14 May 2015

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

Full Year Results

Savannah Petroleum, the Niger focused oil and gas company, is pleased to announce its Full Year Results for the period ending 31 December 2014.

Highlights

- On 1 August 2014, Savannah successfully listed on the AIM market of the London Stock Exchange, raising $50m from a largely blue-chip institutional shareholder base
- Strong operational progress to date, including successful completion of a Full Tensor Gravity Gradiometry (FTG) survey over the R1/R2 permit and surrounding Agadem block
- The 36,949km of acquired data is now being interpreted, with the results being integrated into Savannah's large existing 2D and 3D data sets
- In a separate announcement, Savannah has published its initial exploration target inventory, highlights of which include that detailed 3D mapping over 8% of R1/R2 has generated 14 drill-ready prospects targeting gross unrisked mean prospective oil resources of c.215mmbbls in the regionally proven Eocene and Upper Cretaceous horizons
- Significant progress has been made on the export route for Agadem crude, with bilateral agreements with Chad and Cameroon in place to allow the Agadem export pipeline to link to the existing Chad-Cameroon pipeline and project sanction anticipated in the coming months

Financial

- US$72m proceeds raised, in aggregate, by placing of ordinary shares at IPO and issue of convertible loan notes pre-IPO
- US$17m year-end Cash position
- Debt free capital structure

Steve Jenkins, Chairman of Savannah Petroleum, said:
"Savannah Petroleum has made very solid progress in its first nine months as a public company. We are working closely with our hosts within the Government of Niger as we look to continue to explore and evaluate R1/R2, located in the proven hydrocarbon fairways of the Agadem Rift Basin where over 1bn bbls have been discovered to date. Our team is highly focused on operational delivery and I do not believe any other company could have achieved more than we have to date, and that energy and drive is very much a mark of our future intent."

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Chairman's Statement

I am pleased to welcome you to Savannah Petroleum's first annual report. Our successful IPO in August 2014 on the London Stock Exchange's AIM market raised $50 million, a record for an E&P company listing on AIM that year. I would like to thank our shareholders for their support, and also our staff and management team, both in London and Niger, for their hard work over the course of the past year.

I would also like to thank the Government of Niger for their assistance and cooperation over the past year and since we first came to Niger. There is a resolutely supportive and receptive investment environment in the country, which enabled China National Petroleum Corporate ("CNPC") to deliver first oil for Niger just three years after having acquired the Agadem permit. Building and maintaining strong relationships in the country where we work is of the utmost importance to Savannah, and throughout the year we have held regular technical and operating meetings with the relevant ministries and service companies in Niger. This ensures that all parties involved in our operations are kept aware of our plans and progress.

R1/R2 is located in the proven hydrocarbon fairways of the prolific Agadem Rift Basin ("ARB"). The pace of new discoveries in the ARB by CNPC in the neighbouring Agadem permit shows no sign of abating and our work suggests that our assets are geologically very similar to CNPC's. We are excited to be, among western companies, an early mover into an emerging oil and gas province that is expected to see significant infrastructure build-out over the coming years, led by the Asian national oil companies (CNPC and CPC Corporation).

Fortunately, due to its onshore, relatively lower cost blocks, Savannah is able to navigate the currently challenging macro environment in the oil and gas sector. The benchmark price of Brent crude oil fell by 48% in 2014, with the AIM Oil & Gas index having fallen by 46%. However, a number of recent merger and acquisition announcements and a recovery in the oil price from its recent lows suggest that a more positive investor sentiment is beginning to return to the sector. The Board and management remain focused on operational delivery and executing our business model, which we believe will ultimately reward shareholders over the long term.

The year ahead is an exciting one. The coming months will be focused on continuing to evaluate and advance R1/R2. Operationally, we expect to commence seismic acquisition and drilling, while on the corporate side we expect to welcome a partner to the asset and to Niger. We also intend to put in place a comprehensive social programme as part of our ongoing commitment to ensure that all stakeholders, including local communities, benefit from Savannah's participation in the country.

Our robust balance sheet leaves Savannah well positioned to continue its growth even in a lower oil price environment, and I believe we are well positioned with an excellent team, strict capital discipline and most importantly, an asset in a prolific basin. I look forward to reporting on our progress.

Steve Jenkins
Chairman

CEO's 2014 review

Dear fellow shareholders,

I would like to echo our Chairman's welcome to Savannah's first annual report as a listed company. 2014 was a year of significant achievements for our company which I firmly believe have laid a strong foundation for our future growth. In this letter, I have sought to summarise the main events of the past year and to provide an insight into our plans for the coming year and beyond.

When we formed the company in 2013 we chose to initially focus the business upon pursuing material oil opportunities in the interior basins of West Africa. Our first step in this process was to conduct a detailed commercial and geological review of the region, which led us to high grade and apply for the R1/R2 exploration permit in South East Niger. The principal reasons for selecting R1/R2 were that: (1) from a technical/commercial perspective the ARB, which R1/R2 lies within, appeared to represent the strongest regional opportunity to discover and commercialise hundreds of millions of barrels of oil at relatively low risk and cost; (2) R1/R2 was available for licensing, following a mandatory relinquishment program from CNPC; (3) an early mover opportunity appeared to exist for Savannah in Niger, given the western oil and gas industry's limited recent involvement; and (4) we found Niger to be welcoming of new entrants, our assessment of the country's political risk profile to be acceptable and the oil and gas regulatory regime to be well developed and strongly pro-activity.

At this time, our initial technical analysis of R1/R2 suggested that the introduction of 3D seismic technology by CNPC had resulted in a step-change in the understanding of the subsurface. Notably, CNPC had made 76 discoveries from 104 exploration wells in the period 2008-13[1] on the basis of 3D seismic prospect mapping (prior to 2008, exploration activity in the basin had relied on 2D seismic based models resulting in 5 discoveries from 25 wells). However, it was also clear that despite CNPC's many successes, ARB exploration was in its relative infancy, having focused on only two geological plays (the Eocene and Upper Cretaceous), both of which appeared to have considerable further upside potential. Further analysis of available seismic lines contained in the various reports and comparisons to other analogous rift basin systems indicated that it was highly likely that as yet untested additional deeper structural, and shallow and deep stratigraphic exploration plays would be likely to emerge over time as more data was acquired and exploration risk assumed.

R1/R2 was therefore viewed to be prospective for both of the working play types in the basin with potential upside to come from other emerging ARB exploration play types. Our work was complemented by that of respected international geoscience firm CGG Robertson who conducted an independent probabilistic analysis of the permit based on the third party studies we provided them, and estimated it to contain a risked 573 mmbbls (un-risked 819 mmbbls) of prospective oil resources[2]. As such it became clear that R1/R2 was potentially a very significant oil asset.

After being awarded the permit on July 4 2014, we put in place a clear strategy focused around finding as much oil as possible over the course of the permit's eight year life, in a socially responsible and value accretive manner. Our first task was to create our own geological model of R1/R2 and the ARB, incorporating the vast wealth of modern and vintage seismic and well data provided to us by the Ministry of Energy and Petroleum. It is important to understand the vast size of the area. The ARB covers an approximate 30,000 km^2 footprint and R1/R2 covers 8,406 km^2 within this. To put this into a UK context, the ARB covers an area almost 1.5x the size of Wales, while R1/R2 is approximately the size of North Yorkshire. Similar analogies for US readers would be that the ARB is approximately the size of Massachusetts, with R1/R2 approximately the size of the New York urban area. At the time of writing, Savannah has had the equivalent of a team of six senior geologists and geophysicists work full time on this model for a period of almost eight months. Our enhanced subsurface model is approaching completion, and we have published an update on our understanding of the prospectivity of R1/R2 in a supplemental release to this report, which can be accessed on our website. As you will see, the results of our work to date are highly encouraging.

To address the fact that only 8% of the R1/R2 area is covered by 3D seismic, Savannah contracted ARKeX to acquire a Full Tensor Gravity Gradiometry ("FTG") survey over the ARB in

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[1] To end 2014 this number has been extended to 93 discoveries from 123 exploration wells.
[2] A copy of this report can be accessed on our website at www.savannah-petroleum.com.

November 2014. This technology has been highly successful in identifying lead trends in other African rift systems and at the time of writing was expected to enhance our current understanding of the exploration potential within the permit. That said, it is not anticipated that the full structural interpretation will be completed until late-Summer 2015, at which point Savannah expects to provide a further update to the market as to its views of licence prospectivity.

Once the subsurface modelling work has been completed our next steps will be to commence field operations in the second half of 2015. We expect to finalise well drilling locations and seismic survey acquisition areas over the summer months to enable this to happen. There is currently significant rig and seismic crew availability in country, and having held discussions with the relevant subcontractors we are confident that this is possible from a logistical perspective. We look forward to entering this next exciting phase for the business.

On the financing front, Savannah conducted two fund raising rounds in 2014, raising a total of US$72m in equity capital (US$50m at the time of our IPO and US$22m in loan notes which were converted into equity as part of the IPO process earlier in the year). This funding enabled the Company to: (1) finance its signature bonus for R1/R2; (2) to conduct the ARB FTG survey; (3) construct our ARB subsurface model; (4) expand our operational bases to include Niamey and Agadem; and (5) benefit from a significant working capital buffer for the business. Throughout the course of the year Savannah also used a US$19m bank debt facility to enable it to finance a portion of the R1/R2 signature bonus. Post-IPO, the business has been debt free.

Our ability to access equity and debt finance given the prevailing market conditions is testament to the quality of the R1/R2 asset, our management team's track record and reputation and the quality of our corporate business plan. 2014 was a year in which the Brent oil price fell by 48% and in which the AIM E&P sector fell by 46%. Further, 2014 saw one of the lowest numbers of AIM E&P IPOs (three versus the ten year average of seven) and the lowest amount of AIM E&P primary issuance (US$605m versus 10 year average of US$1,282m) in over a decade. Importantly, the discussions we have had with both our existing equity shareholders and other large institutions clearly indicate their support for our business, while our principal lending bank has strongly indicated its willingness to support Savannah with additional debt facilities if required.

While debt and equity markets remain a potential source of future funding, I believe that the next phase of capital to finance the Company's planned seismic and drilling operations on R1/R2 is likely to come from the introduction of an industrial partner. This belief is due to the unique nature of the R1/R2 asset, both in terms of cost structure and prospectivity. With initial work on our subsurface model approaching its conclusion, we look forward to placing more emphasis on active engagement with potential R1/R2 partners going forward.

Aside from R1/R2, Savannah intends to review potential new ventures on an opportunistic basis, however additional assets will only be introduced into the portfolio if they present an appropriate return on invested capital profile.

I am excited about the future for Savannah, and look forward to sharing updates on the progress of our business with you going forward. I would like to echo the Chairman's sentiment by thanking the governments of both Niger and the UK, our staff, advisers and shareholders for their support.

Andrew Knott
Chief Executive Officer

Financial Review

Highlights

- US$72m proceeds raised by placing of Ordinary Shares
- US$17m Cash position
- No debt as at 31 December 2014

Overview

In the period ended 31 December 2014, the Group recorded an operating loss of $7m and ended the period with cash and short-term investments of $17m. The Group has just completed an FTG Survey over the R1/R2 licence area.

Performance

Results for the period

The Group recorded a post-tax loss of US$15 million for the period ended 31 December 2014, including non-recurring and predominantly non-cash costs of $7.5m related to the treatment of a debt to equity conversion conducted around time of IPO.

No dividends were paid or declared during the period.

Exploration expenditure

Exploration expenditure is accounted for under the 'successful efforts' method of accounting per IFRS 6 'Exploration for an Evaluation of Mineral Resources'.

Exploration and evaluation assets consist of acquisition costs relating to the R1/R2 licence and other costs associated directly with our exploration activities in the R1/R2 licence area in the Republic of Niger. At year end these costs amounted to $43m.

General and administration expenses

Group general and administration expenses of $7m were incurred. $5.3m related to professional fees principally in relation to the IPO, acquisition of the exploration licence and associated exploration activities. $0.8m related to staff costs and $0.9m related to other general administrative expenses.

Operating loss

The Group is still within the pre-revenue exploration and development phase of operations and incurred operating expenses of $7m.

Taxation

No tax was payable for the period ended 31 December 2014.

Cash and short-term investments

Cash balance at 31 December 2014 is $17m. Cash of $72m was raised through the issue of equity shares, and pre-IPO convertible loan notes.

Total comprehensive loss

Total comprehensive loss was $15m. $7m related to operating costs described above. $7.5m non-recurring costs related to the treatment of a debt to equity conversion conducted around time of IPO. $0.5m related to foreign exchange differences arising on the settlement of foreign denominated balances and other finance costs.

Summary statement of financial position

The Group's non-current assets were $43m at 31 December 2014. Current assets were $19m at 31 December 2014 and comprised cash reserves of $17m and other receivables and prepayments of $1.5m. Current liabilities were $2m and included trade and other payables and provisions totalling $2m. The Group did not have any non-current liabilities.

Dividend

No dividend has been recommended by the Directors.

Accounting policies

The Group's significant accounting policies and details of significant judgements and critical accounting estimates are disclosed within the notes to the 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 capital projections prepared by management. At 31 December 2014 the Group had cash reserves of $17m to meet its working capital commitments.

The Group has reviewed the cash flow forecasts and capital projections for the next twelve months and has a reasonable expectation that it has 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
13 May 2015

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income
as at 31 December 2014

	Note	Period ended 31 December 2014 US$'000
Operating expenses		**(6,831)**
Operating loss		**(6,831)**
Finance income		**1**
Finance costs		**(7,862)**
Loss before tax		**(14,692)**
Income tax		**–**
Net loss and total comprehensive loss		**(14,692)**
Total comprehensive loss attributable to:		
Owners of the Group		**(14,619)**
Non-controlling interests		**(73)**
		(14,692)
Loss per share		
Basic and diluted (US$)	3	**(0.13)**

All results in the current financial period derive from continuing operations and are attributable to the equity holders of the parent company.

Consolidated Statement of Financial Position
as at 31 December 2014

	Note	**2014** **US$'000**
Assets		
Non-current assets		
Property, plant and equipment		**503**
Exploration and evaluation assets	4	**42,539**
Total non-current assets		**43,042**
Current assets		
Other receivables and prepayments		**1,475**
Cash and cash equivalents		**17,221**
Total current assets		**18,696**
Total assets		**61,738**
Equity and liabilities		
Capital and reserves		
Share capital	5	**224**
Share premium	5	**73,668**
Capital contribution	5	**458**
Other reserve	5	**(375)**
Share based payment reserve	6	**61**
Accumulated deficit		**(14,619)**
Equity attributable to owners of the Group		**59,417**
Non-controlling interests		**(73)**
Total equity		**59,344**
Non-current liabilities		
Total non-current liabilities		**–**
Current liabilities		
Trade and other payables		**1,977**
Provisions		**417**
Total current liabilities		**2,394**
Total equity and liabilities		**61,738**

Company number: 09115262

The financial statements were approved by the Board of Directors and authorised for issue on 13th May 2015 and are signed on its behalf by:

Andrew Knott
Director

Consolidated Statement of Cash Flows
as at 31 December 2014

	Note	**Period ended 31 December 2014 US$'000**
Cash flows from operating activities:		
Net cash used in operating activities	8	**(11,349)**
Net cash used in operating activities		**(11,349)**
Cash flows from investing activities		
Payments for property, plant and equipment		**(509)**
Exploration and evaluation costs paid	4	**(42,539)**
Net cash used in investing activities		**(43,048)**
Cash flows from financing activities		
Proceeds from issues of equity shares		**71,618**
Net cash provided by financing activities		**71,618**
Net increase in cash and cash equivalents		**17,221**
Cash and cash equivalents at beginning of period		**–**
Cash and cash equivalents at end of period		**17,221**

Consolidated Statement of Changes in Equity
as at 31 December 2014

	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 incorporation	–	–	–	–	–	–	–	–	–
Loss for the period and total comprehensive loss	–	–	–	–	–	(14,619)	(14,619)	(73)	(14,692)
Issue of ordinary shares to shareholders, net of issue costs	224	73,668	458	(375)	61	–	74,036	–	74,036
Balance at 31 December 2014	224	73,668	458	(375)	61	(14,619)	59,417	(73)	59,344

1. Corporate information

The consolidated financial statements of Savannah Petroleum Plc ("Savannah" or the "Company") and its subsidiaries (together the "Group") for the period from incorporation to 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 13th May 2015.

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

The Company is domiciled in the UK for tax purposes and its shares were listed on the Alternative Investments Market ("AIM") of the London Stock Exchange on 1 August 2014.

The Company's registered address is 40 Bank Street, London, E14 5NR.

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

No dividends have been declared or paid since incorporation.

2. Basis of preparation

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

Prior to the Group being listed on AIM, a group restructuring took place whereby Savannah Petroleum Plc became the new parent company of the Group through a share for share exchange with the existing shareholders of SP1. The group restructuring has been accounted for under the Capital Re-organisation accounting rules which reflect the results and financial position of the pre-existing Group. The consolidated financial statements of the Group incorporate the results for the period from incorporation on 3 July 2013 to 31 December 2014.

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 2014, and had at that date US$17,221k of cash and cash equivalents to meet its working capital requirements.

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

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

Transactions eliminated upon consolidation

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. There is no non-controlling interest in any of the subsidiaries of the Group.

3. Earnings per share

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

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

	2014 US$'000
Earnings	
Net loss attributable to owners of the parent	**14,619**
	Number of shares
Basic and diluted weighted average number of shares	**113,056,632**
Loss per share	**US$**
Basic and diluted	**0.13**

4. 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 licence area in the Republic of Niger.

	Total US$'000
At incorporation	**–**
Additions	**42,539**
Balance at 31 December 2014	**42,539**

The amounts 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 at the balance sheet date.

5. Share capital

As at 31 December	**2014**
Fully paid ordinary Shares in issue (number)	**131,337,172**
Par value per share in GBP	**0.000000001**

	Number of Shares	Share Capital US$'000	Share Premium US$'000	Total US$'000
At Incorporation	10	–	–	–
Shares issued	131,337,162	224	73,668	73,892
At 31 December 2014	131,337,172	224	73,668	73,892

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

On 22 July 2014, 49,999,991 ordinary shares of £0.001 were issued.

On 1 August 2014, 25,497,236 ordinary shares of £0.001 were issued as part of a debt to equity conversion.

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

The total aggregate increase in the share premium reserve regarding the share issues was US$73,668k after deducting US$3,770k in expenses.

Other capital reserves

Group and Company	Capital contribution US$'000	Other reserve US$'000	Share based payment reserve US$'000	Total US$'000
At Incorporation	–	–	–	–
Loan note conversion	458	–	–	458
Group structuring	–	(375)	–	(375)
Share based payments expense during the year	–	–	61	61
At 31 December 2014	458	(375)	61	144

Nature and purpose of reserves

Capital contribution reserve

On 1 August a capital contribution of US$458k was made by shareholders of the Company as part of the loan note conversion.

Other reserve

The other reserve relates to stamp tax that may become payable in relation to the issuing of equity as part of a share for share exchange.

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 6.

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 maximising 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 Group finances its business through external share capital. In August 2014 the Group raised US$ 73,892k through the issue of additional ordinary shares. The proceeds are used to finance the Group's ongoing development and appraisal of the exploration and evaluation assets.

6. Share-based payments

	US$'000
Share-based payments	**61**

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 (US$)	Market vesting condition	Assumed Vesting period
1	15,737,896	0.02	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.

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 US$
Outstanding at the beginning of the period	–	–	–
Granted during the period	61	15,737,896	0.02
Lapsed during the period	–	–	–
Exercised during the period	–	–	–
Outstanding at the end of the period	61	15,737,896	0.02

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 Management's assessment of the likelihood of the market vesting conditions, a charge of US$61k for the period to 31 December 2014 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 (US$)	0.56
Weighted average exercise price (US$)	0.02
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 historic prices of shares in the following comparator group companies: Tullow Oil Plc, Bowleven Plc, President Energy Plc, Sound Oil Plc and Ascent Resources Plc.

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

	Outstanding as at 31 December 2014 US$'000	**Management services US$'000**
Lothian Oil & Gas Partners LLP	**–**	**692**

Andrew Knott is a founding member of Lothian Oil & Gas Partners LLP and the Chief Executive Officer of Savannah Petroleum PLC. Management services include non-recurring fees of $500k relating to pre-IPO costs.

8. Notes to the consolidated statement of cash flows

	Period ended 31 December 2014 US$'000
Loss for the period before tax	**(14,692)**
Adjustments for:	
Depreciation and amortisation	**6**
Share option charge	**61**
Finance costs	**6,601**
Issue costs	**(3,868)**
Non-cash movement in provision	**41**
Operating cash flows before movements in working capital	**(11,851)**
Increase in other receivables and prepayments	**(1,475)**
Increase in trade and other payables	**1,977**
Income tax paid	**–**
Net cash outflow from operations	**(11,349)**

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

The consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity as at 31 December 2014 and the consolidated statement of comprehensive income for the period ended 31 December 2014, together with the associated notes, have been extracted from the Group's 2014 financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 498 of the Companies Act 2006.

The accounts for the period to 31 December 2014 are available on the Company's website (www.savannah-petroleum.com) in accordance with AIM Rule 26. Copies will be posted to shareholders shortly.