22 December 2020

Savannah Energy PLC

("Savannah" or "the Company")

Financial and Operational Update

Announcement of Revised GSA with Lafarge Africa PLC on Favourable Terms

Savannah Energy PLC ("Savannah" or the "Company"), the African-focused British independent energy company sustainably developing high quality, high potential energy projects in Nigeria and Niger, is pleased to provide a financial and operational update for the 11-month year-to-date period ended 30 November 2020. The Company is also pleased to announce that its Accugas subsidiary has entered into a revised gas sales agreement ("GSA") on favourable terms with Lafarge Africa PLC, part of the LafargeHolcim Group, for the supply of gas to its Mfamosing cement plant in Cross River State, Nigeria.

Andrew Knott, CEO of Savannah Energy, said:

"Taking into account the challenging market conditions in 2020, I am pleased with the way the Savannah team and the wider Group has performed. Today, we are reiterating our Total Revenues guidance, reducing our cost guidance by US$25m and are set to deliver record Nigerian cash collections and production volumes in 2020. The deal with Lafarge Africa is also a significant "win-win" for both parties; Accugas is receiving a higher effective gas price in the near-term years, accelerating near and medium term cashflows, our contract with a key customer is being extended for an additional five years and significant spare capacity is being freed up, which we can sell gas to other customers. All while Lafarge Africa is able to utilise its existing make-up gas balance.

We are looking forward to 2021 with excitement as we continue to work with our stakeholders to develop and grow our business for the benefit of all."

Key Highlights

<u>Financial Highlights</u>

- Group cash balance of US$95.6m[1] and net debt of US$419.7m as at 30 November 2020;
- Total cash collections from the Nigerian Assets in the year-to-date period ended 30 November 2020 of US$164.3m (year-to-date period ended 30 November 2019: US$124.2m);
- We reiterate our guidance for FY 2020 Total Revenues[2] and Group Depreciation, Depletion and Amortisation:
    - Total Revenues of greater than US$200.0m; and
    - Group Depreciation, Depletion and Amortisation guidance of US$35.0m – US$37.0m;
- We are revising our guidance for Group Administrative and Operating Costs and Capital Expenditure:
    - Revised Group Administrative and Operating Costs[3] guidance of US$43.0m - US$47.0m (from US$68.0m – US$72.0m) reflective of the significant cost efficiencies and savings that have been delivered across the business in 2020; and
    - Revised Capital Expenditure guidance of approximately US$8.0m - US$10.0m (from up to US$45.0m) primarily due to rescheduling of the capital expenditure programme and the deferral of drilling a new gas production well on the Uquo field, with the Accugas compression project now accelerated and expected to commence in early 2021.

[1] Within cash balance of US$95.6m, US$45.3m is set aside for debt service and US$1.6m relates to monies held in escrow accounts for stamp duty relating to loan security packages.

[2] Total Revenues is defined as the total amount of invoiced sales during the period. This number is seen by management as more accurately reflecting the underlying cash generation capacity of the business as opposed to Revenue recognised in the Income Statement. A detailed explanation of the impact of IFRS 15 revenue recognition rules on our Income Statement is provided in the Financial Review section of the Savannah Annual Report and Accounts 2019.

[3] Group Administrative Expenses and Operating Costs are defined as total cost of sales, administrative and other operating expenses excluding royalty and depletion, depreciation and amortisation.

Revised Lafarge GSA

- The revised GSA with Lafarge Africa PLC is extended for a further five years to January 2037;
- The revised GSA increases the effective gas price Accugas receives from US$5/Mscf to US$7.50/Mscf until 2027 together with an upfront payment of US$20 million to Accugas;
- The daily contracted quantity ("DCQ") of gas is reduced from 38.7 MMscfpd to 24.2 MMscfpd. The reduction in DCQ will enable Accugas to release approximately 12 MMscfpd of currently reserved gas processing capacity at its central processing facility ("CPF"), enabling Accugas to enter into additional long-term GSAs with other customers, increasing the business' future revenues and cash flow potential;
- The revised structure also allows Lafarge to utilise its accumulated make-up gas balance of approximately US$58 million on an accelerated basis.;
- Lafarge's commitments under the revised agreement continue to be guaranteed by an international investment grade bank guarantee;
- Accugas' aggregate maintenance-adjusted take or pay volume will reduce from 141.4 MMscfpd to 131.8 MMscfpd; and
- The revised GSA is accretive to short and medium term cashflow and to Total Revenues over the term of the contract and is, therefore, Net Asset Value enhancing.

Nigeria Operations Highlights

- Average gross daily Nigeria production in the year-to-date period ended 30 November 2020 was 19.2 Kboepd, a 12% increase from the average gross daily production of 17.1 Kboepd in the same period last year. Average gross daily production year-to-date was slightly lower than in H1 2020 of 21.3 Kboepd, reflecting higher than expected maintenance downtime of our customers' facilities in H2 2020 resulting in their reduced gas offtake during the period. Offtake volumes have since normalised and we are working with our customers to achieve improved alignment on maintenance programmes going forward to minimise disruption to gas offtake volumes. We are, therefore, reducing our Gross Production guidance for 2020 from a range of 21.0 - 23.0 Kboepd to 19.0 – 20.0 Kboepd. It should be noted this does not impact on 2020 Total Revenues guidance due to the take-or-pay arrangements that underpin the Group's gas sales agreements; and
- Of the total average gross daily production of 19.2 Kboepd in the year-to-date period, 87.6% was gas, including a 16% increase in production from the Uquo gas field compared to the same period last year, from 87.3 MMscfpd (14.6 Kboepd) to 100.9 MMscfpd (16.8 Kboepd).

Niger Highlights

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

Financial Update

Total cash collections from the Nigerian Assets year-to-date period ended 30 November 2020 were US$164.3m as compared to cash collections of US$124.2m in the same period last year, an increase of 32%. Cash generated by the Nigerian Assets has been directed to funding operating and maintenance costs and debt service.

As at 30 November 2020, the Group cash balance was US$95.6m and net debt was US$419.7m.

Revised Lafarge GSA

Savannah's Accugas subsidiary has entered into a revised GSA with Lafarge Africa PLC ("Lafarge", formerly known as United Cement Company of Nigeria Limited) for the supply of gas to its Mfamosing cement plant in Cross River State, Nigeria. This revised GSA establishes a more sustainable long-term contractual position for the benefit of both parties.

The revised GSA sees the contract term with Lafarge extended for a further five years to January 2037, giving a remaining contract life of 17 years. The new agreement also allows for an increase in the gas sales price from 2027, with additional US-Consumer Price Index indexation from 1 January 2029.

The revised GSA has a reduction in the daily contracted quantity ("DCQ") of gas from 38.7 MMscfpd to 24.2 MMscfpd. This reduction in the DCQ will allow Accugas to release approximately 12 MMscfpd of currently reserved gas processing capacity at the CPF, enabling Accugas to enter into additional long-term GSAs for these volumes, which will increase the business' future revenues and cashflow potential. To compensate Accugas for this reduction in DCQ, the revised GSA includes an advance payment of US$20million and a prepayment structure over the period to 2027, which effectively results in a gas price of US$7.50/Mscf on take-or-pay volumes during this period. This revised structure also allows Lafarge to utilise its accumulated make-up gas balance of approximately US$58 million, whilst we have preserved the capacity to supply higher volumes when these are required by Lafarge. Lafarge's commitments under the revised GSA will continue to be guaranteed by an international investment grade bank guarantee.

Overall, the revised terms are expected to have a cumulative positive impact on Accugas' cash flows over the short and medium term. Following the agreement, Accugas' aggregate maintenance-adjusted take or pay volume will reduce from 141.4 MMscfpd to 131.8 MMscfpd.

Operational Update

Nigeria

Average gross daily Nigeria production in the year-to-date period ended 30 November 2020 was 19.2 Kboepd, a 12% increase on the average gross daily production of 17.1 Kboepd in same period last year. Average gross daily production year-to-date was slightly lower than in H1 2020 (21.3 Kboepd), reflecting higher than expected maintenance downtime of our customers' facilities, resulting in their reduced gas offtake during the period. Following completion of the maintenance programme, offtake volumes have since normalised with average daily production for the month of November 2020 of 21.8 Kboepd. We are working with our customers to achieve improved alignment on maintenance programmes with our customers going forward to minimise disruption to gas offtake volumes. Whilst gas production volumes are lower than previous guidance, it should be emphasised that this does not impact on 2020 Total Revenues guidance due to the take-or-pay arrangements that underpin the Group's gas sales agreements.

Of the total average gross daily production of 19.2 Kboepd in the year-to-date period ended 30 November 2020, 87.6% was gas, including a 16% increase in production from the Uquo gas field compared to the same period last year, from 87.3 MMscfpd (14.6 Kboepd) to 100.9 MMscfpd (16.8 Kboepd). Gas production levels are driven by customer nomination levels.

Nigeria Average Gross Daily Production

	Uquo Gas (MMscfpd)	**Uquo Condensate (bopd)**	**Stubb Creek Oil (Kbopd)**	**Total (Kboepd)**
1 January-30 November 2020	100.9	123.4	2.3	19.2
% of total production	*87.56%*	*0.64%*	*11.80%*	*100.00%*
1 January-30 November 2019	87.3	135.3	2.4	17.1
% of total production	*85.15%*	*0.79%*	*14.06%*	*100.00%*
% Increase	*15.58%*	*-8.78%*	*-5.67%*	*12.40%*

Accugas also continues to progress commencement of gas sales to First Independent Power Limited ("FIPL"), an affiliate company of the Sahara Group, under the gas sales agreement signed on 31 January 2020 for the provision of gas to the FIPL Afam power plant. Accugas is in the process of working with FIPL to validate the third-party infrastructure required to enable the commencement of gas sales under this contract.

In addition. a new gas sales agreement is being finalised with a significant new industrial gas sales customer, a subsidiary of a well-respected international company, based on the signed term sheet which was announced in June 2020.

Planning is underway for the drilling of a new production well in the Uquo field with long lead items having been procured. We are also finalising engineering for ordering compression equipment for the Accugas central processing facility. Both of these projects will ensure our continued ability to deliver gas at current and anticipated future increased contracted volumes to satisfy customer demand. To offer further flexibility in our gas conditioning capabilities, mechanical refrigeration trains for the processing plant were successfully installed and commissioned in October 2020.

Niger

To deliver the R3 East development, Savannah intends to commence installation of an Early Production System by the end of FY 2021, market conditions and financing permitting, and intends to deliver its initial production of 1.5 Kbopd to the Zinder refinery in Niger.

Subsurface work has been progressing well following the completion of our Pre-Stack Depth Migration ("PSDM") processing of the R3 East seismic in 2019. Savannah has now completed the seismic interpretation of the R3 East area. The PSDM dataset shows an overall improvement in the interpretation of faults and horizons, supported by attributes analysis which has also improved our structural, stratigraphic and sedimentological interpretations. Based on the newly interpreted PSDM, 3D geocellular models have been built for the Amdigh and Eridal discoveries. The resulting oil in place volumes are in line with previously reported estimated figures from the Niger CPR dated April 2020.

Significant further potential on the Savannah PSC areas remains, with 146 further potential exploration targets having been identified for future drilling consideration as Savannah looks to follow up on its highly successful R3 East drilling campaign in 2018, which saw five exploration discoveries from five exploration wells. The R3 East portfolio is currently being re-evaluated based on the newly interpreted PSDM seismic dataset with a focus on the deeper Cretaceous plays.

ESG Reporting Update

As mentioned during our H1 2020 results, Savannah is undertaking a holistic review of its approach to sustainability reporting, with a view to harmonising and enhancing our approach across the enlarged Group. Following the review, Savannah plans to develop and implement an ESG performance reporting framework for the Group which will then be published as part of an annual sustainability review.

For further information, please refer to the Company's website www.savannah-energy.com or contact:

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

About Savannah Energy:

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

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