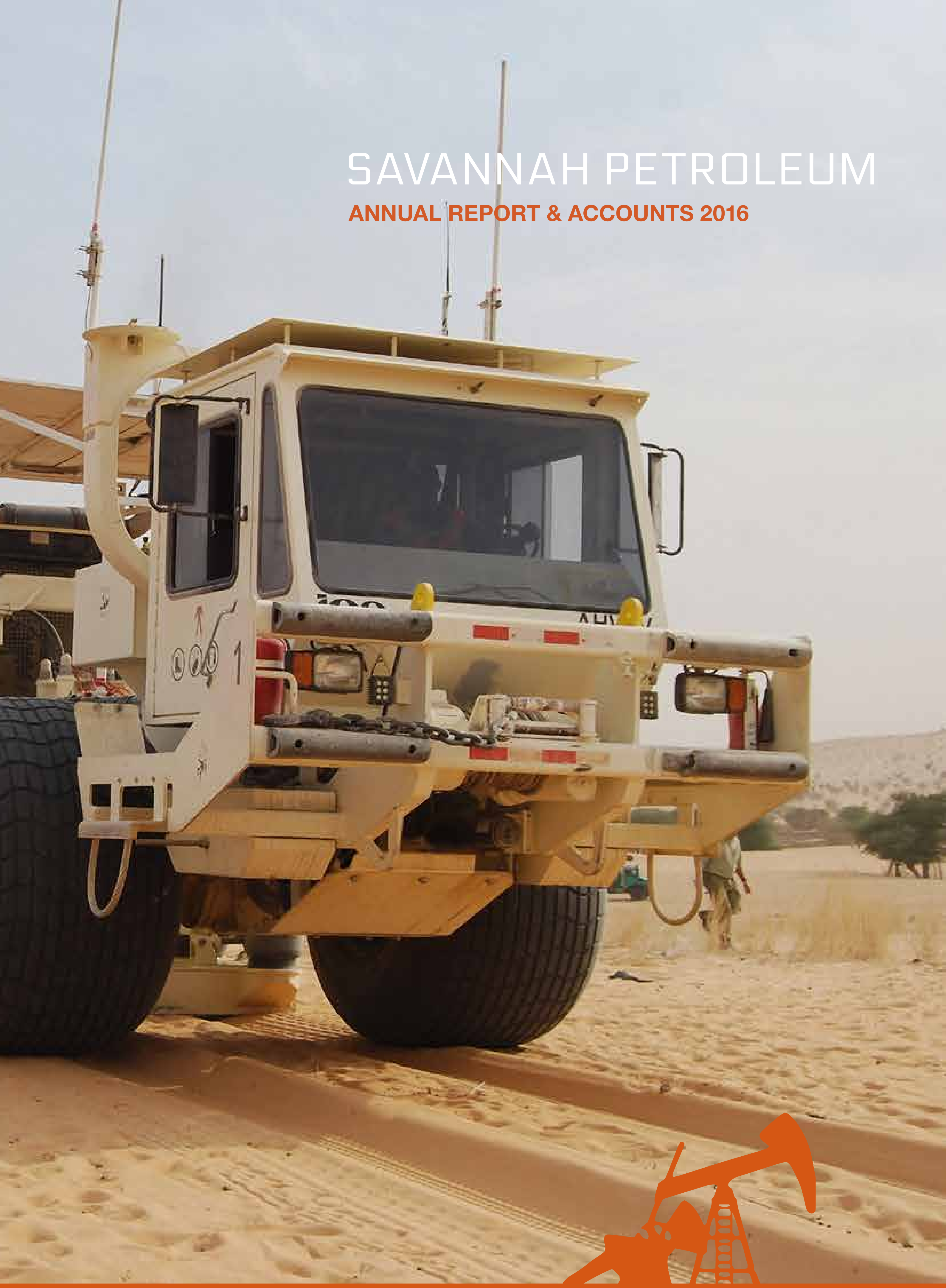
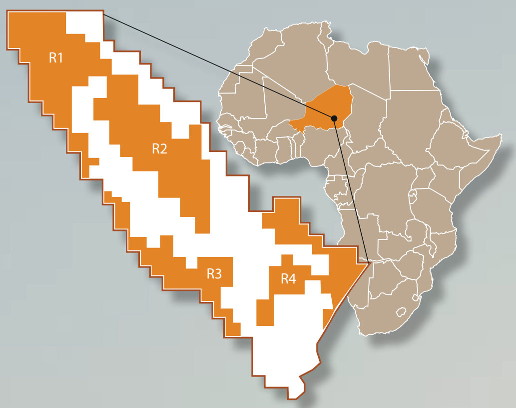
SAVANNAH PETROLEUM

ANNUAL REPORT & ACCOUNTS 2016





Savannah Petroleum is an African focused UK oil and gas company whose principal assets are the R1/R2 and R3/R4 Production Sharing Contracts in South East Niger.

These permits sit within the Agadem Rift Basin, which is part of the Central African Rift System ("CARS"), a series of highly prolific Cretaceous and Tertiary rifts, where over 6 billion barrels of oil have been discovered to date.

Savannah is also collaborating with NNDC and NNPC to evaluate the technical and commercial prospectivity of the Nigerian portion of the CARS.

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STRATEGIC REPORT
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

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[1].

1 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.

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.

Andrew Knott
Chief Executive Officer

AN INTERVIEW WITH GREAT WALL DRILLING COMPANY, SAVANNAH'S DRILLING CONTRACTOR

Mr. Wang Chaofeng

Marketing Manager

Tell us about Great Wall Drilling Company.

Great Wall Drilling Company ("GWDC") is one of the world's largest integrated petroleum engineering services providers, operating in 33 countries worldwide. We deliver a wide range of services and equipment to the oil and gas industry worldwide, primarily as a rig owner and drilling contractor, but also including drilling services such as cementing, drilling fluids, mud logging, wireline logging, well testing and stimulation. GWDC currently has 439 rigs operating globally. We work across many different terrains, and have extensive experience of drilling in onshore desert environments. We also have particularly strong experience operating in Africa, including in Kenya, Algeria and Tunisia, and specifically within the Central African Rift System in Chad, Sudan and the Agadem area in Niger.

How long have you been operating on Agadem and in Niger? Can you tell us about your historic activities?

GWDC has operated in Niger for the past 11 years, and we have unrivalled experience of operating and drilling successful wells in the country. Since our arrival in Niger in 2006, we have drilled over 200 exploration, appraisal and development, and production wells in the area. GWDC acted as an integrated service provider on all of these wells, providing the drilling and workover rigs along with all of the associated drilling & completion services.

We have 8 drilling rigs on Agadem, both 1,000 and 1,500 HP, and 4 workover rigs which are used for completion and well testing operations. For Savannah's drilling programme we will be using Rig GW215, which will be coming to Savannah fresh from an extended drilling campaign with another operator and is therefore a 'warm rig' which is operating effectively with an experienced crew.

At peak times in Niger, we have operated 12 rigs simultaneously, using our main operations centre at Agadem, close to the Jaouro airstrip, as our support base. This base acts as a transfer point for personnel and materials, and includes warehouse facilities for equipment storage and extensive maintenance and repair facilities. For Savannah's operations we will also have the support of their logistics camp, which is being constructed ahead of their drilling campaign, and is conveniently located close to the GWDC base. For desert logistics supplies, we use several local contractors, and we generally transport our own diesel, food and other materials from Zinder to our base camp and then onto the well sites.

We are very proud of the excellent HSE record which we have achieved in Niger, with no serious accidents during our 11 years' of operations in country. Up until December 31, 2016, we have operated for a total of 13,568,527 man-hours without a lost time incident.

What is the operational environment in the Agadem area like? Do you foresee any major challenges or difficulties with Savannah's proposed drilling programme?

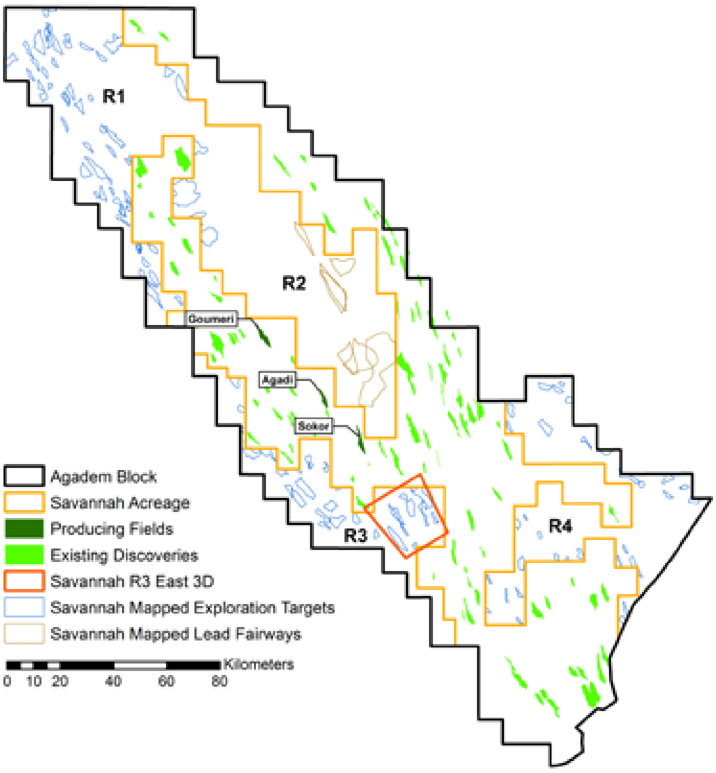
Savannah's licenses on the Agadem area are located in a largely flat desert environment, and the topography is very similar to other areas where we have previously successfully operated. There are few sand dunes, limited trees and shrubbery and the local population is very sparse. There is no weather window, so we can operate all year round, and we are also able to carry out night operations. We expect Savannah's planned drilling campaign to present no major operational challenges and we are looking forward to commencing this work.

While you are drilling in the Agadem area, how important is it to involve and engage with the local communities?

We are proactive in engaging and interacting with the population and communities located near to our well sites, and we have strong working practices to avoid significant ground impact in the area. Ahead of the commencement of drilling, and during operations, we will also work closely with Savannah's stakeholder relations team to ensure that we are liaising with the local communities in a combined manner. Together, we will visit any communities which may be living close to the well sites, and explain the project and drilling operations, enabling them to understand the work that we are carrying out. Throughout mobilisation, drilling and demobilisation, alongside Savannah we will regularly visit and liaise with the local population, ensuring good relations are built between the parties and addressing any problems or issues as quickly as possible.

GWDC has a policy to recruit local community residents wherever possible, and we have employed more than 1,200 local people since we started working in Niger. GWDC has also put in place a comprehensive social programme in the Agadem area, which has included donating school supplies and providing medical assistance and medical clinics.

R3 EAST 3D SEISMIC SURVEY



In September 2016, Savannah commenced the R3 East 3D seismic survey, over a c.806km² portion of the R3 PSC Area.

BGP International, the internationally respected geophysical service company, were selected as our contractor following a successful tender process. R3 East was designed to merge with two existing 3D surveys, Abolo and Sokor, and recorded with compatible, but enhanced, parameters to improve overall resolution and the imaging of deeper horizons.

Following good field planning Savannah was able to complete the recording in just 90 days (c.25 days less than original estimates) and the survey was completed c.US$1.2m under budget.

The survey was designed to provide definition over 9 existing mapped exploration targets, in addition to identifying new targets not currently mapped on our 2D seismic database.

ZERO LTI HSE PERFORMANCE

BGP crew attend a regular Emergency Response Plan training session at Savannah's San base camp

Contractor operations were strictly monitored by Savannah's project management team to ensure compliance with international industry standards, resulting in zero LTI ("lost-time injury") performance.

Savannah had a comprehensive security plan in place and collaborated closely with the Niger military on this project. Operations were conducted efficiently day and night without incident in the area.

EXCELLENT DATA QUALITY

The data acquired is of excellent quality, with fault patterns and structures visible even at an early stage of processing.

Initial indications confirm the existence of multiple fault blocks, which have similar configurations to the basin's currently producing fields and some of the largest discoveries made in the basin to date.

Vibrator trucks from BGP Crew 8636B on the R3 East survey area.

EMPHASIS ON COMMUNITY ENGAGEMENT

Savannah Stakeholder Relations Manager, Mohamed Silimane and BGP crew meet local residents

Savannah's corporate philosophy is centred around a belief that its projects should benefit all stakeholders, including local communities.

Savannah and BGP took a proactive approach to engaging with the communities in the Ngourti district during the R3 East survey; the success of this approach allowed the crew to lay recording cables through Ngourti village for ten days, without any disruption to data, contractors or locals.

Our average labour force was a crew of 310, who were largely hired from the region, and wherever possible supplies for the project were acquired locally. Savannah also organised a comprehensive social programme during the survey, including digging traditional water wells, construction of classrooms and classroom equipment and livestock vaccination.

KEY HIGHLIGHTS

806km^2
3D seismic acquired

US$1.2m
under budget

90
recording days,
25 fewer than budget

491,724
man hours worked with
no accidents or LTI

310
average labour force

348,445km
driven

66
vehicles on the crew

3,330km+
cables laid

HIGHLIGHTS

Completed a successful equity fund raise of US$40m in July 2016

Executed a three year revolving loan facility of €11.4m with Oragroup SA

US$23m cash position as at 31 December 2016

No debt as at 31 December 2016

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 the 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

PRINCIPAL RISKS AND RISK MANAGEMENT

The Group is subject to various risks as a result of operating, industrial, financial, political, legal and social conditions at any given point in time. The Group takes a proactive approach to recognising, managing and mitigating risks with the aim of protecting its employees, contractors and other stakeholders and safeguarding the interests of the Group and its Shareholders.

The identification of risks and the development of action plans to manage and mitigate those risks are integral parts of the Group's business process.

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

Exploration and appraisal risks

The exploration and development of hydrocarbons is speculative and involves a high degree of risk, and there is no assurance that the Group's activities will be successful. These risks include the possibility that the Group will not discover sufficient oil or gas reserves to exploit commercially or that those reserves which it does discover cannot be recovered economically. The Group has rigorous processes and procedures in place to assess the geological and commercial risks associated with its exploration and appraisal activities. To supplement its in house expertise, the Group engages appropriate technical and engineering consultants. Steps taken by the Group to assist in mitigating exploration and appraisal risk include the acquisition and analysis of 3D seismic data, the analysis of previously acquired full tensor gradiometry data and detailed technical evaluations of the Group's subsurface dataset.

Uncertainty of reserve and resource estimates

There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and resources, and the potential future cash flows attributable to such reserves and resources. In general, estimates of economically recoverable oil and gas reserves and future net cash flows therefrom are based upon a number of variable factors and assumptions including reservoir characteristics based upon geological, geophysical and engineering assessments, future oil and natural gas prices and quality differentials, production rates and the timing and amount of capital expenditures. The Group carries out its own detailed technical evaluations of its prospective resources and potential development scenarios, and its technical teams have carried out over 3,200 man days of analytical work on the Group's assets. The Group also employs competent external consultants to provide independent evaluations where appropriate.

Oil price

The Group monitors the commodity price environment closely, and maintains a disciplined approach to capital allocation, costs and working capital management. While the oil price is a variable the Group has no control over, the Group is focused around high quality oil and gas projects which it believes have the potential to generate robust returns even in weak oil price environments. With no current production, lower oil prices do not directly impact the Group's operating cash flows.

Health, safety, security and environmental risks

The nature and location of the Group's operations expose it to a wide range of health, safety, security and environmental ("HSSE") risks. The Group takes its environmental and safety responsibilities very seriously and has in place a robust HSSE management system which aligns with international management system standards and takes a pro-active approach to the identification and management of reasonably foreseeable HSSE risks. The system ensures identification and adherence to applicable international and local legislation as well as the consideration of "best practices" within the industry. Security and crisis management procedures are a key part of the HSSE management system, which in the unlikely event of an HSSE risk being realised, will be enacted to minimise the impact to the Group. As the Group has increased its operational activities (with the acquisition of 3D seismic and the planned drilling of exploration wells), the level of HSSE risks the Group has been exposed to has increased. To mitigate this risk, the Group has engaged with contractors which have similar high standards of HSSE capabilities and has put in place an expatriate project management team which ensures compliance with international industry standards.

Financial management

The Group is currently in the pre-revenue stage of operations. The Group is therefore dependent upon external financing to fund its ongoing activities. To manage this risk, the Group regularly reviews its cash position and budgeted cash flow projections, as well as maintaining a focus on internal controls to properly identify and manage forward costs and financial exposure. The Group also benefits from a historically stable and supportive institutional investor base (capable of providing incremental equity finance), as well as a high quality underlying asset base (which could be monetised through partial or entire divestment). The Group seeks to maintain good relationships with existing and potential financial stakeholders through regular interaction and updates. In December 2016, the Group put in place an €11.4 million revolving loan facility with Oragroup SA, the West and Central Africa focused banking group. This facility remains undrawn, but represents a flexible source of incremental liquidity for the Group.

Tax risks

The Group has subsidiaries located in multiple jurisdictions and is subject to taxation which includes, but is not limited to, that outlined in the Savannah PSCs. The Group engages and relies on competent external professional advisers in relation to the applicable taxation regime in each jurisdiction.

Ethical conduct

A failure of the Group to adhere to high standards of ethical conduct, particularly in relation to relevant anti-corruption laws, could have a significant impact on the Group, both reputationally and financially. To mitigate this risk, the Group has in place a robust anti-bribery and corruption policy and procedures, consistent with the Group's obligations which arise under the UK Bribery Act 2010, and has established procedures for monitoring compliance including regular training for all staff. For more information, please refer to page 15.

Title matters, licensing and other regulatory requirements

The Group's future operations may be subject to government approvals and other regulatory requirements, and an unforeseen defect in title, changes in law or political events may arise to impair the claim of the Group to its assets. The Group is also subject to extensive environmental and safety legislation, which may become more stringent. The Savannah PSCs and various international treaties to which Niger is a signatory offer a strong protection to the Group, which also maintains a regular dialogue with relevant government ministries and agencies. As an operator in country, the Group has a fully staffed administrative presence to ensure compliance with relevant local rules, laws and regulations.

Loss of key employees

The loss of key individuals could cause a delay or have an adverse impact on the Group's plans and operations. Savannah has a competitive compensation package in place which reflects market conditions for these key roles and is reviewed periodically as conditions change. The Group has a strong equity oriented philosophy, and key employees participate in equity based incentive schemes designed to aid retention and create alignment between the shareholders and management of the business.

Brexit

The Group has considered the impact of Brexit and has concluded it does not see any implications for the Group and its operations given its activities are focused around West Africa.

Approval of Strategic Report

The Strategic Report comprising pages 1 to 11 was approved and signed on behalf of the Board.

Andrew Knott
Chief Executive Officer
23 May 2017

BOARD OF DIRECTORS

Stephen Jenkins, Non-Executive Chairman

Member of the Audit Committee and Remuneration and Nomination Committee

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

Andrew Knott, Chief Executive Officer

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

Mark Iannotti, Non-Executive Director

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

Mark was appointed to the Board of Savannah Petroleum in July 2014. He is an experienced capital markets professional with over 20 years' experience in EMEA equities, which has been largely focused around the oil and gas sector, and currently acts as Managing Director and Head of Securities, UK & Europe of Canaccord Genuity Group Inc. Previously, he was a member of Bank of America Merrill Lynch's EMEA Executive Committee and Head of its EMEA Equity Research Division. Mark began his career at Wood Mackenzie Consultants, focusing on the Asian and Indian sub-Continent energy markets. He subsequently held senior equity research positions at Cazenove & Co, Credit Suisse and Citigroup.

David Jamison, Non-Executive Director

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

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

CORPORATE GOVERNANCE

The Corporate Governance Report on pages 13 to 17 forms part of the Directors' Report.

Introduction

The Board recognises its responsibility for the proper management of the Company and the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its shareholders. The Board is therefore committed to maintaining high standards of corporate governance. As an AIM-quoted company, Savannah Petroleum is not required to comply with a particular corporate governance regime. Nevertheless, the Directors recognise the value of the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code") and the 2014 UK Corporate Governance Code (the "UKCG Code"). The Company has complied with their principles and provisions where relevant and appropriate, having regard to its size, current stage of development, resources and the direct cost of delivering effective corporate governance. This report explains the key features of the Company's governance structure.

How the Board works

The Board

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

The Board delegates certain responsibilities to its Board Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The Company has an Audit Committee and a combined Remuneration and Nomination Committee, which operate within a scope and remit defined by specific terms of reference determined by the Board. The composition and role of each committee is summarised on pages 16 and 17. In due course, if further appointments are made to the Board, the Company may choose to establish a separate Nomination Committee in accordance with the QCA and UKCG Codes, however, at present the Board considers that the creation of an additional committee to carry out these functions would be unnecessarily burdensome in the context of the overall size and complexity of the business.

The Board and its Committees are provided with high quality information on a timely basis in order to facilitate the proper assessment of the matters under consideration and the Non-Executive Directors are provided with access to all information they require and to external advice as necessary.

Given the size of the Board, the Company has chosen not to appoint a Senior Independent Director ("SID"). Both Independent Non-Executive Directors are willing to fulfil any of the functions normally undertaken by a SID under the UKCG Code, as required.

The roles of the Chairman and the Chief Executive Officer

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

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

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

Composition, qualification and independence of the Board

The Board currently comprises one Executive Director and three Non-Executive Directors, including the Chairman, all of whom met the criteria for independence set out in the QCA Code and the UKCG Code on their appointment and continue to do so. The names and responsibilities of the current Directors, together with their biographies, are set out on page 12. The Directors' biographies illustrate the wide range and high calibre of skills and experience brought to bear on matters considered by the Board. These include appropriate industry, regulatory, financial, operational and risk management experience and, in the case of the Non-Executive Directors, the willingness and ability to provide robust and objective challenge to the views and assumptions of senior management and other Directors.

After the financial year end, the Board undertook an internal evaluation of its own performance and that of its Committees. The evaluation was conducted based on a tailored, high level questionnaire, structured to provide the Directors with an opportunity to express their views about the performance of the Board, its committees, the balance of skills, experience, independence and knowledge of Directors and the Chairman's performance. No concerns emerged from the evaluation, but certain actions will be progressed during 2017 to further enhance the operation of the Board and its Committees.

The Board has considered and reviewed the independence and effectiveness of each Non-Executive Director, taking into account the factors set out in the UKCG Code that might, or could appear to affect, a director's judgement and therefore their independence. The UKCG Code suggests that Directors' participation in their company's share option or performance related scheme could, or could be seen to, compromise their independence. The Board considers that the performance-related shares and options awarded to 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 of character and judgement. The Board is therefore of the view that all the Non-Executive Directors were, and continue to be, independent within the meaning of the UKCG Code. The Board considers that all Directors continue to be effective and committed to their roles and have sufficient time available to perform their duties.

Appointment and Tenure

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

All Non-Executive Directors, including the Chairman, serve on the basis of letters of appointment which are available for inspection at the Company's registered office. The letters of appointment set out the time commitment expected from Non-Executive Directors who, on appointment, undertake that they will have sufficient time to 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 Director's service contract is also available for inspection at the Company's registered office.

Board Meetings

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

The table below sets out the attendance record of individual Directors at the scheduled and unscheduled Board meetings held during 2016.

	Meetings eligible to attend	Number of meetings attended
Steve Jenkins	10	10
Andrew Knott	10	10
Mark Iannotti	10	10
David Jamison	10	10

Directors' Conflicts of Interest

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

Reporting and accountability

Internal Controls and Risk Management

The Board has overall responsibility for establishing and maintaining the Group's system of internal controls and risk management and reviewing its effectiveness. As with any successful company, delivering the Company's business objectives will involve taking considered risks. The Group's internal controls and risk management framework has been designed to assist the Board in making better, more informed decisions with a view to creating and protecting shareholder value.

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

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

- Organisational structures, delegations of authority and reporting lines;
- Group accounting and control procedures to manage the Group consolidation and reporting requirements;
- Budgetary process and monthly monitoring of annual budget, business performance and deviations from budget; 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, which covered all material controls, including financial, operational and compliance controls.

The key risks faced by the business and how they are mitigated are described in the Principal Risks section, on pages 10 and 11.

Whistleblowing and anti-bribery and corruption controls

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

The Group's Anti-Corruption and Money Laundering Policy is circulated to all Company employees and is provided to any new joiners and consultants employed by the Group, to ensure it is embedded across the organisation. All Company employees are required to confirm receipt of the policy and undergo anti-corruption and money laundering training on an annual basis.

Relations with Shareholders

The Board is committed to ensuring there is open and effective communication with its Shareholders on matters such as governance and strategy, and that the Directors understand the views of major Shareholders on such matters. The Company communicates with Shareholders and potential investors through a variety of channels, including the Annual Report, regulatory announcements and operational updates and a pro-active and comprehensive investor relations programme which is managed in line with operational developments, corporate news flow and the Company's financial calendar.

The CEO and the Corporate Communications Officer maintain a 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 broker are provided to the Directors and discussed at Board meetings. Analysts' reports received on the Company are reviewed and monitored by the senior management team and circulated to the Board as appropriate. Investor relations support is provided to analysts covering and initiating coverage of the Company.

Audit Committee Report

The Audit Committee is chaired by Mark Iannotti and its other members are David Jamison and Steve Jenkins. The members are all Independent Non-Executive Directors of the Company. Mark Iannotti is considered by the Board to have recent and relevant financial experience, as required by the UKCG Code. If required, at the request of the Chairman of the Committee, the Chief Executive Officer and 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. Under these terms of reference, the role of the Committee is to assist the Board in discharging its responsibilities with regard to monitoring the integrity of the Group's financial reporting. It reviews reports from the external auditor relating to the accounts, oversees the relationship with the external auditor, and makes recommendations to the Board regarding their appointment. The Committee is also responsible for reviewing the adequacy and effectiveness of the Group's internal controls and risk management systems and reporting its findings to the Board. The ultimate responsibility for reviewing and approving the Annual and half-yearly report and accounts remains with the Board. The Committee is required to meet not less than three times a year at appropriate times in the financial reporting and audit cycle and whenever is necessary to fulfil its responsibilities. The terms of reference for the Committee are available on the Company's website at www.savannah-petroleum.com.

The Committee Members' attendance at meetings during 2016 is set out below.

	Meetings eligible to attend	Number of meetings attended
Mark Iannotti	4	4
Steve Jenkins	4	4
David Jamison	4	4

Principal activities during the year
During the financial year, 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 annual work plan 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, concluding that this remained unnecessary given the existing size and development of the Company; and
- assessed progress made in relation to enhancing the internal controls and risk management systems and procedures within the Group.

External Auditor
Grant Thornton UK LLP has been the external auditor for the Group as a whole since 9 October 2014. The continued appointment of Grant Thornton UK LLP is reviewed by the Audit Committee each year, taking into account the relevant legislation, guidance and best practice appropriate for a company of its size, nature and stage of development.

In May 2017, the Audit Committee considered the performance of the external auditor and the effectiveness of the audit process by discussing the results of the 2016 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 Committee was satisfied with the effectiveness of the external auditor.

The Committee received confirmation from Grant Thornton UK LLP that the firm was independent of the Group and had complied with the relevant auditing and ethical standards. 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 tax and Group structuring advice. The Audit Committee is satisfied that it was appropriate for the external auditor to carry out this work, and that it did not impair their independence or objectivity.

The Committee recommended the re-appointment of Grant Thornton UK LLP as the external auditor for the Group.

Mark Iannotti
Chairman, Audit Committee
23 May 2017

Remuneration and Nomination Committee Report

The Remuneration and Nomination Committee is chaired by David Jamison and its other members are Steve Jenkins and Mark Iannotti. If required, at the request of the Chairman of the Committee, the Chief Executive Officer and 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 the Company's size, nature and stage of development. Under these terms of reference, the Committee is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of employment of executive Directors and senior employees and the grant of options implemented from time to time. The Committee is required to meet at least twice a year. The terms of reference for the Committee are available on the Company's website at www.savannah-petroleum.com.

The Committee Members' attendance at meetings during 2016 is set out below.

	Meetings eligible to attend	Number of meetings attended
David Jamison	2	2
Mark Iannotti	2	2
Steve Jenkins	2	2

During the financial year, the Committee:

- considered the impact of corporate governance updates in determining executive remuneration;
- reviewed and made recommendations to the Board on executive remuneration for the financial year;
- approved outcomes for short-term and long-term incentives in line with the remuneration policy and incentive plans; and
- approved the granting of awards under the Company's long-term incentive plans.

The Company has not adopted a formal policy on diversity and therefore has no measurable objectives to disclose. Appointments, including appointments to the Board and senior management positions are made on merit, taking account of the balance of skills and experience required.

The Directors' Remuneration Report is set out on pages 18 to 21.

David Jamison
Chairman, Remuneration and Nomination Committee
23 May 2017

DIRECTORS' REMUNERATION REPORT

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.

Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee and its role are set out on page 17.

Remuneration policy

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

Components of the Executive Directors' remuneration

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

- Basic salary;
- Employers' pension contribution;
- Performance-related bonus; and
- Awards under the Management Long Term Incentive Plan and the Supplementary Plan, both described below.

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

Basic salary

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

Employer's pension contribution

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

Performance-related bonus scheme

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

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

Performance-related bonus payments are made at the sole discretion of the Remuneration and Nomination Committee. The performance related bonus applicable to these accounts related to the period 1 January 2015 to 31 December 2015. During this period, the Remuneration and Nomination Committee approved the payment of a cash bonus of £212,733 to the CEO, in recognition of his significant contribution to the Group's success. In prior periods, no bonus was paid to the CEO as the Remuneration and Nomination Committee assumed a prudent view of the oil and gas market conditions at the time. The Remuneration and Nomination Committee reserves the right to review the CEO's remuneration in future periods, at its sole discretion.

Long Term Incentive Plans

The Management Long Term Incentive Plan ('LTIP') is designed to incentivise and retain key personnel within the Company. The LTIP was established on 28 November 2014 along the terms envisaged in paragraph 19 of Part 1 of the Company's Admission Document. Participants in the LTIP are entitled to receive ordinary shares in the Company for nil consideration subject to certain conditions, described further on pages 19 and 20. The LTIP has now been closed and is not expected to be reopened.

The Supplementary Plan was established on 30 July 2015 to mechanically adjust for the dilutive impact of the placing announced on 10 July 2015 and to further incentivise certain Directors and employees of the Group. The Supplementary Plan is 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. The Supplementary Plan is described further on page 20.

Contract Terms

The CEO entered into a service agreement with the Company effective from its admission to trading on AIM (1 August 2014), which provided for a 12-month notice period and an initial fixed term of two years. In January 2017, the Remuneration and Nomination Committee amended the agreement so that the 12 month notice period could not expire any earlier than 31 December 2018 (the 'Service Agreement Amendment'). All other material terms of the agreement remain the same. The Service Agreement Amendment was deemed to be a related party transaction under the AIM Rules for Companies.

The Directors, other than Andrew 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.

Directors' Remuneration

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

	Salary US$	Performance-related bonus US$	LTIPs US$	Employer's Pension Contribution US$	Other benefits US$	Fees US$	Total US$
Executive Directors							
Andrew Knott[1,2]	550,900	278,550	–	55,090	2,342	–	886,882
Non-Executive Directors							
Steve Jenkins	–	–	–	–	–	206,587	206,587
Mark Iannotti	–	–	–	–	–	34,431	34,431
David Jamison	–	–	–	–	–	34,431	34,431
Total	550,900	278,550	–	55,090	2,342	275,449	1,162,332

[1] Highest paid director

[2] Mr Knott spent £372,141 acquiring shares in Savannah Petroleum in 2016

Long-Term Incentive Plan

Under the terms of the LTIP, 15,737,896 new shares in Savannah Petroleum 1 Limited ('SP1L'), a direct wholly owned subsidiary of the Company, were issued to and subscribed for by the participants in the LTIP, who comprise each of the Directors of the Company and certain employees of the Group (the 'SP1L Shares'). The LTIP is now closed and is not expected to be reopened.

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

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

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

Where:

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

A is the number of shares in SP1L being exchanged;

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

C is the closing middle market quotation of the ordinary shares on the date of the share exchange.

The awards issued pursuant to the LTIP are subject to a vesting date determined for each award. If the Hurdle Price is met after the vesting date, the award will vest when the Hurdle Price is met and the relevant participant in the LTIP can then elect to exchange his or her shares in SP1L for the relevant number of new ordinary shares in the Company at any time thereafter. If the Hurdle Price is met prior to the vesting date, the award will not vest until the vesting date and the participants in the LTIP will not be able to exchange their shares in SP1L for ordinary shares in the Company until after the vesting date unless there is a change of control of the Company (or the individual ceases to be an employee or Director of a member of the Group). Further details of the LTIP and share-based payments are set out in Note 18 on pages 54 to 57.

DIRECTORS' REMUNERATION REPORT (continued)

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. (which also includes the personal holding of Turab Musayev, the beneficial owner of Luzon Investments S.A.).

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

	Number of SP1L Shares at 31 December 2016	Hurdle Price
Executive Directors		
Andrew Knott	11,588,574	168p
Non-Executive Directors		
Steve Jenkins	1,785,714	168p
Mark Iannotti	547,765	168p
David Jamison	273,883	168p
Total	14,195,936	168p

Supplementary Plan

The Supplementary Plan was implemented on 30 July 2015 to mechanically adjust for the dilutive impact of the placing announced on 10 July 2015 (the "Placing") and to further incentivise certain Directors and employees of the Group. The amendments follow the broad intentions regarding performance related payments outlined in the Company's AIM admission document published on 29 July 2014, which underpinned the LTIP described above.

Accordingly, the Supplementary Plan has been implemented and structured principally on the same terms as the LTIP. The terms allow for share options over up to 15 per cent. of the Company's fully diluted share capital, from time to time, when aggregated with those share options potentially issuable under the LTIP, to be issued to Directors and employees of the Group. The principal founder and Chief Executive Officer, Andrew Knott, is entitled to receive 50 per cent. of the total number of share options issuable under the LTIP and the Supplementary Plan.

The Supplementary Plan rules are substantially the same as for the LTIP, accordingly no further Shareholder authority for the adoption of the Supplementary Plan was sought prior to its implementation.

In line with the pricing structure of the LTIP, the terms of the Supplementary Plan provide for an exercise price set equal to that at which capital has been most recently raised, which is £0.38 per share (as per the Placing) and has a hurdle rate of £1.14 which is three times the option exercise price.

The new share options shall vest and become exercisable on the earliest to occur of: (i) the Savannah share price on any day equalling or exceeding £1.14 per share; (ii) any person or group of persons acting in concert obtaining control of 30 per cent. or more of the Company's ordinary share capital from time to time (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) to a single buyer or one or more buyers as part of a single transaction or a series of connected transactions; and (iv) the passing of a resolution for a voluntary winding-up of the Company.

To simplify the structure of the Company's incentivisation plans, under the Supplementary Plan, share options will be granted over unissued Ordinary Shares in the Company rather than through the issue of shares in SP1L.

The "leaver" terms applicable to the share options granted under the Supplementary Plan, which provide for full or partial forfeiture of unvested options, differ from those applicable to the LTIP in that they apply in the event of an option holder ceasing to hold office with, or be employed by, the Group prior to 28 November 2017, as opposed to 28 November 2019 in the case of the existing awards made under the LTIP.

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

	Number of Ordinary Shares at 31 December 2016	Hurdle Price
Executive Directors		
Andrew Knott	5,446,630	114p
Non-Executive Directors		
Steve Jenkins	1,019,501	114p
Mark Iannotti	2,257,450	114p
David Jamison	128,725	114p
Total	8,852,306	114p

Further details of the Supplementary Plan and share-based payments are set out in Note 18 on pages 54 to 57.

The interests of the Directors in the Ordinary shares of the Company as at 31 December 2016 are set out below:

	Number of Ordinary Shares at 31 December 2016	Percentage held
Andrew Knott	24,204,565	8.81%
Mark Iannotti	2,793,887	1.02%
David Jamison	651,009	0.24%
Steve Jenkins	301,800	0.11%

There have been no other changes to the Directors' share interests between 31 December 2016 and the date of this report.

The closing share price of one Savannah Petroleum share on 31 December 2016 was £0.27 and the highest and lowest prices during the year were £0.33 and £0.24 respectively.

David Jamison
Chairman, Remuneration and Nomination Committee
23 May 2017

DIRECTORS' REPORT

The Directors' Report, prepared in accordance with the Companies Act 2006, comprises pages 22 to 23. The Corporate Governance Statement on pages 13 to 17 forms part of the 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 1 to 11, which are deemed to form part of 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 14 to the Group's consolidated Financial Statements.

The Board

The Directors in office at the date of this Annual Report are shown on page 12. 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. In addition, Directors and officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance.

Purchase of own shares

The Company has not acquired any of its own shares in the period to 31 December 2016, nor in the period up to the date of approval of this Annual Report.

Dividends

The directors have not recommended payment of a dividend.

Political donations

No political donations were made in 2016.

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 21 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 1 to 11 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 21 to the Group's consolidated Financial Statements on page 59.

The Directors have reviewed the budgets and forecast as well as the funding requirements of the business for the next 12 months. The Directors have a reasonable and strong expectation that the Group has adequate resources to continue operating for the foreseeable future. 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 have expressed their willingness to continue in office as auditor. Following the Audit Committee's review of the independence and performance of the auditor in respect of the financial year ended 31 December 2016, a resolution to reappoint them will be proposed at the forthcoming AGM.

AGM

The Company's AGM will be held on 22 June at 10am at the offices of Mirabaud Securities LLP, 5th Floor, The Verde Building, 10 Bressenden Place, London SW1E 5DH. The notice of meeting which sets out the resolutions to be proposed at the forthcoming AGM will be published shortly.

Approval of Directors' Report

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

Andrew Knott
Chief Executive Officer
23 May 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report including the Strategic Report, the Remuneration Report, the Directors' Report, the consolidated financial statements and the Company financial statements, in accordance with applicable law and regulations.

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are disclosed on page 12, confirms that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group;
- The Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- There is no relevant audit information of which the Company's auditor is unaware; and
- He has taken all reasonable 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.

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 the Group 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.

By order of the Board

Andrew Knott
Chief Executive Officer
23 May 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAVANNAH PETROLEUM PLC

We have audited the financial statements of Savannah Petroleum PLC for the year ended 31 December 2016 which comprise the consolidated and parent company statements of financial position, the consolidated statement of comprehensive income, the consolidated and parent company statements of cash flow, the consolidated and parent company statements of comprehensive income, the consolidated and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement (set out on page 24), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 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

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAVANNAH PETROLEUM PLC (continued)

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

James Chadwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
23 May 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

as at 31 December 2016

	Note	**Year ended 31 December 2016 US$'000**	Year ended 31 December 2015 US$'000
Operating expenses		**(8,412)**	(7,044)
Operating loss	6	**(8,412)**	(7,044)
Finance income	8	**207**	–
Finance costs	9	**(126)**	(250)
Loss before tax		**(8,331)**	(7,294)
Income tax	10	**(1,502)**	(565)
Net loss and total comprehensive loss		**(9,833)**	(7,859)
Total comprehensive loss attributable to:			
Owners of the group	11	**(9,818)**	(7,582)
Non-controlling interests	20	**(15)**	(277)
		(9,833)	(7,859)
Loss per share			
Basic (US$)	11	**(0.04)**	(0.05)
Diluted (US$)	11	**(0.04)**	(0.05)

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

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 2016 was US$1,822,000 (2015: US$3,930,000).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 US$'000	2015 US$'000
Assets			
Non-current assets			
Property, plant and equipment	12	**954**	734
Exploration and evaluation assets	13	**96,913**	80,529
Total non-current assets		**97,867**	81,263
Current assets			
Other receivables and prepayments	15	**6,074**	410
Cash and cash equivalents	16	**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	17	**483**	321
Share premium	17	**146,892**	108,576
Capital contribution	17	**458**	458
Share based payment reserve	17	**2,938**	1,223
Accumulated deficit		**(31,967)**	(22,149)
Equity attributable to owners of the Group		**118,804**	88,429
Non-controlling interests	20	**(365)**	(350)
Total equity		**118,439**	88,079
Non-current liabilities			
Total non-current liabilities		**–**	–
Current liabilities			
Trade and other payables	19	**7,777**	878
Corporation tax liability		**786**	565
Total current liabilities		**8,563**	1,443
Total equity and liabilities		**127,002**	89,522

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2017 and are signed on its behalf by:

Andrew Knott
Chief Executive Officer

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 US$'000	2015 US$'000
Assets			
Non-current assets			
Property, plant and equipment	12	**236**	281
Investment in subsidiaries	14	**78,098**	45,262
Total non-current assets		**78,334**	45,543
Current assets			
Other receivables and prepayments	15	**35,212**	43,524
Cash and cash equivalents	16	**21,794**	7,640
Total current assets		**57,006**	51,164
Total assets		**135,340**	96,707
Equity and liabilities			
Capital and reserves			
Share capital	17	**483**	321
Share premium	17	**146,892**	108,576
Capital contribution	17	**458**	458
Share based payment reserve	17	**2,938**	1,223
Accumulated deficit		**(16,413)**	(14,591)
Total equity		**134,358**	95,987
Non-current liabilities			
Total non-current liabilities		**–**	–
Current liabilities			
Trade and other payables	19	**196**	196
Corporation tax liability		**786**	524
Total current liabilities		**982**	720
Total equity and liabilities		**135,340**	96,707

Company number: 09115262

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2017 and are signed on its behalf by:

Andrew Knott
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

as at 31 December 2016

	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	23	**(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	12	**(441)**	(344)
Proceed from disposal of property, plant and equipment		**97**	11
Exploration and evaluation costs paid	13	**(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 year		**7,849**	17,221
Cash and cash equivalents at end of year		**23,061**	7,849

COMPANY STATEMENT OF CASH FLOWS

as at 31 December 2016

	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	24	**(54)**	(3,567)
Net cash used in operating activities		**(54)**	(3,567)
Cash flows from investing activities			
Parent company funding of subsidiaries		**(18,810)**	(42,524)
Payments for property, plant and equipment	12	**–**	(148)
Net cash used in investing activities		**(18,810)**	(42,672)
Cash flows from financing activities			
Finance costs		**(436)**	(78)
Proceeds from issues of equity shares, net of issue costs		**33,454**	36,888
Net cash provided by financing activities		**33,018**	36,810
Net increase in cash and cash equivalents		**14,154**	(9,429)
Cash and cash equivalents at beginning of year		**7,640**	17,070
Cash and cash equivalents at end of year		**21,794**	7,640

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2015

	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**

COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31 December 2015

	Share capital US$'000	Share premium US$'000	Capital contribution US$'000	Other reserve US$'000	Share based payment reserve US$'000	Accumulated deficit US$'000	Total US$'000
Balance at 01 January 2015	224	73,668	458	(375)	61	(10,712)	63,324
Equity settled share based payments	–	–	–	–	1,162	–	1,162
Loss for the year and total comprehensive loss	–	–	–	–	–	(3,930)	(3,930)
Issue of ordinary shares to shareholders, net of issue costs	97	35,158	–	–	–	–	35,255
Reversal of provision and unpaid share capital	–	(250)	–	375	–	52	177
Balance at 31 December 2015	**321**	**108,576**	**458**	**–**	**1,223**	**(14,591)**	**95,987**
Equity settled share based payments	–	–	–	–	1,715	–	1,715
Loss for the year and total comprehensive loss	–	–	–	–	–	(1,822)	(1,822)
Issue of ordinary shares to shareholders, net of issue costs	162	38,316	–	–	–	–	38,478
Balance at 31 December 2016	**483**	**146,892**	**458**	**–**	**2,938**	**(16,413)**	**134,358**

NOTES TO THE FINANCIAL STATEMENTS
period ended 31 December 2016

01

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.

02

Basis of preparation

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

The consolidated financial statements of the Group incorporate the results for the year to 31 December 2016.

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 31 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 recommencement of ground operations in Niger as well as for ongoing corporate purposes.

02

Basis of preparation (continued)

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

See Note 14 for the companies that have been consolidated within the Group financial statements.

Transactions eliminated upon consolidation

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

03

Significant accounting policies

New and amended IFRS standards

The following relevant new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2016, but had no significant impact on the Group:

Standard	Key requirements	Effective date as adopted by the EU
Amendment to IFRS 11, 'Accounting for Acquisitions of Interests in Joint Operations'	Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: • apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11disclose the information required by IFRS 3 and other IFRSs for business combinations. • The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).	1 January 2016
Amendments to IAS 16 and IAS 38	Clarifies acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IAS 16 and IAS 41	Update on Agriculture: Bearer Plants.	1 January 2016
Amendments to IAS 27	Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	1 January 2016
Amendments to IAS 1	Disclosure amendments	1 January 2016

03

Significant accounting policies (continued)

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 2016, as adopted by the European Union, and have not been early adopted:

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 16	Leases – Introduces a single lessee accounting model and eliminates the previous distinction between an operating and a finance lease.	1 January 2019

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

Foreign currency translation

Transactions and balances

Transactions entered into in a currency other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each 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.

03

Significant accounting policies (continued)

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

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

	(Years)
Computers	3
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.

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

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

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

Segmental analysis

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

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

03

Significant accounting policies (continued)

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

Financial assets

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

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

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

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

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

03

Significant accounting policies (continued)

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

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

Trade payables
Trade payables are 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 profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the 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.

03

Significant accounting policies (continued)

Taxation (continued)

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.

Value Added Tax

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

Share-based payments

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

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

The proceeds received net of any directly attributable costs are credited to share capital (nominal value) and share premium in the Company.

The Company has the obligation to deliver the shares, and it is a Group subsidiary company that employs the individuals. In the Company's separate financial statements, there is no share-based payment charge, as no employees are providing services to the Company. The Company recognises an increase in the investment in the employing subsidiary as a capital contribution from the parent and a corresponding increase in equity.

03

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

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

Share premium
Share premium comprises the difference between the proceeds received and the par value of the issued and paid up shares.

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

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

Accumulated deficit
Accumulated deficit comprises the accumulated deficit retained by the Company.

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

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

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

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

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

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

04 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements and key sources of estimation uncertainty

Recoverability of exploration and evaluation costs
The outcome of ongoing exploration, and therefore the recoverability of the carrying value of intangible exploration and evaluation assets, is inherently uncertain. 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 18.

05 Segmental reporting

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

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

06 Operating Loss

Operating loss has been arrived at after charging:

	2016 US$'000	2015 US$'000
Depreciation of property, plant and equipment	**124**	97
Staff costs (Note 7)	**4,766**	3,552

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

	2016 US$'000	2015 US$'000
Fees payable to Grant Thornton UK LLP for the audit of the Company's annual accounts	**77**	78
Total audit fees payable to Grant Thornton UK LLP and their associates	**77**	78
Fees payable to Grant Thornton UK LLP and their associates for other services to the group		
Audit-related assurance services	**11**	11
Other taxation advisory services	**25**	138
Total non-audit fees payable to Grant Thornton UK LLP and their associates	**36**	149

07

Staff costs

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

	2016 No	2015 No
Employees	**13**	12

Employee benefits recognised as an expense during the period comprised:

	2016 US$'000	2015 US$'000
Wages and salaries	**2,551**	2,041
Share based payments	**1,715**	1,162
Pension costs	**76**	61
Social security costs & benefits	**424**	288
	4,766	3,552

Director's remuneration during the period comprised:

	2016 US$'000	2015 US$'000
Wages and salaries	**1,105**	954
Share based payments	**1,508**	898
Pension costs	**55**	61
Social security costs & benefits	**156**	133
	2,824	2,046

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

08 Finance income

	2016 US$'000	2015 US$'000
Foreign exchange gain[1]	**207**	–

09 Finance costs

	2016 US$'000	2015 US$'000
Foreign exchange losses[1]	**–**	166
Bank charges	**15**	13
Other finance costs	**111**	71
	126	250

[1] The net foreign exchange gain booked is US$207,000 (2015 loss: US$166,000) 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:

	2016 US$'000	2015 US$'000
UK Corporation tax	**1,502**	565

The charge for the period can be reconciled per the statement of comprehensive income as follows:

	2016 US$'000	2015 US$'000
Loss on ordinary activities before taxes	**8,331**	7,294
Loss before taxation multiplied by the UK corporation tax rate of 20% (2015: 20.25%)	**1,666**	1,477
Effects of:		
Expenses disallowed for tax	**(485)**	(398)
Tax losses carried forward	**(1,203)**	(1,120)
Controlled foreign entity charge	**(1,480)**	(524)
Tax charge for the period	**(1,502)**	(565)

As of 1 April 2016, the corporation tax rate is 20%.

At 31 December 2016, tax losses were US$22,315,000 (2015: US$16,300,000). 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 20% is US$4,463,000 (2015: US$3,260,000).

At 31 December 2016, a temporary difference for corporation tax purposes in respect of share based payments of US$2,938,000 (2015:US$1,223,000) 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 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.

	2016 US$'000	2015 US$'000
Earnings		
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).

12 Property, plant and equipment

Group

Cost	Computer equipment US$'000	Equipment US$'000	Furniture & fixtures US$'000	Motor Vehicle US$'000	Total US$'000
Balance at 01 January 2015	2	396	111	–	509
Additions	–	235	109	–	344
Disposals	–	(17)	–	–	(17)
Balance at 31 December 2015	2	614	220	–	836
Additions	1	–	45	395	441
Disposals	–	(97)	–	–	(97)
Balance at 31 December 2016	**3**	**517**	**265**	**395**	**1,180**

12 Property, plant and equipment (continued)

Cost	Computer equipment US$'000	Equipment US$'000	Furniture & fixtures US$'000	Motor Vehicle US$'000	Total US$'000
Accumulated depreciation					
Balance at 01 January 2015	–	–	(6)	–	(6)
Depreciation charge	(1)	(56)	(40)	–	(97)
Disposal	–	1	–	–	1
Balance at 31 December 2015	(1)	(55)	(46)	–	(102)
Depreciation charge	(1)	(47)	(46)	(30)	(124)
Disposal	–	–	–	–	-
Balance at 31 December 2016	**(2)**	**(102)**	**(92)**	**(30)**	**(226)**
Net book value					
Balance at 31 December 2015	1	559	173	–	734
Balance at 31 December 2016	1	415	173	365	954

Company

Cost	Equipment US$'000	Furniture & fixtures US$'000	Total US$'000
Balance at 01 January 2015	149	25	174
Additions	45	103	148
Balance at 31 December 2015	194	128	322
Additions	–	–	–
Balance at 31 December 2016	194	128	322
Accumulated depreciation			
Balance at 01 January 2015	–	–	–
Depreciation charge	(18)	(23)	(41)
Balance at 31 December 2015	(18)	(23)	(41)
Depreciation charge	(19)	(26)	(45)
Balance at 31 December 2016	(37)	(49)	(86)
Net book value			
Balance at 31 December 2015	176	105	281
Balance at 31 December 2016	157	79	236

13 Exploration and evaluation assets

Group

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

Company

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

14 Investment in subsidiaries

	Group 2016 US$'000	Company 2016 US$'000	Group 2015 US$'000	Company 2015 US$'000
Savannah Petroleum 1 Limited	–	2,938	–	1,223
SPN Limited	–	75,160	–	44,039
	–	**78,098**	–	45,262

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

Name	Nature of business	Country of incorporation	Type of share	Group shareholding
Savannah Petroleum 1 Limited	Investment company	United Kingdom	Ordinary	100%
Savannah Petroleum 2 Limited	Investment company	United Kingdom	Ordinary	95%
SPN Limited	Holding	Jersey	Ordinary	100%
Savannah Petroleum SAS	Service	France	Ordinary	100%
Savannah Petroleum Niger R1/R2 SA	Oil exploration company	Niger	Ordinary	95%

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

Name	Proportion of ownership interests and voting rights held by non-controlling interests	Loss allocated to non-controlling interests in period ended 31 December 2016 US$'000	Accumulated non-controlling interests US$'000
Savannah Petroleum 2 Limited	5%	–	–
Savannah Petroleum Niger R1/R2 SA	5%	(15)	(365)
Total		(15)	(365)

Name	Proportion of ownership interests and voting rights held by non-controlling interests	Loss allocated to non-controlling interests in period ended 31 December 2015 US$'000	Accumulated non-controlling interests US$'000
Savannah Petroleum 2 Limited	5%	–	–
Savannah Petroleum Niger R1/R2 SA	5%	(277)	(350)
Total		(277)	(350)

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Other receivables and prepayments

	Group 2016 US$'000	Company 2016 US$'000	Group 2015 US$'000	Company 2015 US$'000
Prepayments	761	656	242	78
VAT receivables	192	169	71	57
Amounts owed from other group companies	–	29,269	–	43,295
Other receivables	5,121	5,118	97	94
	6,074	35,212	410	43,524

Company receivables of US$29,269,000 (2015: US$43,295,000) and other receivables of US$5,118,000 (2015: US$94,000) are receivable within one year by the group and are not interest bearing. Other receivables include US$ 5,024,824 relating to called up share capital. Funds related to the receivables were received following the year-end.

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

16

Cash and cash equivalents

	Group 2016 US$'000	Company 2016 US$'000	Group 2015 US$'000	Company 2015 US$'000
Cash and cash equivalents	**23,061**	**21,794**	7,849	7,640
	23,061	**21,794**	7,849	7,640

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

The amount of cash and cash equivalents denominated in currencies other than US$ is shown in Note 21 to these financial statements.

17 Capital and reserves

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**

In July 2016, 81,280,000 ordinary shares of £0.001 were issued as part of an equity fund raising to the value of US$40 million (gross). See Note 15 in relation to called up share capital.

Group And Company	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**

17

Capital and reserves (continued)

Nature and purpose of reserves

Share based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Further details of share based payments are at Note 18.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while 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.

18

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 2016 US$'000	For the year ended 31 December 2015 US$'000
Share-based payments	**1,715**	1,162

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

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

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

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

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

18

Share-based payments (continued)

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

	Charge during the period US$'000	Number of options No.	Assumed exercise price in US$ per share
Outstanding at 01 January 2015	–	15,737,896	–
Charge during the year	659	–	–
Granted, lapsed, exercised during the year	–	–	–
Outstanding at 31 December 2015		15,737,896	
Charge during the year	595	–	–
Granted, lapsed, exercised during the year	–	–	–
Outstanding at 31 December 2016		**15,737,896**	

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$595,000 for the year to 31 December 2016 (2015: US$659,000) has been recognised.

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

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

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

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

18

Share-based payments (continued)

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

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

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

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

	Charge during the period US$'000	Number of options No.	Assumed exercise price per share
Outstanding at 01 January 2015	–	–	–
Granted during the year	–	10,128,599	£0.38
Charge during the year	503	–	–
Lapsed and exercised during the year	–	–	–
Outstanding at 31 December 2015		10,128,599	
Charge during the year	1,111	–	–
Granted, lapsed, exercised during the year	–	–	–
Outstanding at 31 December 2016		**10,128,599**	

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$1,111,000 for the year to 31 December 2016 (2015: US$503,000) has been recognised.
The following table lists the inputs to the model used to determine the fair value of options granted:

Pricing model used	Monte-Carlo
Grant date	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.

18

Share-based payments (continued)

Supplementary share option plan

The Board has established a share option plan, in which share options will be granted and vest on successful completion of certain milestones (described below). The Group signed agreements with the key management personnel setting out the terms of the options in 2016. Under IFRS 2 the options were therefore deemed to have been granted in 2016. Once the Remuneration Committee has confirmed the successful completion of the milestone, a certain number of share options will be granted and vest for each participant.

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

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

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

	Charge during the period US$'000	Number of options No.	Assumed exercise price per share
Outstanding at 01 January 2016	–	–	–
Granted during the year	–	526,315	£0.38
Charge during the year	9	–	–
Lapsed and exercised during the year	–	–	–
Outstanding at 31 December 2016		526,315	

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$9,702 for the year to 31 December 2016 has been recognised.

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

Pricing model used	Monte-Carlo
Grant date	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, Sound Energy Plc.

19 Trade and other payables

	Group 2016 US$'000	**Company 2016 US$'000**	Group 2015 US$'000	Company 2015 US$'000
Trade payables	**475**	**164**	804	132
Accruals	**7,302**	**32**	74	64
	7,777	**196**	878	196

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

20 Non-controlling interests

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

Savannah Niger

	2016 US$'000	2015 US$'000
Current assets	**16,549**	85
Non-current assets	**96,924**	79,958
Current liabilities	**(124,269)**	(91,016)
Non-current liabilities	**–**	–
	(10,796)	(10,973)
Equity attributable to owners of the Group	**(10,431)**	(10,623)
Non-controlling interests	**(365)**	(350)
	(10,796)	(10,973)

	2016 US$'000	2015 US$'000
Net loss and total comprehensive loss	**277**	5,531
Attributable to owners of the Group	**262**	5,254
Attributable to the non-controlling interest	**15**	277
	277	5,531
Net cash outflow from operating activities	**(277)**	(9,129)
Net cash inflow from financing activities	**1,429**	9,024
Net cash inflow/(outflow)	**1,152**	(105)

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

20 Non-controlling interests (continued)

	2016 US$'000	2015 US$'000
Balance at 1 January and incorporation	**350**	73
Share of loss for the year	**15**	277
Balance at 31 December	**365**	350

21 Financial instruments

(a) Financial instruments by category

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

	Group 2016 US$'000	Company 2016 US$'000	Group 2015 US$'000	Company 2015 US$'000
Financial assets				
Cash and cash equivalents	**23,061**	**21,794**	7,849	7,640
Amounts due from group companies	**–**	**29,269**	–	43,295
Other receivables	**5,121**	**5,117**	98	–
	28,182	**56,180**	7,947	50,935
Financial liabilities measured at amortised cost				
Trade payables	**(475)**	**(165)**	(812)	(132)
Accruals	**(7,302)**	**(32)**	–	–
	(7,777)	**(197)**	(812)	(132)

(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.

21 Financial instruments (continued)

Credit risk

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

The maximum exposure the Group will bear with a single customer is dependent upon that counterparty's credit rating, the level of anticipated trading and the time period over which this is likely to run. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. Further details of Credit risk are included in Note 15.

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 2016, the Group had US$23,061,000 (2015: US$7,849,000) of cash reserves (Company: US$21,794,000 2015: US$7,640,000).

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.

During the period to 31 December 2016 the Group has executed a revolving loan facility of €11.4m to mitigate liquidity risk.

The Group's liquidity position and its impact on the going concern assumption are discussed further in the Financial Review and Directors' Report.

All the Group's financial liabilities are due within one year at 31 December 2015 and 2016.

Foreign currency risk

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

Foreign currency risk also arises when the Group enters into transactions denominated in a currency other than its functional currency. The main foreign currency risk in the period ended 31 December 2016 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.

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Financial instruments (continued)

Group

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

As at 31 December 2016	GBP US$'000	XOF US$'000	EUR US$'000
Cash and cash equivalents	2,947	1,203	287
Exposure assets	2,947	1,203	287
Trade payables	(412)	–	(21)
Accruals	–	–	–
Exposure liabilities	(412)	–	(21)
Net exposure	2,536	1,203	266

As at 31 December 2015	GBP US$'000	XOF US$'000	EUR US$'000
Cash and cash equivalents	890	48	10
Exposure assets	890	48	10
Trade payables	(631)	(127)	(67)
Exposure liabilities	(631)	(127)	(67)
Net exposure	259	(79)	(57)

Company

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

As at 31 December 2016	GBP US$'000	XOF US$'000	EUR US$'000
Cash and cash equivalents	2,947	–	256
Exposure assets	2,947	–	256
Trade payables	(161)	–	–
Accruals	–	–	–
Exposure liabilities	(161)	–	–
Net exposure	2,786	–	256

As at 31 December 2015	GBP US$'000	XOF US$'000	EUR US$'000
Cash and cash equivalents	878	–	10
Exposure assets	878	–	10
Trade payables	(71)	–	–
Exposure (liabilities)	(71)	–	–
Net exposure	807	–	10

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Financial instruments (continued)

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 2016	GBP US$'000	XOF US$'000	EUR US$'000	Total US$'000
Impact on loss for the period - Group	(231)	(109)	(24)	(364)
Impact on loss for the period - Company	(253)	–	(23)	(277)

As at 31 December 2015	GBP US$'000	XOF US$'000	EUR US$'000	Total US$'000
Impact on loss for the period - Group	(39)	–	–	(39)
Impact on loss for the period - Company	(15)	–	–	(15)

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 2016	GBP US$'000	XOF US$'000	EUR US$'000	Total US$'000
Impact on loss for the year - Group	231	109	24	364
Impact on loss for the year - Company	253	–	23	277

As at 31 December 2015	GBP US$'000	XOF US$'000	EUR US$'000	Total US$'000
Impact on loss for the year - Group	(39)	–	–	(39)
Impact on loss for the year - Company	(15)	–	–	(15)

Interest rate risk

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

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

As at 31 December	**2016 US$'000**	2015 US$'000
Cash at bank at floating interest rate – Group	**23,061**	7,849
Cash at bank at floating interest rate – Company	**21,794**	7,640

21 Financial instruments (continued)

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

At 31 December 2016, a 1% increase in short-term interest rates would have a positive US$231,000 (2015: US$78,000) impact on Group loss before tax and equity and a positive US$218,000 (2015: US$78,000) impact on Company loss before tax and equity. A 1% decrease in short-term interest rates would have a negative US$231,000 (2015: US$78,000) impact on Group loss before tax and equity and a negative US$218,000 (2015: US$78,000) impact on Company loss before tax and equity. A 1% movement represents management's assessment of the reasonable possible change in interest rates.

22 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 2016 US$'000	Management services 2016 US$'000	Outstanding 2015 US$'000	Management services 2015 US$'000
Lothian Oil & Gas Partners LLP	30	453	–	441

Andrew Knott is a member of Lothian Oil & Gas Partners LLP ("LOGP") and the Chief Executive Officer of Savannah Petroleum PLC. As discussed on page 57 of the Company's AIM Admission Document of 1 August 2014, LOGP incurred costs of US$2,002,000 relating to the Group's activities prior to Admission to AIM. US$500,000 of these costs was recharged to the Company on Admission. In addition, post-Admission, LOGP has continued to provide services to Savannah pursuant to a contract entered into on 28 July 2014, to enable Savannah to continue to benefit from the professional services of individuals affiliated to LOGP on an as required basis. Since the Company entered into this agreement with LOGP, Andrew Knott has not received remuneration from LOGP and is not expected to going forward.

23 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)
(Increase)/Decrease 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)

24 Notes to the company statement of cash flows

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Loss for the period before tax	**(343)**	(3,406)
Adjustments for:		
Depreciation and amortisation	**45**	40
Finance costs	**436**	79
Issue costs	**–**	(1,634)
Share option charge	**1,715**	1,162
Non-cash movement in provision	**–**	10
Operating cash flows before movements in working capital	**1,853**	(3,749)
Decrease/(Increase) in other receivables and prepayments	**(688)**	496
(Decrease)/Increase in trade and other payables	**–**	(314)
Income tax paid	**(1,219)**	-
Net cash outflow from operations	**(54)**	(3,567)

25 Commitments

At the reporting date, the Group had outstanding commitments of US$8m in relation to seismic contract acquisition (2015: US$Nil) and the Company had commitments of US$Nil (2015: US$Nil).

26 Operating lease arrangements

Year ended 31 December	**Group 2016 US$'000**	**Company 2016 US$'000**	Group 2015 US$'000	Company 2015 US$'000
Lease payments under operating leases recognised as an expense during the period	**305**	**244**	63	–

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 2016 US$'000**	**Company 2016 US$'000**	Group 2015 US$'000	Company 2015 US$'000
Within one year	**194**	**183**	288	225
In the second to fifth years inclusive	**975**	**975**	1,133	1,125
	1,169	**1,158**	1,421	1,350
Total prepaid as at 31 December	**36**	**–**	59	–
Total outstanding commitment as at 31 December	**1,900**	**1,888**	2,598	2,549
	1,936	**1,888**	2,657	2,549

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

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