24 May 2017

**Savannah Petroleum PLC**
("Savannah" or "The Company")

**Full Year Results**

Savannah Petroleum PLC is pleased to announce its full year results for the period ending 31 December 2016.

## Highlights

- An independent assessment by Savannah's competent person, CGG Robertson ("CGG"), increased best estimate gross mean risked prospective resources to 2,185 mmbbls from 1,191 mmbbls, largely driven by the inclusion of volumes from R3/R4 and volumes associated with the newly identified Oligo-Miocene Upper Sokor formation;
- The Company's conceptual development solution for potential Agadem discoveries was reviewed and updated, with an estimated US$200m (c.50%) reduction in external financing costs to first oil for a c.75 mmbbls development;
- An additional export route for Agadem crude to the Kaduna refinery in northern Nigeria is being advanced;
- CGG reviewed the cost structure and associated economic modelling presented by Savannah in relation to its revised conceptual development solution and assessed a breakeven oil price of US$26/bbl and an NPV10 of US$5.1/bbl at US$60/bbl to be reasonable for the Agadem-Kaduna pipeline export option
- Safe and successful recommencement of ground operations in Niger, with the acquisition of an 806km$^2$ 3D seismic survey over a portion of the R3 PSC Area ("R3 East"), completed ahead of time and US$1.2m under budget;
- Signature of a Memorandum of Understanding ("MOU") with the New Nigeria Development Company Ltd ("NNDC") and Nigeria National Petroleum Corporation ("NNPC") in relation to collaboration between the three parties in the Nigerian section of the Central African Rift System.

## Financial

- US$118m net assets (2015: US$88m);
- US$23 million year end cash position (2015: US$8m);
- Cash operating costs of US$7m (2015: US$6m), a marginal increase year on year despite significantly greater operational activity;
- Successful placing of US$40 million in July 2016;
- Executed a three year, 7.5% interest rate revolving loan facility of €11.4m with Oragroup SA.

**Andrew Knott, CEO of Savannah Petroleum, said:**
*"2016 was principally focused around Savannah laying the foundations for our upcoming drilling campaign. We maintained strong cost control throughout the year and delivered our first 3D seismic survey safely and successfully, ahead of time and budget. We believe the business is now well positioned to deliver a material step change in value for our stakeholders, and look forward to providing a significant update on our drilling plans and forward strategy at our upcoming Capital Markets Event in London on 7 June 2017."*

**For further information contact:**

**Savannah Petroleum** +44 (0) 20 3817 9844
Andrew Knott, CEO
Jessica Hostage, Corporate Communications

**Strand Hanson (Nominated Adviser)** +44 (0) 20 7409 3494
Rory Murphy
James Spinney
Ritchie Balmer

**Mirabaud (Joint Broker)** +44 (0) 20 7878 3362
Peter Krens
Rory Scott

**Stifel Nicolaus Europe Limited (Joint Broker)** +44 (0) 20 7710 7600
Callum Stewart
Nicholas Rhodes
Ashton Clanfield

**Celicourt Communications** +44 (0) 20 7520 9266
Mark Antelme
Jimmy Lea

The information contained within this announcement is considered to be inside information prior to its release, as defined in Article 7 of the Market Abuse Regulation No. 596/2014, and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

## Chairman's Statement

I am pleased to report on Savannah Petroleum's operations and activities for the year ended 31 December 2016, our second full year of trading on the London Stock Exchange's AIM market. I would like to thank our shareholders (both existing and new) for their support over the past year. I would also like to thank our staff and management team for their hard work and dedication.

2016 presented another difficult year for the oil & gas industry. Oil prices sank to a low of US$28/bbl, continuing the collapse which started in mid-2014 from a peak of US$115/bbl. While the rapid decline in oil prices abated throughout the year, and we have moved into a more stable commodity price environment, the backdrop remains challenging. In the face of this, Savannah enjoyed another successful year, and we enter 2017 enthused about our future.

In July, we launched a US$40m fund raise. The placing was extremely well supported by both existing and new shareholders, as well as by our management team. The use of proceeds of the financing was to fund our first 3D seismic survey and our initial drilling campaign. The success of the transaction was a strong endorsement of our strategy and ensured that we were funded to progress our assets into the next phase of value creation.

At the same time as the placing, we announced a comprehensive update on our Agadem Rift Basin technical work programme following the completion of over 2,200 man days of work on the Savannah Production Sharing Contracts ("Savannah PSCs"). We were also able to confirm a new proven play type in the basin, namely the Oligo-Miocene Upper Sokor sands, as well as a substantial increase in our lead and prospect inventory. As a result of this work, our Competent Person, CGG Robertson ("CGG"), materially increased their best estimate of gross mean risked prospective resources to 2,185 mmbbls, from their previous estimate of 1,191 mmbbls which was provided in July 2015. This upgrade was mainly driven by the addition of volumes from the R3/R4 PSC Area as well as volumes associated with the Upper Sokor formation.

In September, we were extremely pleased to announce the commencement of our first 3D seismic survey, R3 East, over a 806km$^2$ portion of the R3 PSC Area. The survey was completed ahead of both time and budget in January 2017, and we are grateful to our operational team, our contractor BGP International and the Government of Niger for their hard work and assistance in delivering this project safely. The data acquired is of excellent quality, and although our interpretation of the results is ongoing, initial indications are highly positive.

The year ahead is an exciting one, and will see Savannah actively preparing for and executing our first drilling campaign – the next step in demonstrating the value of our assets. Our initial focus will be within the R3 PSC Area, which sits within a proven petroleum "sweet spot" in the basin and on trend with some of the largest existing discoveries and producing fields in the basin (located in adjacent areas to the north and south).

With our strict capital discipline and potentially world class assets, I believe Savannah is well positioned to continue growing and creating value, even in a lower oil price environment. Our excellent team is focused and strongly aligned with shareholders, and I look forward to reporting on our progress throughout the year ahead.

**Steve Jenkins**
Chairman
23 May 2017

**CEO's 2016 Review**

Dear fellow shareholders

I am pleased to report on Savannah's 2016 performance, which saw us safely and successfully return to ground operations on our assets in Niger, laying the foundations for our 2017 drilling campaign.

Our principal focus in 2016 remained on our Agadem Rift Basin ("ARB") project in south east Niger, and throughout the year we continued to increase and enhance our understanding of our assets. Since the time of our last published resource update in July 2015, our highly valuable subsurface database expanded significantly in size (2D seismic +c.60%, 3D seismic +c.300%, well data suites +c.80%), and our team has now completed over 3,200 man days of analytical work on the project.

Overall, the increased dataset and associated technical work programmes enabled the identification of a new proven play type in the basin and a significant increase in the Company's lead and prospect inventory. The new proven play is located in the Upper Sokor (Oligocene) sandstone reservoirs, which lie above the previously recognised Eocene and Upper Cretaceous reservoir sections. The Upper Sokor play has now been proven across several discoveries in the Agadem Rift Basin (outside of Savannah's acreage) with commercial flow rates having been demonstrated. Savannah's review of its acreage has shown that significant play potential exists in this formation, and that this usually sits directly above Eocene leads and therefore offers attractive "stacked" targets to evaluate exploration prospectivity across multiple horizons.

In July, thanks to the comprehensive work done by our technical team, Savannah was able to announce an increase in CGG's best estimate gross mean risked prospective resources to 2,185 mmbbls, from their previous estimate of 1,191 mmbbls provided in July 2015. The principal drivers of this upgrade were the addition of volumes associated with the R3/R4 PSC and volumes associated with the newly identified Upper Sokor formation across both R1/R2 and R3/R4*.

At the same time as this technical update, we also raised US$40m, which was successfully completed thanks to strong support from our existing and new shareholders. The funds raised were designed to be used to recommence ground operations on our assets, both with the acquisition of 3D seismic and with the drilling of our first exploration wells. We sanctioned the 806km$^2$ R3 East seismic survey in short order following this placing, and I am extremely pleased to confirm that this was completed safely, with zero lost-time incidents, c.US$1.2m under budget and in just 90 recording days, 25 fewer than planned. This excellent performance was testament to the hard work of both Savannah's operational team and our contractor, BGP Niger SARL, and I would like to thank them for their efforts.

As well as operational momentum picking up, 2016 also saw Savannah announce significant progress on both its conceptual development solution for potential ARB discoveries and on likely export routes for ARB crude. As before, our conceptual development solution envisages Savannah implementing a "hub and spoke" concept similar to that utilised by other operators in the ARB. However, through a focus on the transfer of capital expenditure to operating expenditure, we were pleased to be able to significantly reduce the external financing requirement for the field facilities, and the maximum cash flow drawdown prior to first oil is estimated at US$200m, vs. US$410m under our previous assumptions (a c.50% reduction).

In addition to this, over the course of 2016, discussions between relevant governmental and corporate stakeholders commenced in relation to the export of ARB crude to the Kaduna refinery in northern Nigeria. This option would provide another export solution in addition to the planned extension to the Chad-Cameroon pipeline. These discussions include the potential for an initial Agadem-Kaduna trucking system, prior to the construction of a full pipeline solution. CGG reviewed Savannah's development plans and associated economic modelling in relation to these export options and updated conceptual development solution. Its principal conclusions confirmed that, based on our assumptions, (1) the breakeven oil price (to generate a 10% return on invested capital) for crude piped to the Kaduna refinery is estimated at US$26/bbl with a Net Present Value ("NPV10") at a long-term oil price of US$60/bbl (inflated at 2% p.a.) per barrel of US$5.1/bbl; and (2) the breakeven oil price for crude trucked to the Kaduna refinery is estimated at US$35/bbl with an NPV10 at a long-term oil price of US$60/bbl per barrel of US$3.7/bbl.

Alongside the progress demonstrated in relation to Nigerian export solutions, in late 2016 Savannah also announced the signature of a Memorandum of Understanding ("MOU") with the New Nigeria Development Company Ltd ("NNDC") and Nigeria National Petroleum Corporation ("NNPC") in relation to collaboration between the three parties in the Nigerian section of the Central African Rift System. Alongside our partners, we are looking forward to being involved in evaluating the technical and commercial prospectivity of this underexplored region. We are also in discussions with our partners in relation to the pursuit of other potential opportunities in Nigeria, and look forward to providing further updates on this over the course of 2017. It is important to emphasise that the Company's position in relation to potential new ventures remains unchanged. We intend to review potential acquisitions on an opportunistic basis, however additional assets will only be introduced into the portfolio if they present an appropriate return on invested capital profile.

On the financing front, in addition to our US$40m fundraise, in December we announced the signature of a three year, 7.5%, €11.4m revolving loan facility with Oragroup SA, the West and Central Africa focused banking group. The facility is available for working capital, potential asset acquisitions and general corporate purposes. While this has not been drawn, and the Company has no fixed plans to use this facility, we believe it prudent to have access to this source of incremental liquidity.

2017 has started with Savannah providing confirmation that our first exploration wells will be drilled this year, and we are pleased to have secured the use of the GW215 rig from our contractor Great Wall Drilling Company Niger SARL for an initial three well campaign (with up to six individual options which can be exercised in the event of success). Following the receipt of excellent quality fast-track processed data from the R3 East seismic survey, we have decided to focus our initial drilling campaign on the R3 PSC Area, which sits within a proven petroleum "sweet spot" in the basin and is located in close proximity to existing and planned infrastructure.

The core message I would therefore like to convey to shareholders is that I believe that with our upcoming drilling campaign we are well positioned to deliver a material step change in the value of our asset base and company. The entire Savannah team is greatly excited about this, and I look forward to sharing updates on our progress this year.

Lastly, I would like to echo our Chairman's sentiment, and thank the governments of Niger and Nigeria for their support and trust, as well as all of our staff, advisers and shareholders.

* In conducting this estimate, CGG continued to use its proprietary "yet-to-find" methodology, previously employed for Savannah's July 2014 and July 2015 resource estimates.

**Andrew Knott**
Chief Executive Officer
23 May 2017

## Financial Review

### Overview

During the period ended 31 December 2016, the Group successfully completed an equity fundraise of US$40m, in addition to executing a three year revolving loan facility of €11.4m with Oragroup SA. At year end, the Group had cash and cash equivalents of US$23m (2015: US$8m) with no debt. The Group recorded an operating loss of US$8m (2015: US$7m), as it remained in the pre-revenue exploration and development phase of operations.

### Analysis of Key Line items

### Exploration expenditure

Over the course of the year, exploration and evaluation assets grew from US$81m at year end 2015 to US$97m at year end 2016. This growth reflected costs associated with the start of ground operations including the 3D seismic acquisition over a portion of the R3 PSC Area and the completion of multiple technical work programs associated with the Savannah PSCs.

### General and administration expenses

Cost management remains a key focus for the group with only a marginal increase in year on year operating costs from US$7m in 2015 to US$8m despite the significantly greater operational activity. The year on year increase in administrative expense and other costs reflected costs incurred in support of start-up of ground operations, an increased focus on business development activities and non-cash operating costs related to share-based payments to employees. Cash operating costs in 2016 were US$7m (2015: US$6m), the principal difference between cash and non-cash operating costs being share-based payments to employees.

### Cash and short-term investments

The Group had cash and cash equivalents at 31 December 2016 of US$23m (2015: US$8m). Cash of US$40m (2015: US$36m) was raised through the issue of equity shares in the year.

Capital expenditure cashflows in the period included exploration costs of US$15m relating to the R3 3D seismic acquisition program, PSC commitment costs and additional technical work covering the Savannah PSCs.

### Total comprehensive loss

Total comprehensive loss was US$10m (2015: US$8m). The year on year increase relates to tax payments, administrative expenses and other costs and non-cash operating costs relating to share-based payments to employees.

### Summary statement of financial position

The Group's non-current assets were US$98m at 31 December 2016 (2015: US$81m), principally representing the exploration and evaluation assets including 3D seismic acquisition. Current assets were US$29m at 31 December 2016 (2015: US$8m) including cash reserves of US$23m (2015: US$8m). Current liabilities were US$9m (2015: US$1m) of tax payable and trade and other payables with the increase principally due to accrued expenses in relation to the 3D seismic acquisition. The Group did not have any non-current liabilities (2015: nil).

## Dividend

No dividend has been recommended by the Directors (2015: nil).

## Accounting policies

The Group's significant accounting policies are disclosed within the notes to the condensed 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. At 31 December 2016 the Group had cash reserves of US$23m to meet its working capital commitments. In addition, the Group executed a three year, €11.4m revolving loan facility with Oragroup SA, which represents a flexible source of incremental liquidity.

The Group has reviewed the cash flow forecasts and capital projections for the next twelve months and 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.

**Mark Iannotti**
Chairman of the Audit Committee
23 May 2017

## Consolidated Statement of Comprehensive Income

| | Note | **Year ended 31 December 2016** | Year ended 31 December 2015 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| **Operating expenses** | | **(8,412)** | (7,044) |
| **Operating loss** | | **(8,412)** | (7,044) |
| Finance income | | **207** | - |
| Finance costs | | **(126)** | (250) |
| **Loss before tax** | | **(8,331)** | (7,294) |
| **Income tax** | | **(1,502)** | (565) |
| **Net loss and total comprehensive loss** | | **(9,833)** | (7,859) |
| **Total comprehensive loss attributable to:** | | | |
| **Owners of the group** | | **(9,818)** | (7,582) |
| **Non-controlling interests** | | **(15)** | (277) |
| | | **(9,833)** | (7,859) |
| **Loss per share** | | | |
| Basic (US$) | 3 | **(0.04)** | (0.05) |
| Diluted (US$) | 3 | **(0.04)** | (0.05) |

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

**Consolidated Statement of Financial Position**

| *As at 31 December* | Note | **2016** US$'000 | 2015 *US$'000* |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **954** | 734 |
| Exploration and evaluation assets | 4 | **96,913** | 80,529 |
| Total non-current assets | | **97,867** | 81,263 |
| **Current assets** | | | |
| Other receivables and prepayments | | **6,074** | 410 |
| Cash and cash equivalents | | **23,061** | 7,849 |
| Total current assets | | **29,135** | 8,259 |
| **Total assets** | | **127,002** | 89,522 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | 5 | **483** | 321 |
| Share premium | 5 | **146,892** | 108,576 |
| Capital contribution | 6 | **458** | 458 |
| Other reserve | 6 | **-** | - |
| Share based payment reserve | | **2,938** | 1,223 |
| Accumulated deficit | | **(31,967)** | (22,149) |
| Equity attributable to owners of the Group | | **118,804** | 88,429 |
| Non-controlling interests | | **(365)** | (350) |
| Total equity | | **118,439** | 88,079 |
| **Non-current liabilities** | | | |
| Total non-current liabilities | | - | - |
| **Current liabilities** | | | |
| Trade and other payables | | **7,777** | 878 |
| Corporation tax liability | | **786** | 565 |
| Provisions | | - | - |
| Total current liabilities | | **8,563** | 1,443 |
| **Total equity and liabilities** | | **127,002** | 89,522 |

## Consolidated Statement of Cash Flows

| | Note | **Year ended 31 December 2016** *US$'000* | Year ended 31 December 2015 *US$'000* |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net cash used in operating activities | 7 | (8,457) | (7,853) |
| Net cash used in operating activities | | (8,457) | (7,853) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (441) | (344) |
| Proceed from disposal of property, plant and equipment | | 97 | 11 |
| Exploration and evaluation costs paid | | (9,315) | (37,990) |
| Net cash used in investing activities | | (9,659) | (38,323) |
| **Cash flows from financing activities** | | | |
| Finance charges | | (126) | (84) |
| Proceeds from issues of equity shares, net of issue costs | | 33,454 | 36,888 |
| Net cash provided by financing activities | | 33,328 | 36,804 |
| **Net increase / (decrease) in cash and cash equivalents** | | 15,212 | (9,372) |
| **Cash and cash equivalents** at beginning of period | | 7,849 | 17,221 |
| **Cash and cash equivalents** at end of period | | 23,061 | 7,849 |

## Consolidated Statement of Changes in Equity

| | Share capital US$'000 | Share premium US$'000 | Capital contribution US$'000 | Other reserve US$'000 | Share based payment reserve US$'000 | Accumulated deficit US$'000 | Total US$'000 | Non-controlling interest US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 01 January 2015 | 224 | 73,668 | 458 | (375) | 61 | (14,619) | 59,417 | (73) | 59,344 |
| Loss for the year and total comprehensive loss | - | - | - | - | - | (7,582) | (7,582) | (277) | (7,859) |
| Equity settled share based payments | - | - | - | - | 1,162 | - | 1,162 | - | 1,162 |
| Issue of ordinary shares to shareholders, net of issue costs | 97 | 35,158 | - | - | - | - | 35,255 | - | 35,255 |
| Reversal of provision and unpaid share capital | - | (250) | - | 375 | - | 52 | 177 | - | 177 |
| **Balance at 31 December 2015** | **321** | **108,576** | **458** | **-** | **1,223** | **(22,149)** | **88,429** | **(350)** | **88,079** |
| Loss for the year and total comprehensive loss | - | - | - | - | - | (9,818) | (9,818) | (15) | (9,833) |
| Equity settled share based payments | - | - | - | - | 1,715 | - | 1,715 | - | 1,715 |
| Issue of ordinary shares to shareholders, net of issue costs | 162 | 38,316 | - | - | - | - | 38,478 | - | 38,478 |
| **Balance at 31 December 2016** | **483** | **146,892** | **458** | **-** | **2,938** | **(31,967)** | **118,804** | **(365)** | **118,439** |

## 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 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 23 May 2017.

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 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 2016.

**Publication of non-statutory accounts**

The financial information set out in this announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity as at 31 December 2016 and the consolidated statement of comprehensive income for the period ended 31 December 2016, together with the associated notes, have been extracted from the Group's 2016 financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 498 of the Companies Act 2006.

**Going concern**

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

The Group is in a positive net asset position at 31 December 2016, and had at that date US$23,061,000 (2015: US$7,849,000) of cash and cash equivalents to meet its working capital requirements.

During the period to 31st December 2016, the Group executed a three year revolving loan facility for €11.4m with Oragroup SA, a West and Central Africa focused banking group.

In July 2016 the Company raised US$40 million (gross) from issuing new ordinary shares. The use of proceeds of this placing was to fund the start of ground operations in Niger and ongoing corporate purposes.

## Basis of consolidation

*Subsidiaries*

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

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

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

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

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

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

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

*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. Earnings per share

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

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

| | **31 December 2016** US$'000 | 31 December 2015 US$'000 |
|---|---|---|
| **Earnings** | | |

| | 2016 | 2015 |
|---|---|---|
| Net loss attributable to owners of the parent | **(9,818)** | (7,582) |
| | Number of shares | Number of shares |
| Basic and diluted weighted average number of shares | **229,221,183** | 160,878,154 |
| Loss per share | US$ | US$ |
| Basic and diluted | **(0.04)** | (0.05) |

In July 2016 the Company issued 81,280,000 new ordinary shares as part of an equity fund raising to the value of US$40 million (gross).

**4. Exploration and evaluation assets**

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

| | **Total** US$'000 |
|---|---|
| Balance at 01 January 2015 | 42,539 |
| Additions | 37,990 |
| **Balance at 31 December 2015** | 80,529 |
| Additions | 16,384 |
| **Balance at 31 December 2016** | **96,913** |

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.

**5. Share capital**

| *As at 31 December* | **2016** | **2015** |
|---|---|---|
| Issued and fully paid ordinary Shares in issue (number) | 274,621,447 | 193,341,447 |
| 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 01 January 2015 | 131,337,162 | 224 | 73,668 | 73,892 |

| | | | | |
|---|---|---|---|---|
| Shares issued | 62,004,275 | 97 | 35,158 | 35,255 |
| Called up share capital | - | - | (250) | (250) |
| **At 31 December 2015** | **193,341,447** | **321** | **108,576** | **108,897** |
| Shares issued | 81,280,000 | 162 | 38,316 | 38,478 |
| **At 31 December 2016** | **274,621,447** | **483** | **146,892** | **147,375** |

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

On 22 July 2014, 49,999,991 ordinary shares of £0.001 were issued as part of a share for share exchange.

On 1 August 2014, 25,497,236 ordinary shares of £0.001 were issued as part of the loan note conversion.

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

The total aggregate increase in the share premium reserve regarding the share issues was US$35,158,000 (2014: US$73,668,000) after deducting US$1,634,000 (2014: US$3,770,000) in expenses.

In July 2015, 61,690,000 ordinary shares of £0.001 were issued as part of an equity fund raising.

In July 2015, 314,275 ordinary shares of £0.001 were issued as part of an employee remuneration award.

In July 2016, 81,280,000 ordinary shares of £0.001 were issued as part of an equity fund raising.

## 6. Other reserves

| | Capital contribution US$'000 | Other reserve US$'000 | Share based payment reserve US$'000 | Total US$'000 |
|---|---|---|---|---|
| At 01 January 2015 | 458 | (375) | 61 | 144 |
| Share based payments expense during the year | - | - | 1,162 | 1,162 |
| Reversal of provision | - | 375 | - | 375 |
| At 31 December 2015 | 458 | - | 1,223 | 1,681 |
| Share based payments expense during the year | - | - | 1,715 | 1,715 |
| **At 31 December 2016** | **458** | **-** | **2,938** | **3,396** |

*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 Company as part of the loan note conversion.

*Other reserve*

The other reserve related to stamp tax in relation to the issuing of equity as part of a share for share exchange. The provision is reversed in 2015 in line with HMRC confirmation that it is no longer due.

*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.

*Capital risk management*

In July 2016 the Company issued 81,280,000 new ordinary shares as part of an equity fund raising to the value of US$40 million (gross). The proceeds are used to finance the recommencement of ground operations in Niger as well as ongoing corporate purposes.

## 7. Notes to the consolidated statement of cash flows

| | **Year ended 31 December 2016** US$'000 | **Year ended 31 December 2015** US$'000 |
|---|---|---|
| Loss for the period before tax | **(8,331)** | (7,294) |
| Adjustments for: | | |
| Depreciation and amortisation | **122** | 97 |
| Finance costs | **126** | 84 |
| Issue costs | **-** | (1,634) |
| Share option charge | **1,715** | 1,162 |
| Profit/loss on disposal | **-** | 6 |
| Non-cash movement in provision | **-** | 10 |
| Operating cash flows before movements in working capital | **(6,368)** | (7,569) |
| Decrease/(Increase) in other receivables and prepayments | **(170)** | 816 |
| (Decrease)/Increase in trade and other payables | **(638)** | (1,100) |
| Income tax paid | **(1,281)** | - |
| Net cash outflow from operations | **(8,457)** | (7,853) |