant financing component is deemed not to exist when the customer pays for the goods or services in advance and the timing of the transfer of those goods or services is at the discretion of the customer.

Take-or-pay contract and breakage

The Group enters into take-or-pay contracts for sale of gas where the buyer may not ultimately exercise all of their rights to the gas. The take-or-pay quantity not taken but paid for by the buyer is called take-or-pay deficiency payment and/or "make-up" gas. If a buyer has a right to receive a "make-up" delivery at a later date, revenue recognition is deferred and only recognised when the gas is delivered, or when the "make-up" gas can no longer be taken. The Group assesses if there is a reasonable assurance that it will be entitled to a breakage amount. Where it establishes that a reasonable assurance exists, it recognises the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. However, where the Group is not reasonably assured of a breakage amount, it would only recognise the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

Consideration payable to a customer

The payment of the costs, claims, demands, liabilities and/or expenses suffered or incurred by the buyer under the gas contract (if any) has been recognised as a reduction of the transaction prices and, therefore, of revenue since the payment to the customer is not in exchange for distinct goods that the customers transfer to the Group.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, or not invoiced at the reporting date, a contract asset is recognised for the earned consideration that remains conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under financial instruments.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. "Make-up" gas is recorded as a contract liability.

Oil and gas assets

Expenditure on the construction, installation or completion of upstream facilities such as process plant, flowlines and the drilling of development wells is capitalised within oil and gas assets. When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases and costs are either regarded as part of the cost of inventory or expensed in the period in which they are incurred, except for costs which qualify for capitalisation relating to producing asset additions, improvements or new developments. Development and producing assets are carried at cost less accumulated depreciation, depletion and accumulated impairment losses.

Infrastructure assets and other property, plant and equipment

Infrastructure assets and other property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

3. Significant accounting policies continued

Depletion and depreciation

Depletion and depreciation-provided at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

	Years
Oil and gas assets	
Production and development costs	Unit[1]
Geological and geophysical costs, production drilling costs and development drilling costs	Unit[1]
Right-of-use assets	
Leasehold buildings	Life of the lease
Infrastructure assets	
Pipeline and facilities	5–40[2]
Equipment	5–10
Other assets	
Computers	3
Motor vehicles	4
Furniture and fixtures	5–10

1. Dependent on a unit-of-production basis using proved and probable reserves.
2. Following management's assessment of the gas pipelines, the expected useful life of these pipelines was increased from 25 to 40 years from the beginning of the reporting period. The effect this has had on the depreciation charge for 2020 has been discussed in note 16.

Oil and gas assets are depleted on a unit-of-production basis over the total proved and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved and probable reserves of the relevant area. Changes in the estimates of commercial reserves or future field development costs are accounted for prospectively.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Pipeline fill

Natural gas which is used to fill pipelines and is necessary to bring a pipeline into working order is treated as a part of the cost of the related pipeline on the basis that it is not held for sale or consumed in a production process but is necessary for the operation of a facility during more than one operating cycle. Also, its cost cannot be recouped through sale (or is significantly impaired). This applies even if the part of inventory that is deemed to be an item of property, plant and equipment ("PP&E") cannot be separated physically from the rest of inventory. It is valued at cost and is depreciated over the useful life of related asset.

Exploration and evaluation assets

These assets relate to exploration and evaluation expenditure and are accounted for under the "successful efforts" method of accounting per IFRS 6: Exploration for and Evaluation of Mineral Resources. The successful efforts method means that only costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised.

Exploration and evaluation expenditure which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Exploration and evaluation costs are valued at costs less accumulated impairment losses and capitalised within exploration and evaluation assets. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the Statement of Comprehensive Income. When the exploratory phase has resulted in the recognition of commercial reserves, the related costs are first assessed for impairment and (if required) any impairment recognised, then the remaining balance is transferred to Oil & gas assets.

Long-lead items are classified within Property, plant and equipment and transferred to Exploration and evaluation assets once utilised in operations.

Leases

Lessee accounting

On inception of a contract, the Group assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether the contract conveys the right to control the use of an identified asset, the Group assesses whether the contract involves the use of an identified asset, the Group has the right to obtain all of the economic benefits from the use of the asset throughout the period of use, and the Group has the right to direct the use of the asset.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Notes to the Financial Statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

Leases continued

Lessee accounting continued

The Group also applied the available practical expedients wherein it:

- applied the short-term leases exemptions to leases with a lease term that ends within 12 months of the date of initial application; and
- applied the low value leases exemptions to leases for which the underlying assets is of low value.

The lease liability recognised under IFRS 16 is measured on a discounted basis. The discount rate used to discount the lease payments for each lease is the incremental borrowing rate appropriate for each lease at the date of initial application. The incremental borrowing rates were determined for each lease taking into consideration factors such as the term of the lease, the nature of the asset, credit risk and the economic environment in which the asset was located (which included the currency in which the lease was denominated).

Lessor accounting

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as finance lease receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group does not account for any contracts where the Group is a lessor as an operating lease.

Investments in subsidiaries

Investments in subsidiaries are stated in the Statement of Financial Position at cost less any provisions for impairment. If a distribution is received from a subsidiary, then the investment in that subsidiary is assessed for an indication of impairment depending on the nature of the distribution. Typically, these distributions are intercompany dividends.

Segmental analysis

In the opinion of the Directors, the Group is primarily organised into two geographical operating segments and one unallocated segment. This is consistent with the Group's internal reporting to the chief operating decision maker; refer to note 5.

Impairment

Property, plant and equipment

At each Statement of Financial Position date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are cash inflows that are largely independent of the cash inflows from other assets or group of assets. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Non-financial assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income.

3. Significant accounting policies continued

Impairment continued

Exploration and evaluation assets

Impairment tests are performed when the Group identifies facts or circumstances implying a possible impairment in accordance with IFRS 6. Where the Group identifies that an asset may be impaired, the Group performs an assessment of the recoverable value in accordance with the requirements of IFRS 6. In particular, the Group has carefully considered whether there are any impairment indicators for the Niger R1/R2 and R3/R4 licence areas and as updated below. Any impairment loss is recognised immediately in the Statement of Comprehensive Income.

During the first half of 2020, the Group agreed with the Niger Ministry of Petroleum that the R4 licence area will be combined with the R1/R2 PSC area into a new R1/R2/R4 PSC to be issued under the Petroleum Code 2017 and that the R3 PSC would continue as a stand-alone PSC area, thus retaining the full acreage position previously covered by the R1/R2 PSC and the R3/R4 PSC. The Group has subsequently agreed in principle with the Ministry of Petroleum to combine all four licence areas into a single PSC rather than the previous proposal of two PSCs. The new PSC will be valid for ten years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Ministers approval and the payment of the associated fee which is expected to occur by the end of July 2021. More details are set out in note 17.

Financial assets

Call option fair value through profit or loss ("FVTPL")

In 2019 the Group issued a loan note which under the repayment terms gives it an option to repay the loan at a discount to the face value of the note. This option has been separated out from the host contract and valued as an embedded derivative and is measured at FVTPL.

Amounts due from Group companies and other receivables

Amounts due from Group companies and other receivables are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets

The Group recognises an allowance for expected credit loss ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (if any). ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit loss that results from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit loss expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For most trade receivables and contract assets, the Group is required to follow a simplified approach in calculating ECLs if no significant financing component exists. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. For some trade receivables and contract assets which are subject to discussions with the counterparty, specific assessments are made to determine the recoverability of such amounts which includes expected recovery rates and discounting for the time value of money. For receivables from related parties, the Group applies the general approach. The general approach involves tracking the changes in the credit risk and recognising a loss allowance based on a 12-month ECL at each reporting date. When the Group acquires credit impaired assets, the ECL that is netted against the gross receivable balance is released to the Statement of Comprehensive Income when the original invoice that the ECL relates to is settled.

Joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control exists when the Group does not have the power, directly or indirectly, to solely govern the financial and operating policies of an entity. In assessing control, potential voting rights which are currently exercisable are taken into account. The Group is engaged in oil and gas exploration, development, production and distribution through unincorporated joint ventures or jointly controlled entities. The Group accounts for its share of assets, liabilities, revenues and expenses of unincorporated joint arrangements as joint operations.

Interest in jointly controlled entities is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the venture since the acquisition date. The aggregated Statement of Comprehensive Income reflects the Group's share of results of operations in the ventures.

Notes to the Financial Statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is: (i) contingent consideration that may be paid by an acquirer as part of a business combination; (ii) held for trading; or (iii) designated as at FVTPL.

Savannah previously granted to each participant in a two-tranche equity placing (the first and second tranches having taken place in December 2017 and February 2018 respectively) one warrant to subscribe for ordinary shares for every two placing shares subscribed. The shares were denominated in Sterling; however, the functional currency of the Company is the US Dollar. The "fixed for fixed" test therefore did not pass, and the warrants were treated as a financial liability at FVTPL.

The warrants were exercisable 12 months post the second tranche equity placing, at an exercise price of £0.35. None of the warrants were exercised and lapsed entirely in February 2019 (at their expiry date).

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the fair value adjustment line item in the Statement of Comprehensive Income.

Financial liabilities at amortised cost

After initial recognition at fair value, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Equity instruments

Equity instruments issued by the Group are recorded at the fair value of the proceeds received or the fair value price at the date of issue, net of direct issue costs, which are recorded to share capital (nominal value) and share premium.

Trade payables

Trade payables are measured at fair value.

Taxation

Current tax

The tax currently payable is based on assessable taxable income generated for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the Statement of Financial Position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the Statement of Financial Position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or to settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Significant accounting policies continued

Taxation continued

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the Statement of Comprehensive Income, except when they relate to items credited or debited directly to equity or Other comprehensive income, in which case the tax is also recognised directly in equity or Other comprehensive income, as appropriate.

Inventories

Inventories of oil and condensate assets are stated at their net realisable values and changes in net realisable values are recognised in the Statement of Comprehensive Income.

Other inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method and comprises direct materials and, where applicable, direct labour, overheads and other charges incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Cash at bank

Cash at bank in the Statement of Financial Position comprise cash and cash equivalents, such as cash at banks and at hand and short-term deposits with an original maturity of three months. It also includes amounts held in accounts designated for debt service purposes. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined.

Restricted cash

Restricted cash is not freely available for use by the Group and mainly relates to stamp duty and escrow accounts.

Provisions

General

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Group's best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, considering the risks and uncertainties of the obligation, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the Statement of Comprehensive Income.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Decommissioning liability

The Group recognises an initial decommissioning liability and an asset in Property, plant and equipment, if it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related assets to the extent that it was incurred by the development/construction of the asset. Any decommissioning obligations that arise through the production of inventory are expensed as incurred. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to Property, plant and equipment.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the Statement of Comprehensive Income. If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the revised oil and gas asset net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to the Statement of Comprehensive Income.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the Statement of Comprehensive Income as a finance cost.

The Group recognises neither the deferred tax asset arising from the temporary difference on the decommissioning liability nor the corresponding deferred tax liability regarding the temporary difference on a decommissioning asset as no taxable profits are expected to be generated at the time of decommissioning.

Notes to the Financial Statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

Share-based payments

The Group issues equity-settled share-based payments to some of its employees and Directors through stock option plans. In accordance with IFRS 2, these plans are measured at fair value on the grant date and are accounted for as an employee expense on a straight-line or graduated vesting for each tranche basis over the vesting period of the plans.

The equity-settled transaction reserve accounts for the expense associated with options that have been granted but not yet vested. The cost of the share options is recognised as an increase in the equity-settled transaction reserve at the time of the award and this reserve is transferred to the retained earnings account over time when such shares become vested.

The proceeds received net of any directly attributable costs are credited to share capital (nominal value) and share premium in the Company.

The Company has the obligation to deliver the shares. The Company recognises an increase in the investment in the subsidiary undertaking that employs the recipients of the share-based payment awards as a capital contribution from the parent and a corresponding increase in equity.

Capital

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued capital, treasury shares, the capital contribution reserve, the share-based payment reserve and the accumulated deficit.

Share capital

Share capital comprises issued capital in respect of issued and paid-up shares, at their par value.

Share premium

Share premium comprises the difference between the proceeds received and the par value of the issued and paid-up shares.

Treasury shares

Following re-admission of the Group onto the London Stock Exchange in December 2017, the Group established an employee benefit trust ("EBT") to facilitate the adoption of certain management and employee incentive schemes. The EBT subscribed for 42,624,837 ordinary shares, issued as part of the second tranche equity placing in February 2018. The EBT has been consolidated within these Group accounts from 1 January 2020.

The shares in the Company held by the EBT are included in the Statement of Financial Position at cost of acquisition as a deduction from equity. No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale, issue or cancellation of the Group's own equity instruments. If any shares are reissued, the difference between the carrying amount and the consideration received is recognised in share premium.

Capital contribution

The capital contribution reserve comprises the capital contribution that was made by shareholders of the Company as part of the debt-to-equity conversion.

Share-based payment reserve

The share-based payment reserve relates to equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Retained earnings

Retained earnings comprises the accumulated or deficit of earnings retained by the Group.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term, and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions.

The Group funds its expenditures on commitments from existing cash and cash equivalent balances, received from the issue of shares and cash flows from its Nigerian operating entities. There are no externally imposed capital requirements. Financing decisions are made by the Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

3. Significant accounting policies continued

Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit or loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the post-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Employee benefits

Defined contribution plan

In line with the Pension Reform Act 2014, the Group remits employees' contributions to designated pension fund administrators. The Group and its employees respectively contribute 10%/15% and 8% of the employees' current salaries and designated allowances. Employees' contributions to the scheme are funded through payroll deductions while the Group's contributions are charged to the Statement of Comprehensive Income in the year to which the contributions relate. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets.

Defined benefit plan

Lump sum benefits payable upon retirement or resignation of employment are fully accrued over the service lives of staff under a defined benefit plan ("the scheme"). Employees under the scheme are entitled to a percentage of their final salary and an amount based on a (capped) number of years of continuous service. The actuarial techniques used to assess the value of the scheme involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc). The Group uses the assistance of an external independent actuary in the assessment of these assumptions.

The Group has adopted the Projected Unit Credit ("PUC") method to establish the value of the accrued liabilities. In calculating the liabilities, the method:

- Recognises the Group service rendered by each member of staff at the review date;
- Anticipates that salaries will increase between the review date and the eventual exit date of the employee via withdrawal, death or retirement; and then
- Discounts the expected benefit payments to the review date.

Short-term employee benefits

(i) Rewards

Short-term employee benefits are rewards such as wages, salaries, paid annual leave and bonuses (if payable within 12 months of the end of the period) and non-monetary benefits (such as medical care, housing, cars, etc.).

(ii) Medical insurance scheme

The Group subscribes to a medical insurance plan on behalf of its employees, paying a gross premium to a health management organisation based on the level of the employee. This premium is treated as a prepayment and charged to staff costs monthly.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The impact of estimate sensitivities are disclosed where such sensitivities are considered material, meaningful and practical.

Notes to the Financial Statements continued

for the year ended 31 December 2020

4. Critical accounting judgements and key sources of estimation uncertainty continued

Critical accounting judgements

Determination of cash-generating units ("CGUs")

The determination of CGUs requires judgement in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality. With respect to the Nigerian assets, these were considered to form a single CGU. The Nigerien assets have been considered to form a single CGU for the purposes of an impairment assessment under IFRS 6.

Revenue from contracts with customers – timing of recognition

Revenue from gas delivered and crude oil processing services will be recognised over time because, as the Group performs, the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the processing or re-deliver the gas that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs. The Group has determined that revenue from the sale of crude oil will be recognised at a point in time, as control is passed to the customer.

The Group has determined that the output method is the best method in measuring progress of quantity of gas delivered and crude oil processing because there is a direct relationship between the Group's effort (i.e. quantity delivered or processed) and the transfer of goods and service to the customer. Units delivered or processed as an output method appropriately depicts how the Group transfers control to its customers. The Group recognises revenue on the basis of the actual quantity of gas delivered and quantity of crude oil processed relative to the total expected gas to be delivered and crude oil to be processed.

Exploration and evaluation expenditures

The accounting for exploration and evaluation ("E&E") assets requires management to make certain judgements and assumptions, including whether exploratory wells have discovered economically recoverable quantities of reserves. Designations are sometimes revised as new information becomes available. If an exploratory well encounters hydrocarbons, but further appraisal activity is required in order to conclude whether the hydrocarbons are economically recoverable, the well costs remain capitalised as long as sufficient progress is being made in assessing the economic and operating viability of the well. Criteria used in making this determination include evaluation of the reservoir characteristics and hydrocarbon properties, expected additional development activities, commercial evaluation and regulatory matters. The concept of "sufficient progress" is an area of judgement, and it is possible to have exploratory costs remain capitalised for several years while additional drilling is performed or the Group seeks government, regulatory or partner approval of development plans.

Reclassification of a receivable from a joint arrangement

Following the acquisition of the Nigerian assets in 2019, the Group completed the restructuring of economic interests in the Uquo field with its partner Frontier Oil Limited. The agreement granted economic ownership and control of 100% of the gas operations, and its partner was granted economic ownership and control of 100% of the oil operations at the Uquo field; together with recognising any initial and subsequent payments ("advanced cash call amounts") were recorded as Receivables from a joint arrangement in 2019 (note 23). During 2020 these amounts were transferred to Property, plant and equipment (note 16) as management and the counterparty have judged that the substance of this restructuring of economic interests was a re-alignment of the respective parties' economic interests and is similar to a "signature bonus" and should be considered as an Oil and gas asset. As a result of these new facts and change of circumstances during 2020 that were not present at the prior Statement of Financial Position date, management have transferred the amount during the current year.

Business combination and consideration

When the Company announced its intention to acquire the Nigerian assets in 2017, and completed subsequently the Transaction on 14 November 2019, it constituted a "reverse takeover" of the Company pursuant to the AIM Rules for Companies. Under IFRS 3: Business Combinations, a reverse acquisition occurs when the entity that issues consideration securities (the legal acquirer) is identified to be the acquiree for accounting purposes in line with the provisions of IFRS 3. In such a case, the legal acquiree must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. However, where the legal acquiree is considered to be a business (as defined by IFRS 3), and the legal acquirer can demonstrate that the acquisition did not give control to the legal acquiree shareholders or to the acquiree's management team, then the acquisition would not be accounted for as a reverse acquisition. IFRS 10: Consolidated Financial Statements states that an investor controls an investee if, and only if, the investor has power over the investee, i.e. it can control the investee's activities, has exposure, or rights, to the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the investee's returns. In the judgement of the Directors, the acquisition of the Nigerian assets should not be accounted for as a reverse acquisition. Further details of the acquisition are described in note 39.

4. Critical accounting judgements and key sources of estimation uncertainty continued

Critical accounting judgements continued

Non-controlling interest – transaction with equity holders

On the same day as the Company's acquisition of the Nigerian assets, investment funds controlled by the Africa Investment Infrastructure Fund Manager ("AIIM") subscribed for new shares in two of the Company's newly acquired wholly owned subsidiary holding companies, therefore reducing the Company's effective share in these companies, and any other entities directly owned by these holding companies, from 100% to 80% (note 27). The Company judged these transactions to be two distinct transactions, principally because the Company was not dependent on AIIM's subsequent investment in order to complete the acquisition and AIIM were not party to the sale of entities and assets between the Company and SEIL. Therefore, the initial transaction was recorded by the Group to acquire 100% of the Nigerian assets and entities and then separately account for AIIM's investment as a transaction with equity holders. The Statement of Financial Position for determining the accounting adjustments for transactions with equity holders was the fair value Statement of Financial Position that the Company acquired on the same day.

Key sources of estimation uncertainty

Income and deferred taxes

Judgement is required to determine which types of arrangements are a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred income tax assets are recognised in the Statement of Financial Position. Deferred income tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the entities within the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred income tax assets.

The deferred tax assets presented in the combined financial information are based on estimated future taxable profits of the Group. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, capital expenditure and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred income tax assets recorded at the reporting date could be impacted. The deferred income tax asset recognised on the Statement of Financial Position is not sensitive to changes in estimated future taxable income, with a 1% decrease in future taxable income having no impact on the amount recognised. With respect to the business combination of the Nigerian assets at the acquisition date, the Group assessed the Nigerian assets' unused trading losses and capital allowances and whether the underlying forecasts and the assumptions thereon supported the recognition of any deferred tax assets together with adjusting for any deferred tax liabilities associated with any fair value adjustments.

Provision for expected credit losses of trade receivables and contract assets

Under the simplified approach, the Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type). The provision matrix is initially based on historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. A 1% increase in the loss rate for trade receivables would increase the pre-tax charge in the Statement of Comprehensive Income by US$1.0 million. For some trade receivables and contract assets which are subject to discussions with the counterparty, specific assessments are made to determine the recoverability of such amounts which includes expected recovery rates and discounting for the time value of money. The information about the ECLs on the Group's Trade and other receivables is disclosed in note 23.

Measurement of the expected credit loss allowance for financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further discussed, which also sets out key sensitivities of the ECL to changes in these elements.

Several significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

Notes to the Financial Statements continued

for the year ended 31 December 2020

4. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

Fair value measurement

From time to time the Group is required to determine the fair values of both financial and non-financial assets and liabilities, e.g. when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash-generating unit. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

Fair value hierarchy

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. The fair value of cash and cash equivalents, accounts receivable and accounts payable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At each year end presented, the fair value of these balances approximated their carrying value due to their short term to maturity.

US$20 million SSN call option

As set out in note 29, the Group issued a US$20 million Senior Secured Note. Embedded within this instrument is a "call" option which allows the issuer to redeem the note at a discount to its contractual face value, during the note's term. Given this optionality, the underlying note and the option had to be identified and valued separately. The loan was valued by discounting the future contractual cash flows at an appropriate market rate for a debt instrument without any call features. The option value was determined using an option model that estimated the relative option values for early exercise. Changes to the inputs within the option model could lead to a material change in the valuation. The option is revalued at each reporting date.

Decommissioning liabilities

The Group has decommissioning obligations in respect of its oil and gas assets and related midstream infrastructure assets. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation.

The extent to which a provision is recognised requires management to make judgements on the legal and constructive obligations at the date of decommissioning, estimates of the restoration costs, timing of work, long-term inflation and discount rates to be applied. As a result, there could be significant adjustments to the provisions established which would affect future financial results. Changes to expected timing of cash outflows can materially change the decommissioning liability. A 0.5% decrease in the discount rate used in calculating the decommissioning liabilities would lead to an increase in the provision of US$13.5 million. During the year, the Group undertook a detailed technical assessment of the current cost estimates utilising a third-party contractor and an industry expert to validate such estimates.

Recoverability of Upstream oil and gas and Infrastructure assets

Management is required to assess the Group's Upstream oil and gas and Infrastructure assets for indicators of impairment. Management considers the Group's latest development plans and business strategies and applies judgement in determining the appropriate cash-generating units for the purpose of applying the annual impairment assessment. Management compares the carrying value of these assets to the estimated net present value of the underlying oil and gas reserves and related future cash flows that could be generated from these reserves based upon estimates of future revenues, development costs and operating costs and applying a suitable post-tax discount rate. The reserve estimates are management's best estimates, taking into consideration independent evaluations of the proved and probable reserves attributable to the Group's economic interests using industry standard definitions and measurement techniques.

Recoverability of exploration and evaluation costs

The outcome of ongoing exploration, and therefore the recoverability of the carrying value of exploration and evaluation assets, is inherently uncertain. Management makes the judgements necessary to implement the Group's policy with respect to exploration and evaluation assets and considers these assets for impairment at least annually with reference to indicators in IFRS 6. If indicators for impairment are identified, management compares the carrying value of these assets to the estimated net present value of the underlying oil and gas reserves and resources and related future cash flows that could be generated from these assets based upon estimates of future revenues, development costs and operating costs applying a suitable post-tax discount rate. The reserve and resource estimates are management's best estimates, taking into consideration independent evaluations of the proved and probable reserves attributable to the Group's economic interests using industry standard definitions and measurement techniques. Further details are provided in note 17.

4. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

Share-based payments

The share-based payment charge is determined based on a number of judgements, including the selection of an appropriate valuation model, and is based on the estimation of the number of awards that will ultimately vest, and vesting periods. Further details are provided in note 26.

Take-or-pay contracts

The Group makes long-term and short-term gas supply commitments in return for a commitment from customers to pay for minimum quantities, whether or not they take delivery. However, revenue will only be recognised upon delivery, and not simply by obligation to receive payment. Since some customers may be unable to take the full volume at once, then delivery may be deferred to a later date until the expiration of the contract, with additional make-up volumes allowable. Therefore, the expected timing and amount of revenue may change based on quantity delivered and make-up quantity taken.

Oil/condensates production entitlement

Lifting arrangements for oil produced in some of the Group's operations are accounted for as Joint Operations ("JO") such that each participant receives and sells its precise share of the overall production in each period. Under the funding agreement with its JO partner, SINOPEC International Petroleum Exploration and Production Company Nigeria Limited ("SIPEC"), the Group is entitled to 20% of the crude oil production after crude oil allocation to settle royalty and overriding royalty payable to the Federal Government of Nigeria and the leaseholder respectively, until cost recovery is reached. Thereafter, the Group is entitled to receive 35% of the crude oil production after an allocation for royalty payments.

Defined benefit plan

Defined benefit obligations are measured based on actuarial assumptions. These include assumptions in respect of mortality rates, withdrawal from service and future salary increases, as well as appropriate inflation and discount rates. The Group considers that the assumptions used to measure its obligations are appropriate and documented. Further details on these assumptions and associated sensitivities are provided in note 32.

Purchase price allocation

Under a business combination the Company is required to allocate the fair value of the consideration paid to be allocated to the separable assets acquired and to the liabilities assumed through a purchase price allocation ("PPA") process. The PPA process also requires the Company to fair value the separable assets acquired, and liabilities assumed. This also includes recognising intangible assets not previously recorded. For the purposes of the acquisition of the Nigerian assets in 2019, two such intangibles were recognised and valued. These were oil and gas reserves within the Upstream business, and the gas sales agreements within the gas infrastructure and marketing business. In recognising these assets, an appropriate valuation basis was agreed which complied with the requirements of "highest and best" use of the asset by market participants. For these assets it was deemed appropriate to use an "income approach" which is based on estimated future income streams. For tangible assets, such as pipelines and processing facilities, it was appropriate to use a "cost replacement" approach adjusted for both physical/functional and economic obsolescence. The fair value of the oil and gas reserves were recorded within Oil and gas assets within Property, plant and equipment.

Measurement of deferred tax assets and liabilities at acquisition was measured in line with the Income and deferred taxes estimate set out above.

Notes to the Financial Statements continued

for the year ended 31 December 2020

5. Segmental reporting

For the purposes of resource allocation and assessment of segment performance, the operations of the Group are divided into three segments: two geographical locations and an Unallocated segment. The two geographical segments are Nigeria and Niger, and their principal activities are the exploration, development and extraction of oil and gas. These make up the total current and future revenue-generating operations of the Group. The Unallocated segment's principal activities are the governance and financing of the Group, as well as undertaking business development opportunities. Items not included within Operating profit/(loss) are reviewed at a Group level and therefore there is no segmental analysis for this information. As such, the comparative segmental reporting has been restated to remove these amounts from the segments and show only the totals to provide better comparability of the Group's 2020 results.

The following is an analysis of the Group's revenue and results by reportable segment in 2020:

	Nigeria US$'000	Niger US$'000	Unallocated US$'000	Total US$'000
Revenue	169,005	—	—	169,005
Cost of sales[1]	(72,460)	—	—	(72,460)
Gross profit	**96,545**	**—**	**—**	**96,545**
Administrative and other operating expenses	(9,235)	(282)	(4,710)	(14,227)
Expected credit loss and other related adjustments	10,992	—	—	10,992
Operating profit/(loss)	**98,302**	**(282)**	**(4,710)**	**93,310**
Finance income				472
Finance costs				(75,796)
Fair value adjustment				(1,682)
Foreign translation loss				(5,396)
Profit before tax				**10,908**
Segment non-current assets[2]	**613,439**	**161,147**	**3,274**	**777,860**
Segment total assets	**1,039,653**	**161,778**	**5,778**	**1,207,209**
Segment total liabilities	**(919,067)**	**(30,274)**	**(30,931)**	**(980,272)**

1. Refer to note 7 for material items included within Cost of sales.
2. Includes Property, plant and equipment, Exploration and evaluation assets and Right-of-use assets.

For non-current asset additions in Nigeria, refer to Oil & gas assets and Infrastructure asset additions in note 16. For non-current asset additions in Niger, refer to additions in note 17. For non-current asset additions in Unallocated, refer to Other asset additions in note 16 and Right-of-use asset additions in note 18.

The following is an analysis of the Group's revenue and results by reportable segment in 2019:

	Nigeria US$'000	Niger US$'000	Unallocated US$'000	Total US$'000
Revenue	17,758	—	—	17,758
Cost of sales[1]	(11,514)	—	—	(11,514)
Gross profit	6,244	—	—	6,244
Administrative and other operating expenses	(2,121)	(419)	(11,041)	(13,581)
Transaction costs	(9,633)	—	(20,099)	(29,732)
Expected credit loss and other related adjustments	(431)	—	—	(431)
Operating loss	(5,941)	(419)	(31,140)	(37,500)
Finance income				1,378
Finance costs				(12,173)
Gain on acquisition of subsidiaries				10,209
Fair value adjustment				(54,664)
Foreign translation loss				(12,663)
Loss before tax				(105,413)
Segment non-current assets[2]	615,384	156,938	4,892	777,214
Segment total assets	927,737	157,785	59,491	1,145,013
Segment total liabilities	(872,560)	(24,968)	(16,080)	(913,608)

1. Refer to note 7 for material items included within Cost of sales.
2. Includes Property, plant and equipment, Exploration and evaluation assets and Right-of-use assets.

For non-current asset additions in Nigeria, refer to Oil & gas assets and Infrastructure asset additions in note 16. For non-current asset additions in Niger, refer to additions in note 17. For non-current asset additions in Unallocated, refer to Other asset additions in note 16 and Right-of-use asset additions in note 18.

6. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Year ended 31 December	2020 US$'000	2019 US$'000
Gas sales	157,080	16,844
Oil and condensates sales	11,925	914
Total revenue from contracts with customers	**169,005**	17,758

Gas sales represents gas deliveries made to the Group's three customers under long-term, take-or-pay gas sale agreements; these comprise two power stations and a cement production facility. The Group sells oil and condensates under a sales and purchase agreement with ExxonMobil Sales & Supply LLC at prevailing market prices.

Included within revenue is revenue of US$147.8 million (2019: US$16.0 million) relating to the Group's customers who each contribute more than 10% of total revenue.

7. Cost of sales

Year ended 31 December	2020 US$'000	2019 US$'000
Depletion and depreciation – oil and gas, and infrastructure assets (note 16)	34,789	8,850
Facility operation and maintenance costs[1]	33,682	1,505
Royalties	3,989	715
Other	—	444
	72,460	11,514

1. Included within Facility operation and maintenance costs is staff costs amounting to US$12.2 million in 2020 which has been included within Net staff costs in note 8.

8. Operating profit/(loss)

Operating profit/(loss) has been arrived at after charging:

Year ended 31 December	2020 US$'000	2019 US$'000
Net staff costs	26,349	9,759
Depletion and depreciation – other assets (note 16)	751	235
Depreciation – right-of-use assets (note 18)	741	566
Transaction expenses[1]	—	29,732

1. Transaction expenses related to the costs incurred in acquiring the Nigerian assets and other advisory costs and are net of a US$15.0 million cash contribution from Africa Infrastructure Investment Managers which provided some additional funding of these expenses.

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's and subsidiaries' auditors:

Year ended 31 December	2020 US$'000	2019 US$'000
Fees payable to Grant Thornton UK LLP for the audit of the Group's annual accounts	169	245
Fees payable to Grant Thornton UK LLP for the audit of the Group's subsidiaries	49	41
Fees payable to Deloitte & Touche LLP for the audit of the Group's subsidiaries	212	165
Total audit fees payable	**430**	451
Fees payable to Grant Thornton UK LLP and its associates for other services to the Group		
Audit-related assurance services	9	12
Other advisory services	50	—
Total non-audit fees payable to Grant Thornton UK LLP and its associates	**59**	12

Total fees payable to the Group auditor are US$277,000 (2019: US$315,000).

Notes to the Financial Statements continued

for the year ended 31 December 2020

9. Staff costs

The average monthly number of permanent employees (excluding Non-Executive Directors) during the year was:

	2020 No.	2019 No.
Management	7	6
Administration and support	79	15
Operations	126	19
	212	40

The total number of employees at the reporting date was 211 (2019: 169).

Employee benefits recognised during the year comprised:

Year ended 31 December	2020 US$'000	2019[1] US$'000
Wages and salaries	15,769	9,795
Long-term employee benefits (note 32)	4,021	—
Share-based payments	656	540
Pension, social security and other benefits costs	7,541	1,069
	27,987	11,404

1. Prior year comparatives have been restated to include amounts capitalised as part of Exploration and evaluation assets to provide an accurate comparison with 2020.

Included within staff costs are costs that have been capitalised as part of Exploration and evaluation assets amounting to US$1.6 million (2019: US$1.6 million).

Compensation for key management personnel during the year comprised:

Year ended 31 December	2020 US$'000	2019 US$'000
Wages and salaries, and fees	3,282	4,072
Share-based payments expense	621	511
Pension costs	95	81
Other benefits	5	5
	4,003	4,669

Details of Directors' remuneration are provided in the Directors' Remuneration Report on page 103.

10. Finance income

Year ended 31 December	2020 US$'000	2019 US$'000
Lease income	256	—
Bank interest income	132	—
Other interest income	84	—
Loan interest	—	1,378
	472	1,378

In 2019 interest was recognised on the loan to Seven Energy International Limited. The loan balance was subsequently contributed as part of the purchase consideration of the Nigerian assets.

11. Finance costs

Year ended 31 December	2020 US$'000	2019 US$'000
Interest on bank borrowings and loan notes	58,910	9,553
Amortisation of balances measured at amortised cost[1]	11,184	348
Unwinding of decommissioning discount (note 30)	1,781	564
Interest expense on lease liabilities (note 18)	372	251
Bank charges	352	602
Other finance costs	3,197	855
	75,796	12,173

1. Includes amounts due to unwinding of a discount on a long-term payable, contract liabilities (note 31) and amortisation of debt fees.

12. Fair value adjustment

Year ended 31 December	2020 US$'000	2019 US$'000
Fair value adjustments	**1,682**	54,664
	1,682	54,664

In 2020 the fair value adjustment relates to the revaluation of the embedded derivative within the US$20 million Senior Secured Notes ("SSNs") held by Accugas Holdings UK Plc, a subsidiary of the Group. The embedded derivative provides a redemption option whereby early repayment of the principal amount will result in a discount to the contractual loan value. The value of the option at the year end, as well as the valuation method, is described in note 29.

In 2019 fair value adjustments related to the revaluation of the previously acquired 10.25% SSNs that were held to ultimately form part of the consideration for the relevant Nigerian assets that were being acquired from SEIL upon completion of the Transaction. For IFRS 9 purposes, the SSNs were not held within a business model whose objective was to hold financial assets to collect contractual cash flows and was measured at FVTPL. On 14 November 2019, the Group obtained control of the relevant Nigerian assets. At the acquisition date the SSNs were revalued to US$34.3 million, resulting in a FVTPL loss of US$54.7 million.

13. Foreign translation loss

Year ended 31 December	2020 US$'000	2019 US$'000
Realised loss	**4,992**	13,478
Unrealised loss/(gain)	**404**	(815)
	5,396	12,663

Realised foreign translation loss mainly related to Nigerian trade receivables which are invoiced in US Dollars and where customers are able to pay in local currency (Naira). During 2019, the realised loss included non-recurring losses on settlement of some legacy balances with one of the Group's joint arrangements.

14. Taxation

(a) Income tax

The tax expense/(credit) recognised in the profit or loss statement for the Group is:

Year ended 31 December	2020 US$'000	2019 US$'000
Current tax		
– Current year	**2,903**	341
– Adjustments in respect of prior years	**1,294**	—
	4,197	341
Deferred tax		
– Current year	**3,808**	(8,907)
– Adjustments in respect of prior years	**8,877**	—
	12,685	(8,907)
Total tax expense/(credit) for the year	**16,882**	(8,566)

The tax credit recognised in Other comprehensive income for the Group is:

Year ended 31 December	2020 US$'000	2019 US$'000
Deferred tax		
– Current year	**(308)**	—
Total tax credit for the year	**(308)**	—

Corporation tax is calculated at the applicable tax rate for each jurisdiction based on the estimated taxable profit for the year. The Group's outstanding current tax liabilities of US$2.5 million (2019: US$3.1 million) principally relate to the corporation tax liabilities in Nigeria. The amount owed by the Company is US$nil (2019: US$0.2 million). In 2020, the Nigerian corporation tax rate of 30% (2019: 30%) was used for the tax reconciliation.

Notes to the Financial Statements continued

for the year ended 31 December 2020

14. Taxation continued

(a) Income tax continued

Year ended 31 December	2020 US$'000	2019 US$'000
The expense/(credit) for the year can be reconciled per the Statement of Comprehensive Income as follows:		
Profit/(loss) on ordinary activities before taxes	10,908	(105,413)
Profit/(loss) before taxation multiplied by the tax rate of 30.0% (2019: 30.0%)	3,272	(31,624)
Tax effects of:		
Withholding tax	370	—
Expenses disallowed for taxation purposes	2,422	(2,871)
Other Nigerian corporate taxes	(309)	(335)
Losses (utilised)/arising in the Company and other holding company entities	(3,480)	24,713
Losses on exploration activities not recognised	3,509	1,167
Unrecognised deferred tax on decommissioning costs	1,500	384
Other temporary differences not recognised	7	—
Remeasurement of deferred tax assets	(580)	—
Adjustments in respect of prior years[1]	10,171	—
Tax charge/(credit) for the year	**16,882**	(8,566)

1. Adjustments in respect of prior years include US$1.5 million following the removal of the exemption on withholding taxes on intercompany loans in Nigeria and a US$6.3 million reduction of deferred tax assets on historical capital expenditure on the Uquo oil project on which Frontier Oil Ltd is now entitled to capital allowances following the amendment of the Uquo Marginal Field Joint Operating Agreement.

(b) Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior year:

	Fixed assets US$'000	Unrealised FX (gain)/loss US$'000	Tax losses US$'000	Other provisions US$'000	Total US$'000
Balance at 1 January 2019	—	—	—	—	—
Acquisition of subsidiaries	97,028	(15,178)	119,646	(1,040)	200,456
Credit/(expense) to Statement of Comprehensive Income	2,472	(93)	5,907	621	8,907
Balance at 31 December 2019	99,500	(15,271)	125,553	(419)	209,363
Adjustments in respect of prior years	(5,614)	—	(2,133)	(1,130)	(8,877)
Credit/(expense) to profit or loss	2,690	(275)	(5,779)	(444)	(3,808)
Credit to Other comprehensive income	—	—	—	308	308
Balance at 31 December 2020	**96,576**	**(15,546)**	**117,641**	**(1,685)**	**196,986**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the net deferred tax balances for financial reporting purposes:

	2020 US$'000	2019 US$'000
Deferred tax assets	248,134	259,410
Deferred tax liabilities	(51,148)	(50,047)
Deferred tax assets (net)	**196,986**	209,363

At the Statement of Financial Position date, the Group and the Company have unused tax losses of US$392.6 million and US$24.2 million respectively (2019: Group – US$411.6 million; Company – US$17.3 million) available for offset against future profits. A deferred tax asset has only been recognised where future utilisation of such losses is considered probable. A deferred tax asset has been recognised on the Group's gross losses of US$327.1 million (2019: US$354.2 million) on the basis of the forecast profits for each entity. No deferred tax asset has been recognised in respect of the Group's remaining US$65.5 million (2019: US$57.4 million) of losses. No deferred tax asset was recognised by the Company (2019: US$nil). Losses may be carried forward indefinitely.

The following deferred tax assets in entities which made a loss during the current or preceding year have been recognised on the basis of the Group's forecasted results for those entities.

	2020 US$'000	2019 US$'000
Fixed assets	60,194	65,464
Tax losses	110,227	83,038
Total deferred tax assets	**170,421**	148,502

15. Loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss for years attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. As there is a loss attributable to the owners of the Company for the year ended 31 December 2020, the diluted weighted average number of shares would reduce the loss per share. Therefore, the basic weighted average number of shares has been used to calculate the diluted loss per share.

The weighted average number of shares outstanding excludes treasury shares of 42,624,837 (2019: nil).

Year ended 31 December	2020 US$'000	2019 US$'000
Loss		
Loss attributable to owners of the Company	**(6,220)**	(92,585)
	Number of shares	Number of shares
Basic weighted average number of shares	**953,783,575**	889,971,159
Diluted weighted average number of shares	**954,063,140**	889,971,159
	US$	US$
Loss per share		
Basic	**(0.01)**	(0.10)
Diluted	**(0.01)**	(0.10)

49,973,168 options granted under share option schemes are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 31 December 2020 (2019: 25,463,887). These options could potentially dilute basic earnings per share in the future.

16. Property, plant and equipment

Group

	Oil and gas assets US$'000	Infrastructure assets US$'000	Other assets US$'000	Total US$'000
Cost				
Balance at 1 January 2019	1,588	—	1,655	3,243
Additions	2,062	3,556	110	5,728
Recognised on acquisition of subsidiaries (note 39)	164,240	453,858	1,114	619,212
Balance at 31 December 2019	167,890	457,414	2,879	628,183
Additions	1,757	1,831	534	4,122
Disposals	—	—	(59)	(59)
Decommissioning remeasurement adjustment (note 30)	(14,914)	10,236	—	(4,678)
Transfer from Receivables from a joint arrangement	30,844	—	—	30,844
Transfers to Exploration and evaluation assets (note 17)	—	(284)	—	(284)
Reclassification of assets[1]	(1,725)	720	1,005	—
Balance at 31 December 2020	**183,852**	**469,917**	**4,359**	**658,128**
Accumulated depreciation				
Balance at 1 January 2019	(90)	—	(722)	(812)
Depletion and depreciation charge	(3,179)	(5,671)	(235)	(9,085)
Balance at 31 December 2019	(3,269)	(5,671)	(957)	(9,897)
Depletion and depreciation charge	(17,234)	(17,555)	(751)	(35,540)
Adjustment to accumulated depreciation	176	56	(216)	16
Balance at 31 December 2020	**(20,327)**	**(23,170)**	**(1,924)**	**(45,421)**
Net book value				
Balance at 31 December 2019	164,621	451,743	1,922	618,286
Balance at 31 December 2020	**163,525**	**446,747**	**2,435**	**612,707**

1. Certain assets have been reclassified between the various asset classes to ensure they are reported in the most appropriate class.

Notes to the Financial Statements continued

for the year ended 31 December 2020

16. Property, plant and equipment continued

Group continued

Oil and gas assets principally comprise the well and field development costs relating to the Uquo and Stubb Creek oil and gas fields in Nigeria. The Infrastructure assets principally comprise the Nigerian midstream assets associated with the Group's network of gas transportation pipelines, oil and gas processing facilities and gas receiving facilities. Other assets typically include vehicles, office equipment and building improvements.

Following management's assessment of the gas pipelines, the expected useful life of these pipelines was increased from 25 to 40 years from the beginning of the year. This has had the effect of reducing the depreciation charge for the year. This change has resulted in a reduction in the Infrastructure assets depreciation charge amounting to US$8.5 million, had no change in useful life been made.

During 2020, the Group undertook a more detailed technical assessment of the decommissioning provision cost estimates using an independent contractor. The associated decommissioning asset has been adjusted to reflect the new cost estimates. The new asset value will be depreciated over the remaining life of the respective assets.

Following the acquisition of the Nigerian assets in 2019, the Group completed the restructuring of economic interests in the Uquo field with its partner, Frontier Oil Limited. The agreement granted economic ownership and control of 100% of the gas operations, and its partner was granted economic ownership and control of 100% of the oil operations at the Uquo field. Under the terms of the restructuring, the Group made an advance payment of cash calls of US$20.0 million to its partner. A further US$14.1 million of advance cash calls is payable in three yearly instalments, with the first instalment of US$5.0 million paid by the end of 2020. The advanced cash call amounts were recorded within Receivables from a joint arrangement in 2019. During 2020, these receivables (amounting to US$30.8 million) were reclassified to oil and gas assets as the substance of this agreement was determined to be a re-alignment of the respective parties' economic interests and therefore similar in nature to a "signature bonus". It will be depleted in line with similar assets.

Company

	Other assets US$'000	Total US$'000
Cost		
Balance at 1 January 2019	529	529
Additions	208	208
Balance at 31 December 2019	737	737
Additions	20	20
Disposals	(59)	(59)
Balance at 31 December 2020	**698**	**698**
Accumulated depreciation		
Balance at 1 January 2019	(181)	(181)
Depreciation charge	(65)	(65)
Balance at 31 December 2019	(246)	(246)
Depreciation charge	(63)	(63)
Balance at 31 December 2020	**(309)**	**(309)**
Net book value		
Balance at 31 December 2019	491	491
Balance at 31 December 2020	**389**	**389**

17. Exploration and evaluation assets

Group

Exploration and evaluation assets consist of acquisition costs relating to the acquisition of exploration licences and other costs associated directly with the discovery and pre-development of specific oil and gas resources in the R1/R2 and R3/R4 licence area in the Republic of Niger, under two Production Sharing Contracts ("PSCs") respectively, as described and updated below for changes in the licence position.

	US$'000
Balance at 1 January 2019	150,425
Additions	4,320
Balance at 31 December 2019	154,745
Transfers from Property, plant and equipment (note 16)	284
Additions	4,543
Balance at 31 December 2020	**159,572**

The amount for Exploration and evaluation assets represents active exploration projects. These will ultimately be written off to the Statement of Comprehensive Income as exploration costs if commercial reserves are not established but are carried forward in the Statement of Financial Position whilst the determination process is not yet completed and there are no indications of impairment having regard to the indicators in IFRS 6. Refer to note 3 for further information on impairment analysis of the Group's exploration and evaluation assets. Included within these assets are intangible assets such as drilling costs, seismic data and capitalised overheads which amount to US$155.8 million (2019: US$148.5 million).

During the first half of 2020, the Company agreed with the Niger Ministry of Petroleum that the R4 licence area will be combined with the R1/R2 PSC area into a new R1/R2/R4 PSC to be issued under the Petroleum Code 2017 and that the R3 PSC would continue as a stand-alone PSC area, thus retaining the full acreage position previously covered by the R1/R2 PSC and the R3/R4 PSC. The Group has subsequently agreed in principle with the Ministry of Petroleum to combine all four licence areas into a single PSC rather than the previous proposal of two PSCs. The new PSC will be valid for 10 years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Ministers approval and the payment of the associated fee which is expected to occur by the end of July 2021.

Company

No exploration and evaluation assets were capitalised by the Company as at the Statement of Financial Position date (2019: US$nil).

18. Right-of-use assets

Group

The Group has lease contracts for buildings used in its operations. These leases generally have terms of between five and ten years. The Group also has certain leases of assets with lease terms of 12 months or less and leases of low value office equipment which are immaterial for the Group and not disclosed. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

Set out below are the carrying amounts of the right-of-use assets and the movements during the year:

	US$'000
Balance at 1 January 2019	—
Effect of initial application of IFRS 16	4,606
Adjusted opening balance as at 1 January 2019	4,606
On acquisition of a subsidiary	21
Less: depreciation	(566)
Translation effect	122
Balance at 31 December 2019	4,183
Additions	3,045
Less: depreciation	(741)
Recognition of sub-lease	(906)
Balance at 31 December 2020	**5,581**

Notes to the Financial Statements continued

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18. Right-of-use assets continued

Group continued

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	US$'000
Balance at 1 January 2019	—
Effect of initial application of IFRS 16	5,056
Additions	—
Accretion of interest	251
Payments	(302)
Translation effect	565
Balance at 31 December 2019	5,570
Additions	3,050
Accretion of interest	372
Payments	(767)
Translation effect	(164)
Balance at 31 December 2020	**8,061**

	2020 US$'000	2019 US$'000
Current	**1,004**	614
Non-current	**7,057**	4,956
Lease liabilities (note 36)	**8,061**	5,570

The maturity analysis of lease liabilities is disclosed in note 33. Short-term lease commitments excluded under IFRS 16 amount to US$323,000 (2019: US$11,000) at year end.

The following are the amounts recognised in the Statement of Comprehensive Income:

Year ended 31 December	2020 US$'000	2019 US$'000
Depreciation expense for right-of-use assets	**741**	566
Interest expense on lease liabilities	**372**	251
Expenses relating to low value leases	**321**	192
Expenses relating to short-term leases	**455**	191
	1,889	1,200

Company

The Company has lease contracts for office buildings used in its operations. These leases have terms of between five and ten years. The Company also has certain leases of assets with lease terms of 12 months or less and leases of low value office equipment which are immaterial for the Company and not disclosed. The Company applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

Set out below are the carrying amounts of the right-of-use assets and the movements during the year:

	US$'000
Balance at 1 January 2019	—
Effect of initial application of IFRS 16	4,606
Adjusted opening balance as at 1 January 2019	4,606
Additions	21
Less: Depreciation	(566)
Translation effect	122
Balance at 31 December 2019	4,183
Less: Depreciation	(530)
Recognition of sub-lease	(906)
Translation effect	(15)
Balance at 31 December 2020	**2,732**

18. Right-of-use assets continued

Company continued

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	US$'000
Balance at 1 January 2019	—
Effect of initial application of IFRS 16	5,056
Additions	—
Accretion of interest	251
Payments	(302)
Translation effect	565
Balance at 31 December 2019	5,570
Accretion of interest	267
Payments	(360)
Translation effect	(164)
Balance at 31 December 2020	**5,313**

Year ended 31 December	2020 US$'000	2019 US$'000
Current	**696**	614
Non-current	**4,617**	4,956
Lease liabilities (note 36)	**5,313**	5,570

The maturity analysis of lease liabilities is disclosed in note 33. Short-term lease commitments excluded under IFRS 16 amount to US$nil (2019: US$11,000) at year end.

	2020 US$'000	2019 US$'000
Depreciation expense for right-of-use assets	**530**	566
Interest expense on lease liabilities	**267**	251
Expenses relating to low value leases	**321**	192
Expenses relating to short-term leases	**—**	191
	1,118	1,200

19. Finance lease receivable

Group and Company

The Group and Company are intermediate lessors of an office building and therefore account for the head lease and the sub-lease as two separate contracts. The head lease has been accounted for as a lease liability while the sub-lease is recorded as a finance lease receivable. This lease has a term of four years.

Set out below are the carrying amounts of the finance lease receivable and the movements during the year:

	US$'000
Balance at 1 January 2019	—
Balance at 31 December 2019	—
Additions	1,120
Finance income	42
Receipts	(113)
Balance at 31 December 2020	**1,049**

In February 2020, the Group and Company sub-leased an office building that was originally accounted for as a right-of-use asset under lessee accounting. Upon transfer of the office to the sub-lessee, the Group and Company derecognised the right-of-use asset associated with the office building and recognised a finance lease receivable equal to the net investment of the lease. The difference between the net book value of the right-of-use asset and finance lease receivable at the time of recognition was US$0.2 million (2019: US$nil) and was recognised in the Statement of Comprehensive Income. The head lease continues to be recognised as a lease liability. There was no income relating to variable lease payments not included in the measurement of the net investment in the lease.

Notes to the Financial Statements continued

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19. Finance lease receivable continued

Group and Company continued

A reconciliation of the undiscounted lease payments to the net investment of the lease has been provided below:

As at 31 December	2020 US$'000	2019 US$'000
Undiscounted lease payments	1,266	—
Effect of discounting lease payments	(146)	—
Net investment of the lease	1,120	—

20. Restricted cash

Group

As at 31 December	2020 US$'000	2019 US$'000
Restricted cash	1,635	1,828
	1,635	1,828

Restricted cash balances include deposits and stamp duty escrow balances relating to debt requirements which remain unavailable throughout the relevant loan term. The carrying amount of these assets is approximately equal to their fair value. There were no restricted cash balances in the Company (2019: US$nil).

21. Investment in subsidiaries

Company

As at 31 December	2020 US$'000	2019 US$'000
Savannah Energy 1 Limited	7,104	6,448
Savannah Petroleum and Technologies Innovation Limited	—	—
Savannah Energy International Limited	—	—
Savannah Petroleum SAS	—	—
Savannah Energy Nigeria Limited	—	—
SPN Limited	—	75,339
Savannah Energy Nigeria Midstream Limited	17	17
	7,121	81,804

The Company recognises an increase in the investment of Savannah Energy 1 Limited as a capital contribution from the parent and a corresponding increase in equity relating to employee share-based payments. During the year there was a share-based payment charge of US$656,000 (2019: US$540,000).

During the year ended 31 December 2020, the Company fully wrote down the full value of its investment (US$75.3 million) in its wholly owned subsidiary SPN Limited, a financing company. The write down was following a restructuring of intercompany balances with affiliated subsidiaries. As part of the restructuring of intercompany balances, SPN Limited issued a dividend to the Company which triggered an impairment review, which subsequently led to the full impairment of the investment.

21. Investment in subsidiaries continued

Company continued

The Group subsidiaries are disclosed below. Transactions between subsidiaries and the Company are eliminated on consolidation.

Name	Nature of business	Registered office	Country of incorporation	Type of share	Group shareholding[1]
Savannah Energy International Limited	Service company	A	United Kingdom	Ordinary	100%
Savannah Energy Nigeria Limited	Investment company	A	United Kingdom	Ordinary	100%
Savannah Energy Nigeria Midstream Limited	Investment company	A	United Kingdom	Ordinary	100%
Savannah Energy (Stubb Creek) Limited	Holding company	A	United Kingdom	Ordinary	25%[2]
Accugas Holdings UK Plc	Holding and financing company	A	United Kingdom	Ordinary	80%
Savannah Energy (Uquo) Limited	Holding company	A	United Kingdom	Ordinary	80%
Accugas UK Limited	Holding company	A	United Kingdom	Ordinary	80%
Savannah Energy 1 Limited	Holding company	B	United Kingdom	Ordinary	100%
Savannah Energy 2 Limited	Holding company	B	United Kingdom	Ordinary	95%
SPN Limited	Finance company	C	Jersey	Ordinary	100%
Savannah Petroleum Employee Benefit trust	Employee trust	C	Jersey	Ordinary	100%
Savannah Energy (Uquo) Jersey Limited	Holding company	C	Jersey	Ordinary	100%
Stubb Creek Holdco Limited	Holding company	C	Jersey	Ordinary	25%[2]
Savannah Petroleum SAS	Service company	D	France	Ordinary	100%
Savannah Petroleum Niger SA	Oil exploration company	E	Niger	Ordinary	95%
Exoro Holding B.V.	Holding company	F	Netherlands	Ordinary	80%
Seven Energy (BVI) Limited	Holding company	G	British Virgin Islands	Ordinary	80%
Savannah Petroleum and Technologies Innovation Limited	Service company	H	Nigeria	Ordinary	100%
Universal Energy Resources Limited	Oil and gas exploration and development	I	Nigeria	Ordinary	25%[2]
Savannah Energy Uquo Gas Limited	Oil and gas exploration and development	J	Nigeria	Ordinary	80%
Accugas Limited	Gas marketing, processing and distribution	J	Nigeria	Ordinary	80%

1. The Group shareholding is the effective shareholding in the entities held directly or indirectly.
2. Savannah Energy (Stubb Creek) Limited is 75% owned by STC Joint Venture Limited, a Nigerian entity. This subsidiary company is consolidated into the Group with no non-controlling interest adjustment in accordance with the terms of the shareholder agreement between the Group and STC Joint Venture Limited.

Registered office addresses:

A 40 Bank Street, London, E14 5NR, United Kingdom

B 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ

C 11 Bath Street, St. Helier, Jersey, JE4 8UT

D 52 Rue de la Victoire, 75009, Paris, France

E 124 Rue des Ambassades, AM-8, BP 11272, Niamey, Niger

F Fascinatio Boulevard 350, Rotterdam, 3065wb, Netherlands

G Midocean Chambers PO Box 805, Road Town Tortola, British Virgin Islands, Virgin Islands

H 18/24 Ajisegiri Street, Shogunle, Oshodi, Lagos, Nigeria

I NAIC House, Udo Udoma Avenue, Uyo, Akwa Ibom State, Nigeria

J 35 Kofo Abayomi Street, Victoria Island, Lagos, Nigeria

Notes to the Financial Statements continued

for the year ended 31 December 2020

22. Inventory

As at 31 December	2020 US$'000	2019 US$'000
Spare parts	1,557	1,499
Crude oil and condensates	1,359	2,521
	2,916	4,020

Spare parts are mainly for gas facilities operations.

23. Trade and other receivables

As at 31 December	Group 2020 US$'000	Company 2020 US$'000	Group 2019 US$'000	Company 2019 US$'000
Trade receivables (note 33(e))	72,832	—	30,864	—
Contract assets (note 33(e))	58,246	—	19,497	—
Receivables from a joint arrangement	419	—	30,321	—
Other receivables (note 33(e))	5,548	55	19,445	1,436
	137,045	55	100,127	1,436
Expected credit loss (note 33(e))	(17,213)	—	(431)	—
	119,832	55	99,696	1,436
VAT receivables	185	—	75	1,419
Prepayments	2,383	1,135	6,561	321
	122,400	1,190	106,332	3,176

Movement in Receivables from a joint arrangement is described in note 16.

Included in Other receivables at 31 December 2019 were amounts relating to pipeline transport tariffs recoverable from one of the Group's gas customers, crude oil processing fees and other settlement amounts owed from joint arrangement partners. During 2020, the amount relating to pipeline transport tariffs has been offset with an equal amount owed to the owner of the pipeline following agreements with the counterparties.

The following has been recognised in the Statement of Comprehensive Income relating to expected credit losses:

Year ended 31 December	2020 US$'000	2019 US$'000
Provision for expected credit loss	(16,782)	(431)
Gain on acquired credit impaired assets	27,774	—
Expected credit loss and other related adjustments	10,992	(431)

Details of the Trade receivables and Contract assets acquired following the purchase of the Nigerian assets are set out in note 39. For reporting purposes these acquired assets were shown net of any related ECL. After the acquisition, some of these assets have been fully recovered. Consequently, the associated ECL has been released, with a credit of US$27.8 million (2019: US$nil) being recognised in the Statement of Comprehensive Income. The recoveries on the acquired credit impaired assets are reflective of management's improved credit control processes throughout the year. The remaining ECL (US$14.4 million) that was netted within the fair value of the Trade receivables at acquisition remains netted within the trade receivables balance and will only be released when the associated receivables have been fully realised.

The provision for expected credit loss that has been recognised in the year relates to an expected credit loss recognised on new invoices raised during the year as well as changes in expected credit loss rates because of non-payment of certain invoices. Set out below is the movement in the allowance for expected credit loss on trade and other receivables and contract assets (note 33(e)):

	2020 US$'000	2019 US$'000
As at 1 January	431	—
Provision for expected credit loss	16,782	431
As at 31 December	17,213	431

24. Cash at bank

As at 31 December	Group 2020 US$'000	Company 2020 US$'000	Group 2019 US$'000	Company 2019 US$'000
Cash and cash equivalents	**74,258**	**191**	46,256	1,009
Amounts held for debt service	**30,105**	**—**	—	—
	104,363	**191**	46,256	1,009

The Directors consider that the carrying amount of cash at bank approximates their fair value.

Cash and cash equivalents includes US$1.2 million (2019: US$1.4 million) of cash collateral on the Orabank revolving facility. The cash collateral was at a value of XOF621.7 million (2019: XOF807.1 million).

Amounts held for debt service represents Naira denominated cash which is held by the Group for 2020 debt service and this has been separately disclosed from cash and cash equivalents as at 31 December 2020. In total, approximately US$78.9 million will be paid for the 2020 debt service from bank accounts designated as Amounts held for debt service, and from Cash and cash equivalents.

The amount of cash at bank denominated in currencies other than US Dollars is shown in note 33 to these financial statements.

25. Capital and reserves

Group and Company

As at 31 December	2020	2019
Fully paid ordinary shares in issue (number)	**996,408,412**	996,408,412
Par value per share in GBP	**0.001**	0.001

	Number of shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2019	816,969,427	1,240	—	1,240
Shares issued	179,438,985	153	61,204	61,357
At 31 December 2019	996,408,412	1,393	61,204	62,597
Share adjustments	—	16	888	904
At 31 December 2020	**996,408,412**	**1,409**	**62,092**	**63,501**

Share adjustments includes amounts for previously issued shares held in trust, amounting to 9,239,454 shares.

In January 2019 the Company issued 62,800,000 new ordinary shares in an equity fund raising to the value of US$22.1 million (net).

In November 2019 the Company issued 116,638,985 new ordinary shares: 90,666,308 relating to shares issued with the US$20 million SSNs (notes 29 and 39) and the issue of 25,972,677 additional consideration shares for the Nigerian assets acquisition. The fair value of the issue of these shares amounted to US$40.4 million (gross).

Notes to the Financial Statements continued

for the year ended 31 December 2020

25. Capital and reserves continued

Group

	Treasury shares US$'000	Capital contribution US$'000	Share-based payment reserve US$'000	Other reserves US$'000	Total US$'000
At 1 January 2019	—	458	5,908	(4,989)	1,377
Share-based payments expense during the year	—	—	540	—	540
Warrants expired	—	—	—	4,989	4,989
At 31 December 2019	—	458	6,448	—	6,906
Share-based payments expense during the year	—	—	656	—	656
Treasury shares recognised	(59)	—	—	—	(59)
At 31 December 2020	**(59)**	**458**	**7,104**	**—**	**7,503**

Nature and purpose of reserves

Treasury shares

Following re-admission of the Group onto the London Stock Exchange in December 2017, the Group established an employee benefit trust ("EBT") to facilitate the adoption of certain management and employee incentive schemes. The EBT subscribed for 42,624,837 ordinary shares at a nominal value of £0.001 per share, issued as part of the second tranche equity placing in February 2018. The EBT has been consolidated within these Group accounts from 1 January 2020; it had previously not been consolidated due to being immaterial.

Capital contribution reserve

On 1 August 2014 a capital contribution of US$458,000 was made by shareholders of the Group as part of the loan note conversion.

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Further details of share-based payments are discussed in note 26.

Other reserves

The other reserves figure represents the reclassification of the fair value of warrants granted from equity to a financial liability, at initial grant date. These warrants expired during 2019.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while seeking to maximise the return to shareholders through the optimisation of the debt and equity balance.

Details of the Group's capital structure can be found in the capital accounting policy.

Company

	Capital contribution US$'000	Share-based payment reserve US$'000	Other reserves US$'000	Total US$'000
At 1 January 2019	458	5,908	(4,989)	1,377
Share-based payments expense during the year	—	540	—	540
Warrants expired	—	—	4,989	4,989
At 31 December 2019	458	6,448	—	6,906
Share-based payments expense during the year	—	656	—	656
At 31 December 2020	**458**	**7,104**	**—**	**7,562**

Nature and purpose of reserves

Capital contribution reserve, share-based payment reserve and other reserves are as for the Group described above.

26. Share-based payments

The Group operates a share option plan as part of the remuneration of employees.

Share option plan

For the year ended 31 December	2020 US$'000	2019 US$'000
Share-based payments	**656**	540

The Board has established a share option plan, in which share options will be granted and vest on successful completion of certain milestones (described below). The Group signed agreements with the key management personnel setting out the terms of the options in 2014. Under IFRS 2 the options were therefore deemed to have been granted in 2014. Once the Remuneration and Nomination Committee has confirmed the successful completion of the milestone, a certain number of share options will vest for each participant.

Milestone	Number of options	Assumed exercise price	Market vesting condition	Expected vesting period
1	15,737,896	£0.01	The Company share price to equal or exceed £1.68	10 years

The options were valued on the grant date using a Monte Carlo option pricing model which calculates the fair value of an option by using the expected vesting period, the expected volatility of the share price, the current share price, the assumed exercise price and the risk-free interest rate. The fair value of the option is amortised over the expected vesting period. There is no requirement to revalue the option at any subsequent date.

For valuation purposes, an exercise price of £0.01 was used; however, shares in the Company will be issued at an effective exercise price of £0.56.

Movements in the number of share options outstanding and their related weighted average assumed exercise prices are as follows:

	Charge during the year US$'000	Number of options	Assumed exercise price in US$ per share
Outstanding at 1 January 2019		15,464,013	
Charge during the year	540	—	—
Outstanding at 31 December 2019		15,464,013	
Charge during the year	566	—	—
Outstanding at 31 December 2020		**15,464,013**	

The calculation of the share option charge per share using the Monte Carlo pricing model has been calculated to be US$0.37. Based on the modelling assumptions and vesting conditions, a charge of US$566,000 for the year to 31 December 2020 (2019: US$540,000) has been recognised.

The following table lists the inputs to the model used to determine the fair value of options granted:

Pricing model used	Monte Carlo
Grant date	28 November 2014
Weighted average share price at grant date	£0.36
Weighted average exercise price	£0.01
Weighted average contractual life (years)	10
Share price volatility (%)	89.69
Dividend yield	—
Risk-free interest rate (%)	1.924

The expected share price volatility of 89.69% has been determined by reference to historical prices of shares in the following comparator group companies: Tullow Oil Plc, Bowleven Plc, President Energy Plc, Sound Energy PLC (previously Sound Oil Plc) and Ascent Resources Plc.

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for the year ended 31 December 2020

26. Share-based payments continued

Supplementary share option plan

The Board has established a share option plan, in which share options will be granted and vest on successful completion of certain milestones (described below). The Group signed agreements with the key management personnel setting out the terms of the options in 2015. Under IFRS 2 the options were therefore deemed to have been granted in 2015. Once the Remuneration and Nomination Committee has confirmed the successful completion of the milestone, a certain number of share options will vest for each participant.

Milestone	Number of options	Assumed exercise price	Market vesting condition	Expected vesting period
1	10,128,599	£0.38	The Company share price to equal or exceed £1.14	3 years

The options were valued on the grant date using a Monte Carlo option pricing model which calculates the fair value of an option by using the expected vesting period, the expected volatility of the share price, the current share price, the assumed exercise price and the risk-free interest rate. The fair value of the option is amortised over the expected vesting period. There is no requirement to revalue the option at any subsequent date. Movements in the number of share options outstanding and their related weighted average assumed exercise prices are as follows:

	Charge during the year US$'000	Number of options	Assumed exercise price in US$ per share
Outstanding at 1 January 2019		9,999,874	
Charge during the year	—	—	—
Granted, lapsed and exercised during the year	—	—	—
Outstanding at 31 December 2019		9,999,874	
Charge during the year	—	—	—
Granted, lapsed and exercised during the year	—	—	—
Outstanding at 31 December 2020		**9,999,874**	

The calculation of the share option charge per share using the Monte Carlo pricing model has been calculated to be US$0.39. Based on the modelling assumptions and vesting conditions, there was no charge for the year to 31 December 2020 (2019: US$nil).

The following table lists the inputs to the model used to determine the fair value of options granted:

Pricing model used	Monte Carlo
Grant date	30 July 2015
Weighted average share price at grant date	£0.40
Weighted average exercise price	£0.38
Weighted average contractual life (years)	10
Share price volatility (%)	82.34
Dividend yield	—
Risk-free interest rate (%)	1.519

The expected share price volatility of 82.34% has been determined by reference to historical prices of shares in the following comparator group companies: Tullow Oil Plc, Bowleven Plc, President Energy Plc, Sound Energy Plc and Ascent Resources Plc.

2020 share option plan

The Group has established a share option plan, in which share options will be granted and vest on successful completion of certain milestones (described below). The Group signed agreements with the key management personnel setting out the terms of the options in 2020. Under IFRS 2 the options were therefore deemed to have been granted in 2020. Once the Remuneration and Nomination Committee has confirmed the successful completion of the milestone, a certain number of share options will vest for each participant.

Milestone	Number of options	Assumed exercise price	Market vesting condition	Expected vesting period
1	24,509,281	£0.001	The Company share price to equal or exceed £0.47	5 years
2	428,571	£0.001	No market conditions	Immediately

26. Share-based payments continued

2020 share option plan continued

The options were valued on the grant date using a Monte Carlo option pricing model which calculates the fair value of an option by using the expected vesting period, the expected volatility of the share price, the current share price, the assumed exercise price and the risk-free interest rate. The fair value of the option is amortised over the expected vesting period. There is no requirement to revalue the option at any subsequent date. Movements in the number of share options outstanding and their related weighted average assumed exercise prices are as follows:

	Charge during the year US$'000	Number of options	Assumed exercise price in US$ per share
Outstanding at 1 January 2019		—	
Charge during the year	—	—	—
Outstanding at 31 December 2019		—	
Granted during the year	—	24,937,852	—
Charge during the year	90	—	—
Outstanding at 31 December 2020		**24,937,852**	

The calculation of the share option charge per share using the Monte Carlo pricing model has been calculated to be £0.008 (US$0.01) for the options with market vesting conditions and £0.075 (US$0.094) for the options that have no market conditions and vested on date of grant. Based on the modelling assumptions and vesting conditions, there was a charge of US$90,000 for the year to 31 December 2020 (2019: US$nil), of which US$38,000 (2019: US$nil) relates to options with market vesting conditions attached and US$52,000 (2019: US$nil) relates to options with no market vesting conditions attached. For the options with no market vesting conditions attached, the full charge has been expensed during the year.

The fair value for the options with no vesting conditions attached was deemed to be the average share price at the grant date.

The following table lists the inputs to the model used to determine the fair value of options granted with market vesting conditions:

Pricing model used	Monte Carlo
Grant date	30 April 2020
Weighted average share price at grant date	£0.08
Weighted average exercise price	£0.001
Weighted average contractual life (years)	5
Share price volatility (%)	50
Dividend yield	—
Risk-free interest rate (%)	0.086

The expected share price volatility of 50% has been determined by reference to historical prices of shares in the following comparator group companies: Tullow Oil Plc, Bowleven Plc, President Energy Plc, Sound Energy Plc and Ascent Resources Plc.

27. Non-controlling interests

	2020 US$'000	2019 US$'000
Balance at 1 January	**(2,983)**	(491)
Share of profit/(loss) for the year	**246**	(4,262)
Transactions with equity holders	**—**	1,770
Balance at 31 December	**(2,737)**	(2,983)

Following the Group's acquisition of the Nigerian assets in 2019 as described in note 39, funds managed by Africa Investment Infrastructure Fund Manager ("AIIM") subscribed for newly issued shares in the Group's newly acquired subsidiaries: Savannah Energy (Uquo) Limited and Accugas Holdings UK plc which are intermediate holding companies of the Uquo upstream and Accugas midstream businesses in Nigeria. The total consideration paid for these shares amounted to US$39.0 million.

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for the year ended 31 December 2020

27. Non-controlling interests continued

Following the issue of these subscription shares, the Group's effective equity holding in both these entities reduced from 100% to 80%. As there was no overall change in control, the Group continues to fully consolidate these entities and their subsidiaries. As a result, this share subscription was accounted for as a transaction with equity holders and was reflected as an adjustment to non-controlling interests and Group retained earnings. Overall, the transaction resulted in a net gain of US$37.2 million, as the difference between the total consideration received of US$39.0 million and AIIM's effective share of the fair value of the net assets at the date of their share subscription, which amounted to US$1.8 million. The net gain was recorded as a movement within retained earnings within 2019. No ownership changes occurred in 2020.

The table below shows details of non-wholly owned subsidiaries of the Group that have non-controlling interests:

Name	Proportion of ownership interests and voting rights held by non-controlling interests	(Loss)/profit allocated to non-controlling interests in year ended 31 December 2020 US$'000	Accumulated non-controlling interests US$'000
Savannah Energy 2 Limited	5%	—	—
Savannah Petroleum Niger SA	5%	(118)	(737)
Savannah Energy (Uquo) Limited and its subsidiaries	20%	200	18,199
Accugas Holdings UK Plc and its subsidiaries	20%	164	(20,199)
Total		246	(2,737)

Name	Proportion of ownership interests and voting rights held by non-controlling interests	Loss allocated to non-controlling interests in year ended 31 December 2019 US$'000	Accumulated non-controlling interests US$'000
Savannah Energy 2 Limited	5%	—	—
Savannah Petroleum Niger SA	5%	(129)	(619)
Savannah Energy (Uquo) Limited and its subsidiaries	20%	(626)	17,999
Accugas Holdings UK Plc and its subsidiaries	20%	(3,507)	(20,363)
Total		(4,262)	(2,983)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

As at 31 December	2020 US$'000	2019[1] US$'000
Current assets	1,287,880	983,833
Non-current assets	1,332,253	1,282,043
Current liabilities	(1,842,455)	(1,550,968)
Non-current liabilities	(1,179,854)	(1,076,212)
	(402,176)	(361,304)
Equity attributable to owners of the Group	(399,439)	(358,321)
Non-controlling interests	(2,737)	(2,983)
	(402,176)	(361,304)

1. Comparative amounts have been restated to exclude intra-group eliminations.

Year ended 31 December	2020 US$'000	2019 US$'000
Attributable to owners of the Group	(788)	(12,474)
Attributable to the non-controlling interest	246	(4,262)
Net loss and total comprehensive loss	(542)	(16,736)
Net cash inflow from operating activities	113,056	6,897
Net cash outflow from investing activities	(11,431)	—
Net cash outflow from financing activities	(43,057)	(230)
Net cash inflow	58,568	6,667

28. Trade and other payables

As at 31 December	Group 2020 US$'000	Company 2020 US$'000	Group 2019 US$'000	Company 2019 US$'000
Trade and other payables				
Trade payables	**40,590**	**4,432**	48,800	7,901
Accruals	**35,565**	**5,732**	58,531	6,184
VAT and WHT payable	**7,825**	**160**	5,222	—
Royalty and levies	**6,261**	**—**	6,317	—
Employee benefits (note 32)	**74**	**—**	376	—
Deferred consideration	**7,500**	**7,500**	—	—
Other payables	**4,160**	**1,834**	938	—
Trade and other payables	**101,975**	**19,658**	120,184	14,085
Other payables - non-current				
Employee benefits (note 32)	**4,648**	**—**	—	—
Deferred consideration	**—**	**—**	7,500	7,500
Other payables - non-current	**4,648**	**—**	7,500	7,500
	106,623	**19,658**	127,684	21,585

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Deferred consideration amounting to US$7.5 million relates to a loan note that was initially acquired via the acquisition of the Nigerian assets in November 2019, which was then acquired by the Company for future settlement. The amount is due to be repaid by June 2021 and is interest bearing at 8% per annum.

29. Borrowings

As at 31 December	Group 2020 US$'000	Company 2020 US$'000	Group 2019 US$'000	Company 2019 US$'000
Revolving credit facility	**12,998**	**—**	9,914	—
Bank loans	**376,509**	**—**	388,209	—
Senior Secured Notes	**106,513**	**—**	115,833	—
Other loan notes	**18,642**	**5,791**	18,096	6,596
	514,662	**5,791**	532,052	6,596

As at 31 December	Group 2020 US$'000	Company 2020 US$'000	Group 2019 US$'000	Company 2019 US$'000
Current borrowings	**89,995**	**5,791**	71,387	6,596
Non-current borrowings	**424,667**	**—**	460,665	—
	514,662	**5,791**	532,052	6,596

Accugas Limited has a bank loan facility amounting to US$370.6 million (2019: US$382.1 million). Repayments of principal commenced from 31 December 2019 and amortise semi annually until the final maturity date of 31 December 2025. Principal repayment amounts are calculated as a variable percentage of the facility outstanding, increasing over the life of the facility. This facility incorporates a cash sweep to accelerate repayments subject to certain minimum cash balances. The facility carries a weighted average interest rate of 10.49%, plus three-month US LIBOR per annum.

Savannah Energy Uquo Gas Limited has a Senior Secured Note of US$92.4 million (2019: US$105.0 million). Repayments of US$4.2 million are due semi annually and will continue until 30 June 2026, with the remaining balance due at the final maturity date of 31 December 2026. The note carries a coupon of 8% per annum. The subsidiary also has a term facility amounting to NGN4.26 billion (US$11.0 million, 2019: NGN4.8 billion, US$13.2 million). Repayments of principal in amount of NGN180.0 million (US$0.5 million) are due semi annually until the final maturity date of 31 December 2026 at which time all remaining unpaid principal is due. The loan carries an interest rate of three-month NIBOR plus margin of 5% per annum.

Accugas Holdings UK Plc has a promissory note of US$12.9 million (2019: US$11.5 million). Repayments of principal in the amount of US$0.5 million will commence on 30 June 2021 and continue semi annually until the final maturity date of 31 December 2025, at which time all unpaid principal is due. The loan carries a cash interest rate of 8% per annum, with a payment-in-kind interest option of 10% per annum. The payment-in-kind interest option was exercised in 2020.

Notes to the Financial Statements continued

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29. Borrowings continued

Accugas Holdings UK Plc also issued a Senior Secured Note of US$20 million on 14 November 2019. The term of the note is for repayment in full by 14 November 2025. The loan carries a cash interest rate of 6% per annum, with a payment-in-kind interest option of 8% per annum. The payment-in-kind interest option was exercised in 2020. The note also includes a voluntary prepayment redemption option whereby early repayment of the principal amount will result in a discount to the contractual loan value. If this repayment option is invoked before 14 November 2021, a discount of 40% will be applied to the face value of US$20 million. The repayment amount will increase by 10% yearly, until the maximum amount redemption option is 100% in 2024. As an embedded derivative, this option is required to be separated from the host contract and valued separately. Initially, the fair value of the note without any call option was calculated by discounting the future expected cash flows at a market yield. This resulted in an initial amortised value of US$17.9 million with an EIR of 8.73%; the loan balance has increased due to accretion of interest and the utilisation of the payment-in-kind option with a balance of US$19.5 million at 31 December 2020 (2019: US$17.9 million). The call option value was estimated using a synthetic American receiver swaption model, adjusting for additional cash repayments required for early exercise. The value of the option was remeasured to an estimated US$5.4 million (2019: US$7.1 million) with the movement recognised as FVTPL. The option has been recorded within non-current borrowings and is set out in note 33(a).

In September 2018 the Company issued unsecured loan notes with an outstanding balance at 31 December 2020 of £1.2 million (US$1.6 million; 2019: £0.8 million, US$1.0 million).

In October 2019, the Company entered a three-month loan facility for an amount of US$5.0 million bearing a fixed interest charge over the life of the facility at a rate of 7% of the amount borrowed. This facility also gave the lender the right to convert the loan to equity shares if the amounts borrowed were not repaid at maturity. This facility was terminated at the Company's option during the year without the conversion option being exercised.

In June 2020, the Company entered into a new unsecured US$5.0 million revolving credit facility. The balance as at 31 December 2020 was US$4.1 million and is due for repayment in three instalments between March and June 2021.

In December 2016, Savannah Petroleum Niger SA entered into a XOF7.5 billion, three-year revolving credit facility with Orabank SA bearing interest at 7.5% per annum. The facility was extended in December 2019 for a further three-year tenor. The balance at 31 December 2020 was XOF6.9 billion (US$13.0 million; 2019: XOF5.8 billion, US$9.9 million).

On 30 April 2020, the Company entered into a US$15.0 million committed finance agreement. The facility is available for use in connection with the Group's general corporate and working capital purposes. A redemption fee of 8% per annum accrues on any amounts of the finance drawn down from time to time on a straight-line basis and is payable on the date any amount of the finance is repaid. The facility expires on 31 October 2021 and has not been utilised to date. Subsequent to the Statement of Financial Position date, the facility has been increased to US$20.0 million with the expiry date extended to 30 September 2022.

30. Provisions

As at 31 December	2020 US$'000	2019 US$'000
Decommissioning provision	**101,511**	104,408
Other provisions	**5,095**	5,095
	106,606	109,503

The Group provides for the present value of estimated future decommissioning costs for certain of its oil and gas properties in Nigeria. These costs are updated annually based upon a review of both inflation and discount rates. Periodically, the Group will undertake a more detailed technical assessment by both internal and external specialists as appropriate. The amounts shown are expected to crystallise between 2030 and 2057. Further details can be found in note 4.

Decommissioning provision

	2020 US$'000	2019 US$'000
As at 1 January	**104,408**	—
Provided during the year	**—**	4,014
Adjustment due to change in assumptions (note 16)	**(4,678)**	—
Unwinding of decommissioning provision discount (note 11)	**1,781**	564
Acquired on acquisition of subsidiaries	**—**	99,830
As at 31 December	**101,511**	104,408

During 2020, the Group undertook a detailed technical assessment of the decommissioning provision cost estimates. Following the updated assessment, the decommissioning provision has been updated, with the associated decommissioning asset also adjusted to reflect the new cost estimates. Refer to note 16 for more details on the adjustment to Property, plant and equipment.

Other provisions relate to amounts recognised on acquisition of the Nigerian assets in 2019. They reflect the fair value of expected contingent liability legal claims as required to be valued under IFRS 3: Business Combinations, the timing and outcomes of which remain uncertain.

31. Contract liabilities

Contract liabilities represents the value of gas supply commitment to the Group's customers for gas not taken but invoiced under the terms of the contracts. The amount has been analysed between current and non-current liability, based on the customers' expected future usage gas delivery profile. This expected usage is updated periodically with the customer.

As at 31 December	2020 US$'000	2019 US$'000
Amount due for delivery within 12 months	**5,065**	3,942
Amount due for delivery after 12 months	**185,172**	118,052
	190,237	121,994

	2020 US$'000	2019 US$'000
As at 1 January	**121,994**	—
Additional contract liabilities	**86,881**	13,278
Contract liabilities utilised	**(23,632)**	—
Unwind of discount on contract liabilities	**4,994**	—
Acquired on acquisition of subsidiaries (note 39)	**—**	108,716
As at 31 December	**190,237**	121,994

Following the purchase of the Nigerian assets on 14 November 2019, the contract liabilities balance was adjusted to reflect the fair value at the acquisition date. Discount amounting to US$5.0 million (2019: US$nil) has been unwound during the year as make-up gas has been delivered. The unwind has been recognised within finance costs (note 11).

32. Employee benefits

The Group operates a defined benefit gratuity scheme for the benefit of its Nigerian-based employees. Participant employees who have served the relevant employing company and are disengaging from service are entitled to an end of service benefit. In addition, all participating employees are entitled to a long service award every five years from their fifth year of continuous employment until their 35th year of continuous employment. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out for the year ended 31 December 2020.

(a) Changes in the present value of the employee benefits

	2020 US$'000	2019 US$'000
As at 1 January	**376**	—
On acquisition of a subsidiary	**—**	376
Current service cost	**3,754**	—
Benefit paid by the plan	**(31)**	—
Interest expense on obligation	**61**	—
Plan amendment	**267**	—
Actuarial loss recognised in Other comprehensive income	**362**	—
Exchange difference	**(67)**	—
As at 31 December	**4,722**	376

(b) Expenses recognised in the Statement of Comprehensive Income for the employee benefits

Year ended 31 December	2020 US$'000	2019 US$'000
Past service cost	**139**	—
Current service costs	**3,754**	—
Remeasurement	**128**	—
Amounts recorded within staff costs (note 9)	**4,021**	—
Interest expense on obligation	**61**	—
	4,082	—

(c) Expenses recognised in Other comprehensive income for the employee benefits

Year ended 31 December	2020 US$'000	2019 US$'000
Actuarial loss recognised in Other comprehensive income	**362**	—
Tax effect on actuarial loss	**(308)**	—
	54	—

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for the year ended 31 December 2020

32. Employee benefits continued

(d) Funded status

Both the defined benefit obligation and long service award are unfunded.

(e) Assumptions

Year ended 31 December	2020 %	2019 %
Discount rate	**8.5**	15.5
Rate of salary increase	**11.0**	13.0
Rate of inflation	**12.0**	12.0
Benefit escalation rate	**6.0**	6.0

These assumptions depict management estimate of the likely future experience of the Group.

Mortality in service

Due to unavailability of published reliable demographic data in Nigeria, the demographic assumptions regarding future mortality are based on the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

Sample age	2020 Number of deaths in year of age of 10,000 lives	2019 Number of deaths in year of age of 10,000 lives
25	**7**	7
30	**7**	7
35	**9**	9
40	**14**	14
45	**26**	26

Withdrawal from service

Age band	2020 %	2019 %
Less than or equal to 30	**3.0**	3.0
31–39	**2.5**	2.5
40–44	**2.0**	2.0
45–55	**1.0**	1.0
56–59	**0.0**	0.0

(f) Sensitivity analysis

The sensitivity analyses below have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

Year ended 31 December		2020 US$'000	2019 US$'000
Base rate assumptions		**4,722**	376
Discount rate	1% increase	**4,235**	294
	1% decrease	**5,388**	358
Salary increase rate	1% increase	**5,374**	360
	1% decrease	**4,237**	292
Mortality in service	Age rated up by 1 year	**4,758**	324
	Age rated down by 1 year	**4,769**	323

32. Employee benefits continued

(g) Ageing analysis

The following are the expected payments or contributions to the defined benefit plan in future years:

As at 31 December	2020 US$'000	2019 US$'000
Within the next 12 months	91	10
Between 2 and 5 years	1,743	63
Between 5 and 10 years	3,165	759
Beyond 10 years	75,267	7,932
Total expected payments	80,266	8,764

33. Financial instruments

(a) Financial instruments by category

At the end of the year, the Group and Company held the following financial instruments:

As at 31 December	Group 2020 US$'000	Company 2020 US$'000	Group 2019 US$'000	Company 2019 US$'000
Financial assets				
Amortised cost				
Cash at bank (note 24)	104,363	191	46,256	1,009
Trade receivables and contract assets (note 23)	114,617	—	80,577	—
Amounts due from Group companies (note 34)	—	308,718	—	184,444
Restricted cash (note 20)	1,635	—	1,828	—
Other receivables (note 23)	5,215	55	19,193	1,436
	225,830	308,964	147,854	186,889
Financial liabilities				
Amortised cost				
Trade payables (note 28)	(40,590)	(4,432)	(48,800)	(7,901)
Amounts owed to Group companies (note 34)	—	(12,460)	—	—
Accruals (note 28)	(35,565)	(5,732)	(58,531)	(6,184)
Interest payable	(51,544)	(652)	(13,715)	—
Royalty and levies (note 28)	(6,261)	—	(6,317)	—
Lease liabilities (note 18)	(8,061)	(5,313)	(5,570)	(5,570)
Other payables (note 28)	(11,660)	(9,334)	(7,500)	(7,500)
Borrowings (note 29)	(520,083)	(5,791)	(539,155)	(6,596)
	(673,764)	(43,714)	(679,588)	(33,751)
Fair value through profit or loss				
Call option (within Borrowings)	5,421	—	7,103	—
	(668,343)	(43,714)	(672,485)	(33,751)
Net financial instruments	(442,513)	265,250	(524,631)	153,138

The value of the Call option has been disclosed within Non-current borrowings (note 29).

(b) Risk management policy

In the context of its business activity, the Group operates in an international environment in which it is confronted with market risks, specifically foreign currency risk and interest rate risk. It does not use derivatives to manage and reduce its exposure to changes in foreign exchange rates and interest rates.

Cash at bank policy is generally to keep amounts in the Company's functional currency when possible. Additionally, other main currencies are held by local subsidiaries as required to pay employees and vendors who are paid in GBP, Naira and XOF.

In addition to market risks, the Group is also exposed to liquidity and credit risk.

Notes to the Financial Statements continued

for the year ended 31 December 2020

33. Financial instruments continued

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or damage to the Group's reputation.

The Group manages liquidity risk by regularly reviewing cash requirements by reference to short-term cash flow forecasts and medium-term working capital projections prepared by management.

The Group maintains good relationships with its lenders. At 31 December 2020, the Group had US$104.4 million (2019: US$46.3 million) of Cash at bank (Company: US$0.2 million; 2019: US$1.0 million) (note 24). Of this amount, US$30.1 million (2019: US$nil) is being held for debt service (Company: US$nil; 2019: US$nil). In total, approximately US$78.9 million is required for 2020's debt service obligations which will be sourced from bank accounts designated as Amounts held for debt service and from Cash and cash equivalents.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate cash reserves and continuously monitoring forecast and actual cash flows. The Group aims to maximise operating cash flows in order to be in a position to finance the investments required for its development.

The Group's liquidity position and its impact on the going concern assumption are discussed further in the Going concern section in note 2 of these financial statements.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial borrowings based on the earliest date on which the Group can be required to pay.

Group

As at 31 December 2020	Weighted average effective interest rate	Less than 1 year US$'000	Between 1–5 years US$'000	Greater than 5 years US$'000	Total US$'000
Financial assets					
Fixed interest rate instruments					
Finance lease receivable	4.75%	281	929	—	1,210
Exposure assets		281	929	—	1,210
Financial liabilities					
Fixed interest rate instruments					
Lease liabilities	6.79%	(1,755)	(6,038)	(1,665)	(9,458)
Principal repayment	8.18%	(32,310)	(67,083)	(46,200)	(145,593)
Interest payment		(14,063)	(29,326)	(3,519)	(46,908)
Variable interest rate instruments					
Principal repayment	11.07%	(58,237)	(317,000)	(6,347)	(381,584)
Interest payment		(81,370)	(115,040)	(1,033)	(197,443)
Exposure liabilities		(187,735)	(534,487)	(58,764)	(780,986)
Net exposure		(187,454)	(533,558)	(58,764)	(779,776)

As at 31 December 2019	Weighted average effective interest rate	Less than 1 year US$'000	Between 1–5 years US$'000	Greater than 5 years US$'000	Total US$'000
Financial liabilities					
Fixed interest rate instruments					
Lease liabilities	4.75%	(614)	(3,698)	(2,179)	(6,491)
Principal repayment	10.35%	(33,310)	(37,600)	(82,100)	(153,010)
Interest payment		(11,052)	(32,588)	(9,499)	(53,139)
Variable interest rate instruments					
Principal repayment	13.18%	(39,695)	(137,691)	(217,909)	(395,295)
Interest payment		(57,033)	(153,338)	(27,664)	(238,035)
Exposure liabilities		(141,704)	(364,915)	(339,251)	(845,970)
Net exposure		(141,704)	(364,915)	(339,251)	(845,970)

All other financial assets and financial liabilities disclosed in note 33(a) are expected to mature within one year.

With respect to trade payables, the Group generally is required to pay within 30-90 days. However, in certain cases, these amounts will be settled later but still within one year.

33. Financial instruments continued

(c) Liquidity risk continued

Company

As at 31 December 2020	Weighted average effective interest rate	Less than 1 year US$'000	Between 1–5 years US$'000	Greater than 5 years US$'000	Total US$'000
Financial assets					
Fixed interest rate instruments					
Finance lease receivable	4.75%	281	929	—	1,210
Exposure assets		281	929	—	1,210
Financial liabilities					
Fixed interest rate instruments					
Lease liabilities	4.75%	(935)	(3,472)	(1,665)	(6,072)
Principal repayment	20.34%	(5,712)	—	—	(5,712)
Interest payment		(79)	—	—	(79)
Exposure liabilities		(6,726)	(3,472)	(1,665)	(11,863)
Net exposure		(6,445)	(2,543)	(1,665)	(10,653)

As at 31 December 2019	Weighted average effective interest rate	Less than 1 year US$'000	Between 1–5 years US$'000	Greater than 5 years US$'000	Total US$'000
Financial liabilities					
Fixed interest rate instruments					
Lease liabilities	4.75%	(614)	(3,698)	(2,179)	(6,491)
Principal repayment	26.72%	(6,596)	—	—	(6,596)
Interest payment		(349)	—	—	(349)
Exposure liabilities		(7,559)	(3,698)	(2,179)	(13,436)
Net exposure		(7,559)	(3,698)	(2,179)	(13,436)

All other financial assets and financial liabilities disclosed in note 33(a) are expected to mature within one year.

With respect to trade payables, the Group generally is required to pay within 30-90 days. However, in certain cases, these amounts will be settled later but still within one year.

(d) Foreign currency risk

Foreign currency risk arises because the Group operates in Nigeria, Niger and the United Kingdom, whose currencies are not the same as the functional currency in which the Group is operating. The net assets from such overseas operations are exposed to currency risk, giving rise to gains or losses on retranslation into the functional currency.

Foreign currency risk also arises when the Group enters into transactions denominated in a currency other than its functional currency. The main foreign currency risk in the year ended 31 December 2020 relates to transactions denominated in Nigerian Naira.

The primary exchange rate movements that the Group is exposed to are US$:NGN, US$:XOF, US$:GBP and US$:EUR. Foreign exchange risk arises from recognised assets and liabilities.

Group

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities were as follows:

As at 31 December 2020	GBP US$'000	XOF US$'000	NGN US$'000	EUR US$'000
Cash at bank	213	659	100,399	26
Exposure assets	213	659	100,399	26
Trade payables	(4,478)	(87)	(18,825)	(72)
Borrowings – current	(1,628)	(12,904)	(929)	—
Borrowings – non-current	—	(94)	(10,062)	—
Exposure liabilities	(6,106)	(13,085)	(29,816)	(72)
Net exposure	(5,893)	(12,426)	70,583	(46)

Notes to the Financial Statements continued

for the year ended 31 December 2020

33. Financial instruments continued

(d) Foreign currency risk continued

Group continued

As at 31 December 2019	GBP US$'000	XOF US$'000	NGN US$'000	EUR US$'000
Cash at bank	215	2,034	39,053	21
Restricted cash – non-current	—	—	193	—
Exposure assets	215	2,034	39,246	21
Trade payables	(11,785)	—	(22,800)	(17)
Borrowings – current	(1,596)	(9,914)	(1,489)	—
Borrowings – non-current	—	—	(11,750)	—
Exposure liabilities	(13,381)	(9,914)	(36,039)	(17)
Net exposure	(13,166)	(7,880)	3,207	4

Company

As at 31 December 2020	GBP US$'000	EUR US$'000
Cash at bank	212	21
Exposure assets	212	21
Trade payables	(4,292)	(47)
Borrowings – current	(1,628)	—
Exposure liabilities	(5,920)	(47)
Net exposure	(5,708)	(26)

As at 31 December 2019	GBP US$'000	EUR US$'000
Cash at bank	156	656
Exposure assets	156	656
Trade payables	(10,639)	(17)
Borrowings – current	(156)	—
Exposure liabilities	(10,795)	(17)
Net exposure	(10,639)	639

The following table shows the effect of the US$ strengthening by 10% against the foreign currencies, with all other variables held constant, on the Group's result for the year. 10% is the rate used internally when reporting to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

As at 31 December 2020	GBP US$'000	XOF US$'000	NGN US$'000	EUR US$'000	Total US$'000
Impact on loss for the year – Group	589	1,243	(7,058)	5	(5,221)
Impact on profit for the year – Company	571	—	—	3	574

As at 31 December 2019	GBP US$'000	XOF US$'000	NGN US$'000	EUR US$'000	Total US$'000
Impact on loss for the year – Group	1,360	1,195	7,529	4	10,088
Impact on loss for the year – Company	1,239	—	—	67	1,306

33. Financial instruments continued

(d) Foreign currency risk continued

Company continued
The following table shows the effect of the US$ weakening by 10% against the foreign currencies, with all other variables held constant, on the Group's result for the year. 10% is the rate used internally when reporting to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

As at 31 December 2020	GBP US$'000	XOF US$'000	NGN US$'000	EUR US$'000	Total US$'000
Impact on loss for the year – Group	(589)	(1,243)	7,058	(5)	5,221
Impact on profit for the year – Company	(571)	—	—	(3)	(574)

As at 31 December 2019	GBP US$'000	XOF US$'000	NGN US$'000	EUR US$'000	Total US$'000
Impact on loss for the year – Group	(1,360)	(1,195)	(7,529)	(4)	(10,088)
Impact on loss for the year – Company	(1,239)	—	—	(67)	(1,306)

(e) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with financial institutions, foreign exchange transactions and other financial instruments. Credit risk is monitored by the Board of Directors.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions. The Group's treasury, trading and intercompany relationships and counterparties comprise financial services institutions. For these relationships, the Group analyses publicly available information such as financial information and other external data.

Trade and other receivables and contract assets

Customer credit risk is managed subject to the Group's established policy, procedures and controls relating to customer credit risk management. The credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable financial institutions. The Group applies the IFRS 9 simplified model for recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. This is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. product type and customer type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered an integral part of trade receivables and, where possible, considered in the calculation of expected credit losses.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and deposits with financial institutions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group has an established credit policy under which each new counterparty is analysed for creditworthiness before the Group's standard terms and conditions are offered. The Group's review includes external ratings.

The maximum exposure the Group will bear with a single customer is dependent upon that counterparty's credit rating, the level of anticipated trading and the time period over which this is likely to run. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

Notes to the Financial Statements continued

for the year ended 31 December 2020

33. Financial instruments continued

(e) Credit risk continued

Trade and other receivables and contract assets continued

Set out below is the information about the credit risk exposure of the Group's trade and other receivables and contract assets using a provision ageing matrix:

As at 31 December 2020	Contract assets US$'000	Trade receivables Current US$'000	<30 days US$'000	30–60 days US$'000	61–90 days US$'000	91–270 days US$'000	>271 days US$'000	Other receivables US$'000	Total US$'000
Expected credit loss rate	5.91%	1.98%	3.78%	11.81%	9.35%	11.29%	99.10%	6.00%	
Estimated total carrying amount at default	58,246	14,318	7,410	2,770	4,865	35,288	8,181	5,548	136,626
Expected credit loss	3,443	284	280	327	455	3,984	8,107	333	17,213

As at 31 December 2019	Contract assets US$'000	Trade receivables Current US$'000	<30 days US$'000	30–60 days US$'000	61–90 days US$'000	91–270 days US$'000	>271 days US$'000	Other receivables US$'000	Total US$'000
Expected credit loss rate	0.23%	0.17%	0.19%	0.21%	0.57%	3.61%	28.69%	—	
Estimated total carrying amount at default	19,497	9,949	5,218	969	10,788	3,323	617	—	50,361
Expected credit loss	45	16	10	2	61	120	177	—	431

In line with the Group's accounting policies for some trade receivables and contract assets which are subject to discussions with the counterparty, specific assessments are made to determine the recoverability of such amounts which includes expected recovery rates and discounting for the time value of money. For contract assets in particular, the loss rate calculated is a combination of calculated loss rates and specific provisioning.

Included within the acquisition of the Nigerian assets as set out in note 39, were trade receivables and contract assets of US$110.4 million (on a gross basis), together with an ECL provision of US$42.2 million which resulted in a fair value balance at acquisition of US$68.2 million. Subsequent to the acquisition, some of the assets have been fully recovered. Consequently, the associated ECL has been released, with a credit of US$27.8 million (2019: US$nil) being recognised in the Statement of Comprehensive Income. The remaining ECL (US$14.4 million) that was netted within the fair value of the trade receivables at acquisition remains netted within the trade receivables balance and will only be released when the associated receivables have been fully realised.

The Group considers all intercompany balances recoverable and any potential expected credit losses are judged to be immaterial.

Set out below is the movement in the allowance for expected credit losses of trade receivables and contract balances:

	2020 US$'000	2019 US$'000
As at 1 January	431	—
Provision for expected credit loss	16,782	431
As at 31 December	17,213	431

There was no opening balance of expected credit losses in 2019 as there were no contract assets or trade receivables in the other operating segments. The provision was recognised following the acquisition of the Nigerian assets. There were no ECL amounts for the Company (2019: US$nil).

The provision for expected credit loss that has been recognised in the year relates to an expected credit loss recognised on new invoices raised during the year as well as changes in expected credit loss rates as a result of non-payment of certain invoices. The reconciliation of ECL charge in the year and the released ECL discussed above is shown in note 23.

33. Financial instruments continued

(f) Interest rate risk

The Group had significant cash balances during the year. Changes in interest rates could have either a negative or positive impact on the Group's interest income. Whenever possible, cash balances are put on term deposits to maximise interest income.

The interest rate profile of the Group's financial assets was as follows:

As at 31 December	2020 US$'000	2019 US$'000
Cash at bank at variable interest rate – Group (note 24)	104,363	46,256
Cash at bank at variable interest rate – Company (note 24)	191	1,009

In 2019, a liquidity facility was provided to SEIL for working capital purposes. Interest on this facility was charged at an annual interest rate of 6.5%. The facility was contributed as part of the purchase consideration for the Nigerian assets acquisition. See note 39 for further details.

All other financial instruments were non-interest bearing. The cash at bank at floating interest rates consist of deposits which earn interest at variable rates depending on length of term and amount on deposit.

The following table shows the effect of the short-term interest rates increasing by 1%, with all other variables held constant, on the Group and Company's result for the year. A 1% is the movement that represents management's assessment of the reasonable possible change in interest rates.

As at 31 December	2020 US$'000	2019 US$'000
Impact on loss – Group	1,044	463
Impact on profit/(loss) – Company	2	10

The following table shows the effect of the short-term interest rates decreasing by 1%, with all other variables held constant, on the Group and Company's result for the year. A 1% is the movement that represents management's assessment of the reasonable possible change in interest rates.

As at 31 December	2020 US$'000	2019 US$'000
Impact on loss – Group	(1,044)	(463)
Impact on profit/(loss) – Company	(2)	(10)

The Group is exposed to cash flow interest rate risk through funds borrowed at variable interest rates. These exposures arise from the interest on third-party loans which are based on LIBOR. Changes to the borrowing costs of the Group are monitored by management and assessed relative to the Group's ongoing cash flows from operations.

The sensitivity analyses have been determined based on the exposure to interest rates for financial instruments at the Statement of Financial Position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the Statement of Financial Position date was outstanding for the whole year. A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

The interest rate profile of the Group's financial liabilities was as follows:

As at 31 December	2020 US$'000	2019 US$'000
Borrowings at variable interest rate – Group	381,584	395,295
Borrowings at variable interest rate – Company	—	—

The following table shows the effect of the short-term interest rates increasing by 1%, with all other variables held constant, on the Group and Company's result for the year. A 1% is the movement that represents management's assessment of the reasonable possible change in interest rates.

As at 31 December	2020 US$'000	2019 US$'000
Impact on loss – Group	(3,816)	(3,953)
Impact on profit/(loss) – Company	—	—

Notes to the Financial Statements continued

for the year ended 31 December 2020

33. Financial instruments continued

(f) Interest rate risk continued

The following table shows the effect of the short-term interest rates decreasing by 1%, with all other variables held constant, on the Group and Company's result for the year. A 1% is the movement that represents management's assessment of the reasonable possible change in interest rates.

As at 31 December	2020 US$'000	2019 US$'000
Impact on loss – Group	3,816	3,953
Impact on profit/(loss) – Company	—	—

34. Amounts owed from/to Group companies

Company

As at 31 December	2020 US$'000	2019 US$'000
Intercompany receivable	308,718	184,444
Intercompany payable	(12,460)	—

Intercompany receivables are amounts on demand and are not interest bearing. The opening intercompany receivable balance of US$184.4 million was due from subsidiary undertakings. The increase in the year is due to dividend income of US$116.2million (note 21), payment of invoices on behalf of subsidiary undertakings amounting to US$1.9 million and intercompany balance restructuring across the Group amounting to an increase in intercompany receivables for the Company of US$5.4 million. The increase in intercompany payables in the year is due to invoices being paid on behalf of the Company by its subsidiary undertakings.

35. Related party transactions

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

Key management are the Directors (Executive and Non-Executive). Compensation of key management personnel is disclosed in note 9. Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report.

Trading transactions

Other than normal intercompany transactions, there were no transactions with related parties during the year.

36. Cash flow reconciliations

Group

A reconciliation of profit or loss before tax to net cash flows from operating activities is as follows:

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Profit/(loss) for the year before tax	10,908	(105,413)
Adjustments for:		
Depreciation	1,492	801
Depletion	34,789	8,850
Gain on acquisition of a subsidiary	—	(10,209)
Finance income	(388)	(1,378)
Finance costs	75,796	12,173
Fair value movement	1,682	54,664
Unrealised foreign translation loss/(gain)	404	(815)
Share option charge	656	540
Expected credit loss and other related adjustments	(10,992)	431
Operating cash flows before movements in working capital	114,347	(40,356)
Increase in trade and other receivables and inventory	(48,177)	(8,458)
(Decrease)/increase in trade and other payables	(11,626)	22,823
Increase in contract liabilities	63,247	13,278
Decrease in other assets	—	390
Income tax paid	(2,222)	—
Net cash generated from/(used in) operating activities	115,569	(12,323)

36. Cash flow reconciliations continued

Group continued

In 2019, included within the Group and the Company's net cash outflow from operating activities was an amount of US$15.0 million received from Africa Infrastructure Investment Managers ("AIIM") as a funding contribution to the Company's Transaction costs associated with the acquisition of the Nigerian assets (note 8). This was in addition to the US$39.0 million that AIIM invested directly into the newly acquired Nigerian assets (note 27). This has been shown within Sale of a non-controlling interest in the Consolidated Statement of Cash Flows.

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Borrowings US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2020	532,052	5,570	537,622
Cash flows			
Repayment	(31,474)	(767)	(32,241)
Proceeds	7,213	—	7,213
	(24,261)	(767)	(25,028)
Non-cash adjustments			
Payment in kind adjustment/accretion of interest	3,991	372	4,363
Lease liability additions	—	3,050	3,050
Net debt fees	1,049	—	1,049
Borrowing fair value adjustments	1,682	—	1,682
Foreign translation	149	(164)	(15)
At 31 December 2020	514,662	8,061	522,723

	Borrowings US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2019	14,872	—	14,872
Adoption of IFRS 16	—	5,056	5,056
Revised 1 January 2019	14,872	5,056	19,928
Cash flows			
Repayment	(16,381)	(302)	(16,682)
Proceeds	18,650	—	18,650
	2,269	(302)	1,968
Non-cash adjustments			
Acquisition of the Nigerian assets	524,361	—	524,361
Accretion of interest	—	251	251
Net debt fees	(7,084)	—	(7,085)
Borrowing fair value adjustments	(2,366)	—	(2,366)
Foreign translation	—	565	565
At 31 December 2019	532,052	5,570	537,622

Notes to the Financial Statements continued

for the year ended 31 December 2020

36. Cash flow reconciliations continued

Company

A reconciliation of profit or loss before tax to net cash flows from operating activities is as follows:

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Profit/(loss) for the year before tax	**32,960**	(82,192)
Adjustments for:		
Depreciation	**594**	495
Finance costs	**5,975**	1,506
Finance income	**(2,058)**	(1,326)
Fair value movement	**—**	54,664
Dividend income	**(116,190)**	—
Impairment in investment	**75,339**	—
Share option charge	**656**	540
Unrealised foreign translation loss	**740**	824
Operating cash flows before movements in working capital	**(1,984)**	(25,489)
Decrease/(increase) in other receivables and prepayments	**992**	(1,337)
Decrease in trade and other payables	**(1,005)**	(5,120)
(Decrease)/increase in accruals	**(381)**	4,481
Interest paid	**—**	(637)
Net cash used in from operating activities	**(2,378)**	(28,102)

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	Borrowings US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2020	**6,596**	**5,570**	**12,166**
Cash flows			
Repayment	**(3,846)**	**(360)**	**(4,206)**
Proceeds	**2,098**	**—**	**2,098**
	(1,748)	**(360)**	**(2,108)**
Non-cash adjustments			
Accretion of interest	**1,041**	**267**	**1,308**
Foreign translation	**(98)**	**(164)**	**(262)**
At 31 December 2020	**5,791**	**5,313**	**11,104**

	Borrowings US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2019	1,076	—	1,076
Adoption of IFRS 16	—	5,056	5,056
Revised 1 January 2019	1,076	5,056	6,132
Cash flows			
Repayment	—	(302)	(302)
Proceeds	4,650	—	4,650
	4,650	(302)	4,348
Non-cash adjustments			
Accretion of interest	—	251	251
Foreign translation	—	565	565
Net debt fees	870	—	870
At 31 December 2019	6,596	5,570	12,166

37. Capital commitments

At the reporting date, the Group had capital commitments of US$4.9 million (2019: US$nil).

38. Contingent liability

The financing of the Group companies includes some activities which are subject to exemptions under the UK's Controlled Foreign Company regime. On 2 April 2019, the European Commission announced that the UK's exemption rules are only partially justified, and the UK tax authorities are required to recover tax which may constitute State aid. On 23 March 2021, HMRC wrote to the Company confirming that they had formed the view that the Company is not the beneficiary of state aid.

39. Business combinations

There were no business combinations in 2020.

On 14 November 2019 the Group acquired certain operating assets and entities from SEIL. These assets included interests in two Nigerian producing onshore upstream oil and gas fields, together with a midstream gas marketing, processing and transportation business.

The total identifiable net assets at fair value acquired from SEIL was US$109.7 million with the total fair value of the consideration transferred amounting to US$99.5 million resulting in a bargain purchase of US$10.2 million which was principally due to the financial distress position of SEIL and its subsidiaries as a result of a series of loan defaults from 2016 and the requirement to restructure all of the borrowings of the SEIL group that culminated in the disposal of the Nigerian assets to the Company, and the administration and liquidation proceedings of the rest of the SEIL group not acquired by the Company.

40. Events after the reporting period

In February 2021 the Group entered into a new gas sales agreement ("GSA") with Mulak Energy Limited ("Mulak"). The GSA is initially for a seven-year term. It envisages the supply of gas for an initial two-year period on an interruptible basis (the "Interruptible Gas Delivery Period") and the subsequent five years on a firm contract basis (the "Firm Delivery Period"). During the Interruptible Gas Delivery Period, Mulak is able to nominate a maximum daily quantity of up to 2.5 MMscfpd. Volumes in the Firm Delivery Period will be agreed by the parties before the end of the Interruptible Gas Delivery Period. The GSA is priced to reflect Mulak's status as an industrial customer. Sales under the GSA benefit from a bank guarantee arrangement from an investment grade credit rated international bank. Sales under the GSA are expected to commence in 2022.

Subsequent to the Statement of Financial Position date, the Group has agreed in principle with the Ministry of Petroleum to combine all four licence areas into a single PSC rather than the previous proposal of two PSCs. The new PSC will be valid for 10 years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Ministers approval and the payment of the associated fee which is expected to occur by the end of July 2021.

In May 2021 the Group increased the US15.0 million committed finance facility (as described in note 29) to US$20.0 million. The facility expiry date was also extended from 31 October 2021 to 30 September 2022. No other terms of the facility were amended.

Reserves and Resources

as at 31 December 2020

	2P Reserves		2C Resources	
	Gross	Net	Gross	Net
Nigeria[1]				
Oil and condenstate (MMstb)				
Uquo	0.6	0.5	—	—
Stubb Creek	14.4	3.5	—	—
Gas (Bscf)				
Uquo	458.0	366.4	72.5	58.0
Stubb Creek	—	—	515.3	293.7
Niger[2]				
Oil (MMstb)	—	—	35.0	33.3
Total (MMboe)	**91.4**	**65.0**	**133.0**	**91.9**

1. A Competent Person's Report, `CPR' for the Nigeria Assets was compiled by CGG Services (UK) Ltd, `CGG' which certified 2P reserves and 2C resources as at 1 November 2019. The Reserves above have been adjusted for produced volumes to year-end.
2. For Niger, the Net portion of the gross resources are attributable to Savannah before royalties, taxes and government share of profit. Contingent resource estimates for Niger are as per CGG CPR dated 30 April 2020.

Payments to Government
Reporting under EU Accountancy & Transparency Directives

For the year ended 31 December 2020

Report of payments to governments

This report sets out details of the payments made to governments by Savannah Energy Plc and its subsidiary undertakings ("Savannah Energy") for the year ended 31 December 2000 as required under the Disclosure and Transparency Rules of the UK Financial Conduct Authority (the "DTRs") and in accordance with our interpretation of the draft Industry Guidance issued for the UK's Report on Payments to Governments Regulations 2014, as amended in December 2015. The DTRs require companies in the UK and operating in the extractives sector to publicly disclose payments made to governments in the countries where they undertake exploration, prospection, development and extraction of oil and natural gas deposits or other materials.

Government payments

The Savannah Energy group's extractive operations in Niger and Nigeria give rise to a number of payments to government, including royalties, taxes and levies made by the group on its own behalf and on behalf of suppliers and employees through the deduction of VAT, PAYE and other withholding taxes. Different payments arise at different times over the course of a typical upstream or midstream project, including the following significant items:-

Project phase	Licence fees	Signature bonuses	WHT & VAT on supplier payments	PAYE on staff salaries	Import duty	Payments to host communities & for infrastructure improvements	Royalties on production	Income tax on profits	WHT on dividends
Exploration	✓	✓	✓	✓	✓	✓			
Development/ Construction			✓	✓	✓	✓			
Production/ operation			✓	✓		✓	✓	✓	✓
Abandonment						✓			

In many cases, investment incentives available to the oil and gas sector, or to companies generally, such as tax holidays, offset of start-up losses and capital allowances, can defer the full incidence of income tax until after the commencement of production/operations.

	Upstream projects			Other	
	Uquo $'000	Stubb Creek $'000	Agadem $'000	Midstream $'000	Corporate $'000
Income taxes	2,283	—	4	3	—
Royalties	5,224	1,102	—	—	—
Payments for infrastructure improvements	—	—	—	26	—
	7,507	1,102	4	29	—
Consumption taxes	—	—	947	227	705
Taxes paid on behalf of others	142	279	167	5,261	1,809
	142	279	1,114	5,488	2,514
Total	**7,649**	**1,381**	**1,118**	**5,517**	**2,514**
Nigeria Federal government	7,647	1,118	—	3,740	—
Nigeria State government	2	263	—	1,751	—
Nigeria local communities	—	—	—	26	—
Niger Federal government	—	—	1,118	—	—
UK Federal government	—	—	—	—	2,366
UK Local government	—	—	—	—	148
Total	**7,649**	**1,381**	**1,118**	**5,517**	**2,514**

Treatment of joint operations

- amounts include payments made by the Group directly to governments in respect of the joint operations and sole costs;
- cash calls made by joint operations for payments to governments are excluded.

Payments for infrastructure improvements

- these include community and social project expenditure.

Consumption taxes paid on behalf of others

- these include VAT, withholding taxes and payroll taxes withheld from payments to suppliers and employees.

Payments other than in relation to upstream projects are not required by the EU Accountancy & Transparency Directives but are included for completeness.

Glossary

Term	Definition
2P Reserves	the sum of proved plus probable reserves;
2C Resources	the Best estimate of Contingent Resources;
3D seismic	geophysical data that depicts the subsurface strata in three dimensions. 3D seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic;
Barrels or bbl	a unit of volume measurement used for petroleum and its products (for a typical crude oil 7.3 barrels = 1 tonne: 6.29 barrels = 1 cubic metre);
Bscf	billion standard cubic feet;
Bscfpd	billion standard cubic feet per day;
best estimate	the middle value in a range of estimates considered to be the most likely. If based on a statistical distribution, can be the mean, median or mode depending on usage;
block	an area defined for exploration licensing;
boe	barrels of oil equivalent. One barrel of oil is approximately the energy equivalent of 6 Mscf of natural gas;
condensate	light hydrocarbon compounds that condense into liquid at surface temperatures and pressures. They are generally produced with natural gas and are a mixture of pentane and higher hydrocarbons;
Contingent Resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies;
Cretaceous	geological strata formed during the period 140 million to 65 million years before the present;
crude oil	hydrocarbons that at atmospheric temperature and pressure are in a liquid state, including crude mineral oil, asphalt and ozokerites, and liquid hydrocarbons that are obtained by separation treatment, processing or extraction;
debottlenecked	process of identifying specific areas and/or equipment in oil and gas facilities that limit the flow of product and optimising them so that overall capacity in the plant can be increased;
EBITDA	Earnings before interest, tax, depletion, depreciation and amortisation;
E&P	exploration and production;
exploration well	a well drilled to find hydrocarbons in an unproved area or to extend significantly a known oil or natural gas reservoir;
fault or faulting	a displacement (vertical, inclined or lateral) below the earth's surface that acts to offset rock layers relative to one another. Faulting can create traps for hydrocarbons;
field	an area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition;
formation	a layer or unit of rock. A productive formation in the context of reservoir rock;
full tensor gravity	a form of gravimetric survey;
geophysical	measurement of the earth's physical properties to explore and delineate hydrocarbons by means of electrical, seismic, gravity and magnetic methods;
gross resources	the total estimated petroleum that is potentially recoverable from a field or prospect;
GSA	gas sales agreement;
HSE	health, safety and environment;
HSSE	health, safety, security and the environment
hydrocarbon	a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate;
investment grade	a rating that indicates that a municipal or corporate bond has a relatively low risk of default;
Kboepd	thousands of barrels of oil equivalent per day;
Kbopd	thousands of barrels of oil per day;
km	kilometre;
km^2	square kilometres;

lead	an identified opportunity with sufficient support from geological analogues and the like to encourage further data acquisition and/or study on the basis that hydrocarbon accumulations of unknown size may be found in the future;
licence	an exclusive right to search for or to develop and produce hydrocarbons within a specific area and/or a pipeline licence, as the context requires. Usually granted by the State authorities and may be time limited;
M	thousand;
MMboe	millions of barrels of oil equivalent;
MMbopd	millions of barrels of oil per day;
MMscf	million standard cubic feet;
MMscfpd	millions of standard cubic feet per day;
MMstb	millions of standard stock tank barrels of oil;
Mscf	thousand standard cubic feet;
Mscfe	thousand standard cubic feet of gas equivalent;
natural gas	hydrocarbon that at a standard temperature of sixty degrees Fahrenheit (60°F) and a standard pressure of one atmosphere are in a gaseous state, including wet mineral gas and dry mineral gas, casing head gas, residual gas remaining after separation treatment, processing, or extraction of liquid hydrocarbons;
Nigerian assets	the interest in the Uquo Gas Project owned by SEUGL, the interest in the Stubb Creek Field owned by Universal Energy Resources and the interest in the Accugas Midstream Business owned by Accugas Limited;
oil equivalent	international standard for comparing the thermal energy of different fuels;
operator	the entity that has legal authority to drill wells and undertake production of hydrocarbons found. The operator is often part of a consortium and acts on behalf of this consortium;
petroleum	a generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products;
play	a project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects;
prospect	a project associated with a potential accumulation of oil or natural gas that is sufficiently well defined to represent a viable drilling target;
prospective resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects;
PSC	Production Sharing Contract;
reserves	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions;
reservoir	a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete petroleum system;
resources	deposits of naturally occurring hydrocarbons which, if recoverable, include those volumes of hydrocarbons either yet to be found (prospective) or if found the development of which depends upon a number of factors (technical, legal and/or commercial) being resolved (contingent);
seal	a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir. A seal is a critical component of a complete petroleum system;
seismic survey	a method by which an image of the earth's subsurface is created through the generation of shockwaves and analysis of their reflection from rock strata. Such surveys can be done in two or three-dimensional form;
stratigraphic	a mode of trapping hydrocarbons which is not dependent on structural entrapment;
Tscf	trillion standard cubic feet;
Tertiary	geological strata formed during the period from 65 to 1.8 million years ago.

Definitions

(a) **Total Revenues** are defined as the total amount of invoiced sales during the period. This number is seen by management as more accurately reflecting the underlying cash generation capacity of the business as opposed to Revenue recognised in the Consolidated Statement of Comprehensive Income. A detailed explanation of the impact of IFRS 15 revenue recognition rules on our Consolidated Statement of Comprehensive Income is provided in the Financial Review section on page 56. For reference FY 2020 Revenues were US$169.0 million (up 28% on FY 2019 pro-forma Revenues of US$132.3 million). Note that Total Revenues is not an audited number.

(b) **Remaining life of contact revenues** estimated on a maintenance adjusted Take or Pay basis including contributions from three of our customers: Calabar Generation Company Limited (owner of the Calabar power station), Ibom Power Company Limited (owner of the Ibom power station) and the Lafarge Africa PLC (owner of the Lafarge Mfamosing cement plant). Note this is not an audited number.

(c) **Adjusted EBITDA** is calculated as profit or loss before finance costs, investment revenue, foreign exchange gains or loss, expected credit loss and other related adjustments, fair value adjustments, gain on acquisition, taxes, transaction costs, depreciation, depletion and amortisation and adjusted to include deferred revenue and other invoiced amounts. Management believes that the alternative performance measure of Adjusted EBITDA more accurately reflects the cash-generating capacity of the business.

(d) **Total contributions** to Nigeria and Niger defined as payments to governments, employee salaries and payments to local suppliers and contractors. Where total contributions refer to the period 2014–2020 they include contributions to Nigeria during the period pre-acquisition of the Nigerian assets by Savannah.

(e) **Investment grade** indicates credit support from an entity which holds an investment grade rating from either Standard & Poor's, Moody's or Fitch Ratings.

(f) **Adjusted Net debt** is defined as Net debt adjusted for US$48.0 million equivalent held in Naira that is set aside to pay 2020 interest.

(g) **Group Operating expenses plus administrative expenses** are defined as total cost of sales, administrative and other operating expenses excluding royalty and depletion, depreciation and amortisation.

(h) **Interest cover ratio** is Adjusted EBITDA[c] divided by Finance costs excluding (i) unwinding of a discount on a long-term payable, (ii) unwind of discount on contract liabilities and (iii) unwinding of decommissioning discount, less Interest Finance Income

Footnotes

Section title	Footnotes
At a glance Pages 2 and 3	1. Source: Daily National Control Centre report from the Transmission Company of Nigeria. 2. During the first half of 2020, the Company agreed with the Niger Ministry of Petroleum that the R4 licence area would be combined with the R1/R2 PSC area into a new R1/R2/R4 PSC to be issued under the Petroleum Code 2017 and that the R3 PSC would continue as a stand-alone PSC area, thus retaining the full acreage position previously covered by the R1/R2 PSC and the R3/R4 PSC. Ratification of the new R1/R2/R4 PSC was subject to Council of Minister approval, and payment of the associated fee. The Company has subsequently agreed in principle with the Ministry of Petroleum to amalgamate the four licence areas (covered by the R1/R2 PSC and the R3/R4 PSC) into a single PSC rather than the previous proposal of two PSCs. The new PSC (being a R1/R2/R3/R4 PSC) will be valid for 10 years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Minister approval and the payment of the associated fee which is expected to occur by the end of July 2021.
Why invest in Savannah Energy Pages 8 and 9	1. Over the last three years since Savannah's announcement of the acquisition of the Nigerian assets. 2. Source: CNBC.
Chairman's statement Page 10	1. Source: Bloomberg.
Chief Executive Officer's review Pages 12–17	1. In order to meet the 1.5°C global warming target in the Paris Agreement, global carbon emissions should reach net zero by 2050. 2. Source: IMF World Economic Outlook. 3. Source: 2020 annual reports and results announcements for BP, Chevron, ConocoPhillips, Eni, ExxonMobil, Royal Dutch Shell and Total. 4. Source: World Bank. 5. Source: CNBC. 6. While also sensibly taking into account unforeseen events as they emerge throughout the year. 7. Source: BP Statistical Review of World Energy 2020. 8. Source: United Nations. 9. Source: Extractive Industries Transparency Initiative (EITI). 10. Source: Republique Du Niger, Politique Pétrolière Nationale, December 2019. 11. Source: United Nations Factsheet on Climate Change. 12. Source: Worldometer. 13. Source: United States Environmental Protection Agency. 14. Source: Note: Calculated by Savannah using data from footnotes 11,12, 13 above. 15. Source: The Mayo Clinic.
Market context Pages 18–25	1. https://www.iea.org/reports/world-energy-outlook-2020/outlook-for-fuel-supply. 2. http://hdr.undp.org/en/content/latest-human-development-index-ranking. 3. Hans Rosling – Factfulness: Ten Reasons We're Wrong About The World - And Why Things Are Better Than You Think 2018. 4. Rhodes and Beller Foreign Affairs Jan/Feb 2000. 5. https://myworld2030.org/. 6. https://www.futurelearn.com/info/courses/introducing-humanism/0/steps/37106. 7. https://www.worldbank.org/en/news/press-release/2018/10/17/nearly-half-the-world-lives-on-less-than-550-a-day#. 8. https://www.who.int/news/item/18-06-2019-1-in-3-people-globally-do-not-have-access-to-safe-drinking-water-unicef-who. 9. https://epi.yale.edu/. 10. https://www.un.org/youthenvoy/wp-content/uploads/2014/10/wethepeoples-7million.pdf. 11. Smil, V. Energy Myths and Realities: Bringing Science to the Energy Policy Debate 2010. 12. https://ourworldindata.org/grapher/total-fertilizer-production-by-nutrient-tonnes?country=~OWID_WRL. 13. https://ourworldindata.org/grapher/world-population-with-and-without-fertilizer?country=~OWID_WRL. 14. https://miningnews.co.za/2021/03/16/making-the-most-of-africas-energy-potential/. 15. Pasternack 2010 https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.587.2237&rep=rep1&type=pdf. 16. https://ourworldindata.org/energy-access. 17. https://www.iea.org/articles/defining-energy-access-2020-methodology. 18. (Khandker, Shahidur. (2012) "The welfare impacts of rural electrification in Bangladesh" Energy Journal 33 no.1 https://openknowledge.worldbank.org/handle/10986/4055. 19. 2021, Nature.com https://www.nature.com/articles/d41586-021-01020-z,. 20. https://www.weforum.org/agenda/2018/07/by-2100-none-of-the-worlds-biggest-cities-will-be-in-china-the-us-or-europe. 21. https://www.globalelr.com/2021/04/the-european-commission-unveils-new-sustainable-finance-package/. 22. https://www.ft.com/content/678102c2-59e0-11e4-9787-00144feab7de. 23. https://www.opec.org/opec_web/en/about_us/167.htm. 24. https://eiti.org/es/implementing_country/32#. 25. https://openknowledge.worldbank.org/handle/10986/18078#. 26. (NJ Ayuk, Executive Chairman of the African Energy Chamber) https://njayuk.com/africa-can-and-should-decide-how-to-harness-its-natural-resources-especially-with-gas/.

Footnotes continued

Section title	Footnotes
Business model	
Pages 26 and 27	1. Source: JP Morgan Cazenove shareholder analysis 30 April 2021. 2. Includes investment in Nigeria during the period pre-acquisition of the Nigerian assets by Savannah.
Key performance indicators	
Pages 34 and 35	1. During the first half of 2020, the Company agreed with the Niger Ministry of Petroleum that the R4 licence area would be combined with the R1/R2 PSC area into a new R1/R2/R4 PSC to be issued under the Petroleum Code 2017 and that the R3 PSC would continue as a stand-alone PSC area, thus retaining the full acreage position previously covered by the R1/R2 PSC and the R3/R4 PSC. Ratification of the new R1/R2/R4 PSC was subject to Council of Minister approval, and payment of the associated fee. The Company has subsequently agreed in principle with the Ministry of Petroleum to amalgamate the four licence areas (covered by the R1/R2 PSC and the R3/R4 PSC) into a single PSC rather than the previous proposal of two PSCs. The new PSC (being a R1/R2/R3/R4 PSC) will be valid for 10 years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Minister approval and the payment of the associated fee which is expected to occur by the end of July 2021.
Operational review	
Page 36	1. LTIR is the Lost Time Injury Rate.
Page 37	1. During the first half of 2020, the Company agreed with the Niger Ministry of Petroleum that the R4 licence area would be combined with the R1/R2 PSC area into a new R1/R2/R4 PSC to be issued under the Petroleum Code 2017 and that the R3 PSC would continue as a stand-alone PSC area, thus retaining the full acreage position previously covered by the R1/R2 PSC and the R3/R4 PSC. Ratification of the new R1/R2/R4 PSC was subject to Council of Minister approval, and payment of the associated fee. However, the Company has subsequently agreed in principle with the Ministry of Petroleum to amalgamate the four licence areas into a single PSC rather than the previous proposal of two PSCs. The new PSC will be valid for 10 years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Minister approval and the payment of the associated fee which is expected to occur by the end of June 2021.
Country review: Nigeria	
Page 41	1. Nigeria Competent Person's Report by CGG Services (UK) Ltd, December 2019.
Pages 42 and 43	1. Source: BP Statistical Review 2020. 2. Source: IMF 2020 statistics. 3. Source: Statistica. 4. Source: World Bank. 5. Source: IMF 2020 statistics. 6. Source: S&P Global Platts, 13 January 2021. 7. Source: Nairametrics – Nigeria's economy to grow by 1.1.% in 2021 – World Bank, 6 January 2021. 8. Source: U.S. Energy Information Administration 2021. 9. Source: Nigerian Grid Transmission Study. 10. Source: World Bank – Population estimates and projections. 11. Source: CIA World Factbook, World Bank.
Pages 44 and 45	1. Source: Africa Oil and Power 2 December 2020. 2. Source: National Control Centre, Transmission Company of Nigeria 3. Source: Siemens AG press release 29 July 2020 – Siemens' pre-engineering contract for the expansion of Nigeria's electricity capacity to 25,000 MW approved. 4. Source: BP Statistical Review, 2020. 5. Source: Data monitored by Oriental News Nigeria. 6. Source: White & Case – Nigeria's LNG Train 7 Breaks New Ground. 7. Source: S&P Global Platts 1 December 2020. 8. Source: Africa Oil & Power – Nigeria Takes Aim Against Gas Flaring In 2020.
Country review: Niger	
Pages 46 and 48	1. During the first half of 2020, the Company agreed with the Niger Ministry of Petroleum that the R4 licence area would be combined with the R1/R2 PSC area into a new R1/R2/R4 PSC to be issued under the Petroleum Code 2017 and that the R3 PSC would continue as a stand-alone PSC area, thus retaining the full acreage position previously covered by the R1/R2 PSC and the R3/R4 PSC. Ratification of the new R1/R2/R4 PSC was subject to Council of Minister approval, and payment of the associated fee. The Company has subsequently agreed in principle with the Ministry of Petroleum to amalgamate the four licence areas (covered by the R1/R2 PSC and the R3/R4 PSC) into a single PSC rather than the previous proposal of two PSCs. The new PSC (being a R1/R2/R3/R4 PSC) will be valid for 10 years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Minister approval and the payment of the associated fee which is expected to occur by the end of July 2021.
Page 49	1. Source: IMF 2020 statistics.
Page 52	1. Source: Republique Du Niger, Politique Pétrolière Nationale, December 2018.

Section title	Footnotes
Financial review	
Page 55	1. In order to present a like-for-like comparison of Group operating expenses plus admin expenses[g], we have normalised the results in 2019 and 2020 by adjusting for the one-off costs relating to transaction and inventory adjustments. n/m – not meaningful
Page 56	1. Source: Bloomberg
Page 57	1. Royalty is payable when gas is produced; the above table makes allowance for the amount that would have been paid had the amount of gas represented by deferred revenue been delivered.
Page 60	1. Net cash used in financing activities of US$46.6 million excludes US$30.1 million transferred to debt service accounts.

Page 60 1. Net cash used in financing activities of US$46.6 million excludes US$30.1 million transferred to debt service accounts.	1. Investor survey conducted by Savannah in December 2020.
Page 64	1. Source: Republique Du Niger, Politique Pétrolière Nationale, December 2019.
Page 66	1. Includes investment in Nigeria during the period pre-acquisition of the Nigerian assets by Savannah.
Page 73	1. Note: Includes a best estimate of 201,000 kWh of energy usage, comprising diesel-fuelled power generation and grid power, for Savannah's Lagos office, Nigeria in 2020 as prepared by an external consultant as measured data was unavailable.
Page 75	1. Includes the period pre-acquisition of the Nigerian assets by Savannah.

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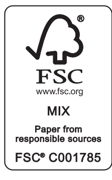

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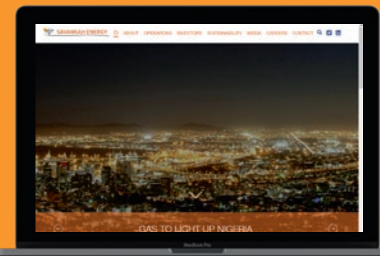

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