SAVANNAH PETROLEUM

Realising the opportunity

Annual Report and Accounts 2018

About Us

Savannah Petroleum PLC is a leading British independent oil and gas company with operations in West Africa. We have been listed on the AIM of the London Stock Exchange since 2014.

Under the guidance of Savannah's proven Board and management team, our business model is centred around the delivery of material long-term returns for our stakeholders through the sustainable development and ultimate monetisation of high-quality, high-potential oil and gas projects.

Front cover image:
A member of Savannah's operations team prepares casing for one of the Company's successful 2018 Niger exploration wells.

Proud to partner Niger & Nigeria

About this report
This report assumes that Savannah Petroleum PLC ("Savannah" or the "Company") will acquire certain oil and gas assets (the "Seven Assets") currently held by Seven Energy International Limited ("Seven Energy" or "Seven") on the terms set out in Savannah's AIM Admission Document dated 22 December 2017 (the "Seven Energy Transaction" or the "Transaction"), as amended by the Company's RNS dated 20 September 2018 (specifically relating to the gas for oil swap with Frontier Oil Limited and the buy-out of minority shareholders in Universal Energy Resources Limited) and as further amended by the Company's RNS dated 21 December 2018 (specifically relating to the acquisition of an additional 55% interest in Accugas as well as the sale of a 25% (less one share) interest in SUGL and Accugas to AIIM). Unless otherwise defined, capitalised terms are as per the Company's December 2017 Admission Document.

Savannah Petroleum aims to produce an open and transparent annual report, which provides a clear portrayal of our strategy and activities. We strive to improve our reporting year on year and welcome stakeholder feedback at: ir@savannah-petroleum.com

Welcome to the Savannah Petroleum Annual Report 2018

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A leading player in Niger and Nigeria

Two high-quality, high-growth business units

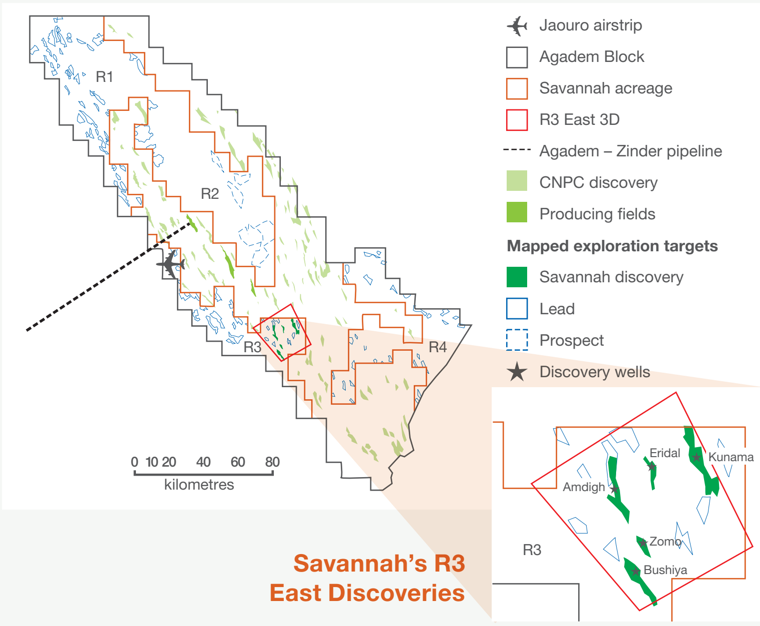
Niger – c.50% of the Agadem Rift Basin under licence

In Niger, Savannah holds two production sharing contracts, R1/R2 and R3/R4.

Our Niger production sharing contracts ("PSCs") cover an area of 13,655km², representing c.50% of the main petroleum basin in Niger, the Agadem Rift Basin.

In 2018 Savannah launched its maiden exploration drilling campaign on the R3 East portion of the R3/R4 PSC, delivering five discoveries from five wells. We have a proud operational track record in Niger, with all projects having been delivered ahead of budgeted time. Our current focus projects are the delivery of first production and cash flows from our planned R3 East Early Production Scheme, and preparation for our next drilling campaign where we expect further material resource additions through targeting some of the 119 potential exploration targets we have identified on our acreage.

The Agadem Rift Basin and Savannah's PSC areas



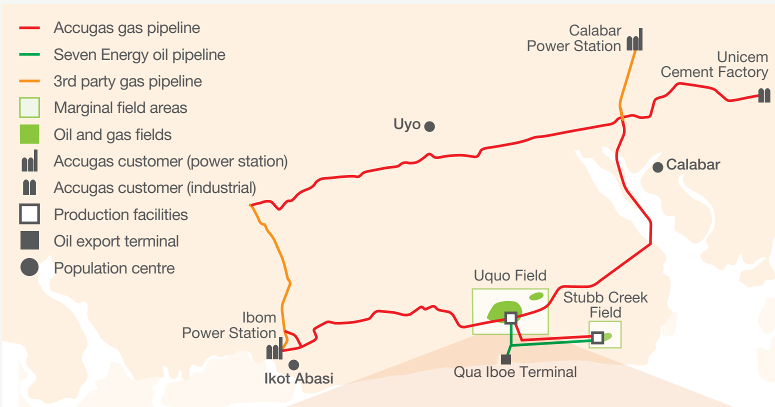
Savannah's R3 East Discoveries

Nigeria – supplying gas for up to c.10% of Nigeria's power generation capacity

In Nigeria, Savannah is in the process of acquiring a significant interest in a large-scale gas production and distribution business from Seven Energy.

The Seven Assets comprise interests in two large-scale oil and gas fields, Uquo and Stubb Creek, with a net 2P and 2C reserve and resource base of 134 mmboe[1], and the Accugas midstream business. Gas produced from Uquo is processed and transported through Accugas' infrastructure, which includes a 200 mmscfd processing facility and a c.280km pipeline network connecting Uquo to end users, including the Calabar and Ibom power stations and the Unicem cement factory. Following completion of the Transaction, Savannah's focus in Nigeria will be on maximising the cash flow generation potential of the Seven Assets, while also reviewing select other new venture opportunities.

Seven Energy's South East Nigerian operations



Uquo Central Processing Facility

Investment Case

Delivering material long-term returns

Board and management team with strong track record of sustainably growing and monetising oil and gas projects

Niger	Nigeria	Corporate
Five discoveries from five exploration wells in 2018	**Transformational Seven Energy acquisition with contracted asset free cash flow of >US$123m p.a.[2]**	**Supportive, long-term oriented institutional and management shareholder base**
First oil and cash flow anticipated in 2019 from R3 East development	**Large, strategic gas business capable of supplying c.10% of Nigeria's power generation capacity**	**Focused on creating significant shared value and lasting benefits for all stakeholders**
Large acreage position with 119 mapped potential future exploration targets	**Strongly positioned to deliver further organic and inorganic upstream oil and gas projects**	**Strong culture of governance and delivery**

R3 East drilling campaign, Niger

Pipeline works, Nigeria

R3 East drilling campaign, Niger

Chairman's Statement

A year of achievement, and well set for continued growth

> Following our successes in 2018, we expect to deliver first oil from Niger in 2019 and we are poised to begin reaping the rewards of our strategy in Nigeria upon completion of the Seven Energy Transaction."
>
> **Steve Jenkins**
> Chairman

2018 was a transformational year for our Company, which saw us achieve a 100% success rate in Niger with five discoveries from five wells. As a geologist, I have been highly encouraged that our drilling results provide validation for our original thesis for entering the Agadem Rift Basin: being that significant portions of Savannah's acreage are analogous to that of the neighbouring Agadem PSC area, which has proven so prolific for the joint venture partnership led by China National Petroleum Corporation. In Nigeria, we also delivered material enhancements to our landmark Seven Energy Transaction, which we expect to complete in short order.

Macroeconomic and commodity price conditions improved during the period, with a resurgence in oil prices leading to renewed optimism and greater levels of investment across the oil and gas industry. Whilst there has been a certain amount of volatility in the market in the last twelve months, oil prices remain above US$60 per barrel and appear to have settled within a narrower trading range. We have also benefited from ongoing stability in both Niger and Nigeria, where post period end we saw President Buhari elected to his second term in office in Nigeria.

As the only British oil and gas company operating in Niger, we take great pride in our relationship with the Niger Government and the local communities we engage with. We have built a strong reputation in-country and are proud of the achievements we have made in the region to date. Similarly, in Nigeria Seven Energy has prioritised building strong ties with their stakeholders. We look forward to supplementing these relationships with those of our own as we complete the Transaction, integrate the Seven Assets and continue to grow our activities in country. We are optimistic about the potential of the Seven Energy assets, and our entry into the growing Nigerian gas market, as well as the positive economic and social contribution our ongoing operations and investments in the country are expected to make.

The Company continues to place the highest level of importance on its corporate governance, health, safety, security and environment, and Corporate Social Responsibility ("CSR") procedures. During 2018 the Company maintained safe and reliable operations in Niger, incurring zero Lost Time Incidents ("LTIs"), and delivering these operations within budgeted time. We firmly believe in the operational capabilities of our Nigerien workforce and will continue to focus on achieving the highest standards of operational excellence in-country. Savannah places the utmost importance on the welfare of its employees and contractors and takes every precaution necessary to ensure that the highest levels of safe working practices are attained.
In addition, the Company continued to drive a number of important CSR initiatives, including the drilling of water wells, a livestock vaccination campaign and the construction of a pharmacy and provision of medical supplies for the communities who live around our operations on R3 East. These initiatives were developed in close collaboration with the local communities and are clear examples of our commitment to making a long-term, sustainable commitment to the areas where we operate.

As a Company we are committed to generating value for all our stakeholders, including the host countries we operate in. We champion West Africa as an oil and gas producing region and to demonstrate that Niger and Nigeria are best-in-class territories for international companies like ours to operate in. We are fully aligned with the growth ambitions of these countries, with both economies and populations set to increase significantly over the coming decades. We are focused on delivering first oil for Savannah in Niger in 2019 and on delivering production and cash flows from the Seven Assets, both of which are expected to generate long-term, material returns for our stakeholders. Our track record of achieving best-in-class operations, whilst maintaining a strict focus on capital discipline, is something we are determined to maintain, as we believe this is a key differentiator for Savannah versus our peers.

At Savannah, we recognise that a strong corporate culture is of paramount importance to the success of the business. The Board is focused on ensuring we have the right people and processes to ensure our business values flow through the Company, at all levels of the organisation. We strive to make Savannah a stimulating organisation to work within, and that our employees are engaged and motivated to drive the business forward and achieve the high standards we set for ourselves.

I would like to thank all of our shareholders for their continued support. Following our successes in 2018, we expect to deliver first oil from Niger in 2019 and we are poised to begin reaping the rewards of our strategy in Nigeria upon completion of the Seven Energy Transaction. I would also like to offer my gratitude to the governments of Niger and Nigeria for their ongoing co-operation and support during what has been a landmark year in Savannah's corporate history. Finally, I would like to thank all of the Savannah and Seven teams, as well as our advisers, for their tireless efforts and dedication during the year. Without their endeavours our considerable achievements during 2018 would not have been possible. I look forward to updating our stakeholders on our progress during the course of the coming year.

Steve Jenkins
Chairman

30 May 2019

Changes to corporate governance regime

Recent changes to AIM Rule 26 require all AIM-listed companies to adopt and comply with a recognised corporate governance code.

The Board recognises the importance of sound corporate governance and remains committed to maintaining high standards of corporate governance. It has adopted the 2018 Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code") as the basis of the Group's governance framework.

The Corporate Governance Report explains the progress made so far against the ten broad QCA corporate governance principles to prepare for running the business in line with the code next year.

See pages 32 to 53.

"As a geologist, I have been highly encouraged that our drilling results provide validation for our original thesis for entering the Agadem Rift Basin."

2018's successes create an exciting outlook for 2019 and beyond

> At the time of writing, we shortly expect to complete the Seven Energy Transaction (on revised and improved terms) and I strongly believe that this will prove to have been worth the wait."
>
> **Andrew Knott**
> Chief Executive Officer

Dear fellow shareholders

Savannah's 2018 was dominated by three key themes: (1) our repeated exploration successes in Niger; (2) the value enhancing amendments we secured in relation to the Seven Energy Transaction; and (3) ensuring that we have additional resources and processes in place to enable us to deliver the growth we see in our enlarged asset base. In this letter I will discuss each of these themes, as well as our plans to realise the further potential of our existing assets, future growth opportunities and the equity market as it relates to Savannah.

Niger

At a high level, our stated business model for our Niger PSCs is that we are seeking to discover material oil resources for a low finding cost relative to the expected net present value per barrel of the cash flows we ultimately expect to yield from these discoveries. Our assessment of the historic Agadem Rift Basin ("ARB") finding cost is c.US$1/bbl versus an expected net present value of c.US$5/bbl[3] for a generic discovery. This business model is underpinned by three core views, being that:

(1) **Our PSC areas are technically low risk:** We believe that large portions of our Niger PSC areas are analogous to that of the neighbouring Agadem PSC area, which has seen 95 oil discoveries from 129 exploration wells drilled on it to date (a 74% success rate) and that therefore, to quote our Chairman Steve Jenkins, our acreage contains *"all of the necessary ingredients for repeatable exploration success."*[4]

(2) **The ARB is an established oil and gas jurisdiction conducive to successful operations:** The ARB operating environment is proven, with established logistics and service company networks, giving us confidence to deliver exploration, development and production projects. For example, the established service companies in the ARB have acquired over 30,000km 2D and 13,000km^2 3D seismic, drilled over 200 wells and built production, pipeline and refinery facilities.

(3) **Commercialisation of ARB discoveries is relatively straightforward:** The ARB has existing downstream infrastructure in place and the country has plans for export infrastructure to be installed over the coming years. First oil was delivered on the neighbouring Agadem PSC from a standing start three years from license award (including the construction of a new 463km pipeline and associated refinery). Further, an appropriate legal framework for sharing third party infrastructure exists in Niger.

2018 was a year of validation for our Niger business model. Our exploration campaign, expanded during the year to five wells from three initially planned, resulted in the discovery of five new oil fields – Bushiya, Amdigh, Kunama, Eridal and Zomo – delivering a 100% exploration success rate and confirming our belief that our PSC areas are technically low-risk. Similarly, we utilised the ARB's proven oil service providers and infrastructure networks to deliver our enlarged campaign ahead of budgeted time, further confirming our views in relation to the straightforward operating environment. Lastly, we made strong progress towards commercialising our discoveries, having signed an agreement in August 2018 with Niger's Ministry of Energy and Petroleum (the "Ministry") in relation to the implementation of an Early Production Scheme ("EPS"), with plans to sell crude oil to the Société de Raffinage de Zinder refinery. In March 2019 we formally submitted our Field Development Plan for the EPS to the Ministry for approval and, at the time of writing, anticipate delivering first oil from our discoveries in 2019, an industry-leading time from discovery to development. Over the course of 2020 we believe that these discoveries have the potential to deliver meaningful cash flows to our Company.

Our focus in Niger in 2019 will be on testing the Amdigh-1 discovery, delivering first oil from our R3 East EPS, and commencing a further exploration programme in the second half of the year, potentially with a partner. We expect this process to be one that adds significant value for all of our stakeholders.

Nigeria

In Nigeria, I would first like to remind readers why we chose to originally enter the country and why we see such strong potential in the Seven Assets, before going onto discuss the impact of the amendments to the Transaction that we announced during 2018.

Nigeria is one of the largest petroleum jurisdictions in the world (average oil production of 1,988 kbopd[5]) and is estimated to contribute 16% of the upstream cash flows of the major international oil companies present in country[6]. We believe that the Nigerian oil and gas industry is in the early stages of a process (similar for example to the UK North Sea in the 1990s/early 2000s), whereby the larger players will accelerate their divestment of non-core assets to mid-size companies for whom the assets are: (1) material; and (2) offer focused management teams the potential to generate significant returns. In other words, we see Nigeria as a high-potential jurisdiction for a medium-size company to build a business.

In November 2017 we announced our intention to acquire interests in two large-scale oil and gas fields (Uquo and Stubb Creek) alongside a 20% interest in the Accugas midstream gas business from Seven Energy at a price equating to c.36% of invested capital. Seven became distressed over the course of 2016 due to issues including an unsustainable c.US$0.9 billion of borrowing and delay in ramp up in gas volumes. During the acquisition process, a World Bank Partial Risk Guarantee (effectively a bank payment guarantee) was put in place to cover Seven's main gas sales agreement, meaning that 92% of the forward revenue stream is now expected to come from investment grade equivalent customers.

Over the course of 2018, we took advantage of opportunities to amend the original terms of the Transaction through:

(1) the acquisition of an additional 55-60% controlling economic interest in Accugas;

(2) acquiring effective operational control over the Uquo gas field through a Memorandum of Understanding ("MOU") with Frontier Oil; and

(3) selling a 20-25% interest in Uquo to Africa Infrastructure Investment Managers ("AIIM") for US$54-70 million.

Our Board and management team took the decision to make these amendments while recognising that they would result in a delay to the completion of the Transaction, given the material positives they represent for the Enlarged Group going forward. As I said at the time they were announced: *"In aggregate, they grant control of Accugas [and Uquo] to Savannah, are demonstrably NPV and cash flow accretive, release significant cash to the Company and significantly increase the upside exposure of our South East Nigerian gas business to rising gas volumes and prices."*

The table below summarises the aggregate impact of the "new deal" versus the original deal:

Summary of interests being acquired by Savannah following Transaction amendments[7]

	December 2017	**December 2018**	Comment
Uquo Gas & Condensate	87.7%	**75.0%**	Amended per Frontier MOU and subsequent acquisition by AIIM
Uquo Oil	85.0%	**–**	Amended per Frontier MOU
UERL (Stubb Creek)	62.5%	**100.0%**	Buy-out of UERL minorities
Accugas	20.0%	**75.0%**	Acquisition of further 55%

Acquired assets 2P NPV10 net to Savannah[8]

US$m	December 2017 CPR (DCQ)	**December 2018 (DCQ)**	% Change (DCQ, 2018 vs. 2017)	**December 2018 (ToP)**
NPV10	757	**1,023**	+35%	**920**

Summary of expected net asset cash flows from acquired assets[8, 9]

US$m	December 2017 CPR (DCQ)	**December 2018 (DCQ)**	% Change (DCQ 2018 vs. 2017)	**December 2018 (ToP)**
2019	78.5	**115.3**	+47%	**103.7**
2020	97.7	**153.5**	+57%	**120.0**
2021	102.7	**164.2**	+60%	**131.3**
2022	102.7	**172.6**	+68%	**138.3**
Average	95.4	**151.4**	+58%	**123.3**

The execution of the Transaction has required us to reach agreements with 14 different financial stakeholders in Seven Energy. The ability of the Savannah and Seven Energy teams to deliver this as well as to implement the World Bank PRG, is a strong testament to the Enlarged Group's commercial capabilities and our core cultural value of "making things happen".

At the time of writing, we shortly expect to complete the Transaction (on the revised and improved terms) and I strongly believe that this will prove to have been worth the wait. Following this, Savannah's focus will be on maximising the cash flow generation potential of the Seven Assets. The Accugas infrastructure has significant spare capacity and is the only major infrastructure of its type in South East Nigeria; we therefore see strong growth potential going forward through the acquisition of new gas fields and customers. Outside of the Seven Assets, we also see strong potential to access new oil-focused growth opportunities in Nigeria over the medium term, however additional assets will only be introduced into the portfolio if they present an appropriate return on invested capital profile.


Rig GW-215 during Savannah's Niger drilling campaign

Corporate

Over 2018 we maintained our focus on ensuring that our Company has the correct resources in place to deliver on our business plan for existing assets as well as to enable us to deliver our strategic growth aspirations. Key hires over the year included the appointment of a Chief Operating Officer, a Chief Compliance Officer and a Group Head of Human Resources.

Despite the obvious value accretion of the Seven Energy Transaction and the exploration success we have enjoyed in Niger, since announcement of the Transaction our shares have underperformed the wider index. This followed the period prior to the announcement of the Transaction during which our shares had outperformed our peers[10].

This underperformance came despite management holding in excess of 120 meetings with investors and providing regular corporate updates through a variety of media, and appears to have been driven by an enhanced perception of Transaction completion risk. This comes despite the fact that the extended completion timetable is a result of the positive amendments to the Transaction discussed earlier in this letter. We hope and expect that, following completion, we will be able to demonstrate the full potential of our enlarged asset base and our share price will then perform accordingly.

We are fortunate that both of the core projects we are pursuing have the potential to make material contributions to the countries in which we operate. In Niger, our ARB project has the potential to make a material impact on the country's economic growth rate over the course of the next decade, while in Nigeria the assets that we are acquiring have the potential to supply approximately 10% of the country's power generation requirements. I am proud we have built a business which is working (and delivering) on such projects, and am very excited about the outlook for Savannah in 2019 and beyond. I look forward to sharing updates on our business with fellow shareholders over the course of the coming years.

Finally, I would like to add to our Chairman's comments, and thank our host country stakeholders, both governmental and local community, in Niger and Nigeria for their ongoing support for our projects. I would also like to thank all of the Savannah and Seven Energy staff for their continued dedication and hard work.

Andrew Knott
Chief Executive Officer

30 May 2019

What we do

We seek to enhance and ultimately realise sustainable value for stakeholders through the successful delivery of material oil and gas projects

Resources and relationships

Investors

78%
Total shares outstanding held by top 20 investors

>US$560m
Total debt being provided by a group of 14 lenders

Host countries

Countries of operation
2

Producing fields
2

Undeveloped discoveries
5

Production capacity
38 kboepd

People

Enlarged Group employees
123

Oil and gas asset life cycle

Acquire/find

Through exploration drilling we find oil to build reserves and resources, sell in the ground or develop for future production. Through the acquisition of seismic, other geophysical studies and detailed subsurface work we build targeted drilling prospect inventories.

Develop

We drill wells and install facilities and infrastructure to bring discoveries safely into production in a cost efficient and fast-track manner.

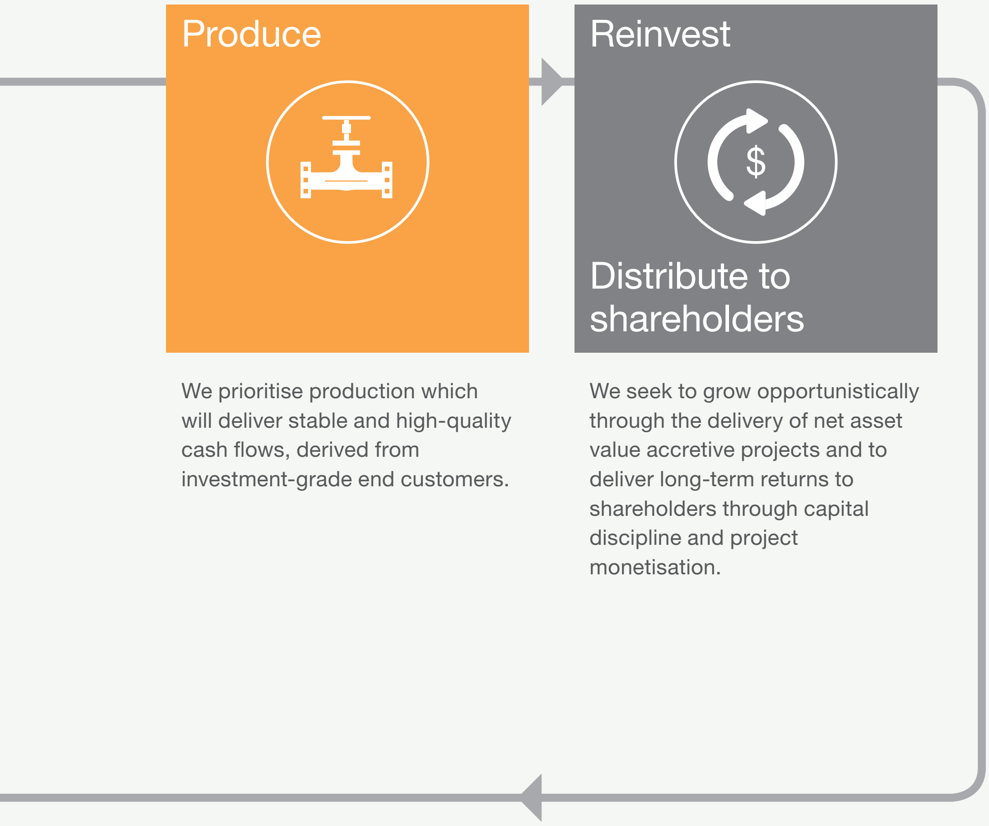
Our business model is underpinned by our entrepreneurial culture …

Savannah has an entrepreneurial and proactive culture; we aim to move quickly and take advantage of opportunities that arise and to react promptly to changes in our environment. This is accompanied by a focus on generating long-term value over short-term results.

Pages 10 and 11 are shown on a pro-forma, Enlarged Group basis following the expected completion of the Seven Energy Transaction.

"We believe that E&P companies can create substantial value by acquiring, either organically or inorganically, oil and gas reserves and resources at a significant discount to the net present value per share of the cash flows that they are capable of subsequently realising from those reserves and resources."

Andrew Knott
CEO



We prioritise production which will deliver stable and high-quality cash flows, derived from investment-grade end customers.

We seek to grow opportunistically through the delivery of net asset value accretive projects and to deliver long-term returns to shareholders through capital discipline and project monetisation.

Value for our stakeholders

Investors

US$123m
p.a. contracted asset free cash flows[2]

Shareholder distributions over time

Host countries

US$116m[11]
Total payments to governments

US$284m[11]
Spent with local contractors and suppliers

Contribution to local economic growth

People

100%
Enlarged Group employees received training in 2018

Focus on employee equity incentivisation

... and supported by our commitment to the highest standards of behaviour

We place health, safety and compliance at the core of our business practices.
We hold ourselves accountable to internationally accepted standards of behaviour in these areas and demand the same standards from our partners and suppliers.

Delivering on our key objectives

Strategic objective	2018 KPIs
Deliver exploration success in Niger	• Drill three exploration wells on the R3 East area in Niger • Discover commercial volumes of hydrocarbons
Complete acquisition, integration and stabilisation of Seven Energy business	• Legally complete Seven Energy Transaction
Pursue a focused organic and inorganic growth strategy	• Actively review >20 potential growth opportunities • Deliver at least one materially NAV-accretive growth opportunity (or a series of smaller opportunities which in aggregate are material)
Finance our business	• Ensure the availability of sufficient debt and equity capital to finance our business
Deliver value in a safe and responsible manner	• Operate safely, within time and budget expectations and with no harm to the environment • Maintain social licence to operate
Deliver cash flow and production from Niger (2019 only)	• n/a

2018 performance	2019 KPIs
• Five discoveries made from five wells on the R3 East area • Plans for Early Production Scheme ("EPS") confirmed, anticipated to deliver production of up to 5 kbopd • Signature of a Memorandum of Understanding ("MOU") with the Government of Niger in relation to infrastructure access for the R3 East EPS, delivering a clear monetisation solution and path to cash flows	• Finalise contractual and operational framework to enable further multi-well drilling campaign to commence
• Announced acquisition of an additional 55% interest in Accugas • Announced sale of 25% of the Uquo gas project and Accugas to AIIM for US$70 million • Resultant deferral of Transaction completion date to 2019	• Complete acquisition and integration of Seven Energy assets and skills • Ensure timely receipt of payment for gas deliveries • Secure new gas purchasers from Accugas
• Announced acquisition of operational control of Uquo CPF and increased interest in Uquo gas project, expected to grant enhanced control over South East Nigeria gas value chain • Announced buyout of 37.5% minority shareholders in UERL, the entity which owns Seven Energy's interest in the Stubb Creek field • Reviewed >20 potential growth opportunities	• Actively review >20 potential growth opportunities • Deliver at least one materially value-accretive growth opportunity (or a series of smaller opportunities which in aggregate are material)
• Completion of US$125 million equity raise in February 2018 funded acquisition of SSNs as part of the Seven Energy Transaction and costs relating to value-enhancing Transaction amendments • Two further exploration wells in Niger drilled (in addition to three originally planned)	• Ensure the availability of sufficient debt and equity capital to finance our business
• Niger exploration drilling campaign delivered with zero LTIs • Targeted CSR programme delivered in the communities where we operate	• Operate safely, within time and budget expectations and with no harm to the environment • Maintain social licence to operate
• n/a	• Successfully complete Amdigh-1 well test • Submit R3 East field development plan ("FDP") and receive approval • Deliver R3 East early production scheme in line with approved FDP timelines

Country Review: Niger

Capturing the opportunity in the Agadem Rift Basin

A world-class exploration province

The Agadem Rift Basin ("ARB") has proven to be one of the world's most successful exploration provinces since 2008, with a c.1 billion bbl 2P reserve base established and an exploration success rate of c.80%.

The NW-SE trending ARB is situated in eastern Niger within the Central African Rift System, and is approximately 350km long and 100km wide. It therefore covers an area almost 1.5x the size of Wales, or for our US readers approximately the size of Massachusetts.

The emergence of the ARB as a world-class exploration province coincided with the entry in 2008 of China National Petroleum Corporation ("CNPC"), who acquired exploration rights to the original Agadem permit. Since 2008, a multi-billion dollar investment programme has seen the acquisition of >30,000km 2D and >13,000km^2 3D seismic, the drilling of over 200 wells, and the establishment of major logistics and infrastructure hubs including an oil pipeline and refinery.

A proven petroleum system

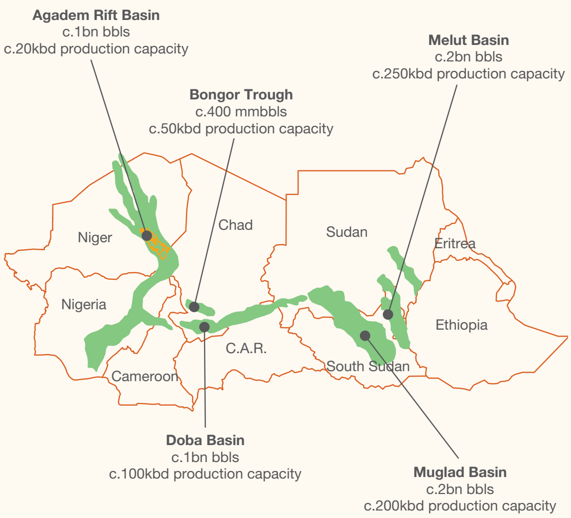
The ARB evolved in two main rift phases, resulting in sediments of up to 10km being deposited in the basin centre. Initial rifting during the Early Cretaceous was followed by extensive deposition in a marine to restricted marine environment (Yogou & Donga formations) with evidence of connections to Tethys in the north. Eventually the basin was cut off from the oceans and transitioned to a fluviolacustrine environment with cyclic deposition of shale and sand dominated facies (Upper Sokor & Sokor Alternances formations) throughout much of the Palaeogene.

Good quality reservoirs are present at many levels within the ARB and on a regional basis, reservoir presence and quality is seen as being a low risk play element. The favourable structural setting of the Palaeogene aged traps, combined with seemingly excellent migration efficiency and charge timing from the Lower Yogou marine shale helps to explain the exceptionally high rate of discoveries, with almost all defined traps containing producible hydrocarbon fluids. The prospectivity on Savannah's two PSCs, R1/R2 and R3/R4, is high, with many analogue structures to known discoveries identified on seismic data (limiting trap risk) and remaining to be drilled. While the sealing effectiveness will depend on fault juxtaposition, the stacked reservoir arrangement of the Alternances will mitigate against any side-seal uncertainty and help to increase the overall exploration success rate. Therefore, all petroleum system elements (i.e. trap, reservoir presence, seal, source rock and migration) have a high probability of being present, making further exploration relatively low risk.

The under-explored deeper Cretaceous play systems, while higher risk, are believed to offer significant upside and in the future are expected to be targeted in conjunction with Sokor Alternances prospects.

The ARB's regional context

Central African rift system[12]

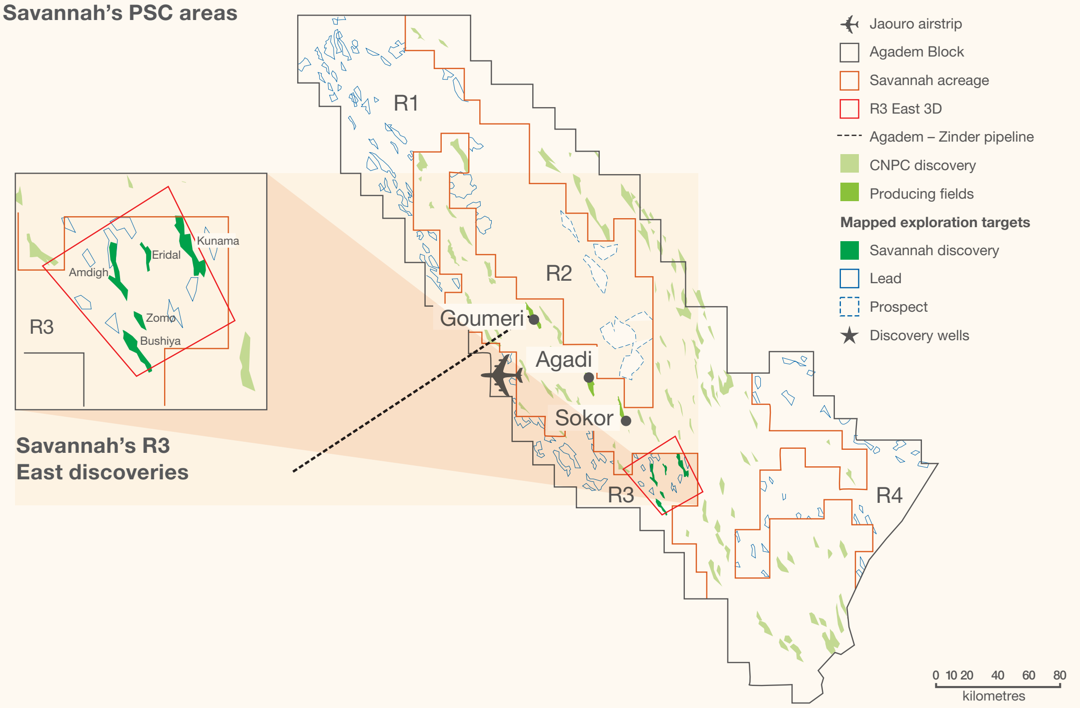


Understanding the high success rate

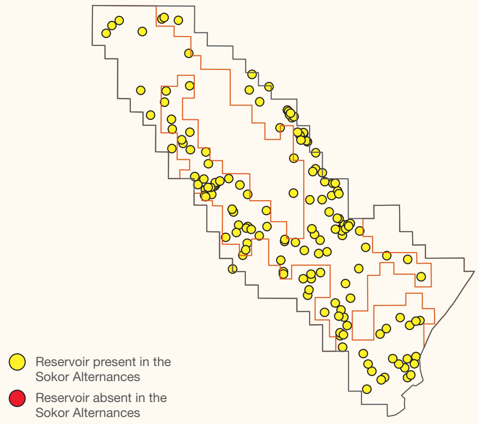
Source rock/migration

The primary source rocks in the ARB are Lower Yogou marine shales. Oil shows and discoveries have been proven across the length and breadth of the basin, proving the effectiveness of the migration system. The green areas on the map above demonstrate the extensive modelled expulsion of oil; the volume of oil generated materially reduces source/migration risk.

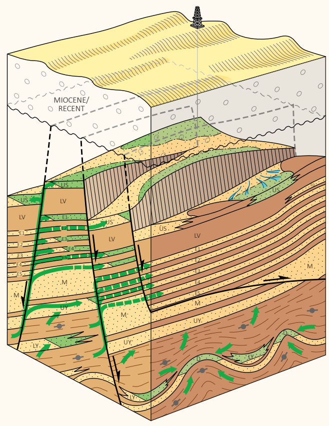
The ARB and Savannah's PSC areas



Reservoir presence



Trap/seal



All wells drilled on the ARB have found reservoir within the Sokor Alternances, the primary play in the basin. The map above shows the proven net reservoir within wells which penetrated this horizon.

The ARB has a simple structural configuration, with only one predominant fault trend. There are five to six stacked reservoirs in the primary Sokor Alternances play; this combined with well defined traps on 2D and 3D seismic serves to limit trap risk on an individual prospect.

Operations: Niger

Five discoveries from five wells in 2018

2018 operational highlights

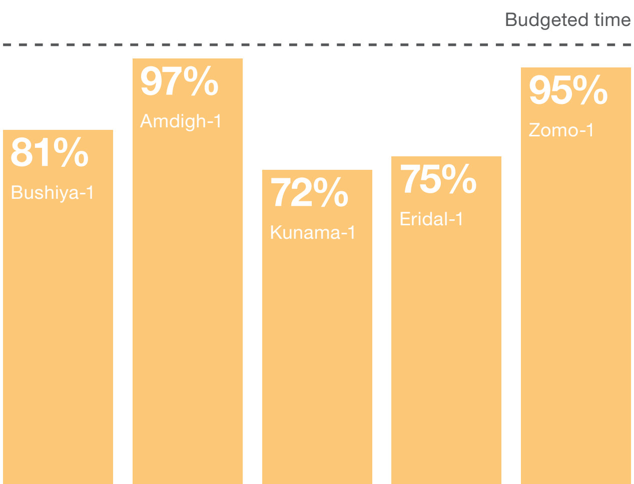
Following the acquisition of 806km² high-quality 3D seismic over the R3 East area in 2017, the interpretation of this dataset enabled our technical team to high-grade drilling targets for our exploration campaign on the area.

Great Wall Drilling Company Niger SARL ("GWDC") acted as the Company's drilling contractor for the campaign, using the GWDC 215 rig ("Rig GW-215"). Prior to the commencement of Savannah's operations, Rig GW-215 had successfully drilled over 40 wells on the ARB and in total GWDC had drilled over 200 wells on the Agadem Rift Basin ("ARB"), acquiring significant knowledge and experience of the geological and technical aspects of drilling in the area. To support the operations, we constructed a logistics camp and pipe yard on the R3 area.

"We have consistently demonstrated our ability to operate in the ARB, with all of our projects having been delivered safely and within budgeted time. I am now looking forward to bringing our R3 East discoveries into production, as well as to delivering further resource additions through exploration drilling in the coming years."

Yacine Wafy
Niger Country Manager

Consistent delivery of operations within budgeted time



Our campaign commenced in April 2018 with the spud of the Bushiya-1 well, which delivered our first discovery. This was followed by successes at Amdigh-1 and Kunama-1, leading to Savannah electing to exercise two individual well options and resulting in two further discoveries at Eridal-1 and Zomo-1.

Following the Zomo-1 discovery, the Company chose to conclude its campaign in order to allow our team to evaluate results from the campaign and to make preparations for our next planned operations.

2018 also saw the continuation of Savannah's strong operational track record (see chart below). Our experienced team has consistently delivered safe and on-time operations, and to date all of our projects in the ARB (including FTG, seismic and drilling) have been achieved with no lost-time incidents and delivered within budgeted time.

We prioritise working with high-quality contractors who share our commitment to safety and excellence, and our team of GWDC and local contractors played a key part in driving efficiencies and a strong performance throughout 2018. In total, Savannah partnered with eleven local vendors on the campaign who provided civil works, security, logistics and support services. 125 Nigeriens from the local region were employed as part of the operations.

Next steps for 2019 and beyond

Savannah intends to perform a production test on the Amdigh-1 well, and implement an early production scheme ("EPS") to develop the resources discovered in 2018.

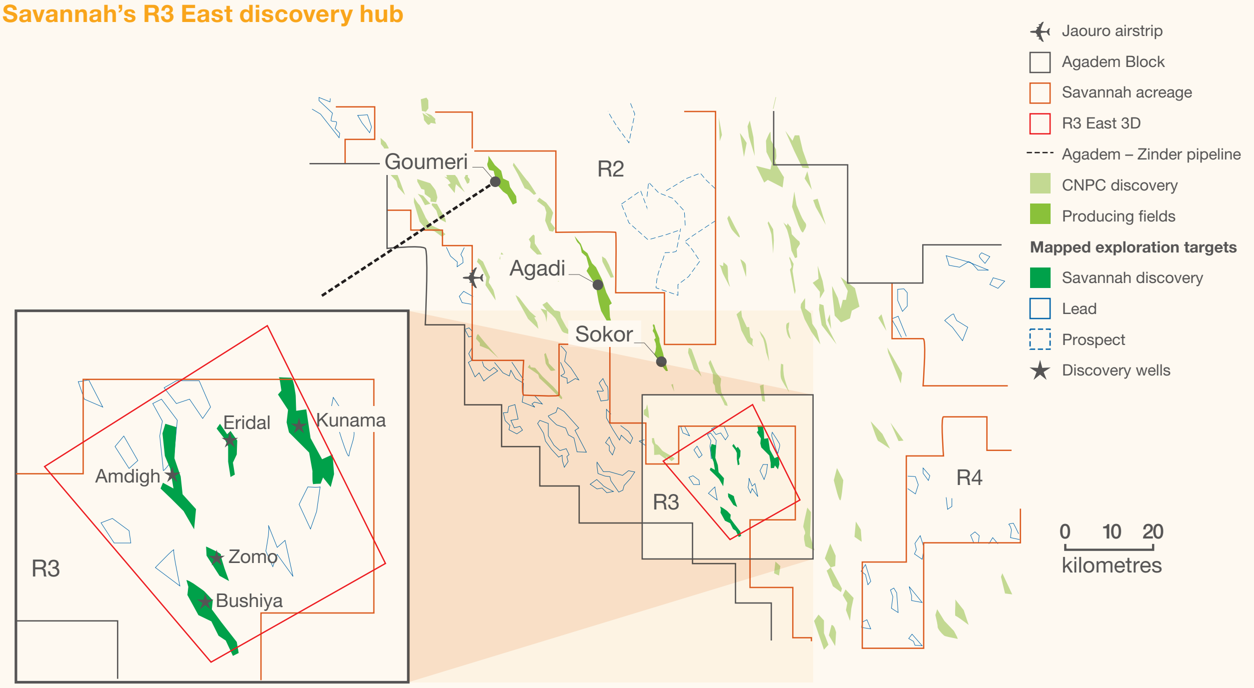
Following the five discoveries, Savannah elected to commission Pre-Stack Depth Migration ("PSDM") of the R3 East 3D seismic dataset. PSDM is expected to provide enhanced definition of the oil pay zones at the crests of each of the discoveries and will assist in full "field scale" evaluations and associated development well planning as part of the second phase of the EPS.

Crane driver operating on Savannah's R3 East drilling campaign

"As the only British company operating and investing in Niger, I am proud to support Savannah Petroleum in their activities in country. Their projects have the ability to materially impact Niger's future development and economic growth, and I am impressed with Savannah's commitment to delivering growth in Niger in a way that seeks to promote beneficiary working practices. I hope their success will pave the way for other British firms in the region."

Cat Evans
Her Majesty's Ambassador to the Republic of Mali
and non-resident Ambassador to the Republic of Niger

Savannah's R3 East discovery hub



Rig GW-215 operating on R3 East

Plan to first oil

Following Savannah's successful 2018 exploration drilling campaign, the Company has rapidly moved forward to implement an early production scheme ("EPS") in order to develop crude oil discovered over the course of this campaign. The EPS is intended to develop resources discovered on the R3 East portion of the R3/R4 PSC, and is intended to be domestically-focused, with oil produced expected to be sold at the Société de Raffinage de Zinder ("SORAZ") refinery. SORAZ is connected to the ARB via the 463km Agadem-Zinder pipeline.

In August 2018, Savannah signed an agreement with the Republic of Niger in relation to the EPS. This agreement sets out how the Government and Savannah will work together, and how the Government will support Savannah, in order to deliver first production from the EPS. Achieving first oil from Savannah's discoveries in Niger is a key strategic priority for the Company and has the potential to deliver meaningful cash flows for the business.

Proposed early production scheme

Phase 1

- Expected to deliver a plateau of up to 1,000 bpd
- Surface processing equipment to be initially procured on a rental basis
- Oil to be trucked c.120km to the Goumeri pipeline tie-in point, then piped to the SORAZ refinery at Zinder (using the existing 463km Agadem-Zinder pipeline)

"We are very pleased with the success that Savannah has achieved on its R3 East drilling campaign. As a Government, we are keen to see that these discoveries commence production as soon as possible, and we are committed to provide Savannah with all reasonable assistance to enable this to happen.

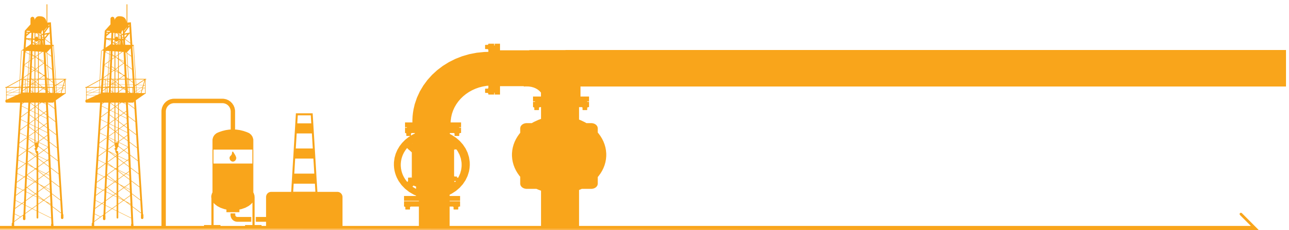
We are excited about Niger becoming a significant producer and exporter of oil, and our focus will remain on ensuring that our corporate partners are able to operate in a stable investment environment, and that the benefits of hydrocarbon exploitation are seen by all Nigeriens through increased state revenues, creation of jobs and commercial opportunities."

Foumakoye Gado
Niger Minister of Energy and Petroleum

1,000
bopd

Oil discovered at the Amdigh-1 well, which is expected to drive Phase 1 of the EPS

Further development



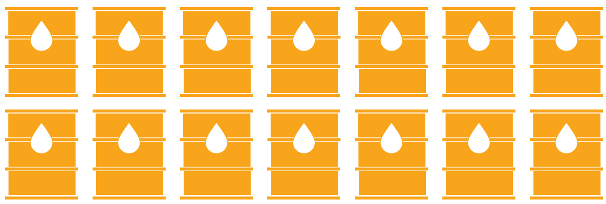
Phase 2

- Central processing facility ("CPF") expected to be constructed at Amdigh, planned to be linked to a gathering system to enable adjacent discovered fields (e.g. Eridal, Bushiya, etc.) to be tied into the CPF
- Planned construction of a pipeline between the CPF and the Agadem-Zinder pipeline tie-in point at Goumeri, with second phase production also expected to be piped to SORAZ
- Production expected to ramp up to around 5,000 bpd following the completion of pipeline construction

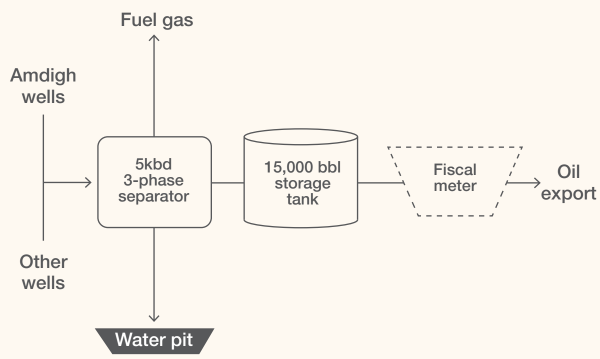
Further resource development

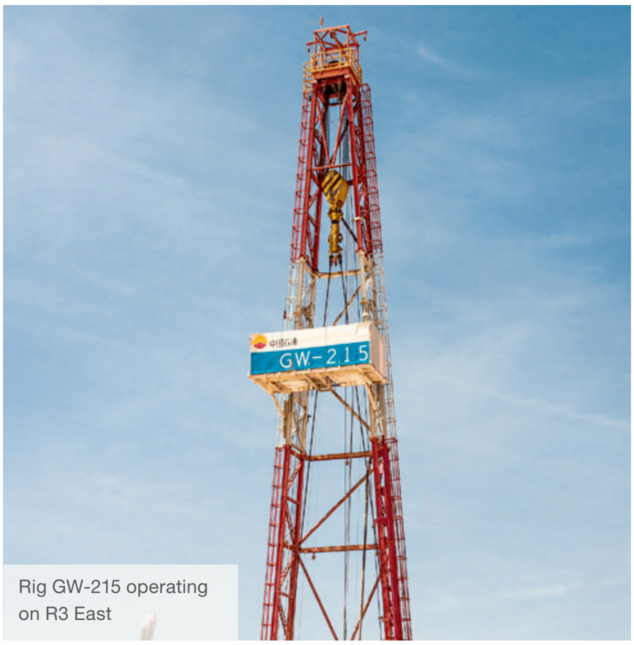
Two sources of upside exist for production in excess of the second phase of Savannah's planned EPS. Firstly, the ability to access additional marketing capacity, either at the SORAZ refinery or through an alternative route (e.g. basin export pipeline or Nigerian trucking solution). Secondly, the addition of further resources to Savannah's portfolio through the next phase of the Company's planned exploration programme which is expected to commence in 2019.

5,000
bopd



Early production facilities to be located at Amdigh





Rig GW-215 operating on R3 East

Prolific resources with significant growth potential

Nigeria has 37 billion barrels of proven oil reserves, some 30% of the proven reserves of the African continent. It is Africa's largest producer of oil, and the eleventh largest globally, producing some two million barrels per day. The country's reserves and resources are predominantly located in and around the Niger Delta, where there are also numerous undeveloped fields. The well established oil service infrastructure and regulatory regime in Nigeria provide an attractive environment for companies to invest to develop these prolific resources.

"At Seven Energy we look forward to the completion of the acquisition by Savannah Petroleum. This will provide a platform for growth on which we can combine our skills to exploit the world class opportunities that Nigeria offers, in both oil and gas."

Ian Brown-Peterside
CEO Seven Energy

Nigeria key statistics

191m
population[13]

US$397bn
GDP[13]

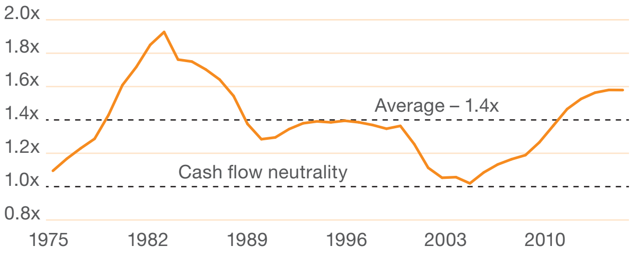
2.4%
GDP growth[14]

US$2,050
GDP per capita

Aerial view of the production facilities at Seven Energy's Stubb Creek field in South East Nigeria

Strong cash return jurisdiction

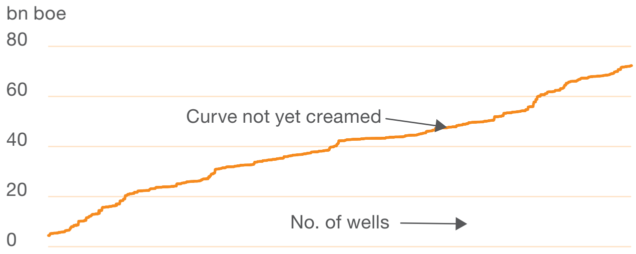
Nigerian historic net cash flow/capex[15]



Nigeria has consistently been a strong cash return jurisdiction for investors, with an average historic net cash flow/capex of 1.4x. Close to US$100 billion of net free cash flows have been generated by contractors in country since 1965, and over the past ten years Nigeria has driven an average of 16% of the majors' upstream free cash flows.[15]

World-class geology

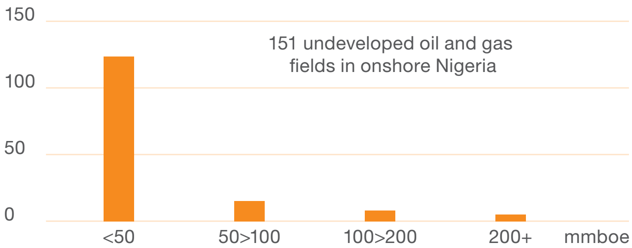
Nigeria creaming curve by well



Nigeria is the eleventh largest hydrocarbon province globally, with proved reserves of >37 billion bbls oil and >184 tcf gas. Significant upside for further resource additions remains, with "yet to find" resources estimated at 25 billion boe.[16,17]

Prime market for consolidation

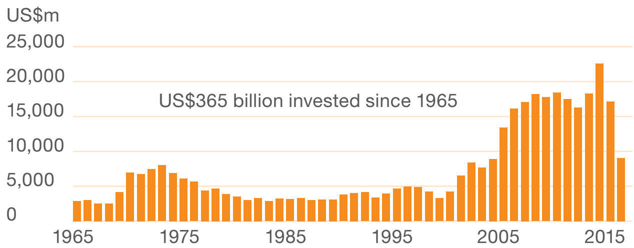
No. of undeveloped onshore oil and gas fields by size[15]



Savannah views Nigeria as offering multiple opportunities for further growth, including through major oil companies' divestment programmes, smaller companies actively seeking partners and/or equity investments and a large number of undeveloped oil and gas fields.

Established oil and gas industry

Nigerian historic annual capex spend[15]



Nigeria has an established oil and gas industry, with most major service companies represented and present in country. Over US$365 billion has been invested since 1965, an average annual oil and gas capital expenditure of c.US$7 billion.[15]

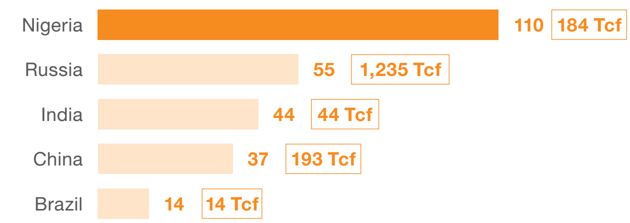
Production facilities at Seven Energy's Stubb Creek field in South East Nigeria

The gas market opportunity

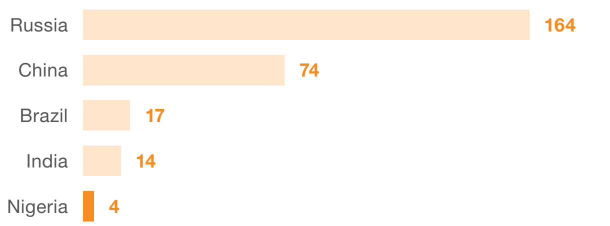
Nigeria has 184 tcf of proved gas reserves, the largest in Africa and the eighth largest globally, yet only produces 4.5 bcf/d, the majority of which is exported as LNG. With a gas reserves to production ratio of 110 years, the under-developed gas resources of Nigeria represent a significant opportunity to be exploited, in particular for the benefit of the domestic economy. The important distinction between oil and gas is that, while oil production and export provides a source of foreign exchange for the country, it does not offer the local economic multiplier benefits as gas does for the domestic market.

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

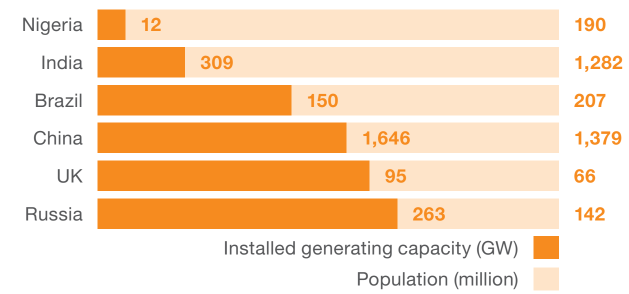
Reserves/production ratio (years)[18]



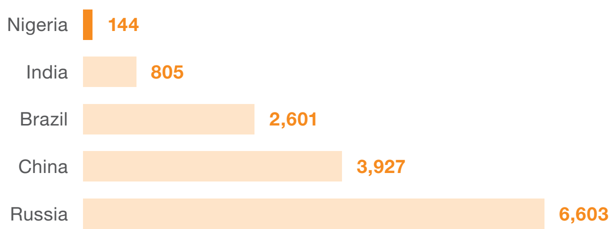
Gas pipelines ('000 km)[19]



Power supply vs population[19]



Electricity supply per capita (kW per annum)[20]



City lights of Lagos

Population growth and electricity supply

Nigeria has one of the lowest rates of electricity generation capacity per capita in the world, with installed generation capacity of 12GW for a population of some 190 million people. 55% of the population has no access to electricity, with electricity consumption per capita of 144KW per annum.

The population is growing rapidly (forecast to grow at 2.5% p.a.), and is expected to reach 400 million people by 2050, making Nigeria one of the world's most populous countries. Half of this growing population is under 18, urbanising rapidly and is already suffering from chronic electricity shortages.

To satisfy domestic and industrial demand for electricity an estimated 8GW-14GW is generated by decentralised diesel generators, which are expensive to run and are far more polluting than grid-based gas-fired power stations, leading to Nigeria being one of the world's largest markets for diesel generators.

The opportunity

Nigeria's growing economy requires a reliable and affordable power supply. The development of gas for use in power generation and industry is expected to create multiple benefits for all stakeholders, including:

- gas is a cleaner fuel than other hydrocarbons and is an abundant under-exploited local resource;
- gas is a cheaper source of fuel than diesel, almost all of which is imported;
- as the gas pipeline system is developed so the economics and logistical issues in transporting gas from producers to consumers will ease, thus encouraging further consumers to switch to gas, in turn leading to development of gas resources for gas-to-power and industry;
- Nigeria is actively promoting the reduction of flaring with some success, however the lack of gas infrastructure in country results in some 0.7 bcf/d of gas being flared. A developed gas infrastructure will accelerate this process;
- reliable power will mean more jobs can be created; and
- the urbanising population is leading to a growing demand for cement and steel; both of these industries are highly energy intensive.

The potential for the development of gas resources in Nigeria is immense and exists across the value chain, from exploitation of undeveloped gas fields, through construction and operation of gas processing and transportation infrastructure to developing the market for gas.

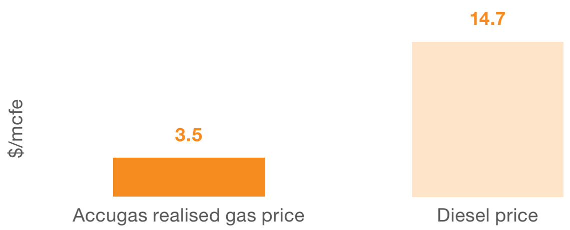
The business model developed by Accugas encapsulates this opportunity, having developed midstream processing and gas transportation infrastructure at a cost of over US$1 billion. The development of the Uquo field which supplies gas to Accugas is a prime example of tapping upstream resources, a highly prolific gas field whose development is currently providing gas to power stations with generating capacity of 750MW, 10% of Nigeria's available generating capacity. Accugas' facilities and pipelines have significant spare capacity, which combined with the attractive price of gas as a source for power generation and industrial uses provides a compelling investment opportunity.

Opportunity for Accugas

40 tcf
gas within reach of Accugas infrastructure

Up to
400 mmscfd
available transport capacity in Accugas' pipeline network

Compelling switching economics ($/mcf equivalent)[21]



Operations: Nigeria

Supplying c.10% of Nigeria's power generation capacity

Seven Energy's asset in Nigeria include two world scale oil and gas fields, Uquo and Stubb Creek, and the Accugas midstream business, all located in South East Nigeria.

Uquo

The Uquo field is a non-associated gas field developed by Seven Energy, which produces gas that is processed and transported through Accugas' infrastructure to end users, including the Calabar and Ibom power stations and the Unicem cement factory. Condensate produced from the Uquo field is exported via ExxonMobil's Qua Iboe terminal.

Accugas

Accugas receives gas from Uquo at its 200 mmscfd processing facility, where the gas is treated and then onward transported through its c.280km pipeline network. Gas is sold under long-term gas sales agreements ("GSAs") with 80% take-or-pay provisions to three main customers:

- Calabar Nigerian National Integrated Power Project ("NIPP"), a Niger Delta Power Holding Company ("NDPHC") owned power station;
- Unicem cement factory, a wholly owned subsidiary of LafargeHolcim; and
- Ibom Power, a power station owned by Akwa Ibom state.

Accugas' GSAs benefit from enhanced payment guarantees, with the Calabar GSA being supported by a World Bank Partial Risk Guarantee and the Unicem GSA being supported by a Standard Chartered bank guarantee, providing a stream of high-quality, stable cash flows to support the business.

Ibom Power gas receiving facilities

Aerial view of Unicem cement factory

The Accugas facilities and pipelines have significant spare capacity and are strategically located in South East Nigeria, an area where there is both substantial undeveloped gas resources (c.40 tcf undeveloped gas estimated to be located within tie-in radius of Accugas pipelines) and significant demand for gas from power stations and industrial offtakers in the Calabar, Port Harcourt and Uyo areas.

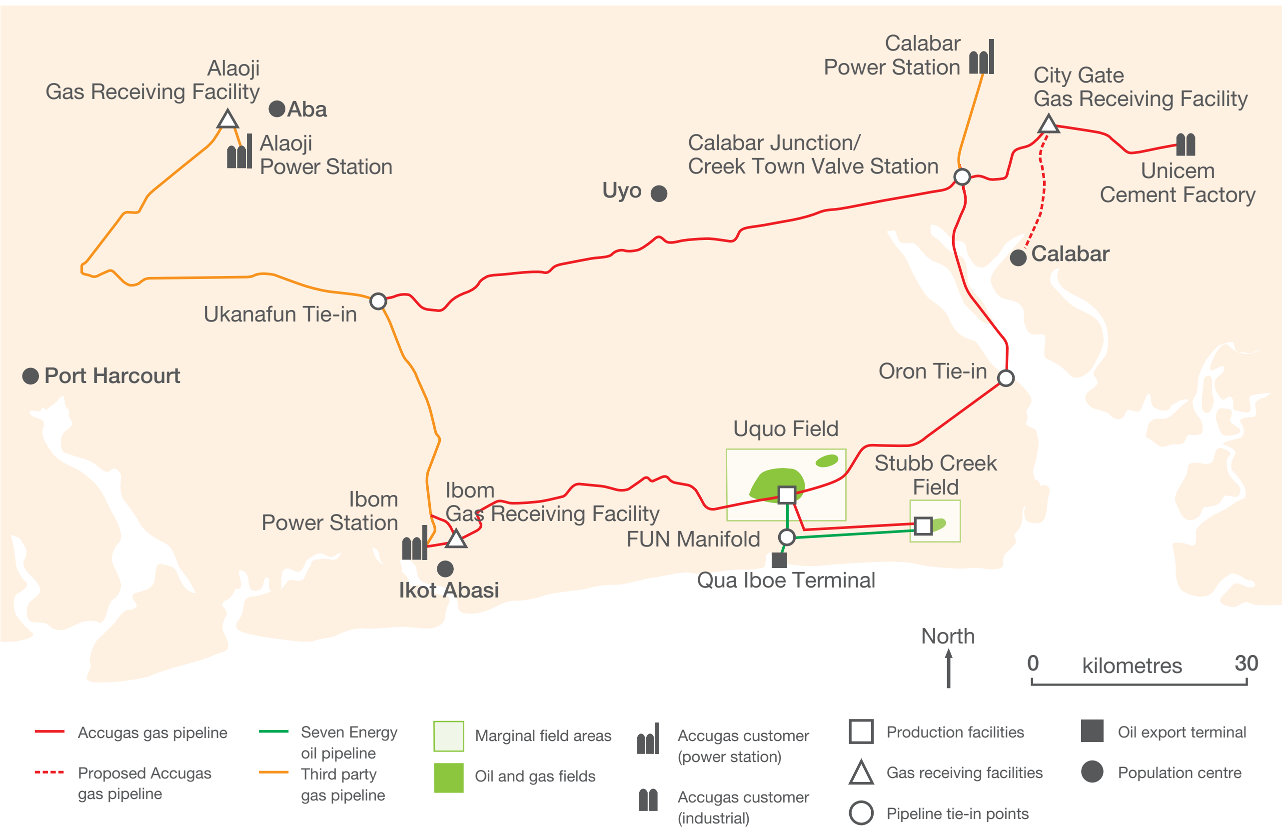
Savannah's forward growth plans are expected to focus on the addition of new customers (including power stations and higher-margin industrial customers) and accessing further gas resources.

Stubb Creek

Stubb Creek is an oil and gas field, currently producing oil, with a considerable undeveloped, non-associated gas resource. Through a fully owned subsidiary, Universal Energy Resources Limited, Seven Energy holds a 51% operated interest in Stubb Creek, with Sinopec holding the remaining 49%.

Oil produced at Stubb Creek is processed through production facilities which have a capacity of c.3,000 bopd and exported to ExxonMobil's Qua Iboe terminal via a 25km pipeline. Plans to debottleneck and upgrade the field's existing facilities are being developed and are expected to increase production to c.5,000 bopd. Gas resources at Stubb Creek are intended to be developed as the Uquo field comes off plateau to meet Accugas' contracted gas sales volumes.

Seven Energy's South East Nigerian operations



Creating shared value and lasting benefits

We prioritise strong partnerships with our host country stakeholders

We seek to create, enhance and ultimately realise value not just for our financial stakeholders but for our host communities, our partners and our team, demonstrating that with a responsible corporate culture all stakeholders are able to benefit from our projects.

Our approach to delivering benefits to these host communities concentrates on building local skills and developing people, making investments that deliver shared infrastructure and support local communities and on optimising local content.

We believe that continuous effective stakeholder engagement is essential in order for us to maintain our licence to operate, and over the course of 2018 this engagement was sustained by both Savannah and Seven Energy in Niger and Nigeria. Effective stakeholder engagement allows us to ensure that we are aligned with both national and regional priorities and policies.

We focus around supporting economic development in both countries, and contribute to the provision of jobs, investment and infrastructure as well as to revenue generation for governments and local communities.

Over the course of 2019 we intend to intensify our stakeholder engagement programmes across all of our assets and operations, with the intent to cement and enhance our social licence to operate. In Niger, we will continue to support the communities of Ngourti and Diffa (located on and around our assets) through the provision of employment, investment in the local economy and targeted CSR programmes. In Nigeria, our focus will be on increasing engagement with our Green Team Initiative, as well as on social empowerment programmes including construction of town halls, classroom blocks and the provision of transformers to boost power supplies to host communities.

"Our projects help to support economic growth and improved living standards in the communities where we operate, through job creation, direct financial investment and CSR programmes."

Mohamed Silimane
Savannah Stakeholder Relations, Niger

Nkoyo Etuk
Seven Energy Stakeholder Relations, Nigeria

Pharmacy constructed in Ngourti by Savannah Petroleum

Completed water project undertaken by Seven Energy at Edem Idim Ibesit Community

We operate impactful CSR programmes to support our operations

Activities undertaken during 2018

Niger

Support for Ngourti community

Savannah's operations in 2018 focused around the R3 East area in Niger, which includes the community of Ngourti. Our priority throughout the year was supporting this community in a sustainable manner through both our CSR initiatives as well as focus by Savannah and our contractors on local content and suppliers.

Over the course of our five-well drilling campaign, eleven local vendors were hired under contracts covering civil operations, security, transport, logistics and support services, and 125 Nigeriens from the Ngourti/Diffa area were employed.

Savannah's CSR programmes supplemented the economic impact of the drilling campaign through a livestock vaccination campaign, the construction of a pharmacy accompanied by provision of medical supplies, as well as the drilling of two water wells.

Water well drilled in 2018 by Savannah for the Ngourti communities

Nigeria

Green Team Initiative

Seven Energy's Green Team Initiative was launched in June 2015 to assist with ensuring that Seven's gas pipelines and associated rights of way ("ROW") are kept safe, accessible, clear and clean. In 2018, the Green Team Initiative ran across 17 Local Government Areas ("LGAs") located on the Accugas pipeline network, and through this initiative over 194 young locals across the Akwa Ibom and Cross River states in South East Nigeria were engaged on a call-out basis.

The benefits of the Green Team Initiative include the assured safety of pipeline ROWs and regular engagement with the communities located on and around our infrastructure. In addition, any encroachments or negative activities around the ROWs are able to be quickly identified and managed.

Members of Seven Energy's Green Team Initiative

11 local suppliers hired

125 local Nigeriens employed

194 young locals engaged

17 active LGAs

Focused around the right financial framework for growth

"Achieving our financial priorities and goals is expected to lead to the generation of material and sustainable free cash flows in the coming years which can be directed to support and deliver the Enlarged Group's long-term strategy."

Isatou Semega-Janneh
Chief Financial Officer

Overview

Our focus in the year was to progress the Seven Energy Transaction and to undertake our maiden exploration drilling campaign in Niger. To this end, the Group raised a total of US$125 million in a two-tranche fundraise occurring in December 2017 and February 2018. The use of proceeds from this fundraise were directed to the acquisition of Seven Energy's 10.25% Senior Secured Notes as part of the Transaction (in cash and shares) and to the Niger drilling campaign.

During the year, the Group undertook a successful drilling campaign which was completed within budgeted time and resulted in five oil discoveries from five wells. As a result of the initial success of this campaign, we elected to expand the campaign to five wells (versus three initially planned), and our success has enabled the Group to move forward with plans to develop an Early Production Scheme.

The Group's loss after tax for the year was US$24.6 million (2017: loss US$27.4 million). This loss was predominantly driven by the accounting treatment of certain ongoing transaction costs as well as increased corporate activity as we prepared to integrate the Seven Assets and provide for an Enlarged Group structure.

In 2019, we expect to complete the Transaction, the integration of the Seven Assets into our business and to deliver first oil in Niger. Following delivery of these key business milestones, our principal financial priorities will include:

- the refinancing of the existing Seven Energy debt facilities;
- a strong focus on revenue collection across the Enlarged Group; and
- ensuring continued strong cost discipline across the Enlarged Group as the Seven Assets and staff are integrated in an efficient manner.

Achieving these financial priorities and goals is expected to lead to the generation of material and sustainable free cash flows in the coming years which can be directed to support and deliver the Enlarged Group's long-term strategy.

Analysis of key line items

Income statement

The Group reported a loss after tax for the year of US$24.6 million (2017: loss after tax US$27.4 million). The loss for the year was principally driven by ongoing Seven Energy Transaction costs and increased operating expenses.

The loss for the year includes administration expenses for the Group of US$13.4 million (2017: US$8 million), net of exceptional business development costs. The increase in administration expenses relates to ramp-up costs incurred as the Group prepares to operate as an enlarged operation following completion of the Transaction.

Successful completion of five-well drilling campaign in Niger, completed within budgeted time

Conclusion of a two-part issue of equity, resulting in a cash inflow of US$99 million in 2018

Completion of Exchange Offer in relation to the Seven Energy Transaction

Finance income of US$0.9 million (2017: US$0.3 million) is primarily associated with interest income on the Liquidity Facility issued by the Group to Seven Energy for working capital purposes.

Finance costs of US$2.4 million (2017: US$0.6 million) include interest expense of US$1.4 million (2017: US$0.4 million) largely in relation to the Orabank revolving credit facility, as well as foreign exchange losses of US$0.9 million.

The Group's loss was offset by a fair value adjustment of US$4.9 million in relation to warrants which were issued alongside the second tranche of the US$125 million equity placing announced in December 2017. The warrants were exercisable at the placing price of 35 pence/share and have now expired. Further details on the warrants are included in note 23 of the Annual Report and Accounts.

Balance sheet

Exploration expenditure and property, plant and equipment

During the year, exploration and evaluation assets increased by US$38.7 million, associated with the successful five-well drilling programme in Niger. Included in the increase, is drilling equipment of US$1.6 million which was used during the drilling campaign which was reclassified from property, plant and equipment to exploration and evaluation assets.

Through the Exchange Offer which completed in February 2018, the Group acquired Seven Energy's 10.25% Senior Secured Notes which are reflected in long-term financial assets at fair value of US$89 million.

Receivables of US$22.7 million primarily reflect the Liquidity Facility provided by the Group to Seven Energy for working capital purposes.

Cash and debt

The Group had cash and cash equivalents at 31 December 2018 of US$1.8 million (2017: US$14.9 million). During the year the Group completed the second tranche of the placing and received cash of US$95.8 million (2017: US$15 million), net of share issue costs.

As at December 2018, the Group reported an increase of US$5.6 million in trade and other payables (2018: US$23.5 million, 2017: US$17.9 million). This increase is associated with Niger drilling payables offset by lower transaction costs. In addition, the Group reflected borrowings of US$14.9 million (2017: US$12.7 million) largely in relation to the Orabank revolving credit facility which was drawn over the year.

Cash flow

Net cash outflow from operating activities of US$32.4 million (2017: US$15.7 million) increased largely due to the increase in the level of corporate activity through the year and settlement of transaction related fees. This included ongoing Transaction costs, additional work undertaken as the Group prepares to operate as a larger entity, as well as expenditure associated with the Niger drilling programme.

Acquisition of the long-term financial assets of US$40.9 million constitutes the cash element of the acquisition of the 10.25% Senior Secured Notes.

The net cash provided by financing activities was US$96.7 million (2017: US$27.1 million), reflecting cash from the second tranche of the placing in February and net cash from the Orabank revolving credit facility.

Accounting policies

The Group's significant accounting policies are disclosed within the notes to the consolidated financial statements.

Liquidity risk management and going concern

The Group manages liquidity by regularly reviewing cash requirements by reference to short-term cash flow forecasts and medium-term projections prepared by management.

The Group has reviewed these cash flow forecasts and associated capital projections for the next twelve months. Based on an assessment of these forecasts and projections (see details of going concern disclosure in note 2), the Group has a reasonable expectation that it can access adequate resources to continue operating for the foreseeable future. The Group continues to adopt the going concern basis in preparing its financial statements.

Isatou Semega-Janneh
Chief Financial Officer

30 May 2019

How we manage risk

Savannah takes a proactive, robust approach to risk management, with the aim of protecting our stakeholders and safeguarding the interests of the Group. Our ability to identify and successfully manage risks is a critical part of ensuring the success of our business and of protecting shareholder value.

The identification and assessment of risks that threaten the Company's business model, future performance, solvency or liquidity and the development of action plans to manage and mitigate those risks are integral parts of the Group's business process.

Set out below are the risks and uncertainties which the Directors consider particularly relevant to the Group's business activities at the date of this report. In a changing business environment, other risks and uncertainties may emerge, and will be assessed as part of the Group's risk management framework as they arise.

Key risk factor	Potential impact	Mitigation
Exploration and appraisal risks	Exploration and development of oil and gas is speculative, involves a high degree of risk, and has no guarantee of a successful outcome. The Group may not discover sufficient resources to exploit commercially, and those resources which are discovered may not be able to be recovered economically.	The Group has rigorous processes and procedures in place to assess the geological and commercial risks associated with its exploration activities, and engages with qualified consultants to supplement its in-house expertise. The acquisition of seismic data assists with the mitigation of subsurface and technical risks associated with the Group's planned exploration activities.
Gas payments risks	Once the Seven Energy Transaction has completed, the Group's revenues from gas production in Nigeria will depend upon the receipt of payments from certain key end users. These customers may fail to fulfil their contractual obligations, leading to delayed payments or non-payment of invoices, which in turn may leave the Group unable to meet its contractual obligations, including debt service.	The Calabar GSA, which will be the Group's most material gas sales contract, is supported by a World Bank Partial Risk Guarantee. In addition, payments for the supply of gas in Nigeria have been supported by a c.US$2 billion Federal Government payment assurance facility ("PAF") to cover gas generation and supply invoices for 2017 and 2018. In 2019, the PAF is expected to be renewed for a further two years on similar terms.
Financing, liquidity and FX	During 2018, Savannah remained in the pre-revenue stage of operations and was dependent on external financing to fund its activities. Following the completion of the Seven Energy Transaction, the Group will have a much higher level of indebtedness with associated repayment obligations and interest payments impacting free cash flows. Fluctuations in commodity prices and Nigerian Naira and West African CFA exchange rates also impact the Group's liquidity position.	The Group closely monitors its cash position and budgeted cash flow projections versus actuals to properly manage revenues, costs and financial exposures. The majority of the Group's revenues will be derived from fixed price gas sales agreements, limiting the Group's exposure to oil price volatility. A Group Treasurer has been appointed to manage key banking relationships, and the Group benefits from a historically supportive investor base which is capable of providing incremental equity finance.

Key risk factor	Potential impact	Mitigation
Asset integrity and integration of Nigerian assets	Seven Energy's Nigerian assets are large and have a significant footprint across South East Nigeria. Failure to properly maintain the Seven Assets, once acquired, could lead to downtime at the Uquo CPF and/or pipeline outages. Failure to properly manage production plans at the to be acquired Seven Assets may leave the Group unable to deliver contracted gas volumes under its gas sales agreements.	Seven Energy has a maintenance programme in place to ensure integrity of facilities and the regular inspection, clearing and maintenance of pipelines and their rights of way. Additional gas wells are planned to be drilled over the coming years to maintain gas production levels. Following completion of the Transaction, Savannah intends to adopt and, where required, supplement, these maintenance programmes.
Commerc-ialisation of Nigerien discoveries	An inability to commercialise the Group's discovered resources in Niger in a timely manner could materially reduce the value of said resources to the Group.	A feasibility study for the Company's planned R3 East domestic-focused development has been submitted to the Ministry of Energy and Petroleum ("MEP") in Niger, setting out detailed plans to develop the resources discovered in 2018. An MOU has also been signed with the MEP which confirms the Republic of Niger's intention to facilitate third party infrastructure access for Savannah, providing a commercialisation solution for the Group's discoveries.
HSSE and retention of social "licence to operate"	Oil and gas operations, particularly onshore, expose the Group to a wide range of HSSE/CSR risks, including loss of life, environmental damage and community disturbances, all with associated financial and reputational consequences. If not met, local stakeholder expectations may lead to operational disruption or delays.	The Group has HSSE and CSR policies and procedures in place which align with and adhere to international standards. The Group engages contractors who adhere to similar high standards, and project management teams ensure strict compliance with these policies and procedures through relevant bridging documentation.
Ethical conduct	Bribery and corruption present a risk throughout the global oil and gas industry and represent an ongoing risk to any company operating in this industry. A major breach of our values, code of conduct or material contractual agreements could damage the Company's reputation or impact our financial position.	The Group has robust compliance policies and procedures in place, as well as third-party due diligence procedures. Staff and contractors are given regular and extensive training in these policies and procedures. A Board-level Compliance Committee was convened in early 2018 and the Company's Chief Compliance Officer and Head of Risk has responsibility for compliance matters at an executive level within the Group.
Retention of key employees	The Group's success is linked to the quality of talent it can recruit, and the inability to retain key employees could have an impact upon the delivery of the Group's strategy and growth plans.	The Group has a competitive compensation and retention package in place which is reviewed periodically. Key employees participate in equity-based incentive schemes. Savannah appointed a Group Head of HR during 2018 who has responsibility at an executive level for embedding a performance-focused culture within the Group.

The Strategic Report has been approved by the Board and signed on its behalf:

Andrew Knott
Chief Executive Officer

30 May 2019

Board of Directors

Experienced and entrepreneurial leadership

Steve Jenkins
Chairman

Appointed: 26 July 2014

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

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

External appointments: Chairman of the Oil and Gas Independents Association

Sir Stephen O'Brien
Vice Chairman

Appointed: 21 December 2017

Experience: Sir Stephen is a former UN Under-Secretary General for Humanitarian Affairs and Emergency Relief Coordinator. Prior to this, he was an MP, serving as Parliamentary Under-Secretary of State for International Development and as the Prime Minister's Envoy & UK Special Representative for the Sahel. Prior to that, Sir Stephen was International Director and Group Secretary of the FTSE 100 company, Redland plc, and he began his career as a corporate lawyer. He was knighted in 2017 for his achievements in international development.

Key strengths: Corporate lawyer (non-practising); in-depth understanding of international political, social, economic and government affairs matters; experience in African and emerging markets.

External appointments: Serving Member of the Privy Council, Non-Executive Chairman of Motability Operations Group Plc

Andrew Knott
Chief Executive Officer

Appointed: 3 July 2014

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

Key strengths: Deep knowledge of and contact network within the oil and gas industry; experienced leader with a proven track record of operating in emerging markets and attracting capital and talent to enable delivery of Savannah's business strategy.

External appointments: n/a

Isatou Semega-Janneh
Chief Financial Officer and Company Secretary

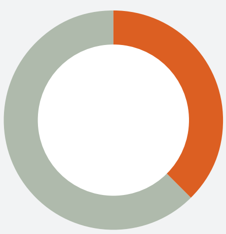
Appointed: 21 December 2017

Experience: Isatou is an accountant with over 18 years' experience. Prior to joining Savannah, she spent nine years with BP, most recently as Financial Controller for operations in North Africa. Isatou has extensive experience of financial and regulatory compliance in emerging market oil and gas environments and of managing large, multi-country finance teams. Since joining Savannah, she has strengthened the Company's internal controls and financial reporting process. Isatou has played a key role in the negotiation and implementation of the Seven Energy Transaction.

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

External appointments: n/a

Composition of the Board



Executives
3

Non-executives
5

Committee memberships

- ● Audit and Risk Committee
- ● Remuneration and Nomination Committee
- ● Compliance Committee
- ● Health, Safety, Security and Environment Committee
- ⊕ Denotes chairperson

Note: external appointments listed are those deemed relevant by the Board. For a full list of all Directors' external appointments, please see the Company's December 2017 Admission Document at www.savannah-petroleum.com/en/key-documents.

David Clarkson
Chief Operating Officer

Appointed: 21 December 2017

Experience: David was formerly a member of BP's Group Leadership Team and Senior Vice President for Projects and Engineering (Upstream) at BP. In this role, he was accountable for embedding rigour and discipline in BP's Upstream major project investment decisions, and for building engineering capability to support the company's growth agenda. Throughout a 34-year career with BP, he was responsible for delivering safe, reliable industry leading projects in challenging frontier locations. David is a Fellow of the Institution of Mechanical Engineers.

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

External appointments: Non-Executive Director of Sound Energy plc

Mark Iannotti
Non-Executive Director

Appointed: 3 July 2014

Experience: Mark is an experienced capital markets professional with over 20 years' experience in EMEA equities, largely focused around the oil and gas sector. Previously, he acted as Managing Director and Head of Securities, UK & Europe of Canaccord Genuity Group Inc., and was a member of Bank of America Merrill Lynch's EMEA Executive Committee. Mark began his career at Wood Mackenzie Consultants, focusing on energy markets, and subsequently held senior equity research positions at Cazenove & Co, Credit Suisse and Citigroup.

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

External appointments: n/a

David Jamison
Non-Executive Director

Appointed: 26 July 2014

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

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

External appointments: n/a

Michael Wachtel
Non-Executive Director

Appointed: 21 December 2017

Experience: Michael is Head of Corporate and Head of Energy and Natural Resources at Clyde & Co LLP, a leading international law firm. Michael's practice has a strong emerging markets focus and provides companies with a full range of legal services including corporate, M&A, financing and compliance. His clients include oil and gas majors and oil service companies. Prior to entering law, Michael worked as an oil and gas field engineer in various West African countries for Schlumberger and Geoservices.

Key strengths: Corporate lawyer; comprehensive understanding of compliance, regulatory, legal matters as well as corporate financing and M&A expertise in the oil and gas industry; engineering background.

External appointments: Partner at Clyde & Co LLP

Board tenure

1-3 years
50%

3-5 years
50%

Skills and experience

Oil and gas	88%	Operations	75%
Strategy	100%	Local context	63%
Finance	75%	Governance	88%
Risk	88%	Compliance	100%

As a Board, we are responsible for the stewardship of the business

"Our governance framework is kept under close review to sustain success over the longer term."

Steve Jenkins
Chairman

The Board remains committed to:

- Driving the Group's long-term objectives.
- Oversight of operations to ensure competent and prudent management.
- Sound planning and internal control.
- Developing leadership and succession plans.
- Maintaining strong relationships with key stakeholders.

Dear shareholder

2018 has been another significant year for Savannah and the Board continued to focus on the development and implementation of the Company's strategy and on monitoring our progress against key strategic objectives. The Board recognises its responsibility for the proper management of the Company and the importance of sound corporate governance, proportionate to the size and nature of the Company and the interests of its shareholders. Following the changes to AIM Rule 26 during the year under review, Savannah has formally adopted the 2018 Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code") as the basis of the Group's governance framework.

Over the year, we have made changes to our governance framework, which continues to evolve as the Company develops.

In January 2018, a Compliance Committee and a Health, Safety, Security and Environment Committee were formally constituted to support the Board in fulfilling its role. The delegation of some areas of responsibility to the Board committees allows for more effective oversight and a forum for detailed discussion at committee level, allowing the Board to focus on other matters, in particular those of strategic importance to the Company.

During the year, David Clarkson, who has served on the Board as a Non-Executive Director since 2017, joined the executive team following his appointment as Chief Operating Officer.

At the start of 2019, the Board also confirmed the appointment of Isatou Semega-Janneh as Chief Financial Officer on a permanent basis. Ms Semega-Janneh has acted as interim CFO since December 2017.

Following the results of our 2018 Niger drilling campaign and as we look to complete the Seven Energy Transaction, the Company is now a materially larger-scale business. Therefore, the Board continues to devote significant amount of time to reviewing and adapting Savannah's governance arrangements to ensure that these remain appropriate for the enlarged business.

The Corporate Governance Report on pages 32 to 53 explains in detail my role, the role of the Board and how Savannah has applied the principles of the QCA Code.

Steve Jenkins
Chairman

30 May 2019

Corporate Governance Report

Applying the QCA Code

Introduction to the QCA Code

The Board is collectively responsible to the shareholders of Savannah for the effective oversight and long-term success of the Company. In 2018, Savannah formally adopted the QCA Code as the basis of the Group's governance framework and reviewed its existing governance policies and procedures to align them with the recommendations of the QCA Code. The Corporate Governance Report on pages 32 to 53 explains the key features of the Company's governance structure and describes how Savannah applied the Code principles.

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

Principle 1:
Establish a strategy and business model which promote long-term value for shareholders.

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

Principle 2:
Seek to understand and meet shareholder needs and expectations.

See Corporate Governance Report, in particular Chairman's Introduction to Governance and Relations with Shareholders.

Principle 3:
Take into account wider stakeholder and social responsibilities and their implications for long-term success.

See Strategic Report, in particular CSR report, Relations with Stakeholders and the HSSE Committee Report.

Principle 4:
Embed effective risk management, considering both opportunities and threats throughout the organisation.

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

Principle 5:
Maintaining the Board as a well-functioning, balanced team led by the Chair.

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

Principle 6:
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

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

Principle 7:
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

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

Principle 8:
Promote a culture that is based on ethical values and behaviours.

See Corporate Governance Report, in particular Whistleblowing, Anti-Bribery and Corruption Controls and Ethical Conduct and Culture.

Principle 9:
Maintain governance structures and processes that are fit for purpose and support good decision-making.

See Chairman's Statement and Corporate Governance Report, in particular Composition, Qualification and Independence of the Board.

Principle 10:
Communicate how the Company is governed and is performing by maintaining dialogue with stakeholders.

See Corporate Governance Report, in particular Relations with Shareholders.

Transparent leadership underpins good governance

How the Board works

The Board has overall responsibility for strategy, purpose, business model, performance, capital structure, approval of key contracts and major capital investment plans, the framework for risk management and internal controls and governance matters and engagement with shareholders and other key stakeholders. The Directors remain focused on understanding the needs of our shareholders and other stakeholders and considering how the Board's decisions impact them in the longer term. The Board's full responsibilities are set out in a formal schedule of matters reserved for its decision.

The Board delegates certain responsibilities to its Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The Company has an Audit and Risk Committee, a combined Remuneration and Nomination Committee, and since January 2018, a Health, Safety, Security and Environment Committee and a Compliance Committee, all of which operate within a scope and remit defined by specific terms of reference determined by the Board. The Annual Report includes a report from each of the Committees mentioned above and describes the work each Committee has undertaken during the year. The composition and role of each Committee is summarised on pages 40, 42, 52 and 53. The terms of reference of each Committee are available on the Company's website at https://www.savannah-petroleum.com/en/AIM.

Board meetings

The Board has established a schedule of quarterly meetings, with additional meetings convened as required from time to time. The Board addresses several recurring items at each Board meeting, including strategic, operational and financial performance updates and Board Committee reports following any Committee meetings. In addition, technical developments, Health, Safety, Security and Environment issues, strategic projects, investor relations and corporate communications, and governance matters are regularly discussed and in-depth reports on particular aspects of the business are presented. The Directors also have an ongoing dialogue between Board meetings on a variety of issues.

The Board and its Committees are supported by the Company Secretary and a team at Link Company Matters in relation to governance, statutory and compliance matters, as well as with organising and circulating the papers for Board and Committee meetings, aiming for information to be provided to the Board members in a timely manner.

The table below sets out the attendance record of individual Directors at the scheduled and unscheduled Board meetings held during 2018.

Director	Board	Audit and Risk	Remuneration and Nomination	HSSE	Compliance
Steve Jenkins	10/10	—	2/2	4/4	—
Sir Stephen O'Brien	10/10	3/5	—	4/4	—
Andrew Knott	10/10	—	—	—	—
Isatou Semega-Janneh	9/10	—	—	—	—
David Clarkson	10/10	3/3[1]	—	4/4	4/4
Mark Iannotti	10/10	5/5	2/2	—	4/4
David Jamison	10/10	—	2/2	—	4/4
Michael Wachtel	10/10	4/5	—	—	4/4

1. David Clarkson, appointed as COO in June 2018, stepped down as a member of the Audit and Risk Committee and continued to attend the meetings as a guest.

The roles of the Chairman and the Chief Executive Officer

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

In accordance with the principles of the QCA Code, the Chairman is responsible for leading the Board and ensuring that it remains effective in fulfilling its role. He sets the Board's agenda and ensures that there is appropriate focus on strategic issues and the monitoring of performance. The Committee Chairmen perform the same role for their Committees.

Andrew Knott is the Chief Executive Officer. Through delegation from the Board, he is responsible for managing the day-to-day operations and the implementation of the strategy of the Company. The Company's performance and development planning, led by Andrew as CEO, is considered by the Directors in the context of the Company's overall strategy and goals, within the Company's risk and governance frameworks and taking into account their impact on stakeholders in the longer term. With a culture of openness and debate, the Directors can discuss and challenge the actions of the executive management, as well as the views of all Directors, promoting good decision-making and ultimately supporting the Company's long-term success.

Composition, qualification and independence of the Board

The Board currently comprises eight Directors: the Non-Executive Chairman, the Non-Executive Vice Chairman, three Non-Executive Directors and three Executive Directors (the CEO, CFO and COO). The names and responsibilities of all current Directors are set out on pages 32 and 33.

David Clarkson, who has served on the Board since 2017 as an independent Non-Executive Director, was appointed as Chief Operating Officer in June 2018. Mr Clarkson is now accountable for all aspects of the Company's technical and operational activities, including HSSE, executing capital investment plans, work programmes, budgets and delivery of development projects. Intrinsic in his COO role, Mr Clarkson also continues to build Savannah's operational capability in line with the Company's growth agenda.

At the beginning of 2019, the Board confirmed the appointment of Isatou Semega-Janneh as Chief Financial Officer on a permanent basis, who served on the Board since December 2017 as Interim CFO. In her role as CFO, Isatou continues to lead the finance function and is accountable for all aspects of financial management of the Group.

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

During the year under review, the Board has considered the amount of time necessary to commit to the affairs of the Company in order for the Directors, in particular the Non-Executive members of the Board, to fulfil their roles. The Executive Directors are expected to devote substantially the whole of their time to their duties and on average, the Non-Executive Directors are expected to dedicate approximately 40 days to Company matters. The Board concluded that all Directors continue to be effective and committed to their roles and have sufficient time available to perform their duties.

The Directors' biographies on pages 32 and 33 illustrate the wide range and high calibre of skills and experience that the Directors bring to the Board to help deliver the strategy of the Company for the benefit of the shareholders over the medium to long term. An in-depth review of the skills, capabilities, experience and personal qualities of the Directors has been completed to help better asses and monitor these going forward. These include appropriate industry, strategic, operational, risk management, financial, legal, geopolitical and regulatory experience. The Directors also receive regular updates on market and regulatory developments and are provided training as required to ensure that their skills and experience are kept up to date. The completed review demonstrated that the Board as a whole does have the necessary mix of experience, skills, personal qualities and capabilities. As the size and complexity of the business increases, the composition of the Board will continue to be reviewed, taking into account the Company's circumstances, strategy and goals.

Appointment and tenure

The Board may appoint a Director as it thinks fit. Appointments are made on merit, taking account of the balance of skills, experience and knowledge required. Any Director appointed by the Board must offer himself or herself for election at the first AGM following appointment and for re-election at intervals of three years thereafter.

Strong governance culture benefits all stakeholders

Appointment and tenure continued

All Non-Executive Directors, including the Chairman, have letters of appointment which are available for inspection at the Company's registered office.

The letters of appointment set out the time commitment expected from Non-Executive Directors who, on appointment, undertake that they will have sufficient time to fulfil their duties. Subject to continued satisfactory performance, the Board does not think it appropriate at this time to limit the term of appointment of the Non-Executive Directors.

The Executive Directors' service contracts are available for inspection at the Company's registered office. Further details on the CEO's service agreement can be found on pages 43 and 48.

Board evaluation

In line with the recommendations of the QCA Code, the Board undertook an evaluation of its performance, that of the Chairman, the Board's Committees and individual Directors.

During 2017, it was identified that the Board required the addition of operational, legal and political skill sets as a result of the Seven Energy Transaction and the Company's evolving business mix. While a formal Board evaluation was not deemed appropriate, this led to the appointments of Sir Stephen O'Brien, David Clarkson and Michael Wachtel as Non-Executive Directors and Isatou Semega-Janneh as CFO. Going forward, the Board intends to continue to undertake annual appraisals and it will report on the progress made against the actions identified through this evaluation in future reports.

In 2018, the evaluation took the form of a detailed questionnaire which looked to assess the effectiveness of the Board, the Directors and the Chairman, as well as the Committees' activities, processes and policies and to identify any possible areas for improvement. This included:

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

The results were anonymised and the findings were presented to the Board for review. The Board and its Committees received strong feedback for their performance as whole, including their effectiveness, balance of skills, experience, knowledge and independence. Actions arising from recommendations to further improve the effectiveness of the Board are being implemented, and include devoting an even greater amount of time to strategy matters and continuing to develop the business plan and key performance indicators for management and senior executives across the enlarged organisation.

The Chairman also continues to offer the Non-Executive Directors the opportunity to meet regularly, as necessary, in the absence of the CEO, CFO and other members of management.

Directors' conflicts of interest

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

Company culture and stakeholder engagement

Ethical conduct and culture

Savannah is committed to promoting a healthy and responsible corporate culture and, accordingly, has put into place a number of policies and mechanisms to ensure that ethical values and behaviours are recognised and respected.

The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner, be aware of and refer to the Anti-Corruption and Bribery policy in all of their business activities worldwide and to conduct business on the Group's behalf in compliance with it. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

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

To help ensure compliance with the AIM Rules relating to the Directors' and applicable employees' dealings in the Company shares, Savannah also adopted an appropriate Share Dealing Code.

As the Seven Energy Transaction reaches its final stages, the Board will continue to review its objectives as well as the strategy and business model of the enlarged business, and how to best monitor and promote the desired culture and behaviours in the future.

Whistleblowing and anti-bribery and corruption controls

Savannah is committed to achieving high standards of conduct and accountability and a structure which allows employees to openly report legitimate concerns regarding improprieties in financial reporting or non-compliance with applicable laws, regulations or Group policies, danger to health and safety, damage to the environment or other matters that may harm the reputation of the Group. During 2018 the Compliance Committee considered the existing arrangements, including the whistleblowing channels that enabled the employees to raise concerns, and consequently, in early 2019, the Committee oversaw the introduction of a whistleblowing hotline. Concerns can be reported without fear of penalty or punishment.

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

Employees

At the end of 2018 Savannah had 24 employees and after the completion of the Seven Energy Transaction this is expected to grow to 123 employees.

The Company has established various ways to engage with, and listen to, the views of its employees, including regular individual updates and employee-wide meetings. As the Seven Energy Transaction progressed, Savannah engaged with all employees to encourage them to share their views on the prospect. As the Seven Energy Transaction reaches its final stages, the Board will continue to consider how to best engage with its bigger workforce.

During 2018, Savannah has also implemented a number of Human Resources policies in order to provide more structure, control and consistency to the way employees are treated in the organisation, as well as to ensure compliance with relevant legislation.

Relations with shareholders

The Board is committed to ensuring that there is open and effective communication with the Company's shareholders on matters such as governance, strategy and performance-related remuneration, and that the Directors understand the views of major shareholders on such matters. The Company communicates with shareholders and potential investors through a variety of channels, including the Annual Report, regulatory announcements, operational updates and a proactive and comprehensive investor relations programme which is managed in line with operational developments, corporate news flow and the Company's financial calendar. The CEO and the Vice President of Corporate Affairs maintain regular dialogue with major institutional investors and analysts and provide the Board with regular reports on investor and analyst feedback. The Company holds investor roadshows throughout the year as appropriate. The Company's representatives also attend a number of investor events. Presentations to investors are posted on the Company's website at www.savannah-petroleum.com. The CEO is available to meet with institutional investors to explain the Group's strategy and performance and listen to investors' views. The Chairman and Non-Executive Directors are also available to meet with shareholders on request. The AGM provides another opportunity for shareholders to meet and speak to members of the Board directly. The Company maintains a database of meetings held by the Directors with shareholders, potential investors and analysts. Reports on meetings held with existing and potential investors and briefings from the Company's corporate brokers are provided to the Directors and discussed at Board meetings. Analysts' reports received on the Company are reviewed and monitored by the senior management team and circulated to the Board as appropriate. Investor relations support is provided to analysts covering and initiating coverage of the Company.

Other stakeholders

Savannah is committed to seeking to create, add and realise value not just for its financial stakeholders but for its host communities, its partners and its employees. Savannah believes that maintaining effective stakeholder engagement programmes is essential and this includes a number of initiatives to support the local communities in which the Company operates. More information can be found in the Corporate Social Responsibility report on pages 26 and 27.

Building a sustainable business through managing risk and internal controls

Audit and Risk Committee membership during the year	
Mark Iannotti	Chair since January 2015
Sir Stephen O'Brien	Member since January 2018
Michael Wachtel	Member since January 2018
David Clarkson	Stepped down in June 2018 following his appointment as COO

Key responsibilities:

- Reviewing the integrity and content of the financial statements, including reviewing and reporting to the Board on significant financial reporting issues and judgements.
- Reviewing adequacy and effectiveness of the Company's internal controls and risk management policies and systems.
- Reviewing and monitoring compliance policies and systems, including prevention and detection of fraud and tax evasion.
- Monitoring compliance with applicable regulations.
- Reviewing and approval of the annual audit plan and reviewing the audit findings with the external auditor.
- Assessing external auditor objectivity and independence and reviewing the performance and remuneration of the external auditor.

During the year under review, the Committee has continued to support the Board in fulfilling its oversight responsibilities, reviewing the financial reporting process, the system of internal control and management of risk, the audit process and the procedures for monitoring compliance.

Membership of the Audit and Risk Committee

During 2018, the Audit and Risk Committee continued to be chaired by Mark Iannotti and its other members were Sir Stephen O'Brien and Michael Wachtel. David Clarkson stepped down as a Committee member in September 2018, following his appointment as Chief Operating Officer. Because he was no longer deemed to meet the independence criteria, Mr Clarkson now attends Audit and Risk Committee meetings as an observer. All members of the Committee are independent Non-Executive Directors of the Company. Mark Iannotti is considered by the Board to have recent and relevant financial experience and the Committee as a whole has competence relevant to the oil and gas industry. If required, at the request of the Chairman of the Committee, the Chief Executive Officer, Chief Financial Officer and other members of the senior management team are also invited to attend meetings.

The terms of reference of the Committee reflect the current statutory requirements and best practice appropriate to a company of Savannah's size, nature and stage of development. Where there is an overlap of responsibilities between the Audit and Risk, Health, Safety, Security and Environment and Compliance Committees, the respective Committee Chairmen have the discretion to agree which is the most appropriate Committee to fulfil any obligation. The terms of reference for the Committee have been reviewed during 2018 and are available on the Company's website at www.savannah-petroleum.com. The Committee members' attendance at meetings during 2018 is set out on page 36.

Activities during the year

During the financial year ended 31 December 2018, the Committee:

- reviewed the full-year and half-year results, including the underlying accounting issues and judgements, the processes underpinning the preparation of those documents and the information supporting the statements in relation to going concern and disclosure of information to the external auditor;
- considered the external auditor's audit plans and reports on the full and half-year results;
- reviewed and recommended the re-appointment of Grant Thornton UK LLP as the external auditor for the Group;
- reviewed the need to establish an internal audit function. The Committee concluded that it would, on an ongoing basis, assess the necessity of establishing such a function following completion of the Seven Energy Transaction; and
- assessed the internal controls and risk management systems and procedures within the Group.

Internal controls and risk management

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

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

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

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

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

The Board has undertaken a review of the effectiveness of the Group's risk management and internal control systems, based on a report from the CFO which provided comfort regarding all material controls, including financial, operational and compliance controls. The overall conclusion was that the risk management and internal control systems were effective in terms of ensuring consistent achievement of their key objectives in the current context of the Group.

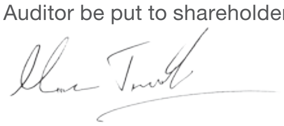
The Company's risk management and internal control systems are being re-assessed following completion of the acquisition of the Seven Assets, in line with management's integration plans for the enlarged Group. The principal risks faced by the business, their potential impact and how they are mitigated are described in the Principal Risks and Uncertainties section, on pages 30 and 31.

The Company's whistleblowing, anti-bribery and corruption controls are described on page 39.

External audit

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

In May 2019, the Committee considered the performance of the external Auditor and the effectiveness and quality of the audit process by discussing the results of the 2018 external audit, including their views on material accounting issues and key judgements and estimates; considering the robustness of the audit process; reviewing the quality of the people and service provided by Grant Thornton UK LLP; and assessing their independence and objectivity. The breakdown of fees between audit and non-audit services paid to Grant Thornton during the financial year is set out in note 6 to the Group's consolidated financial statements. The non-audit fees relate to audit-related assurance services and other taxation advisory services. The Committee is satisfied that it was appropriate for the external Auditor to carry out this work, and that it did not impair their independence or objectivity. The Committee carefully considered the independence of the Auditor and received confirmation that the firm was independent of the Group and had complied with International Standards on Auditing and other relevant auditing and ethical standards. Following this review of the effectiveness of the audit, the Committee was satisfied that Grant Thornton had carried out its duties and recommended to the Board that their re-appointment as the Company's external Auditor be put to shareholders at the 2019 AGM.



Mark Iannotti
Chairman, Audit and Risk Committee

30 May 2019

Remuneration that promotes Savannah's long-term success

Remuneration and Nomination Committee membership during the year

David Jamison	Chair since January 2015
Steve Jenkins	Member since July 2015
Mark Iannotti	Member since July 2015

Key responsibilities:

- Determining and reviewing the terms and conditions of service and termination of employment of Executive Directors and senior employees.
- Determining and reviewing the remuneration of Executive Directors and senior employees.
- Reviewing and approval of grants of shares or options, from time to time.

Membership of the Remuneration and Nomination Committee

During 2018, the Remuneration and Nomination Committee was chaired by David Jamison and its other members were Steve Jenkins and Mark Iannotti. All members of the Committee are independent Non-Executive Directors. The Chief Executive Officer and other members of the senior management team are also invited to attend meetings when considered appropriate.

The terms of reference of the Committee reflect the current statutory requirements and best practice appropriate to Savannah's size, nature and stage of development. The terms of reference for the Committee are available on the Company's website at www.savannah-petroleum.com. The Committee is required to meet at least twice a year and the Committee members' attendance at meetings during 2018 is set out on page 36.

Activities during the year

The work of the Committee in 2018 was conducted against a backdrop of a year of achievements for Savannah. Significant progress was delivered against all of the Company's key strategic objectives, including making five discoveries from five wells in Niger, progressing the planned R3 East EPS and announcing materially positive amendments to the Seven Energy Transaction.

During the financial year ended 31 December 2018, the Committee:

- reviewed the Non-Executive Directors' fees and time required to perform their roles;
- reviewed and approved salaries and short-term incentives for the CEO and members of the senior management team;
- reviewed and approved the proposed award of shares in the Company to Sir Stephen O'Brien, Michael Wachtel and David Clarkson as part of their appointment to Non-Executive Directors; and
- reviewed and adopted the terms of a new share scheme and considered a grant of nil-cost options to the CEO, which was approved by shareholders at the Company's 2018 Annual General Meeting.

There were no changes to the composition of the Board during the year under review. The Board, supported by Link Company Matters, who provide company secretarial services to the Company, undertook an evaluation of effectiveness of the Board, its Committees and the Directors. Further details on the process and results can be found on page 38.

As disclosed in the Company's Admission Document published on 22 December 2017, the Board believes that the success of the Company will depend to a significant degree on the future performance of the Company's senior management team, in particular its CEO, Andrew Knott, and therefore it is important to ensure that the members of the senior management team are well motivated and identify closely with the success of the Company. Consequently, at the beginning of 2018 the Committee engaged New Bridge Street, part of AON plc, to advise on potential structures for a new share incentive scheme (the "Employee Benefit Trust" or the "EBT") to incentivise certain existing and future senior managers by offering them an option of participating in the EBT. As already disclosed in the Company's 2017 Annual Report and Accounts, the fees for this work amounted to £15,000 and Aon Hewitt does not provide other services to the Group. Aon Hewitt is a member of the Remuneration Consultants Group and adheres to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK.

Awards under the Employee Benefit Trust take the form of nil-cost options over a total of 42,624,837 existing ordinary shares in the Company currently held in an employee benefit trust. Vesting of the awards to participants is linked to total shareholder return (based on share price performance and dividends), measured against the 30-day volume weighted average price ("VWAP") of the Company's shares during a five-year period. Further details of the EBT are set out in the Directors' Remuneration Review on page 47.

At the 2018 Annual General Meeting of the Company, Savannah's shareholders approved a grant of nil-cost options over 21,312,418 existing ordinary shares to Mr Knott. The options are expected to be granted alongside completion of the Seven Energy Transaction, and the vesting of the award is conditional on Mr Knott achieving the relevant performance targets (as described in the Directors' Remuneration Review on page 48).

At the beginning of 2019, the Committee considered the CEO's service agreement. The service agreement put in place between the Company and Mr Knott at the time of the Company's AIM IPO in August 2014 provided for a twelve-month notice period and an initial fixed term of two years. The Committee has amended the agreement so that the twelve-month notice period cannot expire any earlier than 28 February 2021; all other material terms of the service agreement remained the same.

At the start of the year, the Committee also considered the appointment of Isatou Semega-Janneh to the role of Chief Financial Officer. Ms Semega-Janneh joined the Board in December 2017 and had acted as interim Chief Financial Officer since that time. An accountant with over 17 years' experience, she has led Savannah's finance function since joining the Company in January 2015 as VP Finance. Prior to joining Savannah, she spent nine years with BP in a variety of roles, most recently as Financial Controller for BP's operations in North Africa (Algeria, Libya and Morocco).

Isatou has extensive experience of managing large, multi-country finance teams and of implementing and managing financial and regulatory compliance systems in emerging market oil and gas environments. The Committee concluded that it was in the best interests of the Company and its shareholders for Isatou to continue in her role as CFO, and recommended her appointment on a permanent basis to the Board.

During 2018, David Clarkson was appointed as the Company's COO, having already served on the Board as a Non-Executive Director since 2017. Please see page 33 for further details.

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

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

At the end of the year under review, the Board of Directors of the Company comprised seven men and one woman, while female representation on the Executive Committee is 25%. Savannah has an equal opportunities policy and 29% of its employees are women and 71% are men. Together, they represent seven different nationalities.

The Directors' Remuneration Review is set out on pages 44 to 51.

David Jamison
Chairman, Remuneration and Nomination Committee

30 May 2019

Rewards aligned with delivery of the Company's strategy

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

Directors' remuneration policy

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

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

Component	Purpose and link to strategy	Overview
Executive Directors		
Basic salary	To attract, retain and motivate talented individuals who are critical to the Group's success.	Normally reviewed by the Remuneration and Nomination Committee annually or in the event of a change in an individual's position or responsibilities. Basic salary set to reflect individual performance, the scope and scale of the role and having regard for compensation levels in companies of a similar size and complexity in the independent oil and gas exploration industry.
Performance-related bonus	To encourage and reward delivery of the Group's objectives.	Performance-related bonus payments are made at the sole discretion of the Remuneration and Nomination Committee. Capped at a maximum percentage of annual salary. **The Committee determined that bonus payments in respect of 2018 for Executive Directors and senior management are to be paid only following completion of the Seven Energy Transaction.**
Employer's pension contribution	To attract and retain talented individuals who are critical to the Group's success.	The Chief Executive Officer is entitled to receive an employer's pension contribution equivalent to 10% of annual salary and the Chief Financial Officer is entitled to receive an employer's pension contribution equivalent to 6.5% of annual salary.
Non-Executive Directors		
Fees	To attract and motivate talented individuals.	Set at market competitive levels. Reviewed by the Chairman in consultation with the CEO, periodically or in the event of a change in an individual's position or responsibilities.
Executive and Non-Executive Directors		
Management Long-Term Incentive Plan	To incentivise and retain key individuals within the Company.	Participants entitled to receive ordinary shares in the Company for nil consideration subject to certain conditions, described further on pages 45 and 46. Established on 28 November 2014. Now closed and not expected to be reopened.
Supplementary Plan	To further incentivise certain Directors and employees of the Group. To mechanically adjust for the dilutive impact of the placing announced on 10 July 2015.	Structured principally on the same terms as the LTIP, with participants being entitled to receive ordinary shares in the Company for nil consideration subject to certain conditions, described further on pages 46 and 47. Established on 30 July 2015. Now closed and not expected to be reopened.

Component	Purpose and link to strategy	Overview
Executive and Non-Executive Directors continued		
New Share Scheme	To incentivise management and employees of the Group.	Awards in the form of nil-cost options over a total of 42,624,837 existing ordinary shares in the Company currently held in an employee benefit trust. Vesting of the awards to participants are linked to total shareholder return (based on share price performance and dividends), measured against the 30-day volume weighted average price ("VWAP") of the Company's shares during a five-year period. All awards subject to the participant's continued employment or other engagement with the Company, and malus provisions. Grants under the Long-Term Incentive Plan, the Supplementary Plan and the Additional Schemes are limited to 10% of the Company's fully diluted share capital from time to time. Up to one half of the equity is intended to be made available to the Chief Executive Officer. An Employee Benefit Trust (the "EBT") was established to facilitate awards. The EBT subscribed for 42,624,837 new ordinary shares (the "EBT Shares") simultaneously with the allotment and issue of the Second Tranche Placing Shares, at a subscription price per share equal to the nominal value of the shares (£0.001 per share). Savannah Petroleum 1 Limited, a wholly owned subsidiary of the Company agreed to provide a loan facility for this amount to the Trustee of the EBT.

Management Long-Term Incentive Plan

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

Under the terms of the LTIP, participants subscribe for shares in Savannah Petroleum 1 Limited ("SP1L"), with an entitlement to exchange such shares for ordinary shares in the Company if the closing middle market quotation of the ordinary shares on any day equals or exceeds £1.68 (the "Hurdle Price"). As disclosed in the Company's Admission Document dated 22 December 2017, in the view of the Remuneration and Nomination Committee, the vesting and hurdle conditions of the LTIP were too stretching to serve as a realistic incentive. Accordingly, as disclosed in the Company's Admission Document dated 22 December 2017, the Hurdle Price is expected to be reduced to £0.42 per ordinary share (being a 20% premium to the December 2017 Seven Energy Transaction placing price of £0.35). This reduction in Hurdle Price is expected to occur alongside completion of the Seven Energy Transaction.

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

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

Where:

- X is the number of ordinary shares of the Company to be issued on exchange (rounded to the nearest whole number);
- A is the number of SP1L shares being exchanged;
- B is £0.56 (being the price at which the ordinary shares were admitted to dealing on AIM at the time of the Company's admission to AIM); and
- C is the closing middle market quotation of the ordinary shares of the Company on the date of the share exchange.

The awards issued pursuant to the LTIP are subject to a vesting date determined for each award. If the Hurdle Price is met after the vesting date, the award will vest when the Hurdle Price is met and the relevant participant can then elect to exchange his or her SP1L shares for the relevant number of ordinary shares of the Company at any time thereafter.

If the Hurdle Price is met prior to the vesting date, the award will not vest until the vesting date and the relevant participants will not be able to exchange their SP1L shares for ordinary shares of the Company until after the vesting date unless there is a change of control of the Company, or the individual ceases to be an employee or Director or a member of the Group.

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

Management Long-Term Incentive Plan continued

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

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

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

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

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

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

Supplementary Plan

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

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

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

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

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

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

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

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

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

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

e) options granted pursuant to the Supplementary Plan will be granted over unissued ordinary shares of the Company, rather than shares in SP1L; and

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

   i) employed by a member of the Group; or

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

As disclosed in the Company's Admission Document dated 22 December 2017, in the view of the Remuneration and Nomination Committee, the vesting and hurdle conditions of the Supplementary Plan were too stretching to serve as a realistic incentive. Accordingly, as disclosed in the Company's Admission Document dated 22 December 2017, the Hurdle Price is expected to be reduced to £0.42 per ordinary share (being a 20% premium to the December 2017 Seven Energy Transaction placing price of £0.35). This reduction in Hurdle Price is expected to occur alongside completion of the Seven Energy Transaction.

Additional Schemes and Employee Benefit Trust

As also disclosed in the Company's Admission Document dated 22 December 2017, the Remuneration and Nomination Committee intended to adopt one or more additional management and employee incentive schemes, following completion of the Placing.

Previously, the LTIP and the Supplementary Plan (the "Existing Plans") permitted the grant of awards over issued or unissued ordinary shares equal to, in aggregate, up to 15% of the Company's fully diluted share capital. This aggregate limit (applicable collectively to the Existing Plans and the Additional Schemes) has been reduced to 10% of the fully diluted share capital from time to time. As with the Existing Plans, it is intended that up to one half of the equity available under any Additional Schemes would be made available to the Chief Executive Officer.

The Remuneration and Nomination Committee intends to attach conditions to any awards granted under the Additional Schemes, which may include long-dated vesting criteria, key business metric KPIs and future share price performance conditions with reference to the Placing Price.

Such conditions will be determined by the Remuneration and Nomination Committee in consultation with Savannah's Nominated Adviser.

The Board acknowledges the possible requirement, in certain circumstances, to obtain a fair and reasonable opinion from the independent Directors of the Company, in consultation with the Company's Nominated Adviser, with regard to any particular award to be granted under the Additional Schemes.

Further details of the Additional Schemes and any awards granted pursuant thereto will be announced in due course.

In order to facilitate the Additional Schemes, the Company has established the Employee Benefit Trust (the "EBT"). The EBT subscribed for 42,624,837 new ordinary shares (the "EBT Shares") simultaneously with the allotment and issue of the second tranche Placing Shares, at a subscription price per share equal to the nominal value of the shares (£0.001 per share). Savannah Petroleum 1 Limited, a wholly owned subsidiary of the Company agreed, to provide a loan facility for this amount to the Trustee of the EBT.

It has been agreed with the Trustee of the EBT that, with regard to any EBT Shares owned by the EBT:

i) subject to the Trustee's compliance with its obligations as a trustee and relevant legislation, the voting rights attaching to such shares shall be exercised in accordance with the instructions of the Board; and

ii) the Trustee will waive all rights to dividends on such shares.

New Share Scheme

The Board believes that the success of the Company will depend to a significant degree on the future performance of the Company's senior management team, in particular its CEO, Mr Knott, and therefore that it is important to ensure that the members of the senior management team are well motivated and identify closely with the success of the Company. To incentivise certain existing and future senior management, the Remuneration and Nomination Committee recommended to offer them the option of participating in a new share incentive scheme (the "New Share Scheme").

The Company's Remuneration and Nomination Committee engaged New Bridge Street, part of AON plc, to advise on potential structures for the New Share Scheme.

Awards under the New Share Scheme will take the form of nil-cost options over a total of 42,624,837 existing ordinary shares in the Company currently held in an employee benefit trust. Vesting of the awards to participants will be linked to total shareholder return (based on share price performance and dividends), measured against the 30-day volume weighted average price ("VWAP") of the Company's shares during a five-year period.

New Share Scheme continued

For initial participants, the awards will vest on a straight-line basis should the VWAP at any point during the five-year period exceed a hurdle price of 47 pence, with 100% vesting on the VWAP reaching 68 pence. Participants who receive shares pursuant to the awards will be subject to a three-month lock-in period during which they will not be permitted to deal in such shares, subject to certain limited exceptions.

All awards under the New Share Scheme will be subject to the participant's continued employment or other engagement with the Company, and malus provisions. To further align the interests of the Company's senior management team and those of shareholders, the Company's share dealing code will be amended such that employees who are participants in the New Share Scheme who are awarded shares will only be permitted to dispose of such shares if, post-disposal, their residual shareholding will be valued at an amount equal to at least 200% of their base salary (based on the VWAP on the date of such disposal).

As was disclosed in the Company's Admission Document published on 22 December 2017, the Company sought shareholder approval for the proposed award of options over 21,312,418 existing ordinary shares (held in the employee benefit trust) under the terms of the New Share Scheme to Mr Knott. The award was approved by Savannah shareholders at its AGM held on 3 May 2018, and the options are expected to be granted alongside completion of the Seven Energy Transaction.

The Directors, with the exception of Andrew Knott as the beneficiary, having consulted with Strand Hanson Limited, the Company's Nominated Adviser, considered that the terms of the proposed award to Andrew Knott were fair and reasonable insofar as shareholders were concerned.

Directors' service contracts or letters of appointment

Andrew Knott (Chief Executive Officer)

Andrew Knott entered into a service agreement with the Company effective from its Admission to trading on AIM (1 August 2014), which provided for a twelve-month notice period and an initial fixed term of two years. The agreement has been subsequently amended so that the twelve-month notice period cannot expire any earlier than 31 December 2019. In early 2019 this was further extended so that the twelve-month notice period cannot expire any earlier than 28 February 2021 (the "Service Agreement Amendment"). The Service Agreement Amendment was deemed to be a related party transaction under the AIM Rules for Companies.

The Directors, other than Mr Knott, considered, having consulted with Strand Hanson Limited, the Company's Nominated Adviser, that the terms of the Service Agreement Amendment were fair and reasonable insofar as the Company's shareholders are concerned. Under the terms of the agreement, Mr Knott is entitled to an annual salary of £525,000 (2017: £400,000) and, at the sole discretion of the Company's Remuneration and Nomination Committee, a bonus of up to three times his annual salary. Mr Knott is also entitled to participate in any management incentive programme that the Group may adopt. The service agreement includes a right to place Mr Knott on gardening leave during all or any part of his notice period.

The service agreement provides for early termination, inter alia, in the event of a serious breach of the agreement and in the event that Mr Knott ceases to be a Director.

Isatou Semega-Janneh (Chief Financial Officer, on an interim basis, appointed on permanent basis in March 2019)

Isatou Semega-Janneh's service agreement shall continue until terminated by either party on six months' written notice. Under the terms of the agreement, in 2018 Isatou Semega-Janneh was entitled to an annual salary of £150,000 (2017: £148,500), which is payable on a monthly basis and, at the sole discretion of the Company's Remuneration and Nomination Committee, a bonus of up to 30% of her annual salary (currently under review). In addition, Ms Semega-Janneh has also received a supplemental salary of £50,000 per annum payable in light of additional responsibilities being assumed in her role of interim CFO. Isatou Semega-Janneh is also eligible to participate in any management incentive programme that the Group may adopt. The service agreement provides for early termination, inter alia, in the event of a serious breach of the agreement.

David Clarkson (Chief Operating Officer)

David Clarkson was appointed under a letter of appointment when he first joined the Board as a Non-executive Director in December 2017. The terms of Mr Clarkson's appointment as Chief Operating Officer are specified in a contract of employment. Under the terms of the contract, in 2018 David Clarkson was entitled to an annual salary of £300,000 (2017: n/a) which is payable on a monthly basis. Mr Clarkson is also eligible, at the sole discretion of the Company's Remuneration and Nomination Committee, to a bonus and to participate in any management incentive programme that the Group may adopt.

Non-Executive Directors

The Non-Executive Directors were appointed under letters of appointment which can be terminated by three months' written notice by either side. Under the terms of their letters of appointment, Mr Jenkins is entitled to an annual fee of £175,000 (2017: £160,000) and the remaining Non-Executive Directors are entitled to an annual fee of £60,000 (2017: £50,000). David Clarkson, Sir Stephen O'Brien and Michael Wachtel are also entitled to a grant of awards over new ordinary shares with an aggregate value of £50,000 (based on the Placing Price). Subject to continued satisfactory performance, the Board does not think it appropriate to limit the term of appointment of the Non-Executive Directors.

Directors' remuneration

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

Year ended 31 Dec 2018	Salary US$	Performance-related bonus US$	Share options US$	Employer's pension contribution US$	Other benefits US$	Fees US$	Total US$
Executive Directors							
Andrew Knott[1]	640,830	1,398,013	—	—	67,373[4]	—	2,106,216
Isatou Semega-Janneh	268,657	503,285[2]	—	14,430	1,379	—	787,751
David Clarkson[3]	97,411	—	—	—	—	—	97,411
Non-Executive Directors							
Steve Jenkins	—	—	—	—	—	234,909	234,909
Sir Stephen O'Brien	—	—	—	—	—	84,490	84,490
David Clarkson[3]	—	—	—	—	—	61,095	61,095
Mark Iannotti	—	—	—	—	—	80,577	80,577
David Jamison	—	—	—	—	—	80,577	80,577
Michael Wachtel	—	—	—	—	—	177,057[5]	177,057
Total	**1,006,898**	**1,901,298**	**—**	**14,430**	**68,752**	**718,705**	**3,710,083**

1. Highest paid Director.
2. Performance related bonus was in relation to 2017, which the Remuneration and Nomination Committee viewed as an exceptional year.
3. David Clarkson was appointed as COO with effect from 18 June 2018. Amounts shown for David Clarkson represent his Non-Executive Director fees from 1 January 2018 to 18 June 2018 and his COO salary for the period from the date of his appointment to 31 December 2018. His total remuneration for 2018 was US$158,506.
4. Andrew Knott receives his employer's pension allowance equivalent to 10% of salary as cash.
5. Michael Wachtel received a fee of US$80,577 in respect of his appointment as a Non-Executive Director and additional fees of US$96,480 for additional services.

Note: Directors' remuneration is incurred in GB Pounds. The average rate of exchange for the year ended 31 December 2018 was US$1.34/£1.00.

Directors' remuneration continued

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

Year ended 31 Dec 2017	Salary US$	Performance-related bonus US$	Share options US$	Employer's pension contribution US$	Other benefits US$	Fees US$	Total US$
Executive Directors							
Andrew Knott[1,3]	512,364	1,248,550	—	51,236[4]	2,637	—	1,814,787
Isatou Semega-Janneh[2]	4,221	—	—	169	24	—	4,414
Non-Executive Directors							
Steve Jenkins	—	—	—	—	—	204,946	204,946
Sir Stephen O'Brien[2]	—	—	—	—	—	1,525	1,525
David Clarkson[2]	—	—	—	—	—	1,525	1,525
Mark Iannotti	—	—	—	—	—	44,832	44,832
David Jamison	—	—	—	—	—	44,832	44,832
Michael Wachtel[2]	—	—	—	—	—	1,525	1,525
Total	516,585	1,248,550	—	51,405	2,661	299,185	2,118,386

1. Highest paid Director.
2. Isatou Semega-Janneh, Sir Stephen O'Brien, David Clarkson and Michael Wachtel were appointed with effect from 21 December 2017. Amounts shown for Isatou Semega-Janneh represent her salary and benefits for the period from the date of her appointment to 31 December 2017 and exclude the performance bonus paid in relation to the financial year ended 31 December 2016, paid in January and February 2017, which was prior to her appointment as a Director. Amounts shown for Sir Stephen O'Brien, David Clarkson and Michael Wachtel represent their Non-Executive Director fees for the period from the date of their appointment to 31 December 2017.
3. A vehicle beneficially owned by Andrew Knott committed to acquire £745,935 of shares in 2017 as part of the Company's US$125 million equity fundraise.
4. Andrew Knott received his employer's pension allowance as cash.

Note: Directors' remuneration expenditure is incurred in GB Pounds. The average rate of exchange for the year ended 31 December 2017 was $1.29/£1.00.

Directors' shareholdings and share interests

The table below sets out the Directors' interests in the ordinary shares of the Company, including shares held by persons connected to them, together with the number of awards held by Directors under the LTIP and the Supplementary Plan as at 31 December 2018.

On 23 January 2019, the Company announced its intention to conduct an accelerated bookbuild (the "Bookbuild") to raise gross proceeds of approximately US$23 million by way of a placing (the "Placing") of new ordinary shares of £0.001 each in the Company ("Ordinary Shares"). Andrew Knott, Isatou Semega-Janneh, David Clarkson, Steve Jenkins and Mark Iannotti (together, the "Participating Directors") agreed to subscribe for, in aggregate, 2,101,000 Placing Shares, representing c.3.3% of the gross proceeds of the Placing in the period between the financial year end and the last practicable date, as at 28 May 2019.

	As at 31 Dec 2018	As at 28 May 2019 (post Placing)	Changes from 31 Dec to 28 May 2019	% of issued shares as at 28 May 2019	LTIP – outstanding unvested awards	Supplementary Plan – outstanding unvested awards
	Number of Ordinary Shares	Number of Ordinary Shares	Number of Ordinary Shares		Number of SP1L shares	Number of Ordinary Shares
Executive Directors						
Andrew Knott[1]	26,335,565	27,702,565	1,367,000	3.15%	11,588,574	5,446,630
Isatou Semega-Janneh[1]	131,579	167,579	36,000	0.02%	446,429	358,786
David Clarkson[1]	—	357,000	357,000	0.04%	—	—
Non-Executive Directors						
Steve Jenkins[1]	301,800	337,800	36,000	0.04%	1,785,714	1,019,501
Sir Stephen O'Brien	—	—	—	—	—	—
Mark Iannotti[1]	2,793,887	3,066,887	273,000	0.35%	547,765	2,257,450
David Jamison	651,009	—	—	0.07%	273,883	128,725
Michael Wachtel	—	—	—	—	—	—
Total	**30,213,840**	**31,631,831**	**2,101,000**	**3.67%**	**14,642,365**	**89,211,092**

1. Andrew Knott, Isatou Semega-Janneh, David Clarkson, Steve Jenkins and Mark Iannotti were the Participating Directors in the 23 January 2019 Placing.

The closing share price of one Savannah Petroleum PLC share on 31 December 2018 was 26.5 pence and the highest and lowest prices during the year were 35.0 pence and 23.3 pence respectively.

On behalf of the Board

David Jamison
Chairman, Remuneration and Nomination Committee

30 May 2019

Continued focus on compliance

Compliance Committee membership during the year	
Michael Wachtel	Chair since January 2018
David Clarkson	Member since January 2018
Mark Iannotti	Member since January 2018
David Jamison	Member since January 2018

Key responsibilities:

- Reviewing and monitoring compliance controls, policies and systems to identify, assess, manage and report on compliance matters, including:
  - the prevention of bribery, corruption, money laundering and countering of terrorist financing;
  - gifts and hospitality, per diem payments, business relationships, including dealings with public officials, agents, intermediaries, consultants, contractors and advisers;
  - mergers, acquisitions and major new projects;
  - whistleblowing arrangements and reports;
  - conflicts of interest; and
  - legal and regulatory compliance risks.
- Assessing the adequacy and effectiveness of the compliance framework.
- Communicating the Board's commitment to compliance to the Group's staff, contractors and other stakeholders.

During the year, the Committee continued to fulfil its role of supporting the Board in carrying out its duty to promote and oversee compliance with all legal and regulatory obligations.

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

Activities during the year

During the financial year ended 31 December 2018, the Committee:

- oversaw the appointment of a Chief Compliance Officer to oversee compliance matters;
- considered changes to the necessary level of oversight and monitoring which is expected to be required following the completion of the Seven Energy Transaction and as the Company moves towards first oil production in Niger;
- commissioned and reviewed the findings of a compliance audit of operations and activities relating to the implementation and application of its Anti-Corruption and Anti-Money Laundering Policy and Procedures by Clyde & Co; and
- following the appointment of the Chief Compliance Officer, began receiving regular compliance reports; and
- reviewed Company compliance policies.

During 2019, the Committee will continue to review the current compliance policies, procedures and systems to ensure that these continue to be proportionate to the scale and range of the Company's operations.

Michael Wachtel
Chairman, Compliance Committee

30 May 2019

Health, Safety, Security and Environment Committee Report

Maintaining safe, secure and compliant operations

HSSE Committee membership during the year	
David Clarkson	Chair since January 2018
Steve Jenkins	Member since January 2018
Sir Stephen O'Brien	Member since January 2018

Key responsibilities:

- Ensuring that the Company has an appropriate framework of policies, procedures, systems and controls in place in relation to the health, safety, security and environmental risks arising from the operations of the Group.
- Promoting appropriate behaviours, decisions and culture.
- Communicating the Board's commitment to these matters to the Group's staff, contractors and other stakeholders.
- Overseeing compliance with, and effectiveness of, the HSSE framework.
- Receiving reports on all serious accidents and incidents within the Group, including corresponding actions taken by management.
- Overseeing the quality and integrity of any reporting to external stakeholders regarding health, safety, security and environmental matters.

The role of the Committee is to oversee the framework of policies, procedures, systems and controls in place in relation to the health, safety, security and environmental risks arising from the operations of the Group.

Where there is an overlap of responsibilities between the Health, Safety, Security and Environment Committee, the Compliance Committee and the Audit and Risk Committee, the respective Committee Chairs have the discretion to agree the most appropriate Committee to fulfil any obligation. The terms of reference for the Committee are available on the Company's website at www.savannah-petroleum.com.

David, appointed as a Non-Executive Director in 2017, became Chief Operating Officer in June 2018. Given his role, as well as experience and expertise, it was considered both appropriate and beneficial that he continues to chair the Committee and report to the Committee members on the work of developing, implementing and monitoring policies, procedures and systems relating to health, safety, security and environmental risks.

Activities during the year

During the financial year ended 31 December 2018, the Committee:

- received regular operational updates on health, safety, security and environmental performance and risks, including any breaches or incidents of non-compliance;
- oversaw a review of the Company's Health, Safety, Security and Environmental Management plan;
- implemented environmental management controls on drilling waste and well testing operations in Niger;
- initiated an operational safety review with the Seven Energy management and operations team to assure operational integrity and to establish a common HSSE management and reporting system that will be used by the Enlarged Group upon completion of the Transaction;
- commissioned and reviewed the Company's Business Continuity Plan, including a consideration of succession plans for key operational roles; and
- oversaw a review of the Company's business resilience and crisis management abilities and delegation of authority framework.

During 2019, the Committee will continue to focus on reviewing and developing the Company's HSSE framework and policies to ensure that they are proportionate and fit for purpose, particularly in light of the anticipated completion of the Seven Energy Transaction and the commensurate increase in Group operational activities.

David Clarkson
Chairman, Health, Safety, Security and Environment Committee

30 May 2019

The Directors continue to steward the long-term strategic vision of the Company

The Directors' Report, prepared in accordance with the Companies Act 2006, comprises pages 54 to 56. The Corporate Governance Report on pages 32 to 53 forms part of this Directors' Report.

Corporate structure

Savannah Petroleum PLC (registered no. 09115262) is a public company limited by shares, incorporated in England and Wales. Its shares are traded on the Alternative Investment Market of the London Stock Exchange ("AIM").

Principal activity, review of the business and future developments

The principal business and activities of the Group during the financial year, together with the factors likely to affect its future developments, are set out in the Strategic Report on pages 2 to 31, which are incorporated into this Directors' Report by reference.

Research and development

The Company does not undertake any material research and development activities.

Existence of branches outside the UK

The Group's activities in overseas jurisdictions are carried out through subsidiary companies. The Company does not have any branches outside the UK. Details of the Company's overseas subsidiaries are set out in note 15 to the Group's consolidated financial statements.

The Board

The Directors in office at the date of this Annual Report are shown on pages 32 and 33. All served throughout the year under review.

Directors' indemnity

As permitted by its Articles of Association ("Articles"), the Company has granted a third-party indemnity to each Director against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by English law. This indemnity was in force during the financial year and up to the date of signing of this report. Similar arrangements have also been put in place for the Directors appointed in 2017. In addition, all Directors and officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance.

Purchase of own shares

The Company has not acquired any of its own shares in the period to 31 December 2018, nor in the period up to the date of approval of this Annual Report.

Placing

At the General Meeting held on 8 January 2018, Savannah's shareholders approved the issue and allotment of the Second Tranche Placing Shares, the Consideration Shares (both in relation to the Seven Energy Transaction) and the EBT Shares. Consequently, 514,885,980 new Ordinary Shares were admitted to trading on 8 February 2018. This figure was comprised of 239,000,000 Second Tranche Placing Shares, 42,624,837 EBT Shares, 224,021,689 new Ordinary Shares to be issued to the holders of the 10.25% Senior Secured Notes (which formed part of the Consideration Shares) and 9,239,454 new Ordinary Shares that were deposited in trust in accordance with the terms of the Exchange Offer. Completion of the Placing also triggered the issue of, in aggregate, 133,231,000 Warrants to the Placees, which have now lapsed.

Post-balance sheet events

Placing of shares

On 23 January 2019, the Company announced its intention to conduct an accelerated bookbuild (the "Bookbuild") to raise gross proceeds of approximately US$23 million by way of a placing (the "Placing") of new ordinary shares of £0.001 each in the Company ("Ordinary Shares").

Consequently, a total of 62,800,000 new Ordinary Shares of par value £0.001 each in Savannah Petroleum were placed with existing and new institutional shareholders as well as with Company Directors at a price of 28 pence per new Ordinary Share pursuant to the Placing (the "Placing Shares"), raising gross proceeds of c.US$23 million. The Placing Shares represented approximately 8% of the Company's current issued share capital and were admitted to trading on AIM on 28 January 2019. Following the issue of the Placing Shares, the Company had 879,769,427 Ordinary Shares in issue and there were no shares held in treasury.

Andrew Knott, Isatou Semega-Janneh, David Clarkson, Steve Jenkins and Mark Iannotti (together, the "Participating Directors") agreed to subscribe for, in aggregate, 2,101,000 Placing Shares, representing c.3.3% of the gross proceeds of the Placing. The independent Directors other than the Participating Directors (being Sir Stephen O'Brien, David Jamison and Michael Wachtel), having consulted with the Company's Nominated Adviser, Strand Hanson Limited, considered that the terms of the Participating Directors' participation in the Placing were fair and reasonable insofar as the Company's shareholders are concerned.

Seven Energy Transaction update

The Company confirmed, on 4 February 2019, that it had entered into an implementation agreement with, inter alia, Seven Energy International Limited ("Seven Energy"), certain other subsidiaries of Seven Energy (together, the "Seven Group") and certain of the creditors of the Seven Group (the "Implementation Agreement"). The Implementation Agreement details the legal terms and steps according to which the acquisition of the Seven Assets, as initially detailed in the Company's AIM Admission Document dated 21 December 2017 and as amended by the Company's RNSs of 20 September 2018 and 21 December 2018, will be implemented (the "Seven Energy Transaction" or the "Transaction"). As a result of signing the Implementation Agreement, the Company agreed to provide further liquidity to the Seven Group during the restructuring period by way of an increase in the size of the Liquidity Facility to up to US$28 million.

Good progress continues to be made on other Transaction workstreams, including the expected granting of Ministerial Consent, and agreeing and finalising long-form documentation in relation to the AIIM Investments, the Accugas debt restructuring and the Frontier Swap. The Company continues to expect that the Transaction will complete during Q2 2019, which will be followed in due course by the publication of a Supplemental Admission Document.

General Meeting

The Company held a general meeting (the "General Meeting") on 14 March 2019 to approve, inter alia, the issue of Consideration Shares in relation to the Seven Energy Transaction. Each of the resolutions put to the General Meeting was voted on by way of a poll, and all resolutions proposed were approved by the shareholders.

Dividends

The Board considers it highly desirable that the Company has the maximum flexibility to consider the payment of dividends and otherwise return value to shareholders, and in 2018 effected a cancellation of its share premium account in order to create distributable reserves. The Company also has approval to buyback up to 15% of Savannah's issued share capital, and is seeking to refresh this approval at its upcoming Annual General Meeting.

Prior to the completion of the Seven Energy Transaction and the commencement of production from the Niger EPS, Savannah remains in the pre-revenue stage of development and at a point where the Board believes it is inappropriate to consider the payment of a dividend. Following the expected completion of the Seven Energy Transaction, the Company expects to consider the commencement of shareholder returns (either by way of a dividend payment or share buybacks) in respect of 2019. The Company has previously indicated an intention for the first dividend paid following completion of the Transaction to be US$12.5 million.

Political donations

No political donations were made in 2018.

Financial risk management objectives and policies

The Group's financial risk management objectives and policies, including its policy for managing the exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk, are set out in part b of note 24 to the Group's consolidated financial statements.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 31 and the financial position of the Group at the period end and its cash flows and liquidity position are set out in the Group's consolidated financial statements. Furthermore, the Group's financial risk management objectives and policies are set out in part b of note 24 to the Group's consolidated financial statements on page 93.

The Directors have reviewed the budgets and forecasts as well as the funding requirements of the business for the next twelve months, and the financial position of the Group, its cash flows and liquidity position are described in the Financial Review on pages 28 and 29.

Ahead of completion of the Seven Energy Transaction and delivery of first oil from the Niger EPS, the Group has no current source of operating revenue, and obtains working capital primarily through equity and debt financing. Upon completion of the Transaction, the Group expects a significant cash inflow of up to US$90 million, and will also have access to cash flows generated by the Seven Assets.

Following signature of the Implementation Agreement in February 2019, the Transaction is currently at an advanced stage of legal documentation and final approvals. The Directors have a reasonable expectation that the Transaction will complete with the necessary approvals during 2Q 2019, however recognise that there remains uncertainty around the timing for completion which could lead to a liquidity shortfall and the need for the Company to access additional funding.

The Directors have a reasonable and strong expectation that the Group will be able to access adequate resources to continue operating for the foreseeable future in the event of potential completion delays and subject to the Enlarged Group's business performance. On this basis, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

External auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Grant Thornton UK LLP has expressed its willingness to continue in office as auditor. Following the Audit and Risk Committee's review of the independence and performance of the auditor in respect of the financial year ended 31 December 2018, a resolution to re-appoint them will be proposed at the forthcoming AGM.

Approval of Directors' Report

This Directors' Report, including the Corporate Governance Report, was approved for and on behalf of the Board on 30 May 2019.

Andrew Knott
Chief Executive Officer

30 May 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and the financial statements, taken as a whole, provide the information necessary to assess the Company's position, performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Andrew Knott
Chief Executive Officer

30 May 2019

Independent Auditor's Report
to the members of Savannah Petroleum PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Savannah Petroleum PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: US$1,777,000, which represents 1% of the Company's total assets less Long Term Financial Assets value;
- Key audit matters were identified as exploration and evaluation asset capitalisation and impairment; and Long Term Financial Assets valuation
- We performed full scope audit procedures on the financial statements of Savannah Petroleum PLC and on the financial information of Savannah Petroleum Niger R1/R2 SA. This covered 99% of expenditure and 99% of total assets for the year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter – Group	How the matter was addressed in the audit – Group
Exploration and Evaluation asset – capitalisation and impairment The Exploration and Evaluation ("E&E") asset balance at 31 December 2018 is $150,400,000 (31 December 2017: $111,700,000) with the movement being $38,700,000 of capitalised additions in the year. As the Group is currently in the exploration phase, these costs are being capitalised. Management have to consider the specific recognition criteria of IFRS 6: Exploration for and Evaluation of Mineral Resources ("IFRS 6") for which costs can be capitalised and management judgement is required around which costs meet IFRS 6 capitalisation criteria. The E&E assets have been accumulating over a number of years and the Group is not yet in the production phase – as a result there is a risk that the carrying value of the assets may not be recoverable and an impairment may be required. We therefore identified Intangible assets – capitalisation and impairment as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Understanding, through discussion with management, the process for identifying which costs were to be capitalised • Substantive testing of a sample of additions in the period tracing to source documentation and assessing against accounting policy and IFRS 6 criteria • Considering the expert report commissioned by management on the likelihood of exploration being successful, including challenging underlying assumptions; • Using an auditor's external expert review of the management expert report to inform our work; and • Considering management's assessment of any indicators of impairment as outlined in IFRS 6 to ensure none are applicable including the status of R1/R2 license area lease extension which is due for renewal July 2019 and how likely the renewal will be successful. The Group's accounting policy on exploration and evaluation assets is shown in note 3 to the financial statements and related disclosures are included in note 13. **Key observations** Our testing did not identify any material misstatements in the capitalisation of intangible assets or any indicators of impairment in accordance with IFRS 6.

Key audit matter – Group and parent	How the matter was addressed in the audit – Group and parent
Long Term Financial Assets – valuation In February 2018 the Company purchased $88,900,000 of Senior Secured Loan notes which were recorded at fair value in the financial statements under IFRS 9: Financial Instruments ("IFRS 9"). The valuation of these notes has been reassessed by management at the year end, which required the use of judgement. We therefore identified financial instruments – valuation as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Considering management's assessment of the appropriate classification of the financial asset under the requirements of IFRS 9 and concurred with managements conclusion that the asset should be carried at fair value through the profit and loss account; • Obtaining a copy of the valuation model prepared by management relating to the assets at the year end and understood the basis of valuation • Agreeing the inputs used in the valuation model to supporting documentation: • Using the work of an auditor's expert to inform our work in challenging the valuation assumptions and the appropriateness of the valuation method under the requirements of IFRS 13: Air Value Measurement' ("IFRS 13"); and • Checking the presentation and disclosure for compliance with IFRS 9 and IFRS 13. The Group's accounting policy on Long Term Financial Assets is shown in note 3 to the financial statements and related disclosures are included in note 14. **Key observations** Our testing did not identify any material misstatements in the valuation of the Long Term Financial Asset.

Our application of materiality

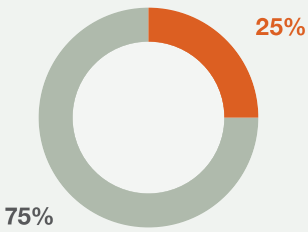
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

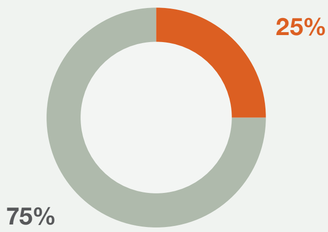
Materiality measure	Group	Parent
Financial statements as a whole	$1,770,000 which is 1% of total assets less long Term Financial Assets, this was excluded as it was subject to volatility arising from fair value movements. This benchmark is considered the most appropriate because the Group is currently in the exploration phase and costs are currently being capitalised into intangible assets. As such the increase of assets is a key driver for the business. Materiality for the current year is higher than the level we determined for the year ended 31 December 2017 to reflect the significant continued investment in the development of exploration and evaluation assets by the Group during the year.	$1,040,000 which is 1% of total assets less Long Term Financial Assets, this was excluded as it was subject to volatility arising from fair value movements. This benchmark is considered the most appropriate because the Company is currently in the exploration phase and costs are currently being capitalised into intangible assets. As such the increase of assets is a key driver for the business. Materiality for the current year is higher than the level we determined for the year ended 31 December 2017 to reflect the overall increase in assets at a company level.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the Audit and Risk Committee	$88,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	$52,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



Tolerance for potential uncorrected misstatements   Performance materiality

An overview of the scope of our audit

Our audit approach was a risk based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

The identified components of the Group were evaluated by the Group audit team based on a measure of materiality considered as a percentage of total Group assets and earnings before income taxes to assess the significance of the component and to determine the planned audit response. For those components that we determined to be significant, either a full scope approach or specific procedures in relation to specific balances and transactions were carried out. This approach was determined based on their relative materiality to the Group and our assessment of audit risk.

The Group's components range in size and activity. We performed full scope audits on two components and specific procedures on three components, to give appropriate coverage of all material balances at parent company and Group levels.

Audit of financial information

- Savannah Petroleum PLC
- Savannah Petroleum Niger R1/R2 SA

Targeted

- Savannah Petroleum 1 Limited
- SPN Limited

Analytical procedures

- Savannah Petroleum SAS Savannah Petroleum 2 Limited
- Savannah Petroleum Nigeria Limited
- Savannah Petroleum International Limited

For the significant components requiring a full scope approach we carried out an interim visit to undertake substantive procedures prior to the year end and to evaluate the Group's internal control environment including its IT systems. The interim audit testing was supplemented with additional substantive procedures to cover the transactions and balances to the year ended 31 December 2018. Non-significant components were subjected to analytical review procedures. All procedures were carried out by the Group engagement team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 57, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Chadwick

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow

30 May 2019

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2018

	Note	**Year ended 31 December 2018 US$'000**	Year ended 31 December 2017 US$'000
Operating expenses		**(28,069)**	(27,091)
Operating loss	6	**(28,069)**	(27,091)
Finance income	8	**869**	283
Finance costs	9	**(2,361)**	(561)
Fair value adjustment	23	**4,953**	—
Loss before tax		**(24,608)**	(27,369)
Tax expense	10	**(5)**	(13)
Net loss and total comprehensive loss		**(24,613)**	(27,382)
Total comprehensive loss attributable to:			
Owners of the Group	20	**(24,519)**	(27,350)
Non-controlling interests	20	**(94)**	(32)
		(24,613)	(27,382)
Loss per share			
Basic (US$)	11	**(0.03)**	(0.10)
Diluted (US$)	11	**(0.03)**	(0.10)

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

Consolidated Statement of Financial Position

as at 31 December 2018

	Note	**2018 US$'000**	2017 US$'000
Assets			
Non-current assets			
Property, plant and equipment	12	**2,431**	2,933
Exploration and evaluation assets	13	**150,425**	111,733
Long-term financial assets	14	**88,956**	—
Total non-current assets		**241,812**	114,666
Current assets			
Receivables and prepayments	16	**22,672**	3,999
Cash and cash equivalents	17	**1,750**	14,904
Total current assets		**24,422**	18,903
Total assets		**266,234**	133,569
Equity and liabilities			
Capital and reserves			
Share capital	18	**1,240**	520
Share premium	18	**—**	157,188
Capital contribution	18	**458**	458
Share-based payment reserve	18	**5,908**	4,551
Other reserves	18	**(4,989)**	—
Accumulated surplus/(deficit)		**225,679**	(59,317)
Equity attributable to owners of the Group		**228,296**	103,400
Non-controlling interests	20	**(491)**	(397)
Total equity		**227,805**	103,003
Current liabilities			
Trade and other payables	21	**23,522**	17,888
Borrowings	22	**14,871**	12,678
Financial liability	23	**36**	—
Total current liabilities		**38,429**	30,566
Total equity and liabilities		**266,234**	133,569

The financial statements of Savannah Petroleum Plc (Company number: 09115262) were approved by the Board of Directors and authorised for issue on 30 May 2019 and are signed on its behalf by:

Andrew Knott
Director

Company Statement of Financial Position

as at 31 December 2018

	Note	2018 US$'000	2017 US$'000
Assets			
Non-current assets			
Property, plant and equipment	12	**348**	203
Long-term financial assets	14	**88,956**	—
Investment in subsidiaries	15	**81,068**	79,710
Total non-current assets		**170,372**	79,913
Current assets			
Receivables and prepayments	16	**100,503**	50,025
Cash and cash equivalents	17	**334**	13,522
Total current assets		**100,837**	63,547
Total assets		**271,209**	143,460
Equity and liabilities			
Capital and reserves			
Share capital	18	**1,240**	520
Share premium	18	—	157,188
Capital contribution	18	**458**	458
Share-based payment reserve	18	**5,908**	4,551
Other reserves	18	**(4,989)**	—
Accumulated surplus/(deficit)		**259,229**	(35,565)
Total equity		**261,846**	127,152
Current liabilities			
Trade and other payables	21	**8,251**	14,560
Borrowings	22	**1,076**	1,748
Financial liability	23	**36**	—
Total current liabilities		**9,363**	16,308
Total equity and liabilities		**271,209**	143,460

Company number: 09115262

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the parent Company income statement. The loss of the legal parent Company for the year to 31 December 2018 was US$14,779,000 (2017: US$19,152,000).

The financial statements of Savannah Petroleum Plc (Company number: 09115262) were approved by the Board of Directors and authorised for issue on 30 May 2019 and are signed on its behalf by:

Andrew Knott
Director

Consolidated Statement of Cash Flows
for the year ended 31 December 2018

	Note	**Year ended 31 December 2018 US$'000**	Year ended 31 December 2017 US$'000
Cash flows from operating activities:			
Net cash used in operating activities	26	**(32,446)**	(15,677)
Cash flows from investing activities:			
Payments for property, plant and equipment		**(1,362)**	(2,253)
Exploration and evaluation costs paid		**(19,426)**	(17,313)
Acquisition of long-term financial asset		**(40,911)**	—
Loan to Seven Energy	16	**(15,686)**	—
Net cash used in investing activities		**(77,385)**	(19,566)
Cash flows from financing activities:			
Finance costs		**(159)**	(221)
Proceeds from issues of equity shares, net of issue costs		**95,767**	14,966
Borrowing proceeds		**8,000**	12,341
Borrowing repayment		**(6,931)**	—
Net cash provided by financing activities		**96,677**	27,086
Net decrease in cash and cash equivalents		**(13,154)**	(8,157)
Cash and cash equivalents at beginning of year		**14,904**	23,061
Cash and cash equivalents at end of year		**1,750**	14,904

Company Statement of Cash Flows
for the year ended 31 December 2018

	Note	**Year ended 31 December 2018 US$'000**	Year ended 31 December 2017 US$'000
Cash flows from operating activities:			
Net cash used in operating activities	26	**(19,422)**	(8,013)
Cash flows from investing activities:			
Parent company funding of subsidiaries		**(31,729)**	(16,787)
Payments for property, plant and equipment		**(194)**	(13)
Acquisition of long-term financial asset		**(40,911)**	—
Loan to Seven Energy	16	**(15,686)**	—
Net cash used in investing activities		**(88,520)**	(16,800)
Cash flows from financing activities:			
Finance costs		**—**	(11)
Proceeds from issues of equity shares, net of issue costs		**95,767**	14,966
Borrowing proceeds		**798**	1,586
Borrowing repayment		**(1,811)**	—
Net cash provided by financing activities		**94,754**	16,541
Net decrease in cash and cash equivalents		**(13,188)**	(8,272)
Cash and cash equivalents at beginning of year		**13,522**	21,794
Cash and cash equivalents at end of year		**334**	13,522

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital US$'000	Share premium US$'000	Capital contribution US$'000	Share-based payment reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total US$'000
Balance at 1 January 2017	**483**	**146,892**	**458**	**2,938**	**—**	**(31,967)**	**118,804**	**(365)**	**118,439**
Loss for the year	—	—	—	—	—	(27,350)	(27,350)	(32)	(27,382)
Total comprehensive loss for the year	—	—	—	—	—	(27,350)	(27,350)	(32)	(27,382)
Transactions with shareholders:									
Equity-settled share-based payments	—	—	—	1,613	—	—	1,613	—	1,613
Issue of ordinary shares to shareholders, net of issue costs	37	10,296	—	—	—	—	10,333	—	10,333
Balance at 31 December 2017	**520**	**157,188**	**458**	**4,551**	**—**	**(59,317)**	**103,400**	**(397)**	**103,003**
Loss for the year	—	—	—	—	—	(24,519)	(24,519)	(94)	(24,613)
Other comprehensive income	—	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	(24,519)	(24,519)	(94)	(24,613)
Transactions with shareholders:									
Equity-settled share-based payments	—	—	—	1,357	—	—	1,357	—	1,357
Issue of ordinary shares to shareholders, net of issue costs	720	152,385	—	—	—	(58)	153,047	—	153,047
Issue of warrants	—	—	—	—	(4,989)	—	(4,989)	—	(4,989)
Cancellation of share premium	—	(309,573)	—	—	—	309,573	—	—	—
Balance at 31 December 2018	**1,240**	**—**	**458**	**5,908**	**(4,989)**	**225,679**	**228,296**	**(491)**	**227,805**

Company Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital US$'000	Share premium US$'000	Capital contribution US$'000	Share-based payment reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2017	**483**	**146,892**	**458**	**2,938**	**—**	**(16,413)**	**134,358**
Loss for the year	—	—	—	—	—	(19,152)	(19,152)
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	(19,152)	(19,152)
Transactions with shareholders:							
Equity-settled share-based payments	—	—	—	1,613	—	—	1,613
Issue of ordinary shares to shareholders, net of issue costs	37	10,296	—	—	—	—	10,333
Balance at 31 December 2017	**520**	**157,188**	**458**	**4,551**	**—**	**(35,565)**	**127,152**
Loss for the year	—	—	—	—	—	(14,779)	(14,779)
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	(14,779)	(14,779)
Transactions with shareholders:							
Equity-settled share-based payments	—	—	—	1,357	—	—	1,357
Issue of ordinary shares to shareholders, net of issue costs	720	152,385	—	—	—	—	153,104
Issue of warrants	—	—	—	—	(4,989)	—	(4,989)
Cancellation of share premium	—	(309,573)	—	—	—	309,573	—
Balance at 31 December 2018	**1,240**	**—**	**458**	**5,908**	**(4,989)**	**259,229**	**261,846**

Notes to the Financial Statements
for the year ended 31 December 2018

1. Corporate information

The consolidated financial statements of Savannah Petroleum PLC ("Savannah" or the "Company") and its subsidiaries (together, the "Group") for the year to 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 30 May 2019.

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

The Company is domiciled in the UK for tax purposes and its shares were 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.

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

No dividends have been declared or paid since incorporation.

2. Basis of preparation

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

The consolidated financial statements of the Group incorporate the results for the year to 31 December 2018.

Going concern

The Directors have reviewed the budgets and forecasts as well as the funding requirements of the business for the next twelve months. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review. In addition, note 24 of the Group financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

Ahead of completion of the Seven Energy Transaction and delivery of first oil from the Niger Early Production Scheme, the Group has no current source of operating revenue, and obtains working capital primarily through equity and debt financing. During the year, the Group received funds from the second tranche of the US$125 million equity placing which was announced in December 2017 as part of the Seven Energy Transaction, amounting to US$95.8 million, net of issue costs. The net proceeds were used to fund the following key activities:

I. the cash element of the acquisition of the 10.25% Senior Secured Notes as part of the Seven Energy Transaction;

II. successful five-well drilling campaign; and

III. Group working capital and ongoing transaction costs.

As at 31 December 2018, the Group's net current liabilities stood at US$14 million and the Group held cash of US$1.8 million. Immediately following the year end, the Group successfully raised US$23 million equity in order to provide additional working capital for the Group. Upon completion of the Seven Energy Transaction, the Group expects a significant cash inflow of up to US$90 million (including US$20 million from certain Seven Energy SSN holders as part of the "new money" investment and US$54-70 million investment from AIIM to acquire a 20-25% interest in the Uquo and Accugas businesses). Following completion, the Group will also have access to cash flows generated by the Seven Energy Assets.

Following the signature of the Implementation Agreement in February 2019, the Transaction is currently at an advanced stage of legal documentation and final approvals. The Directors currently have a reasonable expectation that the Transaction will complete with the necessary approvals during 2Q 2019. However, although material progress has been achieved on the Transaction (including signature of the Implementation Agreement in February 2019), the Directors recognise that there remains uncertainty around the timing for completion of the Transaction which could lead to a liquidity shortfall and the need for the Company to access additional funding.

2. Basis of preparation continued

The Directors have a reasonable and strong expectation that the Group will be able to access adequate resources to continue operating for the foreseeable future in the event of potential completion delays and subject to the Enlarged Group's business performance. On this basis, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group confirmed that the acquisition of the Senior Secured Notes in February 2018, via an exchange offer, did not confer control of Seven Energy by Savannah and therefore the Group has not consolidated Seven Energy's financial results in the Group financial statements. Control is not conferred since the purchase of Senior Secure Notes does not give the Group the ability to direct the relevant activities of Seven Energy. See note 14 for further information on the Senior Secured Notes.

See note 15 for the companies that have been consolidated within the Group financial statements.

Transactions eliminated upon consolidation

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. Significant accounting policies

New and amended IFRS standards

The following relevant new standards, amendments to standards and interpretations were mandatory for the first time for the financial year beginning 1 January 2018:

Standard	Key requirements	Effective date as adopted by the EU
IFRS 9	Financial Instruments – Replacement to IAS 39 and is built on a single classification and measurement approach for financial assets which reflects both the business model in which they are operated and their cash flow characteristics.	1 January 2018
IFRS 15	Revenue from Contracts with Customers – Introduces requirements for companies to recognise revenue for the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Also results in enhanced disclosure about revenue.	1 January 2018

IFRS 9: Financial Instruments

The Group has applied IFRS 9 as of the 2018 financial year. The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's consolidated financial statements depends on the financial instruments that the Group possesses, as well as on economic conditions and judgements made as at the year end. Given the nature of the financial assets in the Group, it has not been required to restate any opening reserves in the Group's financial results.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 has had no impact on the Group given that no revenue has been generated during the year.

Standards issued but not yet effective

The following relevant new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2018, as adopted by the European Union, and have not been early adopted:

Standard	Key requirements	Effective date as adopted by the EU
IFRS 16	Leases – Introduces a single lessee accounting model and eliminates the previous distinction between an operating and a finance lease.	1 January 2019

IFRS 16: Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group currently expects to adopt IFRS 16 for the year ending 31 December 2019. The Group has elected to use the modified retrospective approach for the transition option in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of US$5,738,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact.

The effect of IFRS 16 on the Group will be considered once the Seven Energy deal has completed, as the Directors will at this time have a clearer view of all the leases held by Savannah post deal completion and will be able to more accurately conclude on the financial statement effect of IFRS 16.

3. Significant accounting policies continued

Foreign currency translation

Transactions and balances

Transactions entered into in a currency other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each statement of financial position date, the monetary assets and liabilities of the Group's entities that are not in the functional currency of that entity are translated into the functional currency at exchange rates prevailing at the statement of financial position date. The resulting exchange differences are recognised in the statement of comprehensive income.

Functional and presentation currency

Management has concluded that the US Dollar is the functional currency of each entity of the Group due to it being the currency of the primary economic environment in which the Group operates, based on the following facts:

- most of the expenses of the entities of the Group are denominated in US Dollars; and
- the majority of funds raised from financing activities (debt or equity instruments) are either generated in US Dollars or are raised in GBP and immediately converted to US Dollars.

The consolidated financial statements are presented in US Dollars.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

	Years
Computers	3
Motor vehicles	4
Equipment	5-10
Furniture and fixtures	5-10

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are stated in the parent company's statement of financial position at cost less any provisions for impairment. If a distribution is received from a subsidiary, then the investment in that subsidiary is assessed for an indication of impairment.

Segmental analysis

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

Exploration and evaluation assets

Intangible assets relate to exploration, evaluation and development expenditure and are accounted for under the "successful efforts" method of accounting per IFRS 6: Exploration for and Evaluation of Mineral Resources. The successful efforts method means that only costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised.

Exploration and evaluation expenditure are accounted for under the "successful efforts" method of accounting per IFRS 6: Exploration for and Evaluation of Mineral Resources. The successful efforts method means that only costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised. Exploration and evaluation expenditure which relate to unsuccessful drilling operations, though initially capitalised pending determination, are subsequently written off. Exploration and evaluation costs are valued at costs less accumulated impairment losses and capitalised within exploration and evaluation assets. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the statement of comprehensive income.

Long-lead items are classified as property, plant and equipment and transferred to exploration and evaluation assets once utilised in operations. Refer to note 12 for evidence of this reclassification during 2018.

Impairment

Property, plant and equipment and intangible assets excluding exploration and evaluation assets

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

Non-financial assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

Exploration and evaluation assets

Impairment tests are performed when the Group identifies facts or circumstances implying a possible impairment in accordance with IFRS 6. Where the Group identifies that an asset may be impaired, the Group performs an assessment of the recoverable value in accordance with the requirements of IFRS 6. In particular, the Group has carefully considered whether there are any impairment indicators for the R1/R2 and R3/R4 licence areas. The Group has concluded that neither zone requires impairment analysis, per the guidance detailed in IAS 36. Any impairment that would otherwise have been identified, is immediately charged to the statement of comprehensive income.

Management notes that the initial phase of R1/R2 expires in July 2019. In recognition of this deadline, management is in advanced discussions with the relevant authorities to amalgamate the R1/R2 and R3/R4 production sharing contracts. These discussions provide further support in favour of no impairment indicator demonstrated on the R1/R2 licence area.

Financial assets

Cash and cash equivalents

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

Loans

Loans are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Refer to note 16 for further information.

The Senior Secured Notes are classified as a long-term receivable, measured at fair value through profit and loss. Refer to note 14 for further information on this line item.

Amounts due from Group and other receivables

Other receivables are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. In particular, expected credit losses were considered in the context of intercompany receivables presented in the Company's balance sheet – it was concluded that the full balance of these receivables is recoverable via future production. Expected credit losses were also considered in relation to the liquidity facility granted to Seven Energy – this debt is senior to other debt owing by Seven Energy and it was confirmed that there is clearly sufficient value in Seven Energy for the Group to successfully collect this debt in entirety. Refer to note 16 for further information.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. Significant accounting policies continued

Financial assets continued

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is: (i) contingent consideration that may be paid by an acquirer as part of a business combination; (ii) held for trading; or (iii) designated as at FVTPL.

Savannah granted to each participant in the two-tranche equity placing (the first and second tranches having taken place in December 2017 and February 2018 respectively) one warrant to subscribe for ordinary shares for every two placing shares subscribed. The shares are denominated in Sterling, however the reporting currency of the Group is the US Dollar. The “fixed for fixed” test therefore does not pass and the warrants are treated as a financial liability through profit and loss.

The warrants are exercisable twelve months post second tranche equity placing, at an exercise price of £0.35. None of the warrants were exercised and lapsed in entirety in February 2019 (at their expiry date).

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the “other gains and losses” line item in the income statement. Fair value is determined in the manner described in note 23.

Equity instruments

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

Trade payables

Trade payables are measured at fair value.

Taxation

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

Current tax

The tax currently payable is based on taxable loss generated for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the statement of financial position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or to settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity or other comprehensive income, in which case the tax is also recognised directly in equity or other comprehensive income, as appropriate.

Share-based payments

The Group issues equity-settled share-based payments to some of its employees and Directors through stock options plans. In accordance with IFRS 2, these plans are measured at fair value on the grant date and are accounted for as an employee expense on a straight-line or graduated vesting for each tranche basis over the vesting period of the plans.

The equity-settled transaction reserve accounts for the expense associated with options that have been granted but not yet vested. The cost of the share options is recognised as an increase in the equity-settled transaction reserve at the time of the award and this reserve is transferred to the accumulated deficit account over time when such shares become vested.

The proceeds received net of any directly attributable costs are credited to share capital (nominal value) and share premium in the Company. Certain third-party liabilities were also settled during the year via the issue of shares.

The Company has the obligation to deliver the shares. The Company recognises an increase in the investment in the subsidiary as a capital contribution from the parent and a corresponding increase in equity.

Capital

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued capital, the capital contribution reserve, the other reserve in respect of stamp tax arising on the issue of equity, the share-based payment reserve and the accumulated deficit.

Share capital

Share capital comprises issued capital in respect of issued and paid-up shares, at their par value.

Share premium

Share premium comprises the difference between the proceeds received and the par value of the issued and paid-up shares. Share premium was cancelled during the year via court application, in order to ensure sufficient distributable reserves for future dividends.

Capital contribution

The capital contribution reserve comprises the capital contribution that was made by shareholders of the Company as part of the debt to equity conversion.

Share-based payment reserve

The share-based payment reserve relates to equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Other reserve

The other reserve figure represents the reclassification of the fair value of warrants granted from equity to a financial liability, at initial grant date. See note 8 for further information.

Retained earnings

Retained earnings comprises the accumulated deficit surplus retained by the Company. Retained earnings increased materially during the year as a result of the above-mentioned share premium cancellation.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term, and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group is managed and adjusted to reflect changes in economic conditions.

The Group funds its expenditures on commitments from existing cash and cash equivalent balances, received from the issue of shares. There are no externally imposed capital requirements. Financing decisions are made by the Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

Leasing

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

3. Significant accounting policies continued

Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the post-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Recoverability of exploration and evaluation costs

The outcome of ongoing exploration, and therefore the recoverability of the carrying value of intangible exploration and evaluation assets, is inherently uncertain. Management makes the judgements necessary to implement the Group's policy with respect to exploration and evaluation assets and considers these assets for impairment at least annually with reference to indicators in IFRS 6. Further details are provided in note 13.

Share-based payments

The share-based payment charge is determined based on a number of judgements, including the selection of an appropriate valuation model, and is based on the estimation of the number of awards that will ultimately vest, and vesting periods. Further details are provided in note 19.

During the year, an Exchange Offer was concluded whereby Savannah acquired Senior Secured Notes owed by Seven Energy – the consideration for this was partially settled in shares. Refer to note 14 for further information.

Warrants

The fair value of the warrants is based on a number of judgements, including the selection of an appropriate valuation model. Further details are provided in note 23.

Long-term financial assets

A material long-term financial asset (10.25% Senior Secured Notes) was acquired during the year. Refer to note 14 for the accounting judgement applied to this acquisition.

5. Segmental reporting

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

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

6. Operating loss

Operating loss has been arrived at after charging:

Year ended 31 December	**2018 US$'000**	2017 US$'000
Depreciation of property, plant and equipment	**312**	274
Staff costs (note 7)	**6,912**	5,097
Operating lease rental	**395**	189

During the year an amount of US$14,700,000 (2017: US$18,500,000) related to costs associated with the proposed acquisition of the Seven Assets from Seven and Seven Energy Creditor Group was included within operating loss.

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor:

Year ended 31 December	**2018 US$'000**	2017 US$'000
Fees payable to Grant Thornton UK LLP for the audit of the Company's annual accounts	**89**	86
Total audit fees payable to Grant Thornton UK LLP and their associates	**89**	86
Fees payable to Grant Thornton UK LLP and their associates for other services to the Group		
Audit-related assurance services	**23**	17
Other taxation advisory services	**5**	8
Total non-audit fees payable to Grant Thornton UK LLP and their associates	**28**	25

7. Staff costs

The average monthly number of permanent employees (including Executive Directors) during the year was:

Year ended 31 December	2018 No.	2017 No.
Employees	**18**	19

Employee benefits recognised as an expense during the year comprised:

Year ended 31 December	2018 US$'000	2017 US$'000
Wages and salaries	**5,041**	2,974
Share-based payments	**1,357**	1,613
Pension costs	**186**	97
Social security costs and benefits	**328**	413
	6,912	5,097

Directors' remuneration during the year comprised:

Year ended 31 December	2018 US$'000	2017 US$'000
Wages and salaries	**3,628**	2,061
Share-based payments	**1,379**	1,387
Pension costs	**14**	51
Social security costs and benefits	**68**	288
	5,089	3,787

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

8. Finance income

Year ended 31 December	2018 US$'000	2017 US$'000
Bank interest	**—**	3
Foreign exchange gain	**—**	280
Loan interest (see note 14 for further details)	**869**	—
	869	283

The net foreign exchange gain booked is US$Nil (2017 gain: US$280,000) and is mainly the result of the movements of GBP and XOF against the US Dollar during the period.

9. Finance costs

Year ended 31 December	2018 US$'000	2017 US$'000
Bank charges	**12**	220
Foreign exchange loss	**948**	—
Other finance costs	**1,401**	341
	2,361	561

The net foreign exchange loss booked is US$948,000 (2017 loss: US$Nil) and is mainly the result of the movements of GBP and XOF against the US Dollar during the period.

10. Income tax

The tax expense for the Group is:

Year ended 31 December	2018 US$'000	2017 US$'000
UK corporation tax	5	—
Foreign Income Tax	—	13
	5	13

Year ended 31 December	2018 US$'000	2017 US$'000
The charge for the period can be reconciled per the statement of comprehensive income as follows:		
Loss on ordinary activities before taxes	24,608	27,368
Loss before taxation multiplied by the UK corporation tax rate of 19.00% (2017: 19.25%)	4,676	5,268
Effects of:		
Expenses disallowed for tax	(2,779)	(1,913)
Income disallowed for tax	941	—
Adjustment to prior year	(5)	—
Deferred tax not recognised	(2,838)	(3,355)
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	(13)
Tax charge for the period	(5)	(13)

As of 1 April 2018, the corporation tax rate is 19%.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

At 31 December 2018, tax losses were US$39,380,000 (2017: US$25,670,000). Tax losses will be carried forward and are potentially available for utilisation against taxable profits in future years. The potential tax benefit of the tax losses carried forward at 19% is US$7,482,000 (2017: US$4,877,000).

At 31 December 2018, a temporary difference for corporation tax purposes in respect of share-based payments of US$5,908,000 (2017: US$4,551,000) existed, which is potentially available for utilisation against taxable profits in future years.

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

11. Earnings per share

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

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

Year ended 31 December	**2018 US$'000**	2017 US$'000
Earnings		
Net loss attributable to owners of the parent	**(24,519)**	(27,350)

	Number of shares	Number of shares
Basic and diluted weighted average number of shares	**757,050,293**	274,922,400

	US$	US$
Loss per share		
Basic and diluted	**(0.03)**	(0.10)

In December 2017 the Company issued 27,462,000 new ordinary shares as part of an equity fund raising to the value of US$13 million (gross).

In February 2018 the Company issued 505,646,256 new ordinary shares as part of an equity fund raising to the value of US$117 million (gross). 224,021,689 of the new ordinary shares were allotted as consideration for the acquisition of US$305,623,124 worth of 10.25% Senior Secured Notes due 2021 issued by Seven Energy Finance Limited. See note 14 for further details.

The Company issued warrants along with the shares issued during the placings in December 2017 and February 2018, being one warrant for every two ordinary shares placed. The warrants are exercisable at a price equal to the placing price of the Company's shares on the date of grant. There is no vesting period. If the warrants remain unexercised after a period of one year from the date of the second grant, the warrants expire. See note 23 for further details.

Following re-admission of the Group onto the London Stock Exchange in December 2017, the Group established an employee benefit trust ("EBT") to facilitate the adoption of certain management and employee incentive schemes. The EBT subscribed for 42,624,837 ordinary shares, issued as part of the second tranche equity placing in February 2018.

12. Property, plant and equipment

Group

	Computer equipment US$'000	Equipment US$'000	Furniture & fixtures US$'000	Motor vehicles US$'000	Drilling property, plant & equipment US$'000	Drill bits US$'000	Wellhead equipment US$'000	New base camp US$'000	Total US$'000
Cost									
Balance at 1 January 2017	3	517	265	395	—	—	—	—	1,180
Additions	1	530	47	52	3	146	991	483	2,253
Balance at 31 December 2017	4	1,047	312	447	3	146	991	483	3,433
Additions	4	175	12	67	1,062	—	—	43	1,363
Reallocation to exploration and evaluation assets (see note 13)[1]	—	(413)	—	—	(3)	(146)	(991)	—	(1,553)
Balance at 31 December 2018	**8**	**809**	**324**	**514**	**1,062**	**—**	**—**	**526**	**3,243**
Accumulated depreciation									
Balance at 1 January 2017	(2)	(102)	(92)	(30)	—	—	—	—	(226)
Depreciation charge	(1)	(74)	(57)	(108)	—	—	—	(34)	(274)
Balance at 31 December 2017	(3)	(176)	(149)	(138)	—	—	—	(34)	(500)
Depreciation charge	(2)	(65)	(65)	(124)	—	—	—	(56)	(312)
Balance at 31 December 2018	**(5)**	**(241)**	**(214)**	**(262)**	**—**	**—**	**—**	**(90)**	**(812)**
Net book value									
Balance at 31 December 2017	1	871	163	309	3	146	991	449	2,933
Balance at 31 December 2018	**3**	**568**	**110**	**252**	**1,062**	**—**	**—**	**436**	**2,431**

1. Long-lead items are classified as property, plant and equipment and transferred to exploration and evaluation assets once utilised in exploration.

Company

	Computer equipment US$'000	Equipment US$'000	Furniture & fixtures US$'000	Total US$'000
Cost				
Balance at 1 January 2017	—	194	128	322
Additions	—	—	13	13
Balance at 31 December 2017	—	194	141	335
Additions	16	175	3	194
Balance at 31 December 2018	**16**	**369**	**144**	**529**
Accumulated depreciation				
Balance at 1 January 2017	—	(37)	(49)	(86)
Depreciation charge	—	(19)	(27)	(46)
Balance at 31 December 2017	—	(56)	(76)	(132)
Depreciation charge	—	(20)	(29)	(49)
Balance at 31 December 2018	**—**	**(76)**	**(105)**	**(181)**
Net book value				
Balance at 31 December 2017	—	138	65	203
Balance at 31 December 2018	**16**	**293**	**39**	**348**

13. Exploration and evaluation assets

Group

Exploration and evaluation assets consist of acquisition costs relating to the acquisition of exploration licences and other costs associated directly with the discovery and development of specific oil and gas reserves in the R1/R2 and R3/R4 licence area in the Republic of Niger.

	Total US$'000
Balance at 1 January 2017	96,913
Additions	14,820
Balance at 31 December 2017	111,733
Additions	37,139
Reallocation from plant, property and equipment (see note 12)	1,553
Balance at 31 December 2018	**150,425**

The amount for intangible exploration and evaluation assets represents active exploration projects. These will ultimately be written off to the statement of comprehensive income as exploration costs if commercial reserves are not established, but are carried forward in the statement of financial position whilst the determination process is not yet completed and there are no indications of impairment having regard to the indicators in IFRS 6. Refer to note 3 for further information on impairment analysis of the Group's exploration and evaluation assets.

Company

No exploration and evaluation assets were capitalised by the Company as at the statement of financial position date.

14. Long-term financial asset

As at 31 December	Group 2018 US$'000	Company 2018 US$'000	Group 2017 US$'000	Company 2017 US$'000
10.25% Senior Secured Notes				
– Cash consideration	**40,910**	**40,910**	—	—
– Equity consideration	**48,046**	**48,046**	—	—
	88,956	**88,956**	—	—

On 7 February 2018 the Group completed an exchange offer on the 10.25% Senior Secured Notes ("SSNs") and Savannah had received valid exchange instructions in respect of US$305,623,123 in principal amount of outstanding 10.25% SSNs, representing 96.04% of the outstanding 10.25% SSNs.

For IFRS 9 purposes, the SSNs are not held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. They are rather expected to ultimately form part of the consideration of the relevant assets in the Seven Energy Group, upon completion of the Transaction. The Group is therefore required to measure the SSNs at fair value through profit and loss.

In determining the fair value of the SSNs, management carefully considered the use of a "level 1" active market value (in terms of IFRS 13), however the lack of an active trading market for the SSNs led management to conclude that any publicly quoted values are not a reasonable presentation of their fair value. Management therefore sought alternative observable means to reasonably calculate the fair value of the SSNs.

To this end, an "income approach" was applied, whereby the discounted cash flow of assets within certain entities over which the SSNs are secured were calculated, together with considering the overall fair net asset value of these entities. Management considered this to be a reliable "level 3" input for the valuing of the SSNs. The results of this approach led management to conclude that there has been no material fluctuation in the value of the SSNs since their acquisition in February 2018.

The discount rate applied in the discounted cash flow of the applicable assets was 16%. At a discount rate of 15%, this fair value would have been $95.6 million and at 17% this would have been $83.9 million.

In completing the discounted cash flow, management took into account the following inputs, with their respective sensitivities included within the descriptions:

- oil price – forecasted based on a price of $60 per barrel, sensitive to forecasted fluctuations in the United States Consumer Price Index ("US CPI");
- gas price – based on a fixed price negotiated, sensitive to fluctuations in the US CPI;
- oil volumes – based on management's assessment of 2P reserves, sensitive to the estimated amount of downtime;
- gas volumes – based on management's assessment of 2P reserves, with take or pay volumes being applied;
- operating expenditure – management bases this on past run rates and historical performance, with expected repairs and relevant US/Nigeria inflation also factored in as appropriate; and
- capital expenditure – based on internal estimates and reviewed by the applicable 'Competent Person', subject to relevant US/Nigeria inflation adjustments.

15. Investment in subsidiaries

	Company 2018 US$'000	Company 2017 US$'000
Savannah Petroleum 1 Limited	**5,908**	4,550
SPN Limited	**75,160**	75,160
	81,068	79,710

The Company recognises an increase in the investment in the subsidiary as a capital contribution from the parent and a corresponding increase in equity. During the year there was a share-based payment charge of US$1,357,000 (2017: US$1,613,000).

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

Name	Nature of business	Country of incorporation	Type of share	Group shareholding
Savannah Petroleum 1 Limited	Investment company	United Kingdom	Ordinary	100%
Savannah Petroleum 2 Limited	Investment company	United Kingdom	Ordinary	95%
SPN Limited	Holding	Jersey	Ordinary	100%
Savannah Petroleum SAS	Service	France	Ordinary	100%
Savannah Niger R1/R2 SA	Oil exploration company	Niger	Ordinary	95%
Savannah Petroleum and Technologies Innovation Ltd	Service Company	Nigeria	Ordinary	100%
Savannah Petroleum International Ltd	Service Company	United Kingdom	Ordinary	100%
Employee Benefit Trust	Employee Trust	Jersey	Ordinary	100%

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

Name	**Proportion of ownership interests and voting rights held by non-controlling interests**	**Loss allocated to non-controlling interests in year ended 31 December 2018 US$'000**	**Accumulated non-controlling interests US$'000**
Savannah Petroleum 2 Limited	**5%**	**—**	**—**
Savannah Niger R1/R2 SA	**5%**	**(94)**	**(491)**
Total		**(94)**	**(491)**

Name	Proportion of ownership interests and voting rights held by non-controlling interests	Loss allocated to non-controlling interests in year ended 31 December 2017 US$'000	Accumulated non-controlling interests US$'000
Savannah Petroleum 2 Limited	5%	—	—
Savannah Niger R1/R2 SA	5%	(32)	(397)
Total		(32)	(397)

16. Receivables and prepayments

As at 31 December	Group 2018 US$'000	Company 2018 US$'000	Group 2017 US$'000	Company 2017 US$'000
Prepayments	**313**	**266**	436	364
VAT receivables	**151**	**101**	1,214	1,180
Amounts owed from other Group companies	**—**	**77,947**	—	46,140
Loan to Seven Energy	**18,319**	**18,319**	—	—
Other receivables	**3,889**	**3,870**	2,349	2,341
	22,672	**100,503**	3,999	50,025

Company receivables of US$77,947,000 (2017: US$46,140,000) and other receivables of US$3,870,000 (2017: US$2,341,000) are receivable on demand and are not interest bearing.

Included in 'other receivables' is a 'deemed paid up' share capital amount of $3.5 million. See note 18 for further information.

A liquidity facility was provided to Seven Energy for working capital purposes. Interest on this facility is charged at an annual interest rate of 6.5%. The Group concluded that it is appropriate to measure the liquidity facility at amortised cost, in terms of IFRS 9, with applicable reasoning as follows:

- the facility is agreed to be repaid in cash following completion of the Seven deal. The facility is therefore held with the intention to collect funds from Seven Energy. The "business model" test is therefore complied with; and
- the cash received by the Group would be solely payments of principal and interest, therefore the so-called "SPPI test" is complied with.

The expected credit loss from the facility was duly assessed. In terms of seniority, this debt is higher in seniority than any other debt owing by Seven. As a result, it was not considered to be material and the Group did not view it as necessary to provide for expected credit losses on the facility. It is highly likely, given the value of the assets in Seven, that the amount owing under the facility will be able to be collected in its entirety. There has been no change in credit quality since the drawdown.

Included within the other receivables figure in 2017 was an amount due from Seven Energy of $1.8 million. As of the current year this forms part of the liquidity facility described in this note. The Directors have concluded that there has been no change in the credit quality of the receivable from the date credit was granted to the reporting date.

17. Cash and cash equivalents

As at 31 December	Group 2018 US$'000	Company 2018 US$'000	Group 2017 US$'000	Company 2017 US$'000
Cash and cash equivalents	**1,750**	**334**	14,904	13,522

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

Cash and cash equivalents included US$1,374,000 (2017: US$1,300,000) of cash collateral on the Orabank revolving facility. The cash collateral was at a value of XOF 794.5 million. The movement between years relates wholly to foreign exchange movement.

The amount of cash and cash equivalents denominated in currencies other than US Dollars is shown in note 24 to these financial statements.

18. Capital and reserves

As at 31 December	2018	2017
Fully paid ordinary shares in issue (number)	**816,969,427**	301,793,177
Called up ordinary shares in issue (number)	**—**	290,270
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 2017	274,621,447	483	146,892	147,375
Shares issued	27,462,000	37	10,296	10,333
At 31 December 2017	302,083,447	520	157,188	157,708
Shares issued	514,885,980	720	152,385	153,105
Cancellation of share premium	—	—	(309,573)	(309,573)
At 31 December 2018	**816,969,427**	**1,240**	**—**	**1,240**

In December 2017 the Company issued 27,462,000 new ordinary shares as part of an equity fund raising to the value of US$13 million (gross). Due to the timing of the equity placing, US$392,000 of new shares issued were unpaid as at the year end and are included as part of other debtors. All unpaid share capital at the end of 2017 was settled in 2018.

In February 2018 the Company issued 514,885,980 new ordinary shares as part of an equity fund raising to the value of US$117 million (gross). 224,021,689 of the new ordinary shares were allotted as consideration for the acquisition of US$305,623,124 worth of 10.25% Senior Secured Notes due 2021 issued by Seven Energy Finance Limited. See note 14 for further details.

As part of the equity raise in February 2018, 7,459,000 shares were issued at a value of $3.5 million, the amount for which is deemed to be paid up in accordance with Section 583 of the Companies Act 2006. In terms of this section, a share in a company is deemed paid up in cash, if the consideration received for the payment is a "cash consideration". In this instance a 'cash consideration' includes an undertaking to pay cash at a later date. The undertaking from the respective third party satisfies this requirement and therefore the shares issued to the third party are deemed paid up. The value of $3.5 million is included in other receivables (see note 16). The third party has undertaken to pay the amount owing on the earlier of (i) completion of the Seven Deal and (ii) 31 December 2019.

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.

In June 2018 the Company cancelled its share premium account to ensure adequate distributable reserves were in place. This was effected to enable Savannah to prospectively declare dividends.

Group and Company

	Capital contribution US$'000	Share-based payment reserve US$'000	Other reserves US$'000	Total US$'000
At 1 January 2017	458	2,938	—	3,396
Share-based payments expense during the year	—	1,613	—	1,613
At 31 December 2017	458	4,551	—	5,009
Share-based payments expense during the year	—	1,357	—	1,357
Warrants issued at fair value	—	—	(4,989)	(4,989)
At 31 December 2018	**458**	**5,908**	**(4,989)**	**1,377**

Nature and purpose of reserves

Capital contribution reserve

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

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Further details of share-based payments are at note 19.

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. See note 23 for further information.

Capital risk management

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

Details of the Group's capital structure can be found in the capital accounting policy.

The proceeds are used to finance the Group's ongoing development and appraisal of the exploration and evaluation assets.

19. Share-based payments

The Group operates a share option plan as part of the remuneration of employees.

Share option plan

	For the year ended 31 December 2018 US$'000	For the year ended 31 December 2017 US$'000
Share-based payments	**1,357**	1,613

The Board has established a share option plan, in which share options will be granted and vest on successful completion of certain milestones (described below). The Group signed agreements with the key management personnel setting out the terms of the options in 2014. Under IFRS 2 the options were therefore deemed to have been granted in 2014. Once the Remuneration and Nomination Committee has confirmed the successful completion of the milestone, a certain number of share options will be granted and vest for each participant.

Milestone	Number of options	Assumed exercise price	Market vesting condition	Assumed vesting period
1	15,737,896	£0.01	PLC share price to equal or exceed £1.68	10 years

The options were valued on the grant date using a Monte Carlo option pricing model which calculates the fair value of an option by using the vesting period, the expected volatility of the share price, the current share price, the assumed exercise price and the risk-free interest rate. The fair value of the option is amortised over the anticipated vesting period. There is no requirement to revalue the option at any subsequent date.

For valuation purposes, an exercise price of £0.01 was used, however shares in the Company will be issued at an effective exercise price of £0.56.

19. Share-based payments continued

Share option plan continued

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

	Charge during the year US$'000	Number of options	Assumed exercise price in US$ per share
Outstanding at 1 January 2017		15,737,896	
Charge during the year	554	—	—
Granted, lapsed and exercised during the year	—	—	—
Outstanding at 31 December 2017		15,737,896	
Charge during the year	573	—	—
Granted, lapsed and exercised during the year	(46)	(273,883)	—
Outstanding at 31 December 2018		**15,464,013**	

The calculation of the share option charge per share using the Monte Carlo pricing model has been calculated to be US$0.37. Based on the modelling assumptions, vesting conditions, a charge of US$527,000 for the year to 31 December 2018 (2017: US$554,000) has been recognised.

During the year an employee who held 273,883 options has left the Group.

The following table lists the inputs to the model used to determine the fair value of options granted:

Pricing model used	Monte-Carlo
Grant date	28 November 2014
Weighted average share price at grant date	£0.36
Weighted average exercise price	£0.01
Weighted average contractual life (years)	10
Share price volatility (%)	89.69
Dividend yield	—
Risk-free interest rate (%)	1.924

The expected share price volatility of 89.69% has been determined by reference to historical prices of shares in the following comparator group companies: Tullow Oil Plc, Bowleven Plc, President Energy Plc, Sound Energy PLC (previously Sound Oil Plc) and Ascent Resources Plc.

In the year to 31 December 2015 a supplementary share option plan was established.

Supplementary share option plan

The Board has established a share option plan, in which share options will be granted and vest on successful completion of certain milestones (described below). The Group signed agreements with the key management personnel setting out the terms of the options in 2015. Under IFRS 2 the options were therefore deemed to have been granted in 2015. Once the Remuneration and Nomination Committee has confirmed the successful completion of the milestone, a certain number of share options will be granted and vest for each participant.

Milestone	Number of options	Assumed exercise price	Market vesting condition	Assumed vesting period
1	10,128,599	£0.38	PLC share price to equal or exceed £1.14	10 years

The options were valued on the grant date using a Monte Carlo option pricing model which calculates the fair value of an option by using the vesting period, the expected volatility of the share price, the current share price, the assumed exercise price and the risk-free interest rate. The fair value of the option is amortised over the anticipated vesting period. There is no requirement to revalue the option at any subsequent date. Movements in the number of share options outstanding and their related weighted average assumed exercise prices are as follows:

	Charge during the period US$'000	Number of options	Assumed exercise price per share
Outstanding at 1 January 2017		10,128,599	
Charge during the year	1,033	—	—
Granted, lapsed and exercised during the year	—	—	—
Outstanding at 31 December 2017		10,128,599	
Charge during the year	899	—	—
Granted, lapsed and exercised during the year	(33)	(128,725)	—
Outstanding at 31 December 2018		**9,999,874**	

The calculation of the share option charge per share using the Monte Carlo pricing model has been calculated to be US$0.39. Based on the modelling assumptions, vesting conditions, a charge of US$866,000 for the year to 31 December 2018 (2017: $1,033,000) has been recognised.

During the year an employee who held 128,725 options has left the Group.

The following table lists the inputs to the model used to determine the fair value of options granted:

Pricing model used	Monte-Carlo
Grant date	30 July 2015
Weighted average share price at grant date	£0.40
Weighted average exercise price	£0.38
Weighted average contractual life (years)	10
Share price volatility (%)	82.34
Dividend yield	—
Risk-free interest rate (%)	1.519

The expected share price volatility of 82.34% has been determined by reference to historical prices of shares in the following comparator group companies: Tullow Oil Plc, Bowleven Plc, President Energy Plc, Sound Energy Plc and Ascent Resources Plc.

The Board has established a share option plan, in which share options will be granted and vest on successful completion of certain milestones (described below). The Group signed agreements with the key management personnel setting out the terms of the options in 2017. Under IFRS 2 the options were therefore deemed to have been granted in 2017. Once the Remuneration and Nomination Committee has confirmed the successful completion of the milestone, a certain number of share options will be granted and vest for each participant.

Milestone	Number of options	Assumed exercise price	Market vesting condition	Assumed vesting period
1	526,315	£0.38	PLC share price to equal or exceed £1.14	10 years

19. Share-based payments continued

Supplementary share option plan continued

The options were valued on the grant date using a Monte Carlo option pricing model which calculates the fair value of an option by using the vesting period, the expected volatility of the share price, the current share price, the assumed exercise price and the risk-free interest rate. The fair value of the option is amortised over the anticipated vesting period. There is no requirement to revalue the option at any subsequent date. Movements in the number of share options outstanding and their related weighted average assumed exercise prices are as follows:

	Charge during the period US$'000	Number of options	Assumed exercise price per share
Outstanding at 1 January 2017		526,315	
Charge during the year	26	—	—
Granted, lapsed and exercised during the year	—	—	—
Outstanding at 31 December 2017		526,315	
Charge during the year	14	—	—
Granted, lapsed and exercised during the year	(50)	(526,315)	—
Outstanding at 31 December 2018		**—**	

The calculation of the share option charge per share using the Monte Carlo pricing model has been calculated to be US$0.21 for Tranche 1 and US$0.22 for Tranche 2. Based on the modelling assumptions, vesting conditions, a charge of US$14,000 for the year to 31 December 2018 (2017: $25,685) has been recognised. During the year the total number of options in issue lapsed (2017: Nil).

During the year an employee who held 526,315 options has left the Group.

The following table lists the inputs to the model used to determine the fair value of options granted:

Pricing model used	Monte-Carlo
Grant date	10 August 2016
Weighted average share price at grant date	£0.30
Weighted average exercise price	£0.38
Weighted average contractual life (years)	10
Share price volatility (%)	61.28
Dividend yield	—
Risk-free interest rate (%)	0.13

The expected share price volatility of 61.28% has been determined by reference to historical prices of shares in the following comparator group companies: Tullow Oil Plc, Bowleven Plc, President Energy Plc and Sound Energy Plc.

20. Non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

Savannah Niger

As at 31 December	**2018 US$'000**	2017 US$'000
Current assets	**14,745**	4,504
Non-current assets	**182,090**	144,035
Current liabilities	**(224,901)**	(159,936)
	(28,066)	(11,397)
Equity attributable to owners of the Group	**(27,575)**	(11,000)
Non-controlling interests	**(491)**	(397)
	(28,066)	(11,397)

Period ended 31 December	**2018 US$'000**	2017 US$'000
Net loss and total comprehensive loss	**16,670**	600
Attributable to owners of the Group	**16,576**	568
Attributable to the non-controlling interest	**94**	32
	16,670	600
Net cash outflow from operating activities	**(2,131)**	(600)
Net cash inflow from financing activities	**2,149**	742
Net cash inflow	**18**	142

	2018 US$'000	2017 US$'000
Balance at 1 January	**397**	365
Share of loss for the year	**94**	32
Balance at 31 December	**491**	397

Further information about non-controlling interests is given in note 15.

21. Trade and other payables

As at 31 December	**Group 2018 US$'000**	**Company 2018 US$'000**	Group 2017 US$'000	Company 2017 US$'000
Trade payables	**21,194**	**3,132**	8,630	9,878
Accruals	**1,827**	**1,704**	9,258	4,682
Amounts owed to other Group companies	**—**	**3,072**	—	—
Other payables	**501**	**343**	—	—
	23,522	**8,251**	17,888	14,560

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

22. Borrowings

As at 31 December	**Group 2018 US$'000**	**Company 2018 US$'000**	Group 2017 US$'000	Company 2017 US$'000
Revolving credit facility	**13,795**	**—**	10,930	—
Loan notes	**1,076**	**1,076**	1,748	1,748
	14,871	**1,076**	12,678	1,748

In July 2017 the Group entered into a revolving credit facility with Orabank SA for an amount of €11.4 million bearing interest at 7.5% per annum.

In September 2018 the Group issued unsecured loan notes to the value of £620,000 at 10% premium. In December 2018 an additional premium of 25% was agreed on the loan notes.

23. Financial liability

As at 31 December	Group 2018 US$'000	Company 2018 US$'000	Group 2017 US$'000	Company 2017 US$'000
Warrants				
Fair value recognition at issue date	**4,989**	**4,989**	—	—
Fair value through profit and loss	**(4,953)**	**(4,953)**	—	—
As at year end	**36**	**36**	—	—

The Company issued warrants along with the shares issued during the placings in December 2017 and February 2018, being one warrant for every two ordinary shares placed. The warrants are exercisable at a price equal to the placing price of the Company's shares on the date of grant. There is no vesting period. If the warrants remain unexercised after a period of one year from the date of the second grant, the warrants expire.

Details of the warrants outstanding during the period are as follows:

	31 December 2018		31 December 2017	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Outstanding at the beginning of the year	**13,090,817**	**35p**	—	—
Issued during the year	**119,500,000**	**35p**	13,731,000	35p
Forfeited during the year	**—**	**—**	(640,183)	35p
Exercised during the year	**—**	**—**	—	—
Expired during the year	**—**	**—**	—	—
Outstanding at the end of the year	**132,590,817**	**35p**	13,090,817	35p

The warrants outstanding at 31 December 2018 had a weighted average exercise price of 35 pence, and a weighted average remaining contractual life of one month. In 2018, warrants were issued on 9 February 2018. The aggregate of the estimated fair values of the warrants issued on those dates is US$4.9 million. In 2017, warrants were issued on 22 December 2017. The aggregate of the estimated fair values of the warrants issued at that date is US$0.3 million. The inputs into the Black-Scholes model are as follows:

	31 December 2018	31 December 2017
Weighted average share price USD cents	**33.8**	38.50
Weighted average exercise price USD cents	**44.7**	46.22
Expected volatility	**39.29%**	38.02%
Expected life	**1 month**	13 months
Risk-free rate	**0.74%**	0.61%

Expected volatility was determined by calculating the historical volatility of the Group's share price and the currency fluctuation between the US Dollar and the Pound over the previous three years. The expected life used in the model has been adjusted, based on contractual terms.

The fair value of the warrants at 31 December 2017 was US$0.3 million. This was not recognised in the 2017 Annual Report due to its immaterial value.

24. Financial instruments

(a) Financial instruments by category

At the end of the year, the Group held the following financial instruments:

As at 31 December	Group 2018 US$'000	Company 2018 US$'000	Group 2017 US$'000	Company 2017 US$'000
Financial assets				
Cash and cash equivalents	**1,750**	**334**	14,904	13,522
Amounts due from Group companies	**—**	**77,946**	—	46,140
Long-term financial asset	**88,956**	**88,956**	—	—
Other receivables	**22,207**	**22,189**	3,563	3,521
	112,913	**189,425**	18,467	63,183
Financial liabilities				
Trade payables	**(21,565)**	**(3,475)**	(8,630)	(9,878)
Amounts owed from Group companies	**—**	**(1,714)**	—	—
Accruals	**(1,827)**	**(1,704)**	(9,258)	(4,682)
Borrowings	**(14,907)**	**(1,112)**	(12,678)	(1,748)
	(38,299)	**(8,005)**	(30,566)	(16,308)
Net financial instruments	**74,614**	**181,420**	(12,099)	46,875

(b) Risk management policy

In the context of its business activity, the Group operates in an international environment in which it is confronted with market risks, specifically foreign currency risk and interest rate risk. It does not use derivatives to manage and reduce its exposure to changes in foreign exchange rates and interest rates.

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and deposits with financial institutions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group has an established credit policy under which each new counterparty is analysed for creditworthiness before the Group's standard terms and conditions are offered. The Group's review includes external ratings.

The maximum exposure the Group will bear with a single customer is dependent upon that counterparty's credit rating, the level of anticipated trading and the time period over which this is likely to run. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. Further details of credit risk are included in note 16.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or damage to the Group's reputation.

The Group manages liquidity risk by regularly reviewing cash requirements by reference to short-term cash flow forecasts and medium-term working capital projections prepared by management.

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

The Group maintains good relationships with its banks. At 31 December 2018, the Group had US$1,750,000 (2017: US$14,904,000) of cash reserves (Company: US$334,000 2017: US$13,522,000).

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate cash reserves and continuously monitoring forecast and actual cash flows. The Group aims to maximise operating cash flows in order to be in a position to finance the investments required for its development.

24. Financial instruments continued

Liquidity risk continued

During the year to 31 December 2018, the Group executed a revolving loan facility of €11.4 million to mitigate liquidity risk. To further mitigate the liquidity risk, the Group received US$23 million in January 2019 through an equity raise.

The Group's liquidity position and its impact on the going concern assumption are discussed further in the Going Concern Section in note 2 of these financial statements.

All the Group's financial liabilities are due within one year at 31 December 2018.

Foreign currency risk

Foreign currency risk arises because the Group operates in various parts of the world, whose currencies are not the same as the functional currency in which the Group is operating. The net assets from such overseas operations are exposed to currency risk giving rise to gains or losses on retranslation into the presentational currency.

Foreign currency risk also arises when the Group enters into transactions denominated in a currency other than its functional currency. The main foreign currency risk in the year ended 31 December 2018 relates to transactions denominated in Sterling. The Group keeps foreign currency bank accounts in the United Kingdom.

The primary exchange rate movements that the Group is exposed to are $US:XOF and $US:GBP. Foreign exchange risk arises from recognised assets and liabilities.

Group

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

As at 31 December 2018	GBP US$'000	XOF US$'000	NGN US$'000	EUR US$'000
Cash and cash equivalents	**280**	**1,385**	**6**	**45**
Exposure assets				
Trade payables	**3,896**	**—**	**2**	**68**
Exposure liabilities	**3,896**	**—**	**—**	**—**
Net exposure	**(3,616)**	**1,385**	**4**	**(23)**

As at 31 December 2017	GBP US$'000	XOF US$'000	NGN US$'000	EUR US$'000
Cash and cash equivalents	8,084	1,404	6	5,410
Exposure assets				
Borrowings	1,748	—	—	10,930
Trade payables	7,488	—	(16)	154
Exposure liabilities	9,236	—	(16)	11,084
Net exposure	(1,152)	1,404	22	(5,674)

Company

As at 31 December 2018	GBP US$'000	XOF US$'000	EUR US$'000
Cash and cash equivalents	**252**	**—**	**34**
Exposure assets			
Trade payables	**2,919**	**187**	**24**
Accruals	**—**	**—**	**—**
Exposure liabilities	**2,919**	**187**	**24**
Net exposure	**(2,667)**	**(187)**	**10**

As at 31 December 2017	GBP US$'000	XOF US$'000	EUR US$'000
Cash and cash equivalents	8,082	—	—
Exposure assets	8,082	—	—
Trade payables	7,374	—	131
Exposure liabilities	7,374	—	131
Net exposure	708	—	(131)

The following table shows the effect of the US$ strengthening by 10% against the foreign currencies, with all other variables held constant, on the Group's result for the period. 10% is the rate used internally when reporting to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

As at 31 December 2018	**GBP US$'000**	**XOF US$'000**	**EUR US$'000**	**NGN US$'000**	**Total US$'000**
Impact on loss for the year – Group	**89**	**1,133**	**1**	**(1)**	**1,222**
Impact on loss for the year – Company	**340**	**—**	**(1)**	**—**	**339**

As at 31 December 2017	GBP US$'000	XOF US$'000	EUR US$'000	NGN US$'000	Total US$'000
Impact on loss for the year – Group	54	128	478	2	662
Impact on loss for the year – Company	64	—	479	—	543

The following table shows the effect of the US$ weakening by 10% against the foreign currencies, with all other variables held constant, on the Group's result for the period. 10% is the rate used internally when reporting to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

As at 31 December 2018	**GBP US$'000**	**XOF US$'000**	**EUR US$'000**	**NGN US$'000**	**Total US$'000**
Impact on loss for the period – Group	**(109)**	**(1,385)**	**(1)**	**(2)**	**(1,497)**
Impact on loss for the period – Company	**(416)**	**—**	**1**	**—**	**(415)**

As at 31 December 2017	GBP US$'000	XOF US$'000	EUR US$'000	NGN US$'000	Total US$'000
Impact on loss for the period – Group	(60)	(140)	(526)	(2)	(728)
Impact on loss for the period – Company	(71)	—	(527)	—	(598)

Interest rate risk

The Group had significant cash balances during the period. Changes in interest rates could have either a negative or positive impact on the Group's interest income. Whenever possible, cash balances are put on term deposits to maximise interest income.

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

As at 31 December	**2018 US$'000**	2017 US$'000
Cash at bank at floating interest rate – Group	**1,750**	14,904
Cash at bank at floating interest rate – Company	**334**	13,522

A liquidity facility was provided to Seven Energy for working capital purposes. Interest on this facility is charged at an annual interest rate of 6.5%. See note 16 for further details.

All other financial instruments were non-interest bearing. The cash at bank at floating interest rates consist of deposits which earn interest at variable rates depending on length of term and amount on deposit.

At 31 December 2018, a 1% increase in short-term interest rates would have a positive US$18,000 (2017: US$149,000) impact on Group loss before tax and equity and a positive US$3,000 (2017: US$135,000) impact on Company loss before tax and equity. A 1% decrease in short-term interest rates would have a negative US$18,000 (2017: US$149,000) impact on Group loss before tax and equity and a negative US$3,000 (2017: US$135,000) impact on Company loss before tax and equity. A 1% movement represents management's assessment of the reasonable possible change in interest rates.

25. Related party transactions

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

Key management are the Directors (Executive and Non-Executive). Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report.

Trading transactions

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

As at 31 December	**Outstanding 2018 US$'000**	**Management services 2018 US$'000**	Outstanding 2017 US$'000	Management services 2017 US$'000
Lothian Oil & Gas Partners LLP	—	—	33	243

Michael Wachtel, a partner at Clyde & Co, joined the Board of Savannah Petroleum PLC on the 21 December 2017. Clyde & Co are legal advisers to Savannah Petroleum and Michael is not involved in dealing with Company's matters which are managed by a different partner within the firm.

Fees to Clyde & Co amounted to US$942,600 in 2018 (2017: US$3,463,000).

26. Net cash from operating activities

Group

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Loss for the period before tax	**(24,608)**	(27,369)
Adjustments for:		
Depreciation and amortisation	**312**	274
Finance income	**(869)**	561
Finance costs	**1,413**	(2)
Fair value movement	**(4,953)**	—
Share option charge	**1,357**	1,613
Operating cash flows before movements in working capital	**(27,348)**	(24,923)
Decrease/(increase) in other receivables and prepayments	**(2,464)**	(2,560)
(Decrease)/increase in trade and other payables	**(2,629)**	12,604
Income tax paid	**(5)**	(798)
Net cash outflow from operating activities	**(32,446)**	(15,677)

Company

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Loss for the period before tax	**(14,772)**	(19,152)
Adjustments for:		
Depreciation and amortisation	**48**	46
Finance costs	**323**	173
Finance income	**(869)**	—
Fair value movement	**(4,952)**	—
Share option charge	**1,357**	1,613
Operating cash flows before movements in working capital	**(18,865)**	(17,320)
Decrease/(increase) in other receivables and prepayments	**(2,568)**	(2,576)
(Decrease)/increase in trade and other payables	**2,016**	11,883
Income tax paid	**(5)**	—
Net cash outflow from operating activities	**(19,422)**	(8,013)

27. Capital commitments

At the reporting date, the Group had no capital commitments (2017: US$Nil).

28. Operating lease arrangements

Period ended 31 December	Group 2018 US$'000	Company 2018 US$'000	Group 2017 US$'000	Company 2017 US$'000
Lease payments under operating leases recognised as an expense during the period	**395**	**395**	199	189

At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

As at 31 December	Group 2018 US$'000	Company 2018 US$'000	Group 2017 US$'000	Company 2017 US$'000
Within one year	**266**	**255**	235	183
In the second to fifth years inclusive	**3,118**	**3,118**	1,019	975
	3,384	**3,373**	1,254	1,158
Total prepaid as at 31 December	**—**	**—**	7	—
Total outstanding commitment as at 31 December	**5,738**	**5,727**	1,901	1,888
	5,738	**5,727**	1,908	1,888

29. Operating lease payments

Operating lease payments represent payables by the Group for certain of its office properties. A new lease was entered into during 2018 in the same premises as Savannah's current London office (40 Bank Street). The first two years of this lease are rent free. The lease was taken out to equip Savannah for its envisaged enlargement, post completion of the Seven Energy deal.

30. Contingent liability

In January 2019, the EU Commission ruled that the finance company exemption from the UK's controlled foreign company ("CFC") rules partly contravened EU state aid rules and the UK must require repayment from groups that benefited. This ruling could potentially give rise to taxable income from the finance income generated SPN Ltd on its loans to Savannah Petroleum Niger, another Savannah Group company.

In conjunction with its tax advisers, Management believes that the Company has strong grounds to defend the position of no UK SPFs with respect to the financing company and as such has not recognised a tax liability in relation to this ruling.

31. Subsequent events (post balance sheet)

On 23 January 2019, the Company announced its intention to raise approximately US$23,000,000 through a placing of new ordinary shares to fund general working capital (the "Placing"). The Placing was completed on 24 January 2019 with the issue of 62,800,000 new ordinary shares at a price of £0.28 per share. Certain Directors of the Board (being Andrew Knott, Isatou Semega-Janneh, David Clarkson, Steve Jenkins and Mark Iannotti) participated in the Placing and, in aggregate, subscribed for 2,101,000 shares.

On 4 February 2019, as part of the Company's proposal to acquire the Seven Assets (detailed on pages 7 and 8 in the Strategic Report) the Company signed an Implementation Agreement with Seven Energy International Limited, certain other subsidiaries of Seven Energy and certain creditors of the Seven Group. The Implementation Agreement is legally binding and details the legal terms and steps according to which the acquisition of the Seven Assets will be implemented. The Implementation Agreement includes various agreed legal documents required to complete the Transaction, and also includes provisions which commit the parties to support and deliver the Transaction (including the restructuring of Seven Group intra-group debt and triggering the controlled insolvency process in the Seven Group). As a result of signing the Implementation Agreement, Savannah agreed to provide further liquidity to the Seven Group during the restructuring period by way of an increase in the size of the super senior secured revolving credit liquidity facility to up to US$28 million.

None of the warrants issued in February 2018 were exercised before their expiry date twelve months later (February 2019), by which stage all warrants have either lapsed or been forfeited.

Company Information and Advisers

Registered Office
40 Bank Street
London E14 5NR
United Kingdom

Nominated Adviser
Strand Hanson Limited
26 Mount Row
London W1K 3SQ
United Kingdom

Brokers
Mirabaud Securities Limited
5th Floor, The Verde Building
10 Bressenden Place
London SW1E 5DH
United Kingdom

Hannam & Partners
2 Park Street
London W1K 2HX
United Kingdom

Auditor
Grant Thornton UK LLP
110 Queen Street
Glasgow G1 3BX
United Kingdom

Solicitors to the Company
Burness Paull LLP
50 Lothian Road
Festival Square
Edinburgh EH3 9WJ
United Kingdom

EY Cameroon
1602 Bd de la Liberté
Akwa
Douala
Cameroon

Clyde & Co
St Botolph Building
138 Houndsditch
London EC3A 7AR
United Kingdom

Company Secretarial Services
Link Company Matters Limited
65 Gresham Street
London EC2V 7NQ
United Kingdom

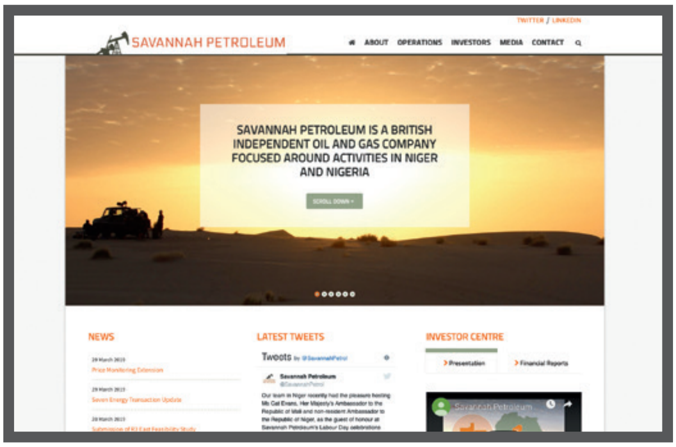
Registrar
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

Strategic Report Footnote Glossary

1. LR Senergy Limited Competent Person's Report on the Seven Assets dated 21 December 2017.
2. Average 2019-2022 expected net asset free cash flows on a contracted "take-or-pay" basis as assessed by the Company's Competent Person, CGG Services (UK) Ltd.
3. As per Savannah analyst consensus.
4. Savannah 23 April 2018 Bushiya-1 oil discovery announcement.
5. BP Statistical Review of World Energy 2018.
6. Source: Wood Mackenzie, upstream data tool 2017-q3. Majors' include Chevron, Eni, ExxonMobil, Shell and Total.
7. Note that December 2017 Uquo interests reflect revenue interests, vs. December 2018 Uquo interests which reflect expected working interests. UERL and Accugas are shareholding interests.
8. Note that DCQ represents "Daily Contract Quantity", e.g. the contracted gas volumes which can be nominated under Accugas' Gas Sales Agreements ("GSAs"). ToP represents "Take or Pay", e.g. the amount of gas that the buyer is obliged to purchase, take and pay for (or pay for if not taken).
9. Net asset free cash flows are defined as Savannah's economic share of post-tax operating cash flows less capital expenditures.
10. Savannah Petroleum share price performance once IPO versus the AIM Oil & Gas Index.
11. Total payments made to governments and spend with local contractors from 2014-2018 for both Savannah and the Seven Assets.
12. Petroquest, Wood Mackenzie, IHS, EIA. Note, current production levels reflect facilities constraints rather than geological constraints.
13. International Monetary Fund DataMapper and Factbook.
14. African Development Bank – Nigeria Economic Outlook.
15. Source: Wood Mackenzie, upstream data tool 2017-q3. for Nigerian historic net cash flow/capex, analysis conducted by Hannam & Partners, based on 10 year moving average.
16. Source: BP statistical review June 2017, excludes Venezuela's Orinoco belt and undeveloped Canadian oil sands.
17. Source: USGS assessment of undiscovered oil and gas resources of the Niger Delta Province, Nigeria and Cameroon, Africa – 2016.
18. Source: BP World stats
19. Source: CIA World Factbook
20. Source: World Bank
21. Source: https://www.engineeringtoolbox.com/energy-content-d_868.html

More information can
be found on our website

www.savannah-petroleum.com



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SAVANNAH PETROLEUM

Savannah Petroleum
40 Bank Street
London E14 5NR

www.savannah-petroleum.com