28 May 2021

Savannah Energy PLC

("Savannah" or "the Company")

FY 2020 Preliminary Annual Results

Savannah Energy PLC ("Savannah" or the "Company"), the African-focused British independent energy company sustainably developing high quality, high potential energy projects in Nigeria and Niger, is pleased to announce its unaudited preliminary results for the year ended 31 December 2020. A copy of the Annual Report and Accounts will be finalised and posted to Shareholders shortly and a separate notification made in this regard.

Andrew Knott, CEO of Savannah Energy, said:

"2020 represented our first full year of ownership since the completion of the acquisition of our Nigerian assets and our financial results show just how transformational the acquisition has been for Savannah. Against a challenging backdrop, we recorded a robust financial and operating performance. We beat all of our original financial guidance metrics. Total Revenues[1] and cash collections rose for the fifth consecutive year on a pro-forma basis, while our Adjusted EBITDA[2] margin at 78% remained industry leading. Operationally our daily production levels rose 14% and we achieved these results with zero recorded Lost Time Injuries for the year. Our performance against key sustainability metrics such as carbon intensity, senior management gender diversity and local employees are all equally industry leading.

Further we have sown the seeds for our future growth with three gas sales agreements ("GSAs") signed since the beginning of 2020, two of which opened up new high-potential growth markets for our business. Our GSA to supply the FIPL Afam power station marks our entry into the potentially high-growth Port Harcourt Industrial area in Nigeria, while our GSA with Mulak Energy Limited, signed in Q1 this year, provides us with a promising opportunity in the country's expanding compressed natural gas ("CNG") market.

We have had a strong start to 2021, with January to April 2021 production having grown 9% year-on-year to 22 Kboepd, a new all-time high level for our assets. We are reiterating the 2021 guidance we provided on 25 January 2021. Additionally, key organic value creation milestones for this year, not contained in our 2021 guidance, include the delivery of first gas sales to the FIPL Afam power station, the re-financing of our US$371 million Accugas debt facility and the continued progression of the development of our Agadem Rift Basin oil project in Niger. We remain completely focused on the huge opportunity set we see in Africa for both organic and in-organic growth and I look forward to updating stakeholders as we continue our exciting journey."

Key FY 2020 Financial Highlights

- FY 2020 Total Revenues[1] of US$235.9m (+23% on FY 2019 pro-forma[3] Total Revenues of US$192.1m);

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[1] Total Revenues refers to the total amount of invoiced sales recorded in the financial year. This number is seen by management as more accurately reflecting the underlying cash generation capacity of the business compared to Revenue recognised in the income statement. A detailed explanation of the impact of IFRS 15 revenue recognition rules on our income statement is provided in the Financial Review section of our 2019 Annual Report. For reference FY 2020 Revenues were US$169.0 million (up 28% on FY 2019 pro-forma Revenues of US$132.3 million).

[2] Adjusted EBITDA is defined as profit or loss before finance costs, investment revenue, foreign exchange gains or losses, expected credit loss and other related adjustments, fair value adjustments, gain on acquisition, taxes, transaction costs, depreciation, depletion, and amortisation and adjusted to include deferred revenue and other invoiced amounts. Management believes that the alternative performance measure of Adjusted EBITDA more accurately reflects the cash generating capacity of the business.

[3] Pro-forma amounts present 2019 results as though the Nigerian assets had been owned by Savannah for the whole of 2019, rather than from the acquisition completion date of 14 November 2019, to show meaningful comparatives.

- Average realised gas price of US$3.96/Mscf (+11% on the 2019 average realised pro-forma gas price of US$3.56/Mscf) and an average realised liquids price of US$46.2/bbl (-30% compared to the 2019 average realised pro-forma liquids price of US$66.3/bbl);
- Total cash collections from the Company's Nigerian assets of US$187.4m (+11% on FY 2019 pro-forma cash collections of US$168.8m);
- FY 2020 Adjusted EBITDA of US$183.6m (+19% on 2019 pro-forma Adjusted EBITDA of US$153.8m);
- FY 2020 Adjusted EBITDA margin remained broadly unchanged at 78%;
- FY 2020 Group Operating expenses plus administrative expenses[4] of US$46.4m (FY2020 initial guidance of US$68.0-72.0m);
- FY 2020 Group Depreciation, Depletion and Amortisation of US$36.3m (FY 2020 initial guidance of US$43.0-45.0m and 2019 pro-forma of US$53.7m);
- Group cash balances of US$106.0m[5] as at 31 December 2020 (+121% versus FY 2019 year-end Group cash balances of US$48.1m);
- Group net debt of US$408.7m as at 31 December 2020 (-16% versus FY 2019 year-end Group net debt of US$484.0m);
- Leverage[6] was 2.2x, a 31% improvement from 2019 pro-forma leverage of 3.2x, and an interest cover ratio[7] of 2.8x, a 33% increase from 2019 pro-forma ratio of 2.1x; and
- Total Group assets amounted to US$1,207.2m at year-end (2019: US$1,145.0m).

Key FY 2020 Operational Highlights

- FY 2020 average gross daily production from the Nigerian operations was 19.5 Kboepd, a 14% increase from the average gross daily production of 17.2 Kboepd in FY 2019;
- Of the FY 2020 total average gross daily production of 19.5 Kboepd, 88% was gas, including a 17% increase in production from the Uquo gas field, from 88.1 MMscfpd (14.7 Kboepd) in FY 2019 to 102.8 MMscfpd (17.1 Kboepd) in FY 2020;
- Achievement of an all-time gas production record from the Nigerian assets of 177 MMscfpd on 30 May 2020;
- All-time high peak gas contribution equivalent to 13% of the total country-wide Nigerian average grid-based generation achieved on 29 June 2020;
- In January 2020 Accugas entered into the first new gas sales agreement for the business in over five years with First Independent Power Limited ("FIPL"), an affiliate company of the Sahara Group, for the provision of gas to the FIPL Afam power plant ("FIPL Afam");
- In December 2020 Accugas agreed a revised GSA with Lafarge Africa PLC, a wholly-owned subsidiary of Lafarge Holcim and operator of the Mfamosing cement plant in Cross River State, Nigeria. This extended the contract tenor by five years to January 2037 and raised the average life-of-contract gas price; and
- In February 2021, Accugas signed a new GSA with Mulak Energy Limited ("Mulak") representing Savannah's entry into the high-growth compressed natural gas ("CNG") market in Nigeria.

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[4] Group Operating expenses plus administrative expenses are defined as total cost of sales, administrative and other operating expenses, excluding royalty and depletion, depreciation and amortisation.

[5] Within cash balance of US$106.0m, US$78.9m is set aside for debt service, of which US$48.0m is for interest and US$30.9m is for scheduled principal repayments, and US$1.6m relates to monies held in escrow accounts for stamp duty relating to loan security packages.

[6] Leverage is calculated as Net debt/Adjusted EBITDA[2]

[7] Interest cover ratio is Adjusted EBITDA[2] divided by Finance costs excluding (i) unwinding of a discount on a long-term payable, (ii) unwind of discount on contract liabilities and (iii) unwinding of decommissioning discount, less Interest Finance Income

Guidance Reiterated for FY 2021

Savannah reiterates its guidance for the full year 2021 as follows:

- Total Revenues[1] of greater than US$205.0m from upstream and midstream activities associated with the Company's three active Nigerian gas sales agreements (excluding gas sales to FIPL and Mulak) and liquids sales from the Company's Stubb Creek and Uquo fields. Total Revenues received from gas sales to FIPL and any new additional gas sales agreements would, therefore, be incremental to this;
- Group Operating expenses plus administrative expenses[8] of US$55.0m-US$65.0m;
- Group Depreciation, depletion and amortisation of US$19m fixed for infrastructure assets plus US$2.6/boe for oil and gas assets; and
- Group capital expenditure of up to US$65.0m.

Niger Update

During the first half of 2020, the Company agreed with the Niger Ministry of Petroleum that the R4 licence area would be combined with the R1/R2 PSC area into a new R1/R2/R4 PSC to be issued under the Petroleum Code 2017 and that the R3 PSC would continue as a stand-alone PSC area, thus retaining the full acreage position previously covered by the R1/R2 PSC and the R3/R4 PSC. Ratification of the new R1/R2/R4 PSC was subject to Council of Minister approval, and payment of the associated fee.

The Company has subsequently agreed in principle with the Ministry of Petroleum to amalgamate the four licence areas (covered by the R1/R2 PSC and the R3/R4 PSC) into a single PSC rather than the previous proposal of two PSCs. The new PSC (being a R1/R2/R3/R4 PSC) will be valid for 10 years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Minister approval and the payment of the associated fee which is expected to occur by the end of July 2021.

Plans for delivering the R3 East development continue to progress with the intention to commence installation of an Early Production Scheme by the end of FY 2021, subject to market conditions and financing.

Update on Savannah's Sustainability Strategy

Following the acquisition of our Nigerian assets we have conducted a thorough review of our sustainability strategy for the enlarged group, taking into account the feedback of an extensive consultation exercise we have conducted with our key external and internal stakeholder groups. Following this exercise, we have chosen to refocus our sustainability strategy around four key strategic pillars: (1) promoting socio-economic prosperity; (2) ensuring safe and secure operations; (3) supporting and developing our people; and (4) respecting the environment. Our four strategic pillars are aligned with 13 key United Nations Sustainable Development Goals, where we believe Savannah can have the biggest economic, environmental, social and governance impact to achieve a better and more sustainable future for all.

While anchoring our strategy around the 13 most relevant UN SDGs to Savannah, we have chosen to integrate six additional sustainability reporting standards into our new performance and reporting framework. These have been selected on the basis of those most relevant for our sector and of most importance to our stakeholders and include those for: the Global Reporting Index ("GRI"); the eight International Finance Corporation Performance Standards ("IFC PS"); the International Association of Oil and Gas Producers ("IOGP"); the International Petroleum Industry Environmental Conservation Association ("IPIECA"); the Sustainability Accounting Standards Board ("SASB"); and the Task Force on Climate-related Financial Disclosures ("TCFD"). We are rolling out our new sustainability performance and reporting framework across the Group during the remainder of 2021 with a view to reporting on this from 2022 onwards.

Further details of our strategy and approach to sustainability reporting will be provided in the Sustainability Review which will form part of our 2020 Annual Report.

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About Savannah Energy:

Savannah Energy PLC is an AIM market listed African-focused British independent energy company sustainably developing high quality, high potential energy projects in Nigeria and Niger, with a focus on delivering material long term returns for stakeholders. In Nigeria, the Company has controlling interests in the cash flow generative Uquo and Stubb Creek oil and gas fields, and the Accugas midstream business in South East Nigeria, which provides gas contributing to over 10% of Nigeria's daily national average thermal power generation. In Niger, the Company has interests in two large PSC areas located in the highly oil prolific Agadem Rift Basin of South East Niger, where the Company has made five oil discoveries and seismically identified a large exploration prospect inventory, consisting of 146 exploration targets to be considered for potential future drilling activity.

Further information on Savannah Energy PLC can be found on the Company's website: www.savannah-energy.com.

Chairman's statement

Dear fellow shareholders

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

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

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

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

Sustainability

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

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

Covid-19

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

Corporate governance and stakeholder engagement

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

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

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

Diversity

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

Outlook

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

Steve Jenkins

Chairman of the Board

Footnotes:

1. Source Bloomberg

Chief Executive Officer's review

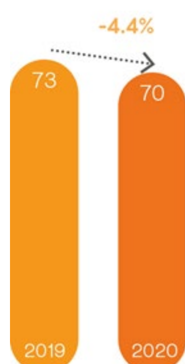
Dear fellow shareholders

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

Performance delivery in 2020

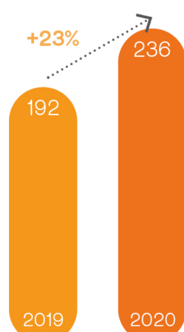
The impact of the Covid-19 pandemic dominated global socio-economic activity in 2020. Global GDP ex-China fell by 4.4%[2], the most since 1945. In many countries, government borrowing reached post-World War II records. The energy industry announced record financial losses and redundancies, with the seven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

World GDP ex China (US$trn)

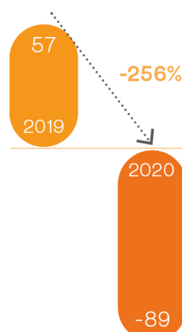


Source: IMF.

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

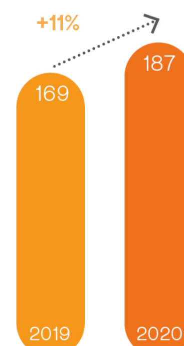


Net losses of Supermajors (US$bn)



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

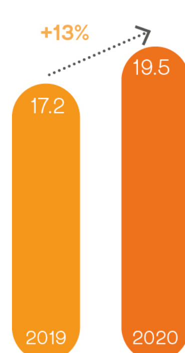
Savannah cash collections (US$m)



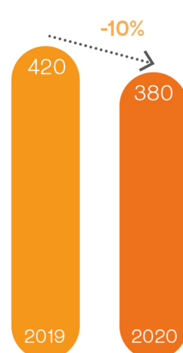
Oil and gas industry average daily production (Mboepd)

Source: IEA

Savannah average gross daily production (Kboepd)

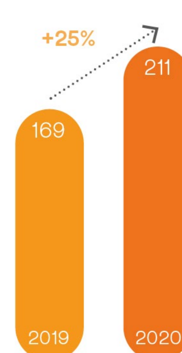


Supermajors' headcount ('000)



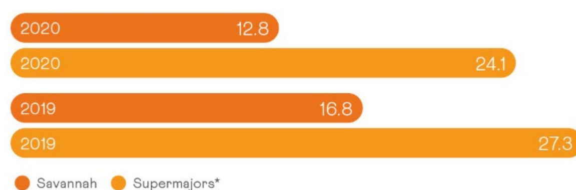
Source: Annual reports of the seven Supermajors (BP, Chevron, ConocoPhillip ENI, ExxonMobil, Shell and Total).

Savannah headcount



Against this challenging backdrop, Savannah recorded a robust financial and operating performance. We significantly exceeded all of our financial guidance metrics. Total Revenues[(a)] and cash collections rose for the fifth consecutive year on a pro-forma basis, while our Adjusted EBITDA[(c)] margin at 78% remained industry leading. Operationally, our daily production levels rose 14%. We achieved these results safely, with a zero incident Lost Time Injuries Rate ("LTIR") and a Total Recordable Incident Rate ("TRIR") of 0.28 per 200,000 man-hours. We did not make use of any government supported Covid-19 loans and we did not furlough any employees. Our performance against key sustainability metrics such as carbon intensity (12.8kg CO_2e/boe versus industry average 17.0kg CO_2e/boe), senior management gender diversity (35% female) and local employee ratios (99%) are all equally industry leading.

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

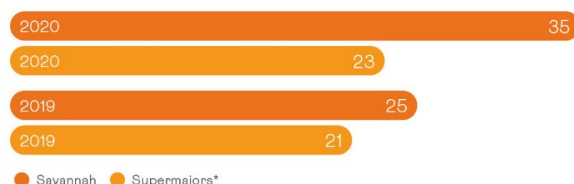


Savannah Supermajors*

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

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

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



Savannah Supermajors*

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

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

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

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

Our value creation and shareholder return plans

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

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

balance sheets following record 2020 losses; and (3) in some cases, a strategic desire to exit certain jurisdictions.

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

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

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

The importance of our culture and operating platform

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

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BUSINESSWORLD ANALYSIS

Rising to Gas Supply Challenge in COVID-19 Era

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

When the COVID-19 outbreak became a national concern, many Nigerians were worried about the prospects of surviving a lockdown without a reliable and stable supply of electricity. In particular, the availability of gas to supply the electricity generating companies (GenCos), as well as the capacity of the national grid to deliver sufficient electricity were critical concerns.

Indeed, they had reason to worry. Nigeria has an installed electricity generation capacity of 12,500MW. About 87.5 per centof this capacity is generated by gas-fired power stations. Nigerians feared that the unprecedented lockdown could disrupt gas supply and consequently, electricity supply to millions of households and critical businesses such as hospitals and mobile network operators.

The Unsung Heroes

Four weeks into the lockdown, it was clear that electricity supply to households exceeded initial expectations. This was due to efforts of the Federal Government of Nigeria in tackling some recurrent constraints within the value chain. Also worthy of note is the contribution of some gas producers, who braved the challenge of COVID-19 to ensure that gas was available for power generation – and through this, helped to sustain electricity supply to Nigerians.

Just before midnight on May 1 2020, data released by Nesistats, an organisation that collates and releases data on power supply in Nigeria, indicated that 4,227 MWH/Hour of electricity was generated on that day, a 317.34 MW increase compared to the previous day.

On the downside, however, a potential 2,422.5 MW was not generated due to the unavailability of gas. According to Nesistats, the power sector lost an estimated N1,833,000,000 on May 1 2020 due to constraints from insufficient gas supply, transmission and distribution infrastructure.

While gas supply constraints remain, there have been some gas suppliers who have been able to rise to the challenge and who have continued to perform well throughout the lockdown, providing a reliable and stable supply of gas to GenCos.

From commencement of the lockdown on March 29th, Accugas, a subsidiary of Savannah Energy,for instance, has supplied an average of 114mmcf/d of gas to its customers daily. The portion supplied to its grid-based power customers, including the Calabar NIPP located in Cross River State, has enabled 470MW of electricity to be generated for the national grid. Prior to the lockdown, during the month of Feb 2020, Accugas supplied a daily average of 81.7mmscf/day of gas. Based on this, Accugas has been able to increase its output of gas by almost 40 per cent during the lockdown to meet the increased demand of its Genco customers, who have, as a result, been able to increase their supply of electricity to the national grid, helping to make up for the shortfall from other Gencos who have been gas constrained.

To illustrate what the company is doing at this time of national emergency to assure sustained gas supply for power generation in Nigeria and its plans going forward, Chief Executive Officer (CEO) of Savannah Energy, Andrew Knott, said: "Power is an essential service for any country. In Nigeria, we are responsible for the provision of gas supplies to providers of over 10 per cent of the country's current power generation capacity, a responsibility we take very seriously. In this time of global uncertainty, it has been widely reported in the local press that many companies have struggled to supply gas-for-power in recent months, which has led to significant power outages in country. In stark contrast, Savannah, working closely with our principal customer Niger Delta Power Holding Company (NDPHC) and the Transmission Company of Nigeria (TCN) – who we thank for their strong cooperation – has increased our gas production levels by 34 per cent.

"We continue to expect to increase production levels further during the course of this year as we add new customers, such as First Independent Power Limited, who we announced earlier this year. Savannah is, and will continue to be, the partner of choice for customers seeking reliable gas-for-power in Nigeria. Across our business we will continue to work collaboratively with our key stakeholders (employees, customers, governments, communities and our supply chain) to navigate our way through the challenges and opportunities raised by the current period of economic uncertainty. I believe we have the right management team, corporate culture and purpose that will ensure we manage to do this successfully. I would like to take the opportunity to thank these stakeholders for their continuing support."

Over the years, Accugas has been a committed supplier of gas for domestic consumption – power generation and industrial consumption. This is due to the company's unique business model, which is focused on the development of onshore non-associated gas ("NAG"), rather than producing gas as a by-product of oil production, as many other gas suppliers do in Nigeria.

According to Knott, "Our company is heavily invested in the development of onshore gas strictly for domestic use. Our infrastructure is dedicated to providing gas for power generation and industrial consumption. We are one of the biggest producers of non-associated gas in Nigeria and the only company which has a business model specifically focused around developing gas fields and processing gas for domestic consumption."

Accugas' supply of gas is reliable because its gas production is not dependent on crude oil prices. Considering that the company produces NAG, the business does not suffer significantly from global crude oil price volatility. "When you are supplying gas from a non-associated gas field like we are, then the reliability of that gas is much higher than associated gas which is very contingent on how many crude oil wells are producing at any point in time," Knott explained.

Massive investment in the development of NAG in Nigeria including its distribution infrastructure has been helpful in contributing to sustained supply of gas to off-takers especially at a time of national emergency. So far, Savannah Energy and its subsidiaries, including Accugas, have invested over $1.2 billion dollars in upstream non-associated gas production, midstream gas processing and a 260km gas transportation and distribution network traversing Akwa Ibom and Cross River States.

Accugas' capacity to deliver gas at short notice has indeed set the company apart from its peers in the industry. The company, for example, has spare capacity at its gas processing facility, which is able to process up to around 200mmscf/day of gas. Accugas can also leverage relationships with other suppliers to deliver gas to off-takers.

Recently, the company revealed its plan to expand its operations to support Nigeria's industrialisation drive and reduce the cost of doing business. Knott stated that the company "... plans to extend its reach to industrial demand centres in close proximity to its existing infrastructure. To support Nigeria's industrialisation drive and reduce the cost of doing business, switching power generation fuel from liquids to gas results in as much as 30 per cent savings which goes straight to the bottom line."

"We have proven ourselves to be a dependable source of gas supply. We are in discussions with a number of prospective off-takers that are eager to sign on to our reliable and sustained gas supply to help drive their business growth," he said.

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The Domestic Gas Market

Nigeria's domestic gas market is struggling to capitalise on the potential of its sizeable gas reserves, even though some big-ticket projects are emerging in the country such as the Assa North-Ohaji South plant.

According to the Petroleum Economist, "The vast majority of Nigeria's huge reserves remain untapped. Proven reserves total 200trn ft3 with a further 600trn ft3 of estimated unproven reserves, according to the Nigerian National Petroleum Corporation (NNPC). The Department of Petroleum Resources told local news media in April that Nigeria's total gas production stood at around 1.2bn ft3/d of which 41 per cent was exported and 48 per cent was used domestically – leaving 11 per cent to be flared."

Historically, much of the gas produced from oil fields onshore and offshore has been flared and the situation in recent years has not improved significantly. This is despite the establishment of the Nigerian Gas Flare Commercialisation Programme in 2016 aimed at encouraging the use of gas for power. This situation brings into sharp focus the efforts of indigenous and international oil companies who have invested billions of dollars for domestic gas consumption and power generation.

After Covid-19

No doubt, Covid-19 has impacted not just the energy sector, but the totality of the socio-economic and political landscape of Nigeria. The broader consequences of COVID-19 have not yet been fully understood and it is difficult to accurately measure them at this time. However, what the lockdown has highlighted is the critical need for a reliable and stable supply of domestic gas for power generation, as evidenced by companies such as Accugas who have proved their reliability during the current crisis.

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

- Average % increase in Accugas gas supply for H1 2020 vs. Q4 2019.
- Average % increase in gas shortage to the grid for in H1 2020 vs. Q4 2019.

Source: Business World, 29 May 2020

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

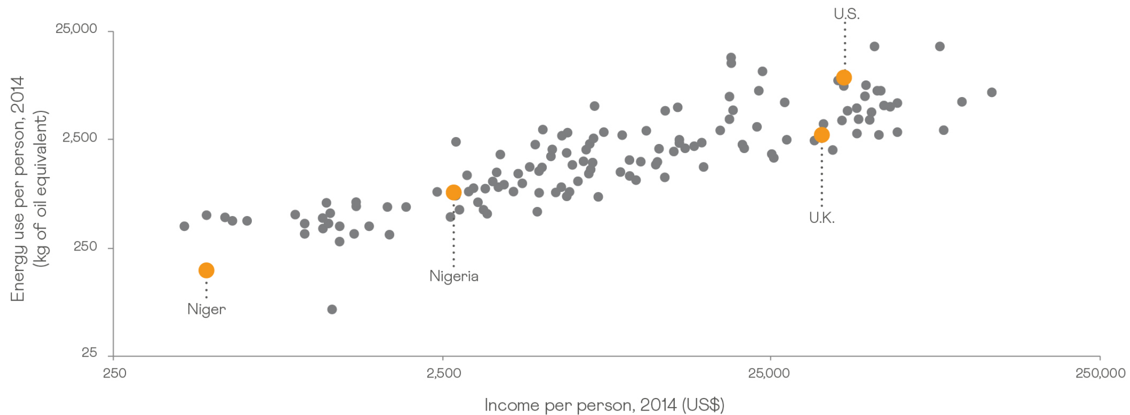
Our operating platform is organised functionally on: (1) the delivery of continuous performance improvements in our assets and processes; and (2) the delivery of our capital projects on time and to budget. Evidence of the former is clearly provided in our 2020 financial performance, while the latter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

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

Sustainability and the essential nature of our work

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

- **Growth and poverty alleviation require energy**
  The relationship between energy consumption per capita and GDP per capita has a strong correlation (an R2 of 74%) as demonstrated in the chart below. Energy is, therefore, an essential pre-requisite to both lift people out of poverty in the emerging world and to sustain living standards in the developed world.



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

  The only alternative to this would appear to be the de-industrialisation of developed countries and/or forcing emerging countries to remain poor. These solutions (especially the latter) are morally incomprehensible and reflected in the commentary of Elon Musk who has stated,

  > "If there was a button I could press to stop all hydrocarbon usage today, I would not press it."

  A recent quote by John Kerry, the US Climate Change Envoy, is similarly revealing,

  > "You don't have to give up a quality of life to achieve some of the things that we know we have to achieve…I am told by scientists that 50% of the reductions we have to make by 2050 or 2045 are going to come from technologies that we don't yet have. That's just a reality."

  What John Kerry is really saying is that we really, really need hydrocarbons in our energy mix for a long time because Americans will not agree to de-industrialisation.

- **Africa benefits most from energy consumption.**
  Savannah's countries of operation, Nigeria and Niger, are amongst the poorest countries in the world, ranking 161 and 189, respectively, out of 189 in the UN Human Development Index.[8] The marginal GDP raising benefits of incremental energy production and consumption are, therefore, many times higher in these countries than in the developed world. It is easy to forget that many developing nations who are blessed with natural resources have socio-economic systems which are wholly dependent on the taxes realised from those natural resources. For example, in Nigeria today the hydrocarbons sector provides 65-70%[9] of fiscal receipts, while in Niger the development of the Agadem Rift Basin is expected to contribute 45% of fiscal receipts by 2025[10]. The development of both countries' welfare systems is, therefore, highly reliant on the hydrocarbons sector.

- **The onus of de-carbonisation lies outside of Africa**
  Much of Africa is, relatively speaking, the equivalent of being decades, perhaps more than 50 years, behind the western world in terms of its industrialisation. Africa contributes only 2-3%[11] of global carbon emissions despite having 17%[12] of the world population, while the US contributes 15%[13], despite having 4%[12] of the global population.

  The economic growth to energy consumption chart referenced above already shows the relative economic benefits the two have derived from their carbon emissions. While it is important that all countries play their part in the Net Zero 2050 transition, it is clear that the primary onus of global de-carbonisation lies outside of Africa. Per capita carbon emissions are estimated to be 15 times higher per person in the US than in Africa[14].

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

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

  Savannah and our people are incredibly proud of the work we do and fundamentally believe that the social value our company is creating is unparalleled amongst our peers. We are helping countries to develop in a critical area for which there is limited appetite for direct investment by international development agencies and/or western capital markets in general. I would quote our VP West Africa, Yacine Wafy, in this regard:

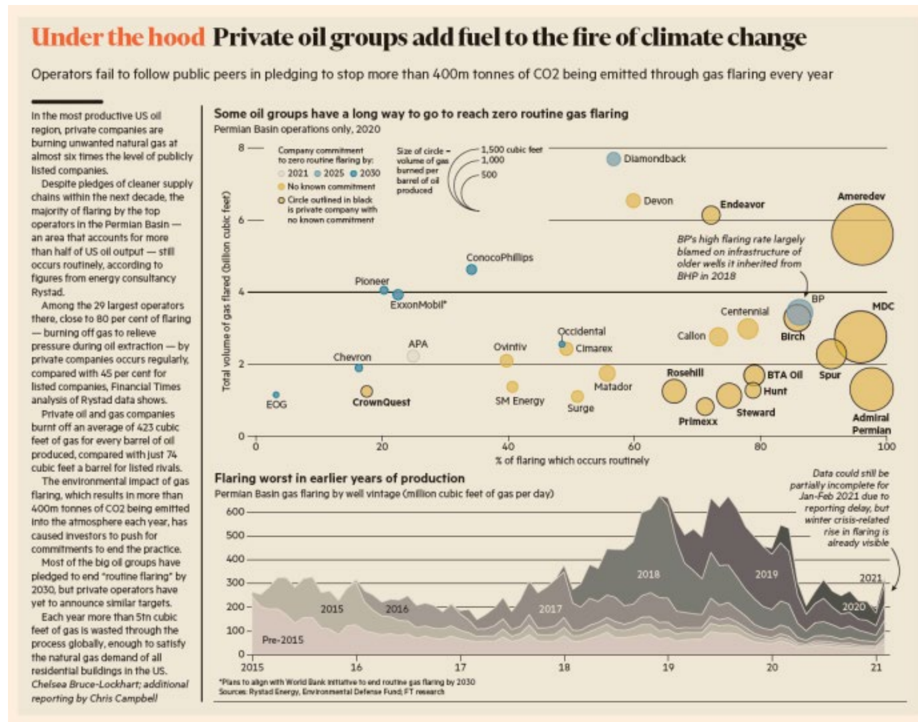
  > "It is non-negotiable that Africa is allowed to industrialise to lift our people out of poverty. The provision of energy is the only way to do this and scientifically this requires hydrocarbon production. It is critical that we achieve Net Zero 2050 in a way that does not exacerbate global income differentials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

The importance of the Stewardship test

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

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

Listed companies outperform private companies on ESG



Source: Financial Times, 15 May 2021

It is, therefore, important that society focuses on the quality of hydrocarbon asset stewardship. Given the magnitude of the major oil companies' divestment programmes, society needs to encourage these companies to only divest to socially responsible companies, such as Savannah, and that we are provided with appropriately-priced capital to complete such transactions. This would be a perverse outcome given that a large motivator of these divestment schemes is to respond to investor pressure seeking to deliver the exact opposite outcome.

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

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

Our confidence in the future

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

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

Andrew Knott

Chief Executive Officer

Footnotes:

1. In order to meet the 1.5°C global warming target in the Paris Agreement, global carbon emissions should reach net zero by 2050.
2. Source: IMF World Economic Outlook
3. Source: 2020 annual reports and results announcements for BP, Chevron, ConocoPhillips, Eni, ExxonMobil, Royal Dutch Shell and Total.
4. Source: IEA
5. Source: CNBC
6. While also sensibly taking into account unforeseen events as they emerge throughout the year.
7. Source: BP Statistical Review of World Energy 2020
8. Source: United Nations
9. Source: Extractive Industries Transparency Initiative (EITI)
10. Source: Republique Du Niger, Politique Pétrolière Nationale, December 2019
11. Source: United Nations Factsheet on Climate Change
12. Source: Worldometer
13. Source: United States Environmental Protection Agency
14. Calculated by Savannah using data from footnotes 11, 12 and 13 above.
15. Source: The Mayo Clinic

Financial review

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

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

Performance summary

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

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

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

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

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

All these figures are discussed in more detail below.

Key performance metrics summary

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

* In order to present a like-for-like comparison of Group operating expenses plus admin expenses[(g)], we have normalised the results in 2019 and 2020 by adjusting for the one-off costs relating to transaction and inventory adjustments.

n/m – not meaningful

Consolidated Statement of Comprehensive Income

Revenue

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

Significantly, 93% of Savannah's revenue was derived from long-term fixed price gas sales contracts. The average realised price for gas in 2020 was US$3.96/Mscf (2019: US$3.64/Mscf). It is important to understand that our gas revenue stream is priced independently of oil prices and is, therefore, not subject to oil price fluctuations. Additionally, 95% of the gas sales are backed by investment grade(e) credit guarantees, including a World Bank supported Partial Risk Guarantee in the case of the Calabar power station gas sales agreement.

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

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

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

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

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

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

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

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

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

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

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

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

EBITDA and Adjusted EBITDA[c]

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

EBITDA and Adjusted EBITDA[c]

	Year ended 31 December 2020 US$ million	Year ended 31 December 2019 pro-forma US$ million	Percentage change
Operating profit	**93.3**	8.2	>100%
Add back:			
Depletion, depreciation and amortisation	**36.3**	53.7	(32)%
Adjust for transaction costs	**—**	29.7	—
EBITDA	**129.6**	91.6	40%
Add: other invoiced amounts	**66.9**	59.8	—
Deduct: royalty payable on additional gas volume[1]	**(1.9)**	(1.4)	—
Remove impact of expected credit loss and other related adjustments	**(11.0)**	3.7	—
Adjusted EBITDA[c]	**183.6**	153.8	19%

Cost of sales, Administrative and other operating expenses

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

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

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

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

Operating expenses plus Administrative expenses[g]

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

DD&A amounted to US$36.3 million (2019 pro-forma: US$53.7 million), a 34% reduction, made up of US$17.6 million (2019 pro-forma: US$35.8 million) for infrastructure assets, which are depreciated on a straight-line basis over their estimated useful life and US$17.2 million (2019 pro-forma: US$16.9

million) for upstream assets which are depreciated on a unit of production basis plus US$1.5 million (2019 pro-forma: US$1.1 million) for other assets and right-of-use assets. DD&A for the year was some 20% below the 2020 guidance of US$43–45 million largely associated with the independent re-assessment of the useful life of Accugas' pipelines in Nigeria which resulted in their estimated useful life being extended by 15 years to 40 years in line with industry standards. This led to the DD&A costs in 2020 being US$0.9/Mscfe, down 42% on the 2019 pro-forma cost of US$1.6/Mscfe.

Finance costs

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

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

Foreign exchange losses

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

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

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

Tax

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

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

Consolidated Statement of Financial Position

Group assets

	31 December 2020 US$ million	31 December 2019 US$ million
Property, plant and equipment	**612.7**	618.3
Exploration and evaluation assets	**159.6**	154.7
Deferred tax asset	**197.0**	209.4
Other non-current assets	**8.3**	6.0
Total non-current assets	**977.5**	988.4
Inventory	**2.9**	4.0
Trade and other receivables	**122.4**	106.3
Cash at bank	**104.4**	46.3
Total current assets	**229.7**	156.6
Total assets	**1,207.2**	1,145.0

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

During 2020 the Nigerian economy was negatively impacted by the dual impact of Covid-19 and lower oil prices in the early part of the year. This led to a notable reduction in foreign exchange liquidity within the market (and this can be seen from the 45% decline between 2019 and 2020 in volumes traded through the I&E window). This trend has continued to persist into 2021. As a result of the illiquidity seen in the FX market, Savannah agreed with the Accugas lenders to retain a sufficient equivalent balance in Naira to cover the US$ denominated debt service for the year. At year-end this balance was US$78.9 million. The Company continues to explore options for conversion of the Naira balances and intends to convert into US$ when market conditions allow. We currently anticipate that liquidity will return to the FX market during H2 2021 as a result of the stronger commodity pricing environment and the actions taken by the Central Bank of Nigeria. The Adjusted net debt amount in the table below removes the amount of cash that is held to pay interest.

Debt

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

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

Leverage

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

Summary of the debt facilities

	Total drawn US$ million	Maturity
Accugas Ltd bank loan facility	370.6	2025
Savannah Energy Uquo Gas Ltd Senior Secured Note	92.4	2026
Savannah Energy Uquo Gas Ltd term facility	11.0	2026
Accugas Holdings UK plc Senior Secured Note	19.5	2024
Accugas Holdings UK plc promissory note	12.9	2025
Savannah Petroleum Niger revolving credit facility	13.0	2022
Other loan notes	5.7	2021
Total debt facilities	525.1	
Call option asset	(5.4)	
Unamortised debt fees	(5.1)	
Total Statement of Financial Position debt	514.7	
Less: cash balances	106.0	
Net debt	408.7	

Receivables and payables

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

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

impaired trade receivables acquired as part of the Nigerian assets acquisition as a result of improved credit control procedures.

The Group has current Trade and other payables of US$102.0 million (2019: US$120.2 million), which includes a cer1tain amount of legacy payables relating to the Nigeria business for which long-term settlement arrangements are still to be finalised with the relevant counter parties but which are unlikely to have a material impact on cash flow in the short term. All other items will be settled in the normal course of business.

Cash flow

	Full-year 2020 US$ million	Full-year 2019 US$ million
Net cash generated from/(used in) operating activities	**115.6**	(12.3)
Net cash used in investing activities	**(11.3)**	(9.0)
Net cash (used in)/provided by financing activities[1]	**(46.6)**	65.9
Impact of exchange rate changes on cash balances	**0.5**	—
Net increase in cash	**58.1**	44.5
Cash at bank	**104.4**	46.3
Restricted cash	**1.6**	1.8
Cash balances	**106.0**	48.1
Amounts included within cash balances to cover 2020 debt service	**78.9**	—

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

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

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

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

2021 financial guidance and outlook

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

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

In 2021 the Group is focused on adding new gas customers in Nigeria and assessing options to refinance the Accugas debt, with a view to increasing tenor and reducing cost. In addition, we are accessing capital to progress our Niger project, which we view as a significant corporate asset, while continuing to review other business development opportunities within our core African heartland.

Going concern

The Directors have adopted the going concern basis in preparing the consolidated financial statements. Following the completion of the Nigeria acquisition in late 2019, this year was the first full year as an oil and gas production company and the Group is now a material, cash generative business. This change from an exploration/pre-production business brings a wider range of risks into consideration and the Directors have reviewed various scenarios when considering the adoption of a going concern basis for the consolidated financial statements. The Group operates primarily in emerging markets which creates inherent uncertainty related to foreign exchange liquidity and currency convertibility. As widely reported, during 2020 there has been an extended period of FX illiquidity in Nigeria following the impact of Covid-19 and lower commodity prices in early part of the year. The Group requires access to US$ on a regular basis to fund its commitments and this foreign exchange exposure is an important risk faced by the Group. The Directors are encouraged by the recent announcements from Central Bank of Nigeria around harmonising exchange rates which provides welcome clarity to the foreign exchange market and are assessing any impact this may have on foreign exchange liquidity. Further details on the approach that has been adopted in considering risks and sensitivities undertaken will be detailed in the Annual Report

Isatou Semega-Janneh

Chief Financial Officer

Footnote:

1. Source: Bloomberg

Definitions

(a) Total Revenues are defined as the total amount of invoiced sales during the period. This number is seen by management as more accurately reflecting the underlying cash generation capacity of the business as opposed to Revenue recognised in the Statement of Comprehensive Income. A detailed explanation of the impact of IFRS 15 revenue recognition rules on our Statement of Comprehensive Income is provided in the Financial Review section on page [•]. For reference FY 2020 Revenues were US$169.0 million (up 28% on FY 2019 pro-forma Revenues of US$132.3 million). Note that Total Revenues is not an audited number.

(b) Remaining life of contact revenues estimated on a maintenance adjusted Take or Pay basis including contributions from three of our customers: Calabar Generation Company Limited (owner of the Calabar power station), Ibom Power Company Limited (owner of the Ibom power station) and the Lafarge Africa PLC (owner of the Lafarge Mfamosing cement plant). Note this is not an audited number.

(c) Adjusted EBITDA is calculated as profit or loss before finance costs, investment revenue, foreign exchange gains or loss, expected credit loss and other related adjustments, fair value adjustments, gain on acquisition, taxes, transaction costs, depreciation, depletion and amortisation and adjusted to include deferred revenue and other invoiced amounts. Management believes that the alternative performance measure of Adjusted EBITDA more accurately reflects the cash-generating capacity of the business.

(d) Total contributions to Nigeria and Niger defined as payments to governments, employee salaries and payments to local suppliers and contractors. Where total contributions refer to the period 2014–2020 they include contributions to Nigeria during the period pre-acquisition of the Nigerian assets by Savannah.

(e) Investment grade rated sales are classed as sales where the payment obligation of the customer benefits from a guarantee or other credit support from an entity which holds an investment grade rating from either Standard & Poor's, Moody's or Fitch Ratings.

(f) Adjusted Net debt is defined as Net debt adjusted for US$48.0 million equivalent held in Naira that is set aside to pay 2020 interest.

(g) Group Operating expenses plus administrative expenses are defined as total cost of sales, administrative and other operating expenses excluding royalty and depletion, depreciation and amortisation are defined as total cost of sales, administrative and other operating expenses excluding royalty and depletion, depreciation and amortisation.

(h) Interest cover ratio is Adjusted EBITDA[(c)] divided by Finance costs excluding (i) unwinding of a discount on a long-term payable, (ii) unwind of discount on contract liabilities and (iii) unwinding of decommissioning discount, less Interest Finance Income.

Unaudited Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	**Year ended 31 December 2020 Unaudited US$'000**	Year ended 31 December 2019 Audited US$'000
Revenue	4	**169,005**	17,758
Cost of sales	5	**(72,460)**	(11,514)
Gross profit		**96,545**	6,244
Administrative and other operating expenses		**(14,227)**	(13,581)
Transaction costs		**—**	(29,732)
Expected credit loss and other related adjustments	12	**10,992**	(431)
Operating profit/(loss)		**93,310**	(37,500)
Finance income		**472**	1,378
Finance costs	6	**(75,796)**	(12,173)
Gain on acquisition of subsidiaries		**—**	10,209
Fair value adjustment		**(1,682)**	(54,664)
Foreign translation loss		**(5,396)**	(12,663)
Profit/(loss) before tax		**10,908**	(105,413)
Current tax expense	7	**(4,197)**	(341)
Deferred tax (expense)/credit	7	**(12,685)**	8,907
Tax (expense)/credit	7	**(16,882)**	8,566
Loss after tax		**(5,974)**	(96,847)
Other comprehensive income			
Items not reclassified to profit or loss:			
Actuarial losses relating to post-employment benefits		**(362)**	—
Tax relating to items not reclassified to profit or loss	7	**308**	—
Other comprehensive loss		**(54)**	—
Total comprehensive loss		**(6,028)**	(96,847)
Profit/(loss) after tax attributable to:			
Owners of the Company		**(6,220)**	(92,585)
Non-controlling interests		**246**	(4,262)
		(5,974)	(96,847)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		**(6,274)**	(92,585)
Non-controlling interests		**246**	(4,262)
		(6,028)	(96,847)
Loss per share			
Basic (US$)	8	**(0.01)**	(0.10)
Diluted (US$)	8	**(0.01)**	(0.10)

All results in the current financial year derive from continuing operations.

Unaudited Consolidated Statement of Financial Position

as at 31 December 2020

	Note	**2020 Unaudited US$'000**	2019 Audited US$'000
Assets			
Non-current assets			
Property, plant and equipment	9	**612,707**	618,286
Exploration and evaluation assets	10	**159,572**	154,745
Deferred tax assets		**196,986**	209,363
Right-of-use assets		**5,581**	4,183
Restricted cash		**1,635**	1,828
Finance lease receivable		**1,049**	—
Total non-current assets		**977,530**	988,405
Current assets			
Inventory	11	**2,916**	4,020
Trade and other receivables	12	**122,400**	106,332
Cash at bank	13	**104,363**	46,256
Total current assets		**229,679**	156,608
Total assets		**1,207,209**	1,145,013
Equity and liabilities			
Capital and reserves			
Share capital	14	**1,409**	1,393
Share premium	14	**62,092**	61,204
Treasury shares	14	**(59)**	—
Capital contribution	14	**458**	458
Share-based payment reserve	14	**7,104**	6,448
Retained earnings		**158,670**	164,885
Equity attributable to owners of the Company		**229,674**	234,388
Non-controlling interests		**(2,737)**	(2,983)
Total equity		**226,937**	231,405
Non-current liabilities			
Other payables	15	**4,648**	7,500
Borrowings	16	**424,667**	460,665
Lease liabilities		**7,057**	4,956
Provisions		**106,606**	109,503
Contract liabilities	17	**185,172**	118,052
Total non-current liabilities		**728,150**	700,676
Current liabilities			
Trade and other payables	15	**101,975**	120,184
Borrowings	16	**89,995**	71,387
Interest payable		**51,544**	13,715
Tax liabilities	7	**2,539**	3,090
Lease liabilities		**1,004**	614
Contract liabilities	17	**5,065**	3,942
Total current liabilities		**252,122**	212,932
Total equity and liabilities		**1,207,209**	1,145,013

Unaudited Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	**Year ended 31 December 2020 Unaudited US$'000**	Year ended 31 December 2019 Audited US$'000
Cash flows from operating activities:			
Net cash generated from/(used in) operating activities	18	**115,569**	(12,323)
Cash flows from investing activities:			
Interest received		**110**	—
Payments for property, plant and equipment		**(9,381)**	(1,690)
Exploration and evaluation payments		**(2,167)**	(5,719)
Lessor receipts		**113**	—
Cash acquired on acquisition of a subsidiary		**—**	10,471
Loan to Seven Energy International Limited		**—**	(12,084)
Net cash used in investing activities		**(11,325)**	(9,022)
Cash flows from financing activities:			
Finance costs		**(21,767)**	(2,055)
Proceeds from issues of equity shares, net of issue costs		**—**	28,767
Borrowing proceeds		**7,213**	18,650
Borrowing repayments		**(31,474)**	(16,381)
Sale of a non-controlling interest		**—**	39,000
Lease payments		**(767)**	(302)
Cash to debt service accounts		**(30,105)**	—
Cash from/(to) restricted cash accounts		**181**	(1,828)
Net cash (used in)/provided by financing activities		**(76,719)**	65,851
Net increase in cash and cash equivalents		**27,525**	44,506
Effect of exchange rate changes on cash and cash equivalents		**477**	—
Cash and cash equivalents at beginning of year		**46,256**	1,750
Cash and cash equivalents at end of year	13	**74,258**	46,256
Amounts held for debt service at end of year	13	**30,105**	—
Cash at bank at end of year as per Statement of Financial Position	13	**104,363**	46,256

Unaudited Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital US$'000	Share premium US$'000	Treasury shares US$'000	Capital contribution US$'000	Share-based payment reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Equity attributable to the owners of the Company US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 January 2019 (audited)	1,240	—	—	458	5,908	(4,989)	225,229	227,846	(491)	227,355
Loss for the year	—	—	—	—	—	—	(92,585)	(92,585)	(4,262)	(96,847)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	—	(92,585)	(92,585)	(4,262)	(96,847)
Transactions with shareholders:										
Equity-settled share-based payments	—	—	—	—	540	—	—	540	—	540
Issue of ordinary shares to shareholders, net of issue costs (note 14)	153	61,204	—	—	—	—	—	61,357	—	61,357
Warrants expired	—	—	—	—	—	4,989	(4,989)	—	—	—
Transactions with equity holders	—	—	—	—	—	—	37,230	37,230	1,770	39,000
Balance at 31 December 2019 (audited)	**1,393**	**61,204**	**—**	**458**	**6,448**	**—**	**164,885**	**234,388**	**(2,983)**	**231,405**
(Loss)/profit for the year	—	—		—	—	—	(6,220)	(6,220)	246	(5,974)
Other comprehensive loss	—	—	—	—	—	—	(54)	(54)	—	(54)
Total comprehensive (loss)/profit for the year	—	—	—	—	—	—	(6,274)	(6,274)	246	(6,028)
Transactions with shareholders:										
Equity-settled share-based payments	—	—	—	—	656	—	—	656	—	656
Share adjustments (note 14)	16	888	—	—	—	—	—	904	—	904
Treasury shares recognition (note 14)	—	—	(59)	—	—	—	59	—	—	—
Balance at 31 December 2020 (unaudited)	**1,409**	**62,092**	**(59)**	**458**	**7,104**	**—**	**158,670**	**229,674**	**(2,737)**	**226,937**

Notes to the unaudited Financial Statements

for the year ended 31 December 2020

1. Corporate information

The Company was incorporated in the United Kingdom on 3 July 2014. On 16 April 2020, the Company changed its name from Savannah Petroleum PLC to Savannah Energy PLC. The Company is domiciled in England for tax purposes and is a public company and its shares were listed 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.

2. Basis of preparation and presentation of financial information

The unaudited consolidated financial statements of the Company and its subsidiaries ("the Group") have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. The unaudited consolidated financial statements have been prepared under the historical cost convention. The unaudited consolidated financial statements of the Group incorporate the results for the year to 31 December 2020.

The financial information contained in this report for the year ended 31 December 2020 does not constitute full statutory accounts as defined in sections 435 (1) and (2) of the Companies Act 2006. The statutory accounts for the year ended 31 December 2020 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course. The statutory accounts are subject to completion of the audit and may change before the approval of the Annual Report.

Statutory accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified and did not include references to any matter which the auditor drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 will be delivered following the Company's Annual General Meeting.

The accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2019. There have been a number of amendments to accounting standards and new interpretations issued by the International Accounting Standards Board which were applicable from 1 January 2020, however these have not any impact on the accounting policies, methods of computation or presentation applied by the Group. Further details on new International Financial Reporting Standards adopted will be disclosed in the Annual Report and Accounts 2020.

Going concern

The Directors have adopted the going concern basis in preparing the consolidated financial statements. Following the completion of the Nigeria acquisition in late 2019, this year was the first full year as an oil & gas production company and the Group is now a material, cash generative business. This change from

an exploration/pre-production business brings a wider range of risks into consideration and the Directors have reviewed various scenarios when considering the adoption of a going concern basis for the consolidated financial statements. The Group operates primarily in emerging markets which creates inherent uncertainty related to foreign exchange liquidity and currency convertibility. As widely reported, during 2020 there has been an extended period of FX illiquidity in Nigeria following the impact of Covid-19 and lower commodity prices in early part of the year. The Group requires access to US$ on a regular basis to fund its commitments and this foreign exchange exposure is an important risk faced by the Group. The Directors are encouraged by the recent announcements from Central Bank of Nigeria around harmonising exchange rates which provides welcome clarity to the foreign exchange market and are assessing any impact this may have on foreign exchange liquidity. Further details on the approach that has been adopted in considering risks and sensitivities undertaken will be detailed in the Annual Report.

3. Segmental reporting

For the purposes of resource allocation and assessment of segment performance, the operations of the Group are divided into three segments: two geographical locations and an Unallocated segment. The two geographical segments are Nigeria and Niger, and their principal activities are the exploration, development and extraction of oil and gas. These make up the total current and future revenue-generating operations of the Group. The Unallocated segment's principal activities are the governance and financing of the Group, as well as undertaking business development opportunities. Items not included within Operating profit/(loss) are reviewed at a Group level and therefore there is no segmental analysis for this information. As such, the comparative segmental reporting has been restated to remove these amounts from the segments and show only the totals to provide better comparability of the Group's 2020 results.

The following is an analysis of the Group's unaudited revenue and results by reportable segment in 2020:

	Nigeria Unaudited US$'000	**Niger Unaudited US$'000**	**Unallocated Unaudited US$'000**	**Total Unaudited US$'000**
Revenue	169,005	—	—	**169,005**
Cost of sales[1]	(72,460)	—	—	**(72,460)**
Gross profit	**96,545**	**—**	**—**	**96,545**
Administrative and other operating expenses	(9,235)	(282)	(4,710)	**(14,227)**
Expected credit loss and other related adjustments	10,992	—	—	**10,992**
Operating profit/(loss)	**98,302**	**(282)**	**(4,710)**	**93,310**
Finance income				**472**
Finance costs				**(75,796)**
Fair value adjustment				**(1,682)**
Foreign translation loss				**(5,396)**
Profit before tax				**10,908**
Segment non-current assets[2]	**613,439**	**161,147**	**3,274**	**777,860**
Segment total assets	**1,039,653**	**161,778**	**5,778**	**1,207,209**
Segment total liabilities	**(919,067)**	**(30,274)**	**(30,931)**	**(980,272)**

1. Refer to note 5 for material items included within Cost of sales.

2. Includes Property, plant and equipment. Exploration and evaluation assets and Right-of-use assets.

For non-current asset additions in Nigeria, refer to Oil & gas assets and Infrastructure asset additions in note 9. For non-current asset additions in Niger, refer to additions in note 10. For non-current asset additions in Unallocated, refer to Other asset additions in note 9 and Right-of-use asset additions in the year.

The following is an analysis of the Group’s audited revenue and results by reportable segment in 2019:

	Nigeria Audited US$’000	Niger Audited US$’000	Unallocated Audited US$’000	Total Audited US$’000
Revenue	17,758	—	—	17,758
Cost of sales[1]	(11,514)	—	—	(11,514)
Gross profit	6,244	—	—	6,244
Administrative and other operating expenses	(2,121)	(419)	(11,041)	(13,581)
Transaction costs	(9,633)	—	(20,099)	(29,732)
Expected credit loss and other related adjustments	(431)	—	—	(431)
Operating loss	(5,941)	(419)	(31,140)	(37,500)
Finance income				1,378
Finance costs				(12,173)
Gain on acquisition of subsidiaries				10,209
Fair value adjustment				(54,664)
Foreign translation loss				(12,663)
Loss before tax				(105,413)
Segment non-current assets[2]	615,384	156,938	4,892	777,214
Segment total assets	927,737	157,785	59,491	1,145,013
Segment total liabilities	(872,560)	(24,968)	(16,080)	(913,608)

1. Refer to note 5 for material items included within Cost of sales.

2. Includes Property, plant and equipment. Exploration and evaluation assets and Right-of-use assets.

For non-current asset additions in Nigeria, refer to Oil & gas assets and Infrastructure asset additions in note 9. For non-current asset additions in Niger, refer to additions in note 10. For non-current asset additions in Unallocated, refer to Other asset additions in note 9 and Right-of-use asset additions in the year.

4. Revenue

Set out below is the disaggregation of the Group’s revenue from contracts with customers:

Year ended 31 December	**2020 Unaudited US$’000**	2019 Audited US$’000
Gas sales	**157,080**	16,844
Oil sales	**11,925**	914
Total revenue from contracts with customers	**169,005**	17,758

Gas sales represents gas deliveries made to the Group’s three customers under long-term, take-or-pay gas sale agreements; these comprise two power stations and a cement production facility. The Group sells oil under a sales and purchase agreement with ExxonMobil Sales & Supply LLC (“EMS&SLLC”) at prevailing market prices.

Included within revenue is revenue of US$147.8 million (2019: US$16.0 million) relating to the Group’s customers who each contribute more than 10% of total revenue.

5. Cost of sales

Year ended 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Depreciation and depletion – oil and gas, and infrastructure assets (note 9)	**34,789**	8,850
Facility operation and maintenance costs	**33,682**	1,505
Royalties	**3,989**	715
Other	**—**	444
	72,460	11,514

6. Finance costs

Year ended 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Interest on bank borrowings and loan notes	**58,910**	9,553
Amortisation of balances measured at amortised cost[1]	**11,184**	348
Unwinding of decommissioning discount	**1,781**	564
Interest expense on lease liabilities	**372**	251
Bank charges	**352**	602
Other finance costs	**3,197**	856
	75,796	12,173

[1] Includes amounts due to unwinding of a discount on a long-term payable, contract liabilities (note 17) and amortisation of debt fees.

7. Taxation

The tax expense/(credit) recognised in the profit or loss statement for the Group is:

Year ended 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Current tax		
– Current year	**2,903**	341
– Adjustments in respect of prior years	**1,294**	—
	4,197	341
Deferred tax		
– Current year	**3,808**	(8,907)
– Adjustments in respect of prior years	**8,877**	—
	12,685	(8,907)
Total tax expense/(credit) for the year	**16,882**	(8,566)

The tax credit recognised in Other comprehensive income for the Group is:

Year ended 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Deferred tax		
– Current year	**(308)**	—
Total tax credit for the year	**(308)**	—

7. Taxation (continued)

Corporation tax is calculated at the applicable tax rate for each jurisdiction based on the estimated taxable profit for the year. The Group's outstanding current tax liabilities of US$2.5 million (2019: US$3.1 million) principally relate to the corporation tax liabilities in Nigeria.

In 2020, the Nigerian corporation tax rate of 30% (2019: 30%) was used for the tax reconciliation.

Year ended 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
The expense/(credit) for the year can be reconciled per the Statement of Comprehensive Income as follows:		
Profit/(loss) on ordinary activities before taxes	**10,908**	(105,413)
Profit/(loss) before taxation multiplied by the tax rate of 30.0% (2019: 30.0%)	**3,272**	(31,624)
Tax effects of:		
Withholding tax	**370**	—
Expenses disallowed for taxation purposes	**2,422**	(2,871)
Other Nigerian corporate taxes	**(309)**	(335)
Losses (utilised)/arising in the Company and other holding company entities	**(3,480)**	24,713
Losses on exploration activities not recognised	**3,509**	1,167
Unrecognised deferred tax on decommissioning costs	**1,500**	384
Other temporary differences not recognised	**7**	—
Remeasurement of deferred tax assets	**(580)**	—
Adjustments in respect of prior years	**10,171**	—
Tax charge/(credit) for the year	**16,882**	(8,566)

8. Loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss for years attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. As there is a loss attributable to the owners of the Company for the year ended 31 December 2020, the diluted weighted average number of shares would reduce the loss per share. Therefore, the basic weighted average number of shares has been used to calculate the diluted loss per share.

The weighted average number of shares outstanding excludes treasury shares of 42,624,837 (2019: nil).

Year ended 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Loss		
Loss attributable to owners of the Company	**(6,220)**	(92,585)

	Unaudited number of shares	Audited number of shares
Basic weighted average number of shares	**953,783,575**	889,971,159
Diluted weighted average number of shares	**954,063,140**	889,971,159

	Unaudited US$	Audited US$
Loss per share		
Basic	**(0.01)**	(0.10)
Diluted	**(0.01)**	(0.10)

49,973,168 options granted under share option schemes are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2020 (2019: 25,463,887). These options could potentially dilute basic earnings per share in the future.

9. Property, plant and equipment

	Oil and gas assets US$'000	Infrastructure assets US$'000	Other assets US$'000	Total US$'000
Cost				
Balance at 1 January 2019 (audited)	1,588	—	1,655	3,243
Additions	2,062	3,556	110	5,728
Recognised on acquisition of subsidiaries	164,240	453,858	1,114	619,212
Balance at 31 December 2019 (audited)	167,890	457,414	2,879	628,183
Additions	1,757	1,831	534	4,122
Disposals	—	—	(59)	(59)
Decommissioning remeasurement adjustment	(14,914)	10,236	—	(4,678)
Transfer from Receivables from a joint arrangement	30,844	—	—	30,844
Transfers to Exploration and evaluation assets (note 10)	—	(284)	—	(284)
Reclassification of assets[1]	(1,725)	720	1,005	—
Balance at 31 December 2020 (unaudited)	**183,852**	**469,917**	**4,359**	**658,128**
Accumulated depreciation				
Balance at 1 January 2019 (audited)	(90)	—	(722)	(812)
Depletion and depreciation charge	(3,179)	(5,671)	(235)	(9,085)
Balance at 31 December 2019 (audited)	(3,269)	(5,671)	(957)	(9,897)
Depletion and depreciation charge	(17,234)	(17,555)	(751)	(35,540)
Adjustment to accumulated depreciation	176	56	(216)	16
Balance at 31 December 2020 (unaudited)	**(20,327)**	**(23,170)**	**(1,924)**	**(45,421)**
Net book value				
Balance at 31 December 2019 (audited)	164,621	451,743	1,922	618,286
Balance at 31 December 2020 (unaudited)	**163,525**	**446,747**	**2,435**	**612,707**

[1] Certain assets have been reclassified between the various asset classes to ensure they are reported in the most appropriate class.

Oil and gas assets principally comprise the well and field development costs relating to the Uquo and Stubb Creek oil and gas fields in Nigeria. The Infrastructure assets principally comprise the Nigerian midstream assets associated with the Group's network of gas transportation pipelines, oil and gas processing facilities and gas receiving facilities. Other assets typically include vehicles, office equipment and building improvements.

Following management's assessment of the gas pipelines, the expected useful life of these pipelines was increased from 25 to 40 years from the beginning of the year. This has had the effect of reducing the depreciation charge for the year. This change has resulted in a reduction in the Infrastructure assets depreciation charge amounting to US$8.5 million, had no change in useful life been made.

During 2020, the Group undertook a more detailed technical assessment of the decommissioning provision cost estimates using an independent contractor. The associated decommissioning asset has been adjusted to reflect the new cost estimates. The new asset value will be depreciated over the remaining life of the respective assets.

Following the acquisition of the Nigerian assets in 2019, the Group completed the restructuring of economic interests in the Uquo Field with its partner, Frontier Oil Limited. The agreement granted economic ownership and control of 100% of the gas operations, and its partner was granted economic ownership and control of 100% of the oil operations at the Uquo Field. Under the terms of the restructuring, the Group made an advance payment of cash calls of US$20.0 million to its partner. A further US$14.1 million of advance cash calls is payable in three yearly instalments, with the first instalment of US$5.0 million paid by the end of 2020. The advanced cash call amounts were recorded within Receivables from a joint arrangement in 2019. During 2020, these receivables (amounting to US$30.8 million) were reclassified to oil and gas assets as the substance of this agreement was determined to be a re-alignment of the respective parties' economic interests and therefore similar in nature to a "signature bonus". It will be depleted in line with similar assets.

10. Exploration and evaluation assets

Exploration and evaluation assets consist of acquisition costs relating to the acquisition of exploration licences and other costs associated directly with the discovery and pre-development of specific oil and gas resources in the R1/R2 and R3/R4 licence area in the Republic of Niger, under two Production Sharing Agreements ("PSCs") respectively, as described and updated below for changes in the license position.

	Total US$'000
Balance at 1 January 2019 (audited)	150,425
Additions	4,320
Balance at 31 December 2019 (audited)	154,745
Transfers from Property, plant & equipment (note 9)	284
Additions	4,543
Balance at 31 December 2020 (unaudited)	**159,572**

The amount for Exploration and evaluation assets represents active exploration projects. These will ultimately be written off to the Statement of Comprehensive Income as exploration costs if commercial reserves are not established but are carried forward in the Statement of Financial Position whilst the determination process is not yet completed and there are no indications of impairment having regard to the indicators in IFRS 6. Included within these assets are intangible assets such as drilling costs, seismic data and capitalised overheads which amount to US$155.8 million (2019: US$148.5 million).

During the first half of 2020, the Company agreed with the Niger Ministry of Petroleum that the R4 licence area will be combined with the R1/R2 PSC area into a new R1/R2/R4 PSC to be issued under the Petroleum Code 2017 and that the R3 PSC would continue as a stand-alone PSC area, thus retaining the full acreage position previously covered by the R1/R2 PSC and the R3/R4 PSC. The Group has subsequently agreed in principle with the Ministry of Petroleum to combine all four licence areas into a single PSC rather than the previous proposal of two PSCs. The new PSC will be valid for ten years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Ministers approval and the payment of the associated fee which is expected to occur by July 2021.

11. Inventory

As at 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Spare parts	**1,557**	1,499
Crude oil and condensates	**1,359**	2,521
	2,916	4,020

Spare parts are mainly for gas facilities operations.

12. Trade and other receivables

As at 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Trade receivables	**72,832**	30,864
Contract assets	**58,246**	19,497
Receivables from a joint arrangement	**419**	30,321
Other receivables	**5,548**	19,445
	137,045	100,127
Expected credit loss	**(17,213)**	(431)
	119,832	99,696
VAT receivables	**185**	75
Prepayments	**2,383**	6,561
	122,400	106,332

Movement in Receivables from a joint arrangement is described in note 9.

Included in Other receivables at 31 December 2019 were amounts relating to pipeline transport tariffs recoverable from one of the Group's gas customers, crude oil processing fees and other settlement amounts owed from joint arrangement partners. During 2020, the amount relating to pipeline transport tariffs has been offset with an equal amount owed to the owner of the pipeline following agreements with the counterparties.

The following has been recognised in the Statement of Comprehensive Income relating to expected credit losses:

Year ended 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Provision for expected credit loss	**(16,782)**	(431)
Gain on acquired credit impaired assets	**27,774**	—
Expected credit loss and other related adjustments	**10,992**	(431)

Details of the Trade receivables and Contract assets acquired following the purchase of the Nigerian assets were disclosed in the consolidated financial statements of the Group for the year ended 31 December 2019. For reporting purposes these acquired assets were shown net of any related ECL. After the acquisition, some of these assets have been fully recovered. Consequently, the associated ECL has been released, with a credit of US$27.8 million (2019: US$nil) being recognised in the Unaudited Consolidated Statement of Comprehensive Income. The recoveries on the acquired credit impaired assets are reflective of management's improved credit control processes throughout the year. The remaining ECL (US$14.4 million) that was netted within the fair value of the Trade receivables at acquisition remains netted within the trade receivables balance and will only be released when the associated receivables have been fully realised.

The provision for expected credit loss that has been recognised in the year relates to an expected credit loss recognised on new invoices raised during the year as well as changes in expected credit loss rates because of non-payment of certain invoices. Set out below is the movement in the allowance for expected credit loss on trade and other receivables and contract assets:

	2020 Unaudited US$'000	2019 Audited US$'000
As at 1 January	**431**	—
Provision for expected credit loss	**16,782**	431
As at 31 December	**17,213**	431

13. Cash at bank

As at 31 December	2020 Unaudited US$'000	2019 Audited US$'000
Cash and cash equivalents	**74,258**	46,256
Amounts held for debt service	**30,105**	—
	104,363	46,256

The Directors consider that the carrying amount of cash at bank approximates their fair value.

Cash and cash equivalents include US$1.2 million (2019: US$1.4 million) of cash collateral on the Orabank revolving facility. The cash collateral was at a value of XOF621.7 million (2019: XOF807.1 million).

Amounts held for debt service represents Naira denominated cash which is held by the Group for 2020 debt service, and this has been separately disclosed from Cash and cash equivalents as at 31 December 2020. In total, approximately US$78.9 million will be paid for the 2020 debt service from bank accounts designated as Amounts held for debt service, and from Cash and cash equivalents.

14. Capital and reserves

As at 31 December	2020 Unaudited	2019 Audited
Fully paid ordinary shares in issue (number)	**996,408,412**	996,408,412
Par value per share in GBP	**0.001**	0.001

	Number of shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2019 (audited)	816,969,427	1,240	—	1,240
Shares issued	179,438,985	153	61,204	61,357
At 31 December 2019 (audited)	996,408,412	1,393	61,204	62,597
Shares adjustments	—	16	888	904
At 31 December 2020 (unaudited)	**996,408,412**	**1,409**	**62,092**	**63,501**

Share adjustments includes amounts for previously issued shares held in trust, amounting to 9,239,454 shares.

In January 2019 the Company issued 62,800,000 new ordinary shares in an equity fund raising to the value of S$22.1 million (net).

In November 2019 the Company issued 116,638,985 new ordinary shares: 90,666,308 relating to shares issued with the US$20 million SSNs and the issue of 25,972,677 additional consideration shares for the Nigerian assets acquisition. The fair value of the issue of these shares amounted to US$40.4 million (gross).

	Treasury shares US$'000	Capital contribution US$'000	Share-based payment reserve US$'000	Other reserves US$'000	Total US$'000
At 1 January 2019 (audited)	—	458	5,908	(4,989)	1,377
Share-based payments expense during the year	—	—	540	—	540
Warrants expired	—	—	—	4,989	4,989
At 31 December 2019 (audited)	—	458	6,448	—	6,906
Share-based payments expense during the year	—	—	656	—	656
Treasury shares recognised	(59)	—	—	—	(59)
At 31 December 2020 (unaudited)	**(59)**	**458**	**7,104**	**—**	**7,503**

Nature and purpose of reserves

Treasury shares

Following re-admission of the Group onto the London Stock Exchange in December 2017, the Group established an employee benefit trust ("EBT") to facilitate the adoption of certain management and employee incentive schemes. The EBT subscribed for 42,624,837 ordinary shares at a nominal value of £0.001 per share, issued as part of the second tranche equity placing in February 2018. The EBT has been consolidated within these Group accounts from 1 January 2020, it had previously not been consolidated due to being immaterial.

Capital contribution reserve

On 1 August 2014 a capital contribution of US$458,000 was made by shareholders of the Group as part of the loan note conversion.

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Other reserves

The other reserves figure represents the reclassification of the fair value of warrants granted from equity to a financial liability, at initial grant date. These warrants expired during 2019.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while seeking to maximise the return to shareholders through the optimisation of the debt and equity balance.

15. Trade and other payables

As at 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Trade and other payables		
Trade payables	**40,590**	48,800
Accruals	**35,565**	58,531
VAT and WHT payable	**7,825**	5,222
Royalty and levies	**6,261**	6,317
Employee benefits	**74**	376
Deferred consideration	**7,500**	—
Other payables	**4,160**	938
Trade and other payables	**101,975**	120,184
Other payables – non-current		
Employee benefits	**4,648**	—
Deferred consideration	**—**	7,500
Other payables – non-current	**4,468**	7,500
	106,623	127,684

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Deferred consideration amounting to US$7.5 million relates to a loan note that was initially acquired via the acquisition of

the Nigerian assets in November 2019, which was then acquired by the Company for future settlement. The amount is due

to be repaid by June 2021 and is interest bearing at 8% per annum.

16. Borrowings

As at 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Revolving credit facility	**12,998**	9,914
Bank loans	**376,509**	388,209
Senior Secured Notes	**106,513**	115,833
Other loan notes	**18,642**	18,096
	514,662	532,052

As at 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Current borrowings	**89,995**	71,387
Non-current borrowings	**424,667**	460,665
	514,662	532,052

Accugas Limited has a bank loan facility amounting to US$370.6 million (2019: US$382.1 million). Repayments of principal commenced on 31 December 2019 and amortise semi-annually until the final maturity date of 31 December 2025. Principal repayment amounts are calculated as a variable percentage of the facility outstanding, increasing over the life of the facility. This facility incorporates a cash sweep to accelerate repayments subject to certain minimum cash balances. The facility carries a weighted average interest rate of 10.49%, plus three-month US LIBOR per annum.

Savannah Energy Uquo Gas Limited has a Senior Secured Note of US$92.4 million (2019: US$105 million). Repayments of US$4.2 million are due semi-annually and will continue until 30 June 2026, with

the remaining balance due at the final maturity date of 31 December 2026. The note carries a coupon of 8% per annum. The subsidiary also has a term facility amounting to NGN4.26 billion (US$10.9 million, 2019: NGN4.8 billion, US$13.2 million). Repayments of principal in amount of NGN180 million (US$0.5 million) are due semi-annually until the final maturity date of 31 December 2026 at which time all remaining unpaid principal is due. The loan carries an interest rate of three-month NIBOR plus margin of 5% per annum.

Accugas Holdings UK Plc has a promissory note of US$12.9 million (2019: US$11.5 million). Repayments of principal in the amount of US$0.5 million will commence on 30 June 2021 and continue semi-annually until the final maturity date of 31 December 2025, at which time all unpaid principal is due. The loan carries a cash interest rate of 8% per annum, with a payment-in-kind interest option of 10% per annum. The payment-in-kind interest option was exercised in 2020.

Accugas Holdings UK Plc also issued a Senior Secured Note of US$20 million on 14 November 2019. The term of the note is for repayment in full by 14 November 2025. The loan carries a cash interest rate of 6% per annum, with a payment-in-kind interest option of 8% per annum. The payment-in-kind interest option was exercised in 2020. The note also includes a voluntary prepayment redemption option whereby early repayment of the principal amount will result in a discount to the contractual loan value. If this repayment option is invoked before 14 November 2021, a discount of 40% will be applied to the face value of US$20 million. The repayment amount will increase by 10% yearly, until the maximum amount redemption option is 100% in 2024. As an embedded derivative, this option is required to be separated from the host contract and valued separately. Initially, the fair value of the note without any call option was calculated by discounting the future expected cash flows at a market yield. This resulted in an initial amortised value of US$17.9 million with an EIR of 8.73%; the loan balance has increased due to accretion of interest and the utilisation of the payment-in-kind option with a balance of US$19.5 million at 31 December 2020 (2019: US$17.9 million). The call option value was estimated using a synthetic American receiver swaption model, adjusting for additional cash repayments required for early exercise. The value of the option was remeasured to an estimated US$5.4 million (2019: US$7.1 million) with the movement recognised as FVTPL. The option has been recorded within non-current borrowings.

In September 2018 the Company issued unsecured loan notes with an outstanding balance at 31 December 2020 of £1.2 million (US$1.6 million, 2019: £0.8 million, US$1.0 million).

In October 2019, the Company entered a three-month loan facility for an amount of US$5.0 million bearing a fixed interest charge over the life of the facility at a rate of 7% of the amount borrowed. This facility also gave the lender the right to convert the loan to equity shares if the amounts borrowed were not repaid at maturity. This facility was terminated at the Company's option during the year without the conversion option being exercised.

In June 2020, the Company entered into a new unsecured US$5.0 million revolving credit facility. The balance as at 31 December 2020 was US$4.1 million and is due for repayment in three instalments between March and June 2021.

In December 2016, Savannah Energy Niger SA entered into a XOF7.5 billion, three-year revolving credit facility with Orabank SA bearing interest at 7.5% per annum. The facility was extended in December 2019 for a further three-year tenor. The balance at 31 December 2020 was XOF6.9 billion (US$13.0 million, 2019: XOF5.8 billion, US$9.9 million).

On 30 April 2020, the Company entered into a US$15.0 million committed finance agreement. The facility is available for use in connection with the Group's general corporate and working capital purposes. A redemption fee of 8% per annum accrues on any amounts of the finance drawn down from time to time on a straight-line basis and is payable on the date any amount of the finance is repaid. The facility expires on 31 October 2021 and has not been utilised to date. Subsequent to the Statement of Financial Position date, the facility has been increased to US$20.0 million with the expiry date extended to 31 December 2022.

17. Contract liabilities

Contract liabilities represents the value of gas supply commitment to the Group's customers for gas not taken but invoiced under the terms of the contracts. The amount has been analysed between current and non-current liability, based on the customers' expected future usage gas delivery profile. This expected usage is updated periodically with the customer.

As at 31 December	**2020 Unaudited US$'000**	2019 Audited US$'000
Amount due for delivery within 12 months	**5,065**	3,942
Amount due for delivery after 12 months	**185,172**	118,052
	190,237	121,994

	2020 Unaudited US$'000	2019 Audited US$'000
As at 1 January	**121,994**	—
Additional contract liabilities	**86,881**	13,278
Contract liabilities utilised	**(23,632)**	—
Unwind of discount on contract liabilities	**4,994**	—
Acquired on acquisition of subsidiaries	—	108,716
As at 31 December	**190,237**	121,994

Following the purchase of the Nigerian assets on the 14 November 2019, the contract liabilities balance was adjusted to reflect the fair value at the acquisition date. Discount amounting to US$5.0 million (2019 US$nil) has been unwound during the year as make-up-gas has been delivered. The unwind has been recognised within finance costs (note 6).

18. Cash flow reconciliations

A reconciliation of profit or loss before tax to net cash flows from operating activities is as follows:

	Year ended 31 December 2020 Unaudited US$'000	Year ended 31 December 2019 Audited US$'000
Profit/(loss) for the year before tax	**10,908**	(105,413)
Adjustments for:		
Depreciation	**1,492**	801
Depletion	**34,789**	8,850
Gain on acquisition of a subsidiary	**—**	(10,209)
Finance income	**(388)**	(1,378)
Finance costs	**75,796**	12,173
Fair value movement	**1,682**	54,664
Unrealised foreign translation loss/(gain)	**404**	(815)
Share option charge	**656**	540
Expected credit loss and other related adjustments	**(10,992)**	431
Operating cash flows before movements in working capital	**114,347**	(40,356)
Increase in trade and other receivables and inventory	**(48,177)**	(8,458)
(Decrease)/Increase in trade and other payables	**(11,626)**	22,823
Increase in contract liabilities	**63,247**	13,278
Decrease in other assets	**—**	390
Income tax paid	**(2,222)**	—
Net cash generated from/(used in) operating activities	**115,569**	(12,323)

18. Cash flow reconciliations (continued)

In 2019, included within the Group and the Company's Net cash outflow from operating activities was an amount of US$15.0 million received from Africa Infrastructure Investment Managers ("AIIM") as a funding contribution to the Company's Transaction costs associated with the acquisition of the Nigerian assets. This was in addition to the US$39.0 million that AIIM invested directly into the newly acquired Nigerian assets. This has been shown within Sale of a non-controlling interest in the Consolidated Statement of Cash Flows.

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Borrowings US$'000	**Lease liabilities US$'000**	**Total US$'000**
At 1 January 2020 (audited)	**532,052**	**5,570**	**537,622**
Cash flows			
Repayment	**(31,474)**	**(767)**	**(32,241)**
Proceeds	**7,213**	**—**	**7,213**
	(24,261)	**(767)**	**(25,028)**
Non-cash adjustments			
Payment in kind adjustment/accretion of interest	**3,991**	**372**	**4,363**
Lease liability additions	**—**	**3,050**	**3,050**
Net debt fees	**1,049**	**—**	**1,049**
Borrowing fair value adjustments	**1,682**	**—**	**1,682**
Foreign translation	**149**	**(164)**	**(15)**
At 31 December 2020 (unaudited)	**514,662**	**8,061**	**522,723**

	Borrowings US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2019 (audited)	14,872	—	14,872
Adoption of IFRS 16	—	5,056	5,056
Revised 1 January 2019 (audited)	14,872	5,056	19,928
Cash flows			
Repayment	(16,381)	(302)	(16,682)
Proceeds	18,650	—	18,650
	2,269	(302)	1,968
Non-cash adjustments			
Acquisition of the Nigerian assets	524,361	—	524,361
Accretion of interest	—	251	251
Net debt fees	(7,084)	—	(7,085)
Borrowing fair value adjustments	(2,366)	—	(2,366)
Foreign translation	—	565	565
At 31 December 2019 (audited)	532,052	5,570	537,622

19. Events after the reporting period

In February 2021 the Group entered into a new gas sales agreement (“GSA”) with Mulak Energy Limited (“Mulak”). The GSA is initially for a seven-year term. It envisages the supply of gas for an initial two-year period on an interruptible basis (the “Interruptible Gas Delivery Period”) and the subsequent five years on a firm contract basis (the “Firm Delivery Period”). During the Interruptible Gas Delivery Period, Mulak is able to nominate a maximum daily quantity of up to 2.5 MMscfpd. Volumes in the Firm Delivery Period will be agreed by the parties before the end of the Interruptible Gas Delivery Period. The GSA is priced to reflect Mulak’s status as an industrial customer. Sales under the GSA benefit from a bank guarantee arrangement from an investment grade credit rated international bank. Sales under the GSA are expected to commence in 2022.

Subsequent to the Statement of Financial Position date, the Group has agreed in principle with the Ministry of Petroleum to combine all four licence areas into a single PSC rather than the previous proposal of two PSCs. The new PSC will be valid for 10 years from the date of signing the agreement. Ratification of the new PSC is subject to Council of Ministers approval and the payment of the associated fee which is expected to occur by July 2021.

In May 2021 the Group increased the US15.0 million committed finance facility (as described in note 16) to US$20.0 million. The facility expiry date was also extended from 31 October 2021 to 31 December 2022. No other terms of the facility were amended.