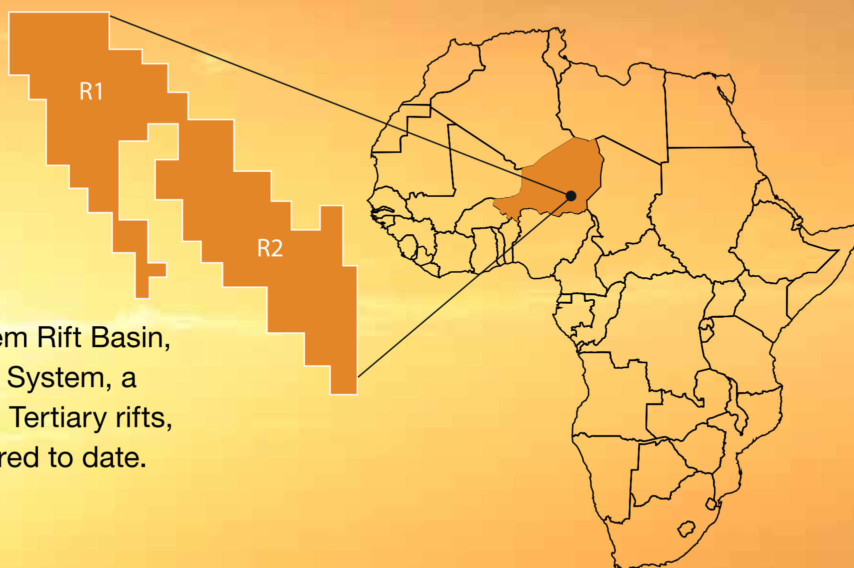
SAVANNAH PETROLEUM

ANNUAL REPORT & ACCOUNTS 2014

Savannah Petroleum is a UK oil and gas company focused around the exploration, appraisal and anticipated development of the R1/R2 Production Sharing Contract in South East Niger.

The R1/R2 permit sits within the Agadem Rift Basin, which is part of the Central African Rift System, a series of highly prolific Cretaceous and Tertiary rifts, with over 6 billion barrels of oil discovered to date.



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STRATEGIC REPORT
CHAIRMAN'S STATEMENT

I am pleased to welcome you to Savannah Petroleum's first annual report. Our successful IPO in August 2014 on the London Stock Exchange's AIM market raised $50 million, the largest for an E&P company listing on AIM that year. I would like to thank our shareholders for their support, and also our staff and management team, both in London and Niger, for their hard work over the course of the past year.

I would also like to thank the Government of Niger for its assistance and cooperation over the past year and since we first came to Niger. There is a resolutely supportive and receptive investment environment in the country, which enabled China National Petroleum Corporation ("CNPC") to deliver first oil for Niger just three years after having acquired the Agadem permit. Building and maintaining strong relationships in the country where we work is of the utmost importance to Savannah, and throughout the year we have held regular technical and operating meetings with the relevant ministries and service companies in Niger. This ensures that all parties involved in our operations are kept aware of our plans and progress.

R1/R2 is located in the proven hydrocarbon fairways of the prolific Agadem Rift Basin ("ARB"). The pace of new discoveries in the ARB by CNPC in the neighbouring Agadem permit shows no sign of abating and our work suggests that our assets are geologically very similar to CNPC's. We are excited to be, among western companies, an early mover into an emerging oil and gas province that is expected to see significant infrastructure build-out over the coming years, led by the Asian national oil companies (CNPC and CPC Corporation).

Fortunately, due to its onshore, relatively lower cost blocks, Savannah is able to navigate the currently challenging macro environment in the oil and gas sector. The benchmark price of Brent crude oil fell by 48% in 2014, with the AIM Oil & Gas index having fallen by 46%. However, a number of recent merger and acquisition announcements and a recovery in the oil price from its recent lows suggest that a more positive investor sentiment is beginning to return to the sector. The Board and management remain focused on operational delivery and executing our business model, which we believe will ultimately reward shareholders over the long term.

The year ahead is an exciting one. The coming months will be focused on continuing to evaluate and advance R1/R2. Operationally, we expect to commence seismic acquisition and drilling, while on the corporate side we expect to welcome a partner to the asset and to Niger. We also intend to put in place a comprehensive social programme as part of our ongoing commitment to ensure that all stakeholders, including local communities, benefit from Savannah's participation in the country.

Our robust balance sheet leaves Savannah well positioned to continue its growth even in a lower oil price environment, and I believe we are well positioned with an excellent team, strict capital discipline and most importantly, an asset in a prolific basin. I look forward to reporting on our progress.

Steve Jenkins
Chairman

CEO'S 2014 REVIEW

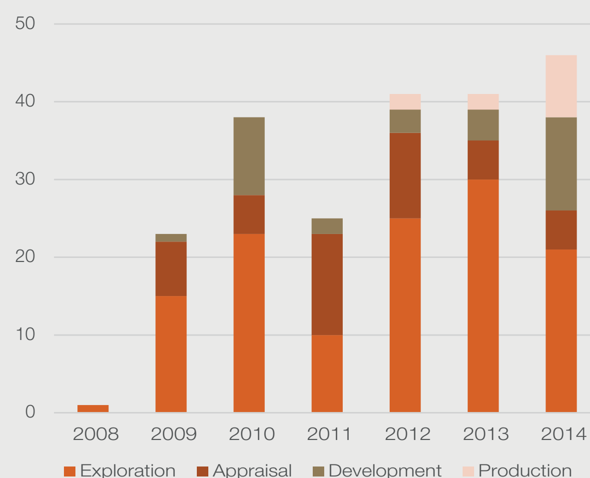
Dear fellow shareholders,

I would like to echo our Chairman's welcome to Savannah's first annual report as a listed company. 2014 was a year of significant achievements for our company which I firmly believe have laid a strong foundation for our future growth. In this letter, I have sought to summarise the main events of the past year and to provide an insight into our plans for the coming year and beyond.

When we formed the company in 2013 we chose to initially focus the business upon pursuing material oil opportunities in the interior basins of West Africa. Our first step in this process was to conduct a detailed commercial and geological review of the region, which led us to high grade and apply for the R1/R2 exploration permit in South East Niger. The principal reasons for selecting R1/R2 were that: (1) from a technical/commercial perspective the ARB, which R1/R2 lies within, appeared to represent the strongest regional opportunity to discover and commercialise hundreds of millions of barrels of oil at relatively low risk and cost; (2) R1/R2 was available for licensing, following a mandatory relinquishment program from CNPC; (3) an early mover opportunity appeared to exist for Savannah in Niger, given the western oil and gas industry's limited recent involvement; and (4) we found Niger to be welcoming of new entrants, our assessment of the country's political risk profile to be acceptable and the oil and gas regulatory regime to be well developed and strongly pro-activity.

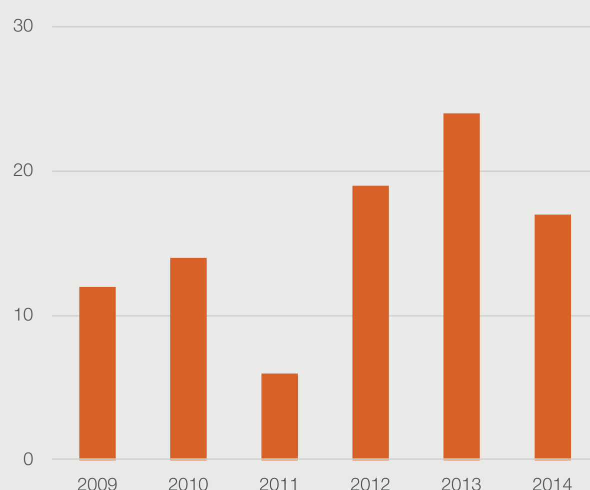
At this time, our initial technical analysis of R1/R2 suggested that the introduction of 3D seismic technology by CNPC had resulted in a step-change in the understanding of the subsurface. Notably, CNPC had made 76 discoveries from 104 exploration wells in the period 2008-13[1] on the basis of 3D seismic prospect mapping (prior to 2008, exploration activity in the basin had relied on 2D seismic based models resulting in 5 discoveries from 25 wells). However, it was also clear that despite CNPC's many successes, ARB exploration was in its relative infancy, having focused on only two geological plays (the Eocene and Upper Cretaceous), both of which appeared to have considerable further upside potential. Further analysis of available seismic lines contained in the various reports and comparisons to other analogous rift basin systems indicated that it was highly likely that as yet untested additional deeper structural, and shallow and deep stratigraphic exploration plays would be likely to emerge over time as more data was acquired and exploration risk assumed.

ARB wells drilled, 2008–2014



Source: Government of Niger. Data refers to Agadem block.

ARB discoveries, 2009-14



Source: Government of Niger.

R1/R2 was therefore viewed to be prospective for both of the working play types in the basin with potential upside to come from other emerging ARB exploration play types. Our work was complemented by that of respected international geoscience firm CGG Robertson which conducted an independent probabilistic analysis of the permit based on the third party studies we provided them, and estimated it to contain a risked 573 mmbbls (un-risked 819 mmbbls) of prospective oil resources[2]. As such it became clear that R1/R2 was potentially a very significant oil asset.

After being awarded the permit on July 4 2014, we put in place a clear strategy focused around finding as much oil as possible over the course of the permit's eight year life, in a socially responsible and value accretive manner. Our

1. To end 2014 this number has been extended to 93 discoveries from 124 exploration wells.

2. A copy of this report can be accessed on our website at www.savannah-petroleum.com.

first task was to create our own geological model of R1/R2 and the ARB, incorporating the vast wealth of modern and vintage seismic and well data provided to us by the Ministry of Energy and Petroleum. It is important to understand the vast size of the area. The ARB covers an approximate 30,000 km^2 footprint and R1/R2 covers 8,406 km^2 within this. To put this into a UK context, the ARB covers an area almost 1.5x the size of Wales, while R1/R2 is approximately the size of North Yorkshire. Similar analogies for US readers would be that the ARB is approximately the size of Massachusetts, with R1/R2 approximately the size of the New York urban area. At the time of writing, Savannah has had the equivalent of a team of six senior geologists and geophysicists work full time on this model for a period of almost eight months. Our enhanced subsurface model is approaching completion, and we have published an update on our understanding of the prospectivity of R1/R2 in a supplemental release to this report, which can be accessed on our website. As you will see, the results of our work to date are highly encouraging.

To address the fact that only 8% of the R1/R2 area is covered by 3D seismic, Savannah contracted ARKeX to acquire a Full Tensor Gravity Gradiometry ("FTG") survey over the ARB in November 2014. This technology has been highly successful in identifying lead trends in other African rift systems and at the time of writing was expected to enhance our current understanding of the exploration potential within the permit. That said, it is not anticipated that the full structural interpretation will be completed until late-Summer 2015, at which point Savannah expects to provide a further update to the market as to its views of licence prospectivity. Jim White, the President of ARKeX, discusses later in this report the FTG technology and its application in the ARB.

Once the subsurface modelling work has been completed our next steps will be to commence field operations in the second half of 2015. We expect to finalise well drilling locations and seismic survey acquisition areas over the summer months to enable this to happen. There is currently significant rig and seismic crew availability in country, and having held discussions with the relevant subcontractors we are confident that this is possible from a logistical perspective. We look forward to entering this next exciting phase for the business.

On the financing front, Savannah conducted two fund raising rounds in 2014, raising a total of US$72m in equity capital (US$50m at the time of our IPO and US$22m in loan notes which were converted into equity as part of the IPO process earlier in the year). This funding enabled the Company to: (1) finance its signature bonus for R1/R2; (2) to conduct the ARB FTG survey; (3) construct our ARB subsurface model; (4) expand our operational bases to include Niamey and Agadem; and (5) benefit from a significant working capital buffer for the business. Throughout the course of the year Savannah also used a US$19m bank debt facility to enable it to finance a portion of the R1/R2 signature bonus. Post-IPO, the business has been debt free.

Our ability to access equity and debt finance given the prevailing market conditions is testament to the quality of the R1/R2 asset, our management team's track record and reputation and the quality of our corporate business plan. 2014 was a year in which the Brent oil price fell by 48% and in which the AIM E&P sector fell by 46%. Further, 2014 saw one of the lowest numbers of AIM E&P IPOs (three versus the ten year average of seven) and the lowest amount of AIM E&P primary issuance (US$605m versus a 10 year average of US$1,282m) in over a decade. Importantly, the discussions we have had with both our existing equity shareholders and other large institutions clearly indicate their support for our business, while our principal lending bank has strongly indicated its willingness to support Savannah with additional debt facilities if required.

While debt and equity markets remain a potential source of future funding, I believe that the next phase of capital to finance the Company's planned seismic and drilling operations on R1/R2 is likely to come from the introduction of an industrial partner. This belief is due to the unique nature of the R1/R2 asset, both in terms of cost structure and prospectivity. With initial work on our subsurface model approaching its conclusion, we look forward to placing more emphasis on active engagement with potential R1/R2 partners going forward.

Aside from R1/R2, Savannah intends to review potential new ventures on an opportunistic basis, however additional assets will only be introduced into the portfolio if they present an appropriate return on invested capital profile.

I am excited about the future for Savannah, and look forward to sharing updates on the progress of our business with you going forward. I would like to echo the Chairman's sentiment by thanking the governments of both Niger and the UK, our staff, advisers and shareholders for their support.

Andrew Knott
Chief Executive Officer

AN INTERVIEW WITH NIGER'S MINISTER FOR ENERGY AND PETROLEUM

Foumakoye Gado

Minister of Energy and Petroleum

What is your vision for the Niger Oil & Gas Industry?

Niger is rich in many natural resources, including oil, but our oil industry is still in its relative infancy.

Over the course of the past decade, oil operations in the country have been primarily driven by CNPC. They have invested over US$3bn in Niger over this period, and made considerable progress. They discovered over 1 billion barrels of oil, built the Zinder refinery and Agadem-Zinder pipeline and completed the development of the Sokor-Goumeri-Agadi Area field developments, enabling the delivery of first oil for the country.

These developments have seen a significant amount of skilled jobs being created for Nigeriens, with many Nigerien companies participating in the associated supply chain. The last decade has therefore seen a considerable amount of positive developments in the oil and gas industry, and the State has created the regulatory framework to enable this to happen.

The vision? Over the course of the next decade, we hope to attract more companies to our oil and gas industry and to see investment levels increase further, which will obviously result in higher production and state oil and gas revenues over the medium term. We also hope that new companies will bring new ideas and technologies to Niger which will ensure that over the long term the maximum amount of hydrocarbons possible can be discovered. The commencement of oil exports via the Agadem-Ronier pipeline will be key to this and we expect construction to commence over the course of the coming year.

It is also important to emphasise that we are not just looking for partners in the Greater Agadem area. We are also seeking investment in the other sedimentary basins of Niger, such as those in the South West and North West of the country. Our geologists view these areas to be highly prospective for oil and gas and we would welcome proposals from potential partners to develop PSCs in these areas. It is also important that our partners offer solid financial guarantees.

A summary of our vision for the Niger oil and gas industry is therefore one that sees us move from being a country whose industry is dominated by one company, to one where we have multiple technically and financially competent partners actively engaged in exploration, appraisal and development activity. It is one which sees Niger further enhance its standing as a safe and stable destination for foreign direct investment. It is one in which we expect to become a significant producer of crude oil over the coming years. It is one where the benefits of oil and gas exploitation are seen by all Nigeriens through increased state revenues, jobs and commercial opportunities. The oil and gas sector must become a provider of capital for the development of all the other sectors.

Can you tell us about the principles of the upstream legal and taxation framework in Niger?

Petroleum activities in Niger are governed by a precise legal framework. Law No. 2007-01 of 30 January 2007 and its implementing regulations provide a clear framework under which the State will enter into PSCs in relation to exploration licenses. The principal economic parameters of each PSC, profit split, cost recovery timings and so on, are the same across all our contracts. Importantly for foreign investors, we

include fiscal stability provisions in each PSC, with redress to international arbitration. Third party infrastructure access is also covered by Law No. 2001-01 and it makes it clear that third party operators, such as Savannah, will be granted access and the tariff associated with that access.

I would also like to make two further points in relation to our regulatory regime. Firstly, since first oil exploration activity occurred in Niger in the 1970s no Government in Niger has ever made negative retroactive changes to any oil and gas contracts. Nigeriens understand the importance of a stable investment environment. Secondly, we are one of only 32 countries in the world who are fully Extractive Industries Transparency Initiative compliant, and have been since 2011. We share the importance foreign investors place upon transparency in the oil and gas industry.

The planned export pipeline to transport crude from Agadem to international markets is a key element to enable the commercialisation of current and future discoveries in the Agadem area. What is the status of this project?

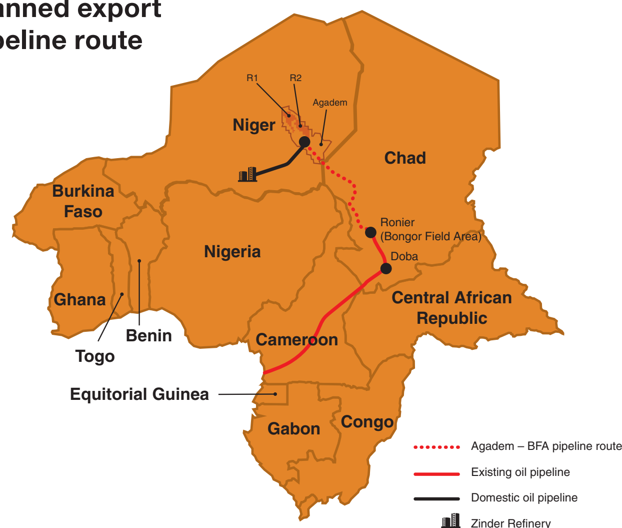
The pipeline project has advanced strongly over the course of the past year. We have in place bilateral agreements with Chad and Cameroon to enable an Agadem export pipeline to link up to the existing Chad-Cameroon pipeline. We have also finalised the intended pipeline route and reached a broad consensus as to the engineering design.

CNPC will act as lead shareholder in the pipeline owning company and has taken the technical lead on the project. This is important as CNPC is one of the most experienced oil pipeline construction companies in the world, having successfully built an average of two large international pipelines every year for the last decade – including the Agadem-Zinder oil pipeline in 2011 in Niger and the 200km Ronier-Doba pipeline in Chad in 2014. We have a high degree of confidence in CNPC's ability to deliver the project on time and on budget.

In terms of timing, we anticipate project sanction in the coming months, and this gives us confidence of achieving our current first oil export target of end of 2016.

The last point I would like to make on the pipeline, as I said before, is that the right of third party infrastructure access is clearly covered in Law No. 2007-01. We also re-iterate this right in the PSCs we enter into to the extent that each individual PSC contains a clause which confirms that any

Planned export pipeline route



third party operator seeking pipeline infrastructure access can be charged a tariff that allows the pipeline owner to benefit from a 12.5% return on invested capital. This is a good example of how carefully we have thought about how best to develop our regulatory environment to ensure it is "fit-for-purpose".

What is your perception of Savannah and its progress so far?

We strongly welcome the arrival of Savannah to Niger. We have been impressed by the pace at which Savannah has commenced petroleum operations and established bases in Niamey and Agadem. The scale of investment to date makes Savannah the largest ever UK investor into Niger. We look forward to working with Savannah and hope that for many years we will continue to witness the vigour with which the company has conducted its operations to date.

We hope Savannah's experiences will serve as a positive advertisement for our country's pro-FDI regulatory regime and encourage others to come and invest in Niger, both in oil and gas and other sectors.

AN INTERVIEW WITH THE PRESIDENT OF SAVANNAH'S FTG SURVEY PARTNER, ARKEX

Jim White

President

Can you tell us about ARKeX's FTG technology: how it works and where it can be useful?

The Full Tensor Gravity Gradiometer (FTG) is used for hydrocarbon and mineral exploration and can be deployed on a marine or airborne platform. FTG surveys measure minute variations in the Earth's gravitational field to help image subsurface structures. From these surveys, a detailed interpretation of the subsurface geology can focus future exploration with the aim of reducing overall time and cost.

There are two main differences between FTG and conventional airborne gravimeters. Firstly, the FTG is many times more sensitive, measuring a broadband gravity signal. Secondly, it also measures the gravity gradient field in all directions. These attributes allow us to reveal much more geological detail and map the geometry of sub-surface features with unsurpassed accuracy. The images opposite show conventional airborne gravity (left image), and FTG (right image) over the same survey area. In this example, the limited resolution of conventional gravity could not distinguish between the individual target structures whereas the FTG data could.

FTG can work well in any geological environment where lateral density changes exist. For example, these density changes could be caused by variations in rock type, basement topography and the presence of faults and structures.

Is FTG a suitable technology for the Agadem basin in Niger?

Yes. FTG has had notable and numerous successes as an exploration technology in the East African Rift System (EARS) and we believe it can be equally applied to the Agadem Rift Basin which is part of the Central African Rift System (CARS). The Agadem basin juxtaposes fault blocks of different density associated with lithological and structural variations producing a gravity response measurable by FTG. ARKeX also acquired magnetic data as part of this survey and that technique provides a useful dataset that can assist with mapping volcanics and basement.

As a UK, new entrant company, how straightforward was it for ARKeX to operate in Niger?

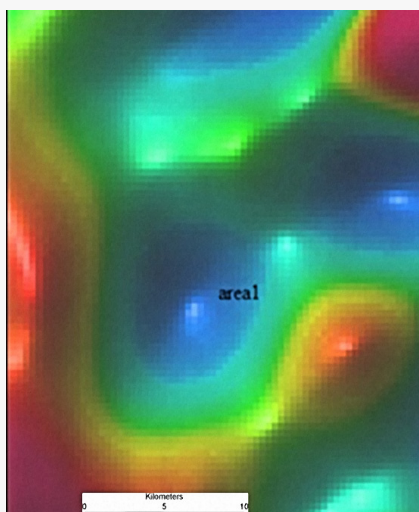
Despite this being our first operation in Niger and the Sahara Desert it was relatively straightforward. To get the survey underway, ARKeX and Savannah had to make permit, aircraft and equipment import applications with the relevant government departments. We thank them for facilitating this process. In tandem with this we jointly built a camp for the crew adjacent to CNPC's operational hub in Agadem which includes an airstrip. The cooperation of CNPC to utilise their airstrip was essential to the operation and we are thankful to them for that.

The final results and interpretations are still being prepared, but can you comment on your initial findings and how the survey is anticipated to help Savannah?

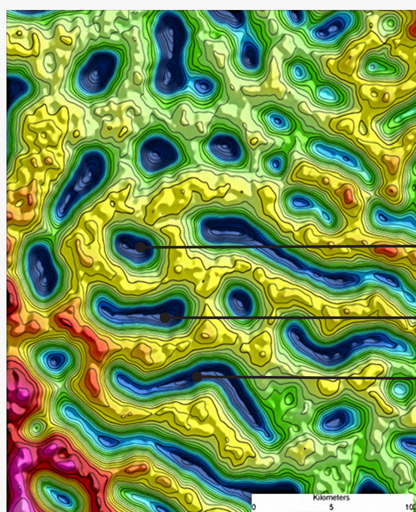
The preliminary interpretation is encouraging so far. Already we are seeing potentially important structural trends, fault patterns and suggestions of where the basement is deeper. One of the benefits of having a continuous FTG and magnetic dataset across the entire area is that we are able to map these geological features in areas not covered by seismic data.

It is important to integrate the FTG data with the available seismic and well data too. In spring 2015 we started a phase of 2D modelling utilising the FTG and magnetic data. This process allows us to test different seismic interpretations and swiftly narrow down the possible geological scenarios. This will be followed by more detailed 3D modelling prior to completion of the final structural interpretation. The overall integrated interpretation process should allow Savannah to high-grade prospective areas and redefine leads.

Example comparison of conventional gravity vs. FTG data



Conventional airborne gravity



Individual target structures

Full Tensor Gravity

N.B. Images for illustration only

HIGHLIGHTS

US$72m proceeds raised by placing of Ordinary Shares

US$17m year-end Cash position

No debt as at 31 December 2014

FINANCIAL REVIEW

Highlights

- US$72m proceeds raised by placing of Ordinary Shares
- US$17m Cash position
- No debt as at 31 December 2014

Overview

In the period ended 31 December 2014, the Group recorded an operating loss of $7m and ended the period with cash and short-term investments of $17m. The Group has just completed an FTG Survey over the R1/R2 licence area.

Performance

Results for the period
The Group recorded a post-tax loss of US$15 million for the period ended 31 December 2014, including non-recurring and predominantly non-cash costs of $7.5m related to the treatment of a debt to equity conversion conducted around time of IPO.

No dividends were paid or declared during the period.

Exploration expenditure
Exploration expenditure is accounted for under the 'successful efforts' method of accounting per IFRS 6 'Exploration for an Evaluation of Mineral Resources'.

Exploration and evaluation assets consist of acquisition costs relating to the R1/R2 licence and other costs associated directly with our exploration activities in the R1/R2 licence area in the Republic of Niger. At year end these costs amounted to $43m.

General and administration expenses
Group general and administration expenses of $7m were incurred. $5.3m related to professional fees principally in relation to the IPO, acquisition of the exploration licence and associated exploration activities. $0.8m related to staff costs and $0.9m related to other general administrative expenses.

Operating loss
The Group is still within the pre-revenue exploration and development phase of operations and incurred operating expenses of $7m.

Taxation
No tax was payable for the period ended 31 December 2014.

Cash and short-term investments
Cash balance at 31 December 2014 is $17m. Cash of $72m was raised through the issue of equity shares, and pre-IPO convertible loan notes.

Total comprehensive loss
Total comprehensive loss was $15m. $7m related to operating costs described above. $7.5m non-recurring costs related to the treatment of a debt to equity conversion conducted around time of IPO. $0.5m related to foreign exchange differences arising on the settlement of foreign denominated balances and other finance costs.

Summary statement of financial position
The Group's non-current assets were $43m at 31 December 2014. Current assets were $19m at 31 December 2014 and comprised cash reserves of $17m and other receivables and prepayments of $1.5m. Current liabilities were $2m and included trade and other payables and provisions totalling $2m. The Group did not have any non-current liabilities.

Dividend
No dividend has been recommended by the Directors.

Accounting policies
The Group's significant accounting policies and details of significant judgements and critical accounting estimates are disclosed within the notes to the financial statements.

Liquidity risk management and going concern
The Group manages liquidity by regularly reviewing cash requirements by reference to short term cash flow forecasts and medium term capital projections prepared by management. At 31 December 2014 the Group had cash reserves of $17m to meet its working capital commitments.

The Group has reviewed the cash flow forecasts and capital projections for the next twelve months and has a reasonable expectation that it has adequate resources to continue operating for the foreseeable future. The Group continues to adopt the going concern basis in preparing its Financial Statements.

Mark Iannotti
Chairman of the Audit Committee
13 May 2015

PRINCIPAL RISKS AND RISK MANAGEMENT

The Group is subject to various risks as a result of operating, industrial, financial, political, legal and social conditions at any given point in time. The Group takes a proactive approach to recognising and mitigating risks with the aim of protecting its employees, contractors and other stakeholders and safeguarding the interests of the Group and its Shareholders. The identification of risks and the development of action plans to manage and mitigate those risks are integral parts of the Group's business process.

Set out below are the risks and uncertainties which the Directors consider particularly relevant to the Group's business activities at the date of this report. These risks are not listed in any order of priority. Not all of these risks are within the Group's control and this list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing business environment.

General exploration, development and production risks

The exploration and development of hydrocarbons is speculative and involves a high degree of risk. These risks include the possibility that the Group will not discover sufficient oil or gas reserves to exploit commercially or that those reserves which it does discover cannot be recovered economically.

Uncertainty of reserves estimates

There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and the future cash flows attributable to such reserves. In general, estimates of economically recoverable oil and gas reserves and future net cash flows there from are based upon a number of variable factors and assumptions including reservoir characteristics based upon geological, geophysical and engineering assessments, future oil and natural gas prices and quality differentials, production rates and the timing and amount of capital expenditures.

Environment

The Group is subject to extensive environmental and safety legislation, and this may become more stringent. The Group may require further approvals before it can undertake activities which may affect the environment. The Group takes its environmental and safety responsibilities very seriously. It is developing policies and procedures to ensure adherence to applicable international and local legislation and regulations and take into account good practices within the industry. The Group intends to hold periodic reviews to identify and consider any actual or expected changes in relevant legislation, regulations or practices.

Share-based payments

Other risks areas are in relation to share-based payments which are subject to a number of judgements as detailed in Note 4.

Approval of Strategic Report

The Strategic Report comprising pages 1 to 10 was approved and signed on behalf of the Board

Andrew Knott
Chief Executive Officer
13 May 2015

BOARD OF DIRECTORS

Stephen Jenkins, Non-Executive Chairman

Member of the Audit and Remuneration and Nomination Committees

Stephen joined Savannah Petroleum as Non-Executive Chairman in July 2014. He is widely recognised as one of the most capable oil and gas executives in the UK, having delivered for his investors as CEO of Nautical Petroleum a £414 million sale to Cairn Energy in Q3 2012. Prior to Nautical Petroleum, Steve held a variety of senior roles at Nimir Petroleum, a private Saudi Arabian company with extensive global exploration and production interests. Steve is a geologist by profession and is currently Chairman of the Oil and Gas Independents Association, Circle Oil plc, Franklin Petroleum Limited and Terrain Energy Limited.

Andrew Knott, Chief Executive Officer

Andrew was the principal founder of Savannah Petroleum, becoming a director of the Company in July 2014. He has held leading roles in the European oil and gas sector for the last decade with extensive energy and investment experience across emerging markets. Andrew was previously Head of Global Energy Investments for GLG Partners/MAN Group which, at December 2012, was the largest listed hedge fund in the world by assets. Prior to GLG Partners, he held various roles at Merrill Lynch and Dresdner Kleinwort Wasserstein.

Mark Iannotti, Non-Executive Director

Chairman of the Audit Committee; Member of the Remuneration and Nomination Committee

Mark was appointed to the Board of Savannah Petroleum in July 2014. He is an experienced capital markets professional with over 20 years' experience in EMEA equities, which has been largely focused around the Oil & Gas sector, most recently in a broader managerial capacity as a member of Bank of America Merrill Lynch's EMEA Executive Committee and Head of its EMEA Equity Research Division. Mark began his career at Wood Mackenzie Consultants, focusing on the Asian and Indian-sub Continent energy markets. He has subsequently held senior equity research positions at Cazenove & Co, Credit Suisse, Citigroup and most recently Bank of America Merrill Lynch.

David Jamison, Non-Executive Director

Chairman of the Remuneration and Nomination Committee; Member of the Audit Committee

David was appointed to the Board of Savannah Petroleum in July 2014. He was one of the founders of the modern day Vitol, having executed a management buyout of the company alongside three partners in 1976. He left Vitol in 1986 to operate as an independent venture capitalist in the upstream oil and gas industry. David's principal investment vehicle today is DLJ Associates Limited which seeks to act as agent and advisor on upstream oil and gas transactions. Previous companies David has held integral roles at include Russian focused oil and gas company Sibir Energy plc (founder director) and independent gasoline company Blue Ocean Associates Limited (founder director).

CORPORATE GOVERNANCE

The Corporate Governance Report on pages 12 to 16 forms part of the Directors' Report.

Introduction

The Board recognises its responsibility for the proper management of the Company and the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its shareholders. The Board is therefore committed to maintaining high standards of corporate governance. As an AIM-quoted company, Savannah Petroleum is not required to comply with a particular corporate governance regime, but the Directors recognise the value of the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code") and the 2012 UK Corporate Governance Code (the "UKCG Code") and have complied with their provisions where considered relevant and appropriate, having regard to the size, current stage of development and resources of the Company.

The Board in its current form was constituted at the end of July 2014. In the period following the IPO up to the end of the financial year, the Board was focused on supporting the commercial development of the business and establishing and embedding detailed corporate governance processes and procedures. This included the appointment of Capita Company Secretarial Services as Company Secretary for Savannah Petroleum.

How the Board works

The Board

The Board is collectively responsible to the shareholders for the effective oversight and long-term success of the Company. In addition to those matters required by the Companies Act 2006, the Board is also responsible for strategy, performance, capital structure, approval of major capital investment plans, the framework for risk management and internal controls and governance matters. The Board's full responsibilities are set out in a formal schedule of matters reserved for its decision.

The Board delegates certain responsibilities to its Board Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The Company has an Audit Committee and a combined Remuneration and Nomination Committee, which operate within a scope and remit defined by specific terms of reference determined by the Board. The composition and role of each committee is summarised on pages 14 to 16. In due course, if further appointments are made to the Board, the Company may choose to set up a separate Nomination Committee in accordance with the QCA and UKCG Codes.

The Board and its Committees are provided with information on a timely basis in order to facilitate the proper assessment of the matters under consideration.

The roles of the Chairman and the Chief Executive Officer

The role 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.

The Board is chaired by Steve Jenkins, a Non-Executive Director who met the independence criteria in the QCA Code and the UKCG Code on his appointment. The Chairman is responsible for setting the Board's agenda, ensuring that adequate time is available for discussion of all agenda items and ensuring a particular focus on strategic issues. The Chairman promotes a culture of openness and debate within the Board, where the views of all Directors and the actions of the executive management are challenged.

Andrew Knott is the Chief Executive Officer. Through delegation from the Board, he is responsible for managing the day to day operations and the implementation of the strategy of the Company.

Composition, qualification and independence of the Board

The Board currently comprises one Executive Director and three Non-Executive Directors, including the Chairman, all of whom met the criteria for independence set out in the QCA Code and the UKCG Code upon appointment. The names and responsibilities of the current Directors, together with their biographies, are set out on page 11. The Directors' biographies illustrate the wide range and high calibre of skills and experience from the oil and gas industry brought to bear on matters considered by the Board.

The Board considers it is too early to undertake a formal and rigorous evaluation of its own performance and that of its Committees, individual Directors or the Chairman. Starting in the 2015 financial year and going forwards, the Board does intend to conduct regular reviews of its composition and its members' skills, experience, independence and knowledge of the Company, to ensure the Board and its Committees can discharge their duties and responsibilities effectively.

The Board has considered and reviewed the independence and effectiveness of each Non-Executive Director. The Board is of the view that all the Non-Executive Directors were, and continue to be, independent within the meaning of the UKCG Code. The Board also considers that all Directors continue to be effective and committed to their roles and have sufficient

time available to perform their duties. Accordingly, all Directors will seek election at the Company's first Annual General Meeting ("AGM").

Appointment and Tenure

The Board may appoint a Director as it thinks fit. However, any Director appointed by the Board must offer himself or herself for re-election at the first AGM following appointment.

All Non-Executive Directors, including the Chairman, serve on the basis of 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 meet what is expected of them.

The Executive Director's service contract is also available for inspection at the Company's registered office.

Board Meetings

The Board has established a schedule of quarterly meetings, with additional meetings to be convened as required from to time by the business of the Company. The Board addresses several recurring items at each board meeting. These include updates from the Board Committees following any Committee meetings, technical updates, operational, financial and strategy reports, investor relations and corporate communications reports, and a corporate governance report. In addition, more in-depth reports on particular aspects of the business are also presented. The Board Chairman and Committee Chairmen are supported by the Company Secretary in organising and circulating the papers for these meetings. The Directors also have ongoing dialogue between Board meetings on a variety of issues.

The Directors' attendance at Board meetings since the company was admitted to trading on AIM and prior to the financial year end are set out below.

	Number of meetings attended
Steve Jenkins	3
Andrew Knott	3
Mark Iannotti	3
David Jamison	2

Directors' Conflicts of Interest

Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of the Company, unless that conflict is first authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles allow the Board to authorise any potential or actual conflict of interest that a director may have. A process has been implemented to identify and deal with any such conflicts. Should a Director become aware that they, or their connected parties, have a new potential or actual conflict of interest, they should notify the Board. The Board will deal 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 an Interests Register, which is reviewed by the Board at each Board meeting, to ensure the procedure is working effectively.

Reporting and accountability

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 Company's business objectives will involve taking considered risks. The Group's internal controls and risk management framework has been designed to assist the Board in making better, more informed decisions with a view to creating and protecting shareholder value.

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 risk management is to manage rather than eliminate risk entirely and involves directors and senior management exercising judgement.

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

- Organisational structures, delegations of authority and reporting lines;
- Group accounting and control procedures to manage the Group consolidation and reporting requirements;
- Budgetary process and monthly monitoring of annual budget, business performance and deviations from budget;
- Operational and strategic review processes for all aspects of the Group's business;

The key risks faced by the business and how they are mitigated are described on page 10.

The Audit Committee is developing an appropriate framework for reviewing the effectiveness of the Group's risk management and internal control systems, which will cover all material controls, including financial, operational and compliance controls. The Board intends to conduct a review of the effectiveness of these systems at least annually, and will report on the outcome of such review in the 2015 Annual Report and Accounts.

Whistleblowing and anti-bribery and corruption controls
Savannah is committted to achieving the high standards of conduct and accountability and a structure which allow employees to openly report legitimate concerns regarding improprieties in financial reporting by non-compliance with applicable laws, regulations or Group policies, danger to health and safety, damage to the environment or other matters that may harm the reputation of the Group. Any of these can be reported without fear or penalty or punishment.

The Group has adopted strict anti-bribery and corruption policies and seeks to enforce these through a variety of means. A detailed manual of the anti-bribery and corruption policies and procedures has been prepared and a copy has been given to all Directors and senior management.

Relations with Shareholders
The Board is committed to ensuring there is open and effective communication with its shareholders on matters such as governance and strategy, 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 and operational updates and a pro-active and comprehensive investor relations programme which is being progressively rolled out in line with operational developments and the Company's financial calendar.

The CEO and the Corporate Communications Officer maintain a regular dialogue with major institutional investors and analysts. The Company intends to hold investor roadshows throughout the year as appropriate. The Company's representatives also attend a number of investor events throughout the year. Presentations to investors are posted on the Company's website at www.savannah-petroleum.com/investors.html. The CEO is available to meet with 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 with shareholders on request. The AGM also provides an opportunity for shareholders to meet and speak to members of 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 broker 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. Investor relations support is provided to analysts covering and initiating coverage of the Company.

Audit Committee

The Audit Committee is chaired by Mark Iannotti and its other members are David Jamison and Steve Jenkins. The members are all independent non-executive directors of the Company. If required, at the request of the Chairman of the Audit Committee, the Chief Executive Director and senior members of management are also invited to attend meetings.

The Terms of Reference of the Audit Committee, which reflect current statutory requirements and best practice appropriate to a company of its size, nature and stage of development are available on the Company's website at www.savannah-petroleum.com.

Under its Terms of Reference, the role of the Committee is to assist the Board in discharging its responsibilities with regard to monitoring the integrity of the Group's financial reporting. It reviews reports from the external auditor relating to the accounts, oversees the relationship with the external auditor, and makes recommendations to the Board regarding their appointment. The Committee is also responsible for reviewing the adequacy and effectiveness of the company's internal controls and risk management systems and reporting its findings to the Board. The ultimate responsibility for the reviewing and approving the Annual Report and the half-yearly reports remains with the Board. The Audit Committee is required to meet not less than three times a year at appropriate times in the financial reporting and audit cycle and whenever necessary to fulfil its responsibilities.

Following the IPO and during the early part of 2015, the Audit Committee was focused on developing more detailed Terms of Reference and processes and setting out its agenda for 2015. The Committee did not meet formally between the Company's IPO and the financial year end, but has since met twice, to consider the preparation and publication of the SP1L interim accounts published on 30 January 2015 and this Annual Report.

Relationship with external auditor

Grant Thornton has been the external auditor for the Group as a whole since 9 October 2014. The continued appointment of Grant Thornton is considered by the Audit Committee each year, taking into account the relevant legislation, guidance and best practice and considering the independence and effectiveness of the external audit process.

As part of the review of the auditor's independence and effectiveness, Grant Thornton have confirmed that they are independent of the Group and have complied with the relevant accounting and ethical standards.

The Audit Committee is responsible for establising a policy to ensure that any non-audit services provided by Grant Thornton do not impair their independence and objectivity.

The breakdown of fees between audit and non-audit services paid to Grant Thornton during the 2014 financial year is set out in Note 6 to the Group's consolidated financial statements on page 39. The non-audit fees relate to advisory work for the IPO and establishing the Management Long Term Incentive Plan. The Audit Committee is satisfied that it was appropriate for the external auditor to carry out this work, and that it did not impair their independence or objectivity.

The Audit Committee has considered the performance of the external auditor and the effectiveness of the audit process by:

- Reviewing their proposed plan for the 2014 audit;
- Discussing the results of their audit, including their 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; and
- Confirming their independence and objectivity.

The Audit Committee was satisfied with the performance and independence of Grant Thornton as external auditor and recommended their reappointment.

The Audit Committee will publish its first full separate report, as recommended by the QCA Code and the Corporate Governance Code, in next year's Annual Report.

CORPORATE GOVERNANCE (continued)

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is chaired by David Jamison and its other members are Steve Jenkins and Mark Iannotti.

The Terms of Reference of the Remuneration and Nomination Committee, reflecting current statutory requirements and best practice appropriate to a company of its size, nature and stage of development are available on the Company's website at www.savannah-petroleum.com.

Under its Terms of Reference, the Committee is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of employment of executive directors and senior employees and the grant of options implemented from time to time. The Committee is required to meet at least twice a year.

Following the IPO and during the early part of 2015, the Committee was focused on developing more detailed Terms of Reference and processes and setting out its agenda for 2015. The Committee did not meet formally between the Company's IPO and the financial year end, although two of its three members attended the Board meeting to approve the introduction of the Management Long Term Incentive Plan.

The Directors' Remuneration Report is set out on pages 17 to 19.

Steve Jenkins
Chairman
13 May 2015

DIRECTORS' REMUNERATION REPORT

As an AIM-traded company, Savannah Petroleum is not required to disclose all of the information set out below, but has chosen to do so in the interests of greater transparency.

Remuneration Committee

The members of the Remuneration Committee and the Remuneration Committee's role are set out on page 16.

Remuneration policy

The Board aims to provide remuneration packages that are competitive in the market and will attract, retain and motivate high quality individuals capable of delivering the Group's objectives and promote the long-term success of the Company. The Board considers that Directors' remuneration should be structured so as to contain a significant performance-related element, designed to align their interests with those of shareholders.

Components of the Executive Directors' remuneration

Andrew Knott, the Chief Executive Officer ("CEO"), is currently the only Executive Director of the Company. The main elements of his remuneration package are:

- Basic salary;
- Employers' pension contribution;
- Performance-related bonus; and
- Awards under the Management Long Term Incentive Plan

The overall package is weighted towards performance-related pay, with an appropriate focus on the Company's long-term performance through the award of long-term incentives.

Basic salary

The CEO's basic salary was set having regard for the competitive recruitment market within the oil and gas industry and the size and proposed operations of the Group. Going forward, the Remuneration Committee will review these arrangements at least annually, making comparisons with companies of a similar size and complexity in the independent oil and gas exploration industry.

Employer's pension contribution

The Company does not operate a Company pension scheme for Executive Directors. Instead, the CEO receives an employer's pension contribution equivalent to 10 per cent. of his annual salary.

Performance-related bonus scheme

The Company operates a discretionary performance-related bonus scheme for senior management including the CEO.

The performance-related bonus is capped at a maximum percentage of annual salary.

Performance-related bonus payments are made at the sole discretion of the Remuneration Committee.

Management Long Term Incentive Plan

The Management Long Term Incentive Plan ('LTIP') is designed to incentivise and retain key personnel within the Company. The plan was established on 28 November 2014 along the terms envisaged in paragraph 19 of Part 1 of the Company's Admission Document). Participants in the plan are entitled to receive ordinary shares in the Company for nil consideration subject to certain conditions, described further on page 18.

Contract Terms

The CEO entered into a service agreement with the Company effective from its admission to trading on AIM (1 August 2014). The service agreement shall continue until terminated by the Company on 12 months' written notice, with an initial fixed term of two years.

Directors' Remuneration

The remuneration of the Directors who served the Company during the year was as follows:

	Salary US$	Performance-related bonus US$	Employer's Pension Contribution US$	Fees US$	Total US$
Executive Directors					
Andrew Knott[1]	324,560	–	27,651	–	352,211
Non-Executive Directors					
Steve Jenkins	–	–	–	106,835	106,835
Mark Iannotti	–	–	–	35,528	35,528
David Jamison	–	–	–	17,764	17,764
Total	**324,560**	**–**	**27,651**	**160,127**	**512,338**

1. Highest paid director

Long-Term Incentive Plan

Under the terms of the LTIP, 15,737,896 new shares in Savannah Petroleum 1 Limited ('SP1L'), a direct wholly owned subsidiary of the Company, were issued to and subscribed for by the participants in the LTIP, who comprise each of the Directors of the Company and certain employees of the Group (the "SP1L Shares"). If considered appropriate by the Remuneration Committee, SP1L may issue further shares to employees and/ or directors of the Group pursuant to the LTIP in due course, subject to a new waiver of the obligations under Rule 9 of the Takeover Code and a vote by the independent shareholders at that time.

In accordance with the SP1L articles of association, after the appropriate vesting date, participants in the LTIP are entitled to exchange their SP1L Shares for new ordinary shares in the Company, but only once the closing middle market quotation of the ordinary shares of the Company on AIM on any day has equalled or exceeded a set threshold (the 'Hurdle Price'). The Hurdle Price represents a three times multiple of the price at which the ordinary shares of the Company were admitted to dealing on AIM on 1 August 2014 (£0.56).

The number of new ordinary shares in the Company that can be acquired by the participants in the LTIP after the vesting and performance conditions have been met will be determined on the date of the share exchange in accordance with the following formula:

$$X = A - \frac{(A \times B)}{C}$$

Where:

X is the number of new ordinary shares in the Company to be issued on exchange (rounded to the nearest whole number);

A is the number of shares in SP1L being exchanged;

B is £0.56 (being the price at which the ordinary shares in the Company were admitted to dealing on AIM at the time of the Company's IPO); and

C is the closing middle market quotation of the ordinary shares 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 relevant participant in the LTIP can then elect to exchange his or her shares in SP1L for the relevant number of new ordinary shares in 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 participants in the LTIP will not be able to exchange their shares in SP1L for ordinary shares in 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 or Director of a member of the Group).

The number of awards held by Directors under the LTIP is set out in the table below.

	Number of SP1L Shares at 31 December 2014	Hurdle Price	Vesting Date
Executive Directors			
Andrew Knott	11,588,574	168p	1 August 2015
Non-Executive Directors			
Steve Jenkins	1,785,714	168p	1 August 2019
Mark Iannotti	547,765	168p	1 August 2019
David Jamison	273,883	168p	1 August 2019
Total	**14,195,936**		

The closing share price of one Savannah Petroleum share on 31 December 2014 was 35p and the highest and lowest prices during the year were 59p and 34.75p respectively.

David Jamison
Chairman, Remuneration and Nomination Committee
13 May 2015

DIRECTORS' REPORT

The Directors' Report, prepared in accordance with the Companies Act 2006, comprises pages 20 to 21. The Corporate Governance Statement on pages 11 to 19 forms part of the Directors' Report.

Corporate structure

Savannah Petroleum PLC is a public company limited by shares, incorporated in England and Wales. Its shares are traded on the AIM Market of the London Stock Exchange ('AIM').

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 10.

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 14 to the Group's consolidated financial statements on page 44.

The Board

The Directors in office at the date of this Annual Report are shown on page 11. All served throughout the year under review.

The interests of the Directors of the Company and those of their connected persons in the issued shares of the Company and of SP1L as at 31 December 2014 are provided on page 19, within the Directors' Remuneration Report.

Directors' Indemnity

The Company has granted a third-party indemnity to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by English law. In addition, Directors and officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance.

Purchase of own shares

The Company has not acquired any of its own shares in the period to 31 December 2014, nor in the period up to the date of approval of this Annual Report.

Dividends

The directors have not recommended payment of a dividend.

Political donations

No political donations were made in 2014.

Post-balance sheet events

There were no events after the balance sheet date which require adjustment to or disclosure in the Financial Statements.

Financial risk management objectives and policies

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in part b) of Note 22 to the Group's consolidated financial statements on pages 50 to 53.

Currency risks

The Group is exposed to changes in the exchange rate between the US dollar and Communauté Financière Africaine francs (XIF). Such movements could significantly impact the financial performance of the Group.

Liquidity risk

The Group has based its future projections on achieving commercial production in the near term. Should the Group fail to achieve this, it will require significant additional funding to develop its assets.

Interest rate risks

During the year, the Group had significant cash balances. 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.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 1 to 10 and the financial position of the Group at the period end and its cash flows and liquidity position are set out in the Financial Statements section. Furthermore, the Group's objectives, details of its financial instruments and its exposure to credit and liquidity risk are set out in part b) of Note 22 to the Group's consolidated Financial Statements on pages 50 to 53.

The Group closely monitors and manages its capital position and liquidity risk regularly throughout the period to ensure that it has sufficient funds to meet forecast cash requirements and satisfy the planned capital programme.

Based on the forecasts and projections prepared at the time of preparation of this Annual Report and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors have adopted the going concern basis in preparing the financial statements.

Auditor

Each person who is a Director at the date of approval of this Annual Report confirms that:

a) So far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

b) The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Grant Thornton have expressed their willingness to continue in office as Auditor. Following the Audit Committee's review of the independence and performance of the Auditor in respect of the financial year ended 31 December 2014 and the Audit Committee's recommendation to the Board, a resolution to reappoint them will be proposed at the forthcoming AGM.

AGM

The Company's first AGM will be held on 24 June 2015 at 11.00am. The notice of meeting which sets out the resolutions to be proposed at the forthcoming AGM will be published shortly.

Approval of Directors' Report

This Directors' Report was approved for and on behalf of the Board.

Andrew Knott
Chief Executive Officer
13 May 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report including the Strategic Report, the Remuneration Report, the Directors' Report, the consolidated financial statements and the Company 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 Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. 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 profit or loss of the Company and Group for that period.

In preparing the Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRS 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 inppropriate 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK 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
13 May 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAVANNAH PETROLEUM PLC

We have audited the financial statements of Savannah Petroleum PLC for the period ended 31 December 2014 which comprise the group and parent[5] statement of comprehensive income, the group and parent company statements of financial position, the group and parent statement of cash flows, the group statement of changes in equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2014 and of the group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

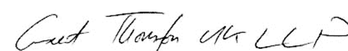
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
13 May 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

as at 31 December 2014

	Note	Period ended 31 December 2014 US$'000
Operating expenses		**(6,831)**
Operating loss	6	**(6,831)**
Finance income	8	**1**
Finance costs	9	**(7,862)**
Loss before tax		**(14,692)**
Income tax	10	**–**
Net loss and total comprehensive loss		**(14,692)**
Total comprehensive loss attributable to:		
Owners of the Group		**(14,619)**
Non-controlling interests		**(73)**
		(14,692)
Loss per share		
Basic and diluted (US$)	11	**(0.13)**

All results in the current financial period derive from continuing operations and are attributable to the equity holders of the parent company.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company income statement. The loss of the legal parent Company for the period from incorporation to 31 December 2014 was US$10,712k.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Note	2014 US$'000
Assets		
Non-current assets		
Property, plant and equipment	12	**503**
Exploration and evaluation assets	13	**42,539**
Total non-current assets		**43,042**
Current assets		
Other receivables and prepayments	15	**1,475**
Cash and cash equivalents	16	**17,221**
Total current assets		**18,696**
Total assets		**61,738**
Equity and liabilities		
Capital and reserves		
Share capital	17	**224**
Share premium	17	**73,668**
Capital contribution	17	**458**
Other reserve	17	**(375)**
Share based payment reserve	18	**61**
Accumulated deficit		**(14,619)**
Equity attributable to owners of the Group		**59,417**
Non-controlling interests	21	**(73)**
Total equity		**59,344**
Non-current liabilities		
Total non-current liabilities		**–**
Current liabilities		
Trade and other payables	19	**1,977**
Provisions	20	**417**
Total current liabilities		**2,394**
Total equity and liabilities		**61,738**

Company number: 09115262

The financial statements were approved by the Board of Directors and authorised for issue on 13th May 2015 and are signed on its behalf by:

Andrew Knott
Director

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Note	2014 US$'000
Assets		
Non-current assets		
Property, plant and equipment	12	**174**
Investment in subsidiaries	14	**61**
Total non-current assets		**235**
Current assets		
Other receivables and prepayments	15	**46,946**
Cash and cash equivalents	16	**17,070**
Total current assets		**64,016**
Total assets		**64,251**
Equity and liabilities		
Capital and reserves		
Share capital	17	**224**
Share premium	17	**73,668**
Capital contribution	17	**458**
Other reserve	17	**(375)**
Share based payment reserve	18	**61**
Accumulated deficit		**(10,712)**
Total equity		**63,324**
Non-current liabilities		
Total non-current liabilities		**–**
Current liabilities		
Trade and other payables	19	**510**
Provisions	20	**417**
Total current liabilities		**927**
Total equity and liabilities		**64,251**

Company number: 09115262

The financial statements were approved by the Board of Directors and authorised for issue on 13th May 2015 and are signed on its behalf by:

Andrew Knott
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
as at 31 December 2014

	Note	Period ended 31 December 2014 US$'000
Cash flows from operating activities:		
Net cash used in operating activities	24	**(11,349)**
Net cash used in operating activities		**(11,349)**
Cash flows from investing activities		
Payments for property, plant and equipment	12	**(509)**
Exploration and evaluation costs paid	13	**(42,539)**
Net cash used in investing activities		**(43,048)**
Cash flows from financing activities		
Proceeds from issues of equity shares		**71,618**
Net cash provided by financing activities		**71,618**
Net increase in cash and cash equivalents		**17,221**
Cash and cash equivalents at beginning of period		**–**
Cash and cash equivalents at end of period		**17,221**

COMPANY STATEMENT OF CASH FLOWS
as at 31 December 2014

	Note	Period ended 31 December 2014 US$'000
Cash flows from operating activities:		
Net cash used in operating activities	24	**(8,403)**
Net cash used in operating activities		**(8,403)**
Cash flows from investing activities		
Parent company funding		**(45,971)**
Payments for property, plant and equipment	12	**(174)**
Net cash used in investing activities		**(46,145)**
Cash flows from financing activities		
Proceeds from issues of equity shares		**71,618**
Net cash provided by financing activities		**71,618**
Net increase in cash and cash equivalents		**17,070**
Cash and cash equivalents at beginning of period		**–**
Cash and cash equivalents at end of period		**17,070**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31 December 2014

	Share capital US$'000	Share premium US$'000	Capital contribution US$'000	Other reserve US$'000	Share based payment reserve US$'000	Accumulated deficit US$'000	Total US$'000	Non-controlling interest US$'000	Total US$'000
Balance at incorporation	–	–	–	–	–	–	–	–	–
Loss for the period and total comprehensive loss	–	–	–	–	–	(14,619)	(14,619)	(73)	(14,692)
Issue of ordinary shares to shareholders, net of issue costs	224	73,668	458	(375)	61	–	74,036	–	74,036
Balance at 31 December 2014	224	73,668	458	(375)	61	(14,619)	59,417	(73)	59,344

COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31 December 2014

	Share capital US$'000	Share premium US$'000	Capital contribution US$'000	Other reserve US$'000	Share based payment reserve US$'000	Accumulated deficit US$'000	Total US$'000
Balance at incorporation	–	–	–	–	–	–	–
Loss for the period and total comprehensive loss	–	–	–	–	–	(10,712)	(10,712)
Issue of ordinary shares to shareholders, net of issue costs	224	73,668	458	(375)	61	–	74,036
Balance at 31 December 2014	224	73,668	458	(375)	61	(10,712)	63,324

NOTES TO THE FINANCIAL STATEMENTS
period ended 31 December 2014

01 Corporate information

The consolidated financial statements of Savannah Petroleum Plc ("Savannah" or the "Company") and its subsidiaries (together the "Group") for the period from incorporation to 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 13th May 2015.

Savannah was incorporated in the United Kingdom on 3 July 2014. Savannah's principal activity is the management of its investment in Savannah Petroleum 1 Limited ("SP1"). SP1 was incorporated in Scotland on 3 July 2013. SP1's principal activity is the management of its investment in Savannah Petroleum 2 Limited ("SP2"), and the provision of services to other companies within the Group. SP2 has a 95% interest in Savannah Petroleum Niger R1/R2 S.A. ("Savannah Niger") whose principal activity is the exploration of hydrocarbons in the Republic of Niger.

The Company is domiciled in the UK for tax purposes and its shares were quoted on the Alternative Investments Market ("AIM") of the London Stock Exchange on 1 August 2014.

The Company's registered address is 40 Bank Street, London, E14 5NR.

The Group's functional currency is US dollars ("US$").

No dividends have been declared or paid since incorporation.

02 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

Prior to the Group being listed on AIM, a group restructuring took place whereby Savannah Petroleum Plc became the new parent company of the Group through a share for share exchange with the existing shareholders of SP1. The group restructuring has been accounted for under the Capital Re-organisation accounting rules which reflect the results and financial position of the pre-existing Group. The consolidated financial statements of the Group incorporate the results for the period from incorporation on 3 July 2013 to 31 December 2014.

Going concern
Having carefully reviewed the Group's budgets and its business plans for the next twelve months, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

The Group is in a positive net asset position at 31 December 2014, and had at that date US$17,221k of cash and cash equivalents to meet its working capital requirements.

02

Basis of preparation (continued)

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.

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 ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period 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 parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

See note 14 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. There is no non-controlling interest in any of the subsidiaries of the Group.

03

Significant accounting policies

New and amended IFRS standards

the following relevant new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning 3 July 2013, but had no significant impact on the Group:

Topic	Key requirements	Effective date
Amendment to IAS 27, 'Separate Financial Statements'	Amendments triggered by IFRS 10 'Consolidated Financial Statements' and IFRS 12 to the portion of IAS 27 that addresses the accounting for consolidated financial statements. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements	1 January 2014
Amendment to IAS 28, 'Investments in Associates and Joint Ventures'	IAS 28 sets out the requirements for the application of the equity method of accounting for investments in associates and joint ventures	1 January 2014
Amendment to IAS 32 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'	Clarifying the requirements for offsetting financial assets and financial liabilities on balance sheet	1 January 2014
Amendments to IAS 36 'Impairment of assets'	These amendments provide disclosure requirements regarding measurement of the recoverable amount of impaired assets.	1 January 2014
Amendment to IFRS 11 'Joint Arrangements'	IFRS 11 overhauls the accounting for joint ventures (now called joint arrangements), in particular, the transition from equity method to proportionate consolidation for investments in jointly controlled entities (referred to as joint operations under IFRS 11)	1 January 2014
IFRS 12 'Disclosure of Interests in Other Entities'	IFRS 12 requires extensive disclosures enabling users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial statements	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12	These amendments are effective for annual accounting periods beginning on or after 1 January 2014 and provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period	1 January 2014

03

Significant accounting policies (continued)

New and amended IFRS standards (continued)

Standards issued but not yet effective

The following standards and amendments to existing standards have been published and are mandatory from the financial period on or after the effective dates shown below but are not currently relevant to the Company (although they may affect the accounting for future transactions and events).

Topic	Key requirements	Effective date
IFRS 9, Financial Instruments	The standard is the first standard issued as part of a wider project to replace IAS 39. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2018
IFRS 15, Revenue from contracts with customers	The standard provides guidance on when to recognise revenue and provides a single, principles-based five-step model to be applied to all contracts with customers.	1 January 2017
Amendment to IAS 19, 'Employee benefits'	The amendments address updates on employee contributions.	1 July 2014

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company when the relevant standards and interpretations come into effect.

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 exchange rates prevailing at the dates of the transactions. At each Balance Sheet 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 Balance Sheet date. The resulting exchange differences are recognised in the Income Statement.

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:

- 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 either generated in US dollars or are raised in GBP and immediately converted to US dollars.

The consolidated financial statements are presented in US dollars.

03

Significant accounting policies (continued)

Property, plant and equipment
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.

Depreciation is provided at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows:

	(Years)
Computers	3
Equipment	5-10
Furniture and fixtures	5-10

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.

Investments in subsidiaries
Investments in subsidiaries are stated in the parent company's balance sheet 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.

Loan note conversion
Loan notes converted to equity are recognised in equity at the settlement amount of the loan note, on the settlement date, being the legal amount of the debt that is released for the issue of shares.

Where a premium that would be due to a loan note holder under the terms of the loan note agreement is waived on conversion, a capital contribution is recognised in equity in respect of the value of the waived premium.

The difference between the settlement amount under the conversion, and the historic carrying value of the loan notes, is recognised as a finance cost within profit or loss.

Segmental analysis

In the opinion of the Directors, the Group is primarily organised into a single operating segment. This is consistent with the Group's internal reporting to the chief operating decision maker. Separate segmental disclosures have therefore not been included.

Exploration and evaluation assets
Intangible assets relate to exploration, evaluation and development expenditure and are accounted for under the 'successful efforts' method of accounting per IFRS 6 'Exploration for an 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 costs are valued at costs less accumulated impairment losses and capitalised within intangible assets. Development expenditure on producing assets is accounted for in accordance with IAS 16, 'Property, plant and equipment'. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the income statement.

03 Significant accounting policies (continued)

Impairment

Property, plant and equipment and intangible assets excluding exploration and evaluation assets
At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets 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 separately identifiable cash flows. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-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 its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 profit or loss.

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. Any impairment identified is immediately charged to the statement of comprehensive income.

Financial assets

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and demand deposits.

Amounts due from Group and other receivables
Other receivables are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

03 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.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, which are charged to share premium.

Trade payables

Trade payables are initially measured at fair value and subsequently held at amortised cost.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Stamp tax provision

The Group recognises a provision in respect of stamp tax that may be payable in relation to a share for share exchange transaction.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. 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 balance sheet 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.

03 Significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet 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.

Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, 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.

Value Added Tax
When VAT is expected to be recoverable through the existence of future sales, the Group's policy is to record this recoverable VAT as a non-current tax asset. In instances where the future recoverability of VAT cannot be assessed with sufficient confidence, the Group's policy is to add the potentially irrecoverable VAT to the cost of the underlying transaction and capitalise or expense the amount according to the treatment of the underlying transaction.

Share-based payments
The Group issues equity-settled share-based payments to some of its employees and Directors through stock options plans, restricted shares or warrants. 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 accumulated deficit 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, and it is a Group subsidiary company that employs the individuals. In the Company's separate financial statements, there is no share-based payment charge, as no employees are providing services to the Company. The Company recognises an increase in the investment in the employing subsidiary as a capital contribution from the parent and a corresponding increase in equity.

03 Significant accounting policies (continued)

Capital

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued capital, the capital contribution reserve, the other reserve in respect of stamp tax arising on the issue of equity, 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.

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.

Other reserve

The other reserve relates to stamp tax that may become payable in relation to the issuing of equity as part of a share for share exchange.

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.

Accumulated deficit

Accumulated deficit comprises the accumulated deficit retained by the Company.

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. 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.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit 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.

03 Significant accounting policies (continued)

Earnings per share (continued)

(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 after 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.

04 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.

Critical accounting judgements

Recoverability of exploration and evaluation costs

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. Further details are provided in note 13.

Share based payments

The share-based payment charge is determined based on a number of judgements, including the selection of an appropriate valuation model. Further details are provided in note 18.

Key sources of estimation uncertainty

Recoverability of exploration and evaluation costs

The outcome of ongoing exploration, and therefore the recoverability of the carrying value of intangible exploration and evaluation assets, is inherently uncertain. Further details are provided in note 13.

Share based payments

The share-based payment charge is determined based on the estimation of the number of awards that will ultimately vest, and vesting periods. Further details are provided in note 18.

05 Segmental reporting

The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance.

In the opinion of the Directors, the operations of the Group comprise one class of business, being oil and gas exploration and related activities in only one geographical area, Niger.

06 Operating Loss

Operating loss has been arrived at after charging:

	2014 US$'000
Depreciation of property, plant and equipment	6
Listing costs (note 17)	3,770
Staff costs (note 7)	916

During the period the Group (including its overseas subsidiaries) obtained the following services from the company's auditor:

Period Ended 31 December	2014 US$'000
Fees payable to Grant Thornton UK LLP for the audit of the Company's annual accounts	53
Total audit fees payable to Grant Thornton UK LLP and their associates	53
Fees payable to Grant Thornton UK LLP and their associates for other services to the group	
Audit-related assurance services	8
Other taxation advisory services	168
Services related to corporate finance transactions	130
Total non-audit fees payable to Grant Thornton UK LLP and their associates	306

07 Staff costs

The average monthly number of employees, (including executive Directors) during the year was:

	2014 No
Employees	4

Employee benefits recognised as an expense during the period comprised:

	2014 US$'000
Wages and salaries	723
Share based payments	61
Pension costs	28
Social security costs & benefits	104
	916

07 Staff costs (continued)

Director's remuneration during the period comprised:

	2014 US$'000
Wages and salaries	**485**
Share based payments	**55**
Pension costs	**28**
Social security costs & benefits	**64**
	632

Further details of Director's remuneration are provided in the Directors' Remuneration Report.

08 Finance income

	2014 US$'000
Interest income on short-term bank deposits	**1**

09 Finance costs

	2014 US$'000
Loan note conversion	**7,459**[1]
Foreign exchange losses	**290**[2]
Share based payment charge	**61**
Bank interest and charges	**10**
Other finance costs	**42**
	7,862

[1] In the accounting period ended 31 December 2014, loan notes issued by the company were redeemed or converted into ordinary share capital immediately upon the company being listed on the Alternative Investment Market (AIM). The amount of US$7,459k represents non-recurring and includes non-cash costs related to the treatment of debt to equity conversion conducted around the time of IPO.

[2] The net foreign exchange loss booked is US$290k and is mainly the result of the movements of Sterling and XOF against the US dollar during the period.

10 Income Tax

The tax (credit)/expense for the Group is:

	2014 US$'000
UK Corporation tax	–

	2014 US$'000
The charge for the period can be reconciled per the statement of omprehensive income as follows:	
Loss on ordinary activities before taxes	**14,692**
Loss before taxation multiplied by the UK corporation tax rate of 22%	**3,232**
Effects of:	
Expenses disallowed for tax	**(878)**
Tax losses carried forward	**(2,354)**
Tax charge for the period	–

As of 1 April 2015, the corporation tax rate is 20%.

At 31 December 2014, tax losses were US$10,702k. Tax losses will be carried forward and are potentially available for utilisation against taxable profits in future years.

At 31 December 2014, a temporary difference for corporation tax purposes in respect of share based payments of £61k existed, which is potentially available for utilisation against taxable profits in future years.

The Group has not recognised a deferred tax asset in respect of tax losses and temporary differences as it does not currently meet the recognition criteria of IAS 12 'Income Taxes'. The asset will be recognised in future periods when its recovery (against appropriate taxable profits) is considered probable.

11 Earnings per share

Basic loss per share amounts are calculated by dividing the loss for the period attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share amounts are calculated by dividing the loss for the periods attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. The effect of share options is anti-dilutive, and is therefore excluded from the calculation of diluted loss per share.

	2014 US$'000
Earnings	
Net loss attributable to owners of the parent	**14,619**

	Number of shares
Basic and diluted weighted average number of shares	**113,056,632**

Loss per share	**US$**
Basic and diluted	**0.13**

12 Property, plant and equipment

Group

Cost	Computer equipment US$'000	Equipment US$'000	Furniture & fixtures US$'000	Total US$'000
At incorporation	–	–	–	–
Additions	2	396	111	509
Balance at 31 December 2014	2	396	111	509
Accumulated depreciation				
At incorporation	–	–	–	–
Depreciation charge	–	–	(6)	(6)
Balance at 31 December 2014	–	–	(6)	(6)
Net book value				
Balance at incorporation	–	–	–	–
Balance at 31 December 2014	2	396	105	503

12 Property, plant and equipment (continued)

Depreciation of $103 was charged to Computer equipment, and $131 was charged to Equipment during the period.

Company

Cost	Equipment US$'000	Furniture & fixtures US$'000	Total US$'000
At incorporation	–	–	–
Additions	149	25	174
Balance at 31 December 2014	149	25	174

Accumulated depreciation			
At incorporation	–	–	–
Depreciation charge	–	–	–
Balance at 31 December 2014	–	–	–

Net book value			
Balance at incorporation	–	–	–
Balance at 31 December 2014	149	25	174

Depreciation of $131 was charged to Equipment, and $420 was charged to Furniture and fixtures during the period.

13 Exploration and evaluation assets

Group

Exploration and evaluation assets consist of acquisition costs relating to the acquisition of exploration licenses and other costs associated directly with the discovery and development of specific oil and gas reserves in the R1/R2 licence area in the Republic of Niger.

	Total US$'000
At incorporation	**–**
Additions	**42,539**
Balance at 31 December 2014	**42,539**

The amounts for intangible 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.

Company

No exploration and evaluation assets were capitalised by the Company at the balance sheet date.

14 Investment in subsidiaries

	Group 2014 US$'000	Company 2014 US$'000
Savannah Petroleum 1 Limited – Share options	–	**61**
Savannah Petroleum 1 Limited – Investment	–	–
	–	**61**

The principal Group subsidiaries are disclosed below. Transactions between subsidiaries and parent company are eliminated on consolidation.

Name	Nature of business	Country of incorporation	Type of share	Group shareholding
Savannah Petroleum 1 Limited	Investment company	United Kingdom	Ordinary	100%
Savannah Petroleum 2 Limited	Investment company	United Kingdom	Ordinary	95%
Savannah Niger	Oil exploration company	Niger	Ordinary	95%

The Company holds 100% of SP1, which in turn holds 95% of SP2. SP2 holds 100% Savannah Niger. The Group shareholding of SP2 and Savannah Niger is therefore an indirect holding of 95%.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name	Proportion of ownership interests and voting rights held by non-controlling interests	Loss allocated to non-controlling interests in period ended 31 December 2014 US$'000	Accumulated non-controlling interests US$'000
Savannah Petroleum 2 Limited	5%	–	–
Savannah Niger	5%	73	73
Total		73	73

15

Other receivables and prepayments

	Group 2014 US$'000	Company 2014 US$'000
Prepayments	**186**	**–**
VAT receivables	**1,039**	**725**
Amounts owed from other group companies	**–**	**45,971**
Other receivables	**250**	**250**
	1,475	**46,946**

Group receivables of US$45,971k and other receivables of US$250k are repayable within one year and are not interest bearing.

The Directors consider that the carrying amount of other receivables and prepayments approximates to their fair value and no amounts are provided against them. The Directors consider any change in the credit quality of the receivable from the date credit was granted to the reporting date.

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Cash and cash equivalents

	Group 2014 US$'000	Company 2014 US$'000
Cash and cash equivalents	17,221	17,070
	17,221	17,070

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

The amount of cash and cash equivalents denominated in currencies other than US$ is shown in note 22 to these financial statements.

17 Share capital

As at 31 December	2014
Fully paid ordinary Shares in issue (number)	**131,337,172**
Par value per share in GBP	**0.000000001**

	Number of Shares	Share Capital US$'000	Share Premium US$'000	Total US$'000
At Incorporation	10	–	–	–
Shares issued	131,337,162	224	73,668	73,892
At 31 December 2014	131,337,172	224	73,668	73,892

On 3 July 2014, 10 ordinary shares of £0.01 were issued.

On 22 July 2014, 49,999,991 ordinary shares of £0.001 were issued.

On 1 August 2014, 25,497,236 ordinary shares of £0.001 were issued as part of a debt to equity conversion.

On 1 August 2014, 55,839,935 ordinary shares of £0.001 were issued as part of the AIM listing.

The total aggregate increase in the share premium reserve regarding the share issues was US$73,668k after deducting US$3,770k in expenses.

Other capital reserves

Group and Company	Capital contribution US$'000	Other reserve US$'000	Share based payment reserve US$'000	Total US$'000
At Incorporation	–	–	–	–
Loan note conversion	458	–	–	458
Group structuring	–	(375)	–	(375)
Share based payments expense during the year	–	–	61	61
At 31 December 2014	458	(375)	61	144

Nature and purpose of reserves

Capital contribution reserve
On 1 August a capital contribution of US$458k was made by shareholders of the Company as part of the loan note conversion.

Other reserve
The other reserve relates to stamp tax that may become payable in relation to the issuing of equity as part of a share for share exchange. Further details are at note 20.

17 Share capital (continued)

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 at note 18.

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 maximising 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.

The Group finances its business through external share capital. In August 2014 the Group raised US$ 73,892k through the issue of additional ordinary shares. The proceeds are used to finance the Group's ongoing development and appraisal of the exploration and evaluation assets.

18 Share-based payments

	US$'000
Share-based payments	**61**

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 Committee has confirmed the successful completion of the milestone, a certain number of share options will be granted and vest for each participant.

Milestone	Number of options	Assumed Exercise price (US$)	Market vesting condition	Assumed Vesting period
1	15,737,896	0.02	PLC share price to equal or exceed £1.68	10 years

Given that milestone is a market vesting condition, the likelihood of it occurring will be re-assessed at each year end and the charge amended annually.

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 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 anticipated 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.

18 Share-based payments (continued)

Movements in the number of share options outstanding and their related weighted average assumed exercise prices are as follows:

	Charge during the period US$'000	Number of options No.	Assumed exercise price in US$ per share US$
Outstanding at the beginning of the period	–	–	–
Granted during the period	61	15,737,896	0.02
Lapsed during the period	–	–	–
Exercised during the period	–	–	–
Outstanding at the end of the period	61	15,737,896	0.02

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 Management's assessment of the likelihood of the market vesting conditions, a charge of US$61k for the period to 31 December 2014 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 (US$)	0.56
Weighted average exercise price (US$)	0.02
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 historic prices of shares in the following comparator group companies: Tullow Oil Plc, Bowleven Plc, President Energy Plc, Sound Oil Plc and Ascent Resources Plc.

19 Trade and other payables

	Group 2014 US$'000	Company 2014 US$'000
Trade payables	**486**	**334**
Accruals	**1,491**	**176**
	1,977	**510**

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. All amounts are payable within one year.

20 Provision

	Group 2014 US$'000	Company 2014 US$'000
Stamp duty provision	**417**	**417**

The provision relates to stamp duty and related interest costs of uncertain timing in relation to share for share exchange transaction.

21 Non-controlling interests

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 intragroup eliminations.

Savannah Niger

	2014 US$'000
Current assets	**236**
Non-current assets	**42,816**
Current liabilities	**(44,509)**
Non-current liabilities	**–**
	(1,457)
Equity attributable to owners of the Group	**(1,384)**
Non-controlling interests	**(73)**
	(1,457)

	2014 US$'000
Net loss and total comprehensive loss	**1,457**
Attributable to owners of the Group	**1,384**
Attributable to the non-controlling interest	**73**
	1,457
Net cash outflow from operating activities	**(1,457)**
Net cash inflow from financing activities	**1,608**
Net cash inflow	**151**

Further information about non-controlling interests is given in note 14.

	2014 US$'000
Balance at incorporation	–
Share of profit for the period	73
Balance at 31 December	73

22 Financial instruments

(a) Financial instruments by category
At the end of the period, the Group held the following financial instruments:-

	Group 2014 US$'000	Company 2014 US$'000
Financial assets		
Cash and cash equivalents	**17,221**	**17,070**
Amounts due from group companies	**–**	**45,971**
Other receivables	**250**	**250**
	17,471	**63,291**
Financial liabilities measured at amortised cost		
Trade payables	**(486)**	**(334)**
	(486)	**(334)**
	16,985	**62,957**

(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 and cash equivalents are generally kept in the Company's functional currency except for an amount corresponding to the needs of the local subsidiaries and such funds required for the parent company to pay its Directors, employees and vendors who are paid in Sterling. The policy of the Group is to have a balance in the currency of the local subsidiaries not higher than the expected needs in local currency for one month.

In addition to market risks, the Group is also exposed to liquidity and credit risk.

Credit risk
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. Further details of Credit risk are included in note 15.

22 Financial instruments (continued)

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.

All surplus cash is aggregated to maximise the returns on deposits through economies of scale.

The Group maintains good relationships with its banks. At 31 December 2014, the Group had US$17,221k of cash reserves (Company: US$17,070k).

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 Financial Review and Directors' Report.

All the Group's financial liabilities are due within one year at December 2014.

Foreign currency risk

Foreign currency risk arises because the Group operates in various parts of the world 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 presentational 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 period ended 31 December 2014 relates to transactions denominated in Sterling. The Group keeps foreign currency bank accounts in the United Kingdom.

The primary exchange rate movements that the Group is exposed to are $US:XOF and $US:GBP. 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:

	GBP US$'000	XOF US$'000	EUR US$'000
Cash and cash equivalents	3,013	151	–
Exposure (assets)	3,013	151	–
Trade and other payables	(388)	(69)	(9)
Exposure (liabilities)	(388)	(69)	(9)
Net exposure	2,625	82	(9)

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Financial instruments (continued)

Company

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities were as follows:

	GBP US$'000	XOF US$'000	EUR US$'000
Cash and cash equivalents	3,013	–	–
Exposure assets	3,013	–	–
Trade payables	(334)	–	–
Exposure liabilities	(334)	–	–
Net exposure	2,679	–	–

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 period. 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.

	GBP US$'000	XOF US$'000	EUR US$'000	Total US$'000
Impact on profit for the period – Group	(239)	(7)	1	(245)
Impact on profit for the period – Company	(244)	–	–	(244)

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 period. 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.

	GBP US$'000	XOF US$'000	EUR US$'000	Total US$'000
Impact on profit for the period – Group	292	9	(1)	300
Impact on profit for the period – Company	298	–	–	298

Interest rate risk

The Group had significant cash balances during the period. 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 maximize interest income.

The interest rate profile of the Group's financial assets and liabilities at 31 December 2014 was as follows:

	2014 US$'000
Cash at bank at floating interest rate – Group	**17,221**
Cash at bank at floating interest rate – Company	**17,070**

22 Financial instruments (continued)

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.

At 31 December 2014, a 1% increase in short-term interest rates would have a positive US$172k impact on Group loss before tax and equity and a positive US$171k impact on Company profit before tax and equity. A 1% decrease in short-term interest rates would have a negative US$172k million impact on Group profit before tax and equity and a negative US$171k impact on Company profit before tax and equity. A 1% movement represents management's assessment of the reasonable possible change in interest rates.

23 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). Further information about the remuneration of individual Directors is provided in the Directors' Remuneration report.

Trading transactions
During the period, Group companies entered into the following transactions with related parties who are not members of the Group.

	Outstanding as at 31 December 2014 US$'000	Management services US$'000
Lothian Oil & Gas Partners LLP	–	**692**

Andrew Knott is a founding member of Lothian Oil & Gas Partners LLP and the Chief Executive Officer of Savannah Petroleum PLC. Management services include non-recurring fees of $500k relating to pre-IPO costs.

24 Notes to the consolidated statement of cash flows

	Period ended 31 December 2014 US$'000
Loss for the period before tax	**(14,692)**
Adjustments for:	
Depreciation and amortisation	**6**
Share option charge	**61**
Finance costs	**6,601**
Issue costs	**(3,868)**
Non-cash movement in provision	**41**
Operating cash flows before movements in working capital	**(11,851)**
Increase in other receivables and prepayments	**(1,475)**
Increase in trade and other payables	**1,977**
Income tax paid	**–**
Net cash outflow from operations	**(11,349)**

Notes to the company statement of cash flows

	Period ended 31 December 2014 US$'000
Loss for the period before tax	**(10,712)**
Adjustments for:	
Depreciation and amortisation	**–**
Finance costs	**6,601**
Issue costs	**(3,868)**
Non-cash movement in provision	**41**
Operating cash flows before movements in working capital	**(7,938)**
Increase in other receivables and prepayments	**(975)**
Increase in trade and other payables	**510**
Income tax paid	**–**
Net cash outflow from operations	**(8,403)**

25 Commitments

At the reporting date, the Group had commitments of US$3,196k and the Group had commitment of $3,196k of which $2,843k related to the FTG (Full Tensor Gradiometry) survey and site construction contracts with respect to the R1/R2 licence.

26 Operating lease arrangements

	Group 2014 US$'000	Company 2014 US$'000
Lease payments under operating leases recognised as an expense during the period	**16**	**–**

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2014 US$'000	Company 2014 US$'000
Within one year	**73**	**–**
In the second to fifth years inclusive	**57**	**–**
	130	**–**
Total prepaid as at 31 December	**80**	**–**
Total outstanding commitment as at 31 December	**50**	**–**
	130	**–**

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated with a minimum period of 2 years, and for an average term of 4 years, and rentals are fixed over the lease period.

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