

15 November 2017

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

**Seven Energy Transaction Update**

**Update regarding the proposed acquisition of certain of the Nigerian oil and gas assets of Seven Energy International Limited ("Seven") (the "Agreed Transaction")**

**Lock-up Agreement effective and provision of short term liquidity facility to Seven**

Savannah is pleased to announce that it has entered into a lock up agreement with, *inter alia*, Seven, Seven Energy Finance Limited ("**SEFL**"), certain other subsidiaries of Seven (together, the "**Seven Group**") and certain of the creditors of the Seven Group (the "**Lock-up Agreement**"). The Lock-up Agreement relates to the proposed acquisition by Savannah of certain of the Seven Group's assets (the "**Agreed Transaction**") and the associated proposed financial restructuring of the Seven Group.

**Agreed Transaction**

The Agreed Transaction will involve the acquisition by Savannah of the following Seven Group interests:

- 40 per cent. participating interest in the Uquo oil & gas field;
- 62.5 per cent. interest in Universal Energy Resources Limited ("**UERL**"), which holds a 51 per cent. participating interest in the Stubb Creek oil & gas field; and
- An interest in the Accugas Limited ("**Accugas**") midstream business, a c.260km gas pipeline network and associated gas processing infrastructure, potentially in conjunction with certain third-party investors.

The Lock-up Agreement envisages consideration of US\$87.5m in cash and US\$52.5m in newly issued Savannah shares being paid to the holders of Seven's current 10.25 per cent. Senior Secured Notes ("**SSNs**") for the release of the SSNs. In addition, the SSNs will have the right to participate, on a pro rata basis, in a US\$20m new capital contribution in exchange for the right to share, on a pro rata basis to the new capital contribution, in a US\$25m new Savannah share issuance and a US\$20m new facility issued at the Accugas level. Savannah may choose in certain circumstances to exchange the above equity interests offered to the SSNs into additional cash consideration, as described in more detail in the relevant term sheet in the Lock-Up Agreement.

The Lock-up Agreement also envisages the following:

- the US\$24.1m first bilateral facility agreement to SEFL being exchanged into a US\$20m facility to be reinstated at the Accugas level, on a non-recourse basis to the Company;
- US\$7.3m in cash and US\$4.4m in newly issued Savannah shares being paid to the lender of the second bilateral facility agreement to SEFL as consideration for the release of this loan; and
- the exchange of the Seven Group's 10.50 per cent. senior secured notes due 2021 into US\$15m of notes to be issued at the Accugas level and US\$85m of notes to be issued at a Savannah subsidiary company level, both on a non-recourse basis to the Company.

**SAA**

Seven remains in ongoing discussions with the Nigerian Petroleum Development Company ("**NPDC**") about the potential reinstatement of the Strategic Alliance Agreement entered into in 2010 between Seven Exploration & Production Limited and NPDC relating to OMLs 4, 38 and 41 (the "**SAA**"), which was subject to a purported termination notice dated 31 January 2017. Whilst discussions are still

ongoing, and there can be no certainty that a satisfactory resolution is reached, Seven Energy anticipates that reinstatement of the SAA, which is held by Seven Exploration & Production Limited, would require, *inter alia*, a substantial front-end cash payment with respect to accrued legacy costs and a working capital injection. The quantum of this is still subject to negotiation and agreement with NPDC, however it is likely that the net investment required, including working capital, will be up to US\$200 million.

Savannah and Seven Energy have agreed that the Agreed Transaction will proceed on the basis that the SAA is not acquired by Savannah. However, were a resolution to be reached in relation to the reinstatement of the SAA, Savannah would have the right to acquire the SAA. It should be noted that Savannah will not be acquiring Seven Exploration & Production Limited as part of the Agreed Transaction.

### **Re-Admission of Savannah's Ordinary Shares to Trading**

The Company continues to progress the documentation necessary to implement the Agreed Transaction, including, *inter alia*, an AIM admission document and associated reports with regard to the Enlarged Group. The Agreed Transaction and the issue of the new Savannah shares referred to above is subject to, *inter alia*, Savannah shareholder approval.

Accordingly, the Company's ordinary shares remain suspended from trading on AIM and will remain suspended until the earlier to occur of: (i) publication of an AIM admission document; or (ii) confirmation being given that the discussions concerning the Agreed Transaction have ceased. Further updates will be provided as and when appropriate.

### **Lock-up Agreement Effective**

The Lock-up Agreement, which is now effective, has been executed by: (1) the holders of (i) approximately 40 per cent. of the total principal amount of SSNs (who have locked-up approximately 90 per cent. of their debt), and (ii) 100 per cent. of the holders of the Seven Group's 10.50 per cent. senior secured notes due 2021; (2) the lenders of the first bilateral facility agreement to SEFL; (3) the lender of the second bilateral facility agreement to SEFL (together, the "**Locked-up Lenders**"); (4) the Seven Group; and (5) Savannah (together with the Locked-up Lenders, the "**Locked-up Parties**").

The Locked-up Parties have agreed, *inter alia*, to the following key terms for the duration of the Lock-up Agreement:

- to use reasonable endeavours to support, facilitate and implement the Agreed Transaction, including exercising any voting powers or rights available to the Locked-up Parties in favour of the Agreed Transaction;
- not to accept, solicit or investigate any alternative to the Agreed Transaction; and
- not to acquire or dispose of any ordinary shares in the Company.

In addition, the Locked-up Lenders have agreed, *inter alia*:

- not to take any steps to recover or enforce their debt, or support any proposed winding up, dissolution, administration or reorganisation of any member of the Seven Group except as required to implement the Agreed Transaction; and
- subject to certain carve outs, not to transfer any interests in any debt held by the Locked-up Lenders in the Seven Group without the transferee first agreeing to be bound by the terms of the Lock-up Agreement.

Unless terminated earlier in accordance with its terms, the Lock-up Agreement will remain in force until the earlier to occur of: (i) the date on which the trustee under the indenture in relation to the SSNs accedes to an implementation agreement which will set out the detailed agreed terms for implementing the Agreed Transaction (the "**Implementation Agreement**"); or (ii) the date the Implementation Agreement terminates in accordance with its terms; (iii) the date that any enforcement action is taken by Savannah under the liquidity facility referred to below; or (iv) where the Implementation Agreement has not been executed, the long-stop date on 31 January 2018, which can be extended by up to a further two months by mutual agreement of the relevant parties.

### **Lock-Up Fee**

If the Agreed Transaction is implemented, a fee of 0.75% of the total principal amount of the SSNs (the "**Lock-Up Fee**"), will be paid rateably to the holders of the SSNs that are party to the Lock-up Agreement on the Record Date (being the date shortly before the creditor meetings for the schemes of arrangement for the SSNs (the "**Schemes**") as described in the explanatory statement for the Schemes which will be sent to all holders of the SSNs) in respect of all SSNs that were locked-up by 5pm London time on 12 December 2017 (the "**Lock-Up Fee Deadline**") held by such holders of the SSNs as at the Record Date (provided certain conditions set out in the Lock-Up Agreement are complied with including voting in favour of the Schemes).

Each holder of the SSNs that is not already a party to the Lock-Up Agreement is encouraged to accede to the Lock-Up Agreement as soon as possible and in any event before the Lock-Up Fee Deadline to ensure that the SSNs held by such holder qualify as Lock-Up Fee eligible SSNs for the purpose of calculating holders of SSNs' entitlements to the Lock-Up Fee as described above and in accordance with the Lock-Up Agreement. The Lock-Up Fee is payable from the US\$87.5m cash consideration allocated to be paid to the holders of the SSNs in accordance with the Lock-Up Agreement, as described above.

### **Next steps**

Implementation of the Agreed Transaction is expected to take around 4-5 months, allowing for, *inter alia*:

- completion by Savannah of a successful equity marketing process to raise the cash to effect the Agreed Transaction;
- signing of the Implementation Agreement with all relevant stakeholders;
- sanction of the Schemes; and
- receipts of governmental and regulatory consents.

The Locked-Up Parties have been provided with a cleansing presentation (the "**Presentation**") by Seven, which can be found on Seven's website at [www.sevenenergy.com](http://www.sevenenergy.com). This Presentation contains certain forecast information which has been prepared solely by the management of Seven, and does not reflect Savannah's current view of the business. Accordingly, Savannah takes no responsibility for these forecasts.

### **Treatment of Other Creditors**

Savannah and Seven continue to be in constructive discussions with certain other of the Seven Group's financial creditors as regards amendments to their financing arrangements with the Seven Group, including the lenders under the Accugas term facility.

### **Savannah Liquidity Facility**

Savannah has also agreed to provide to the Seven Group a super senior secured revolving credit facility (the "**Liquidity Facility**") of up to \$20m to be made available in three tranches as follows:

- firstly, \$1.5m which has been pre-funded to a client account of legal counsel to the Seven Group (and is held subject to an undertaking provided by such legal counsel) and which shall be transferred to an account of Seven upon signing of the Liquidity Facility and the satisfaction of all conditions precedent thereunder and which is only permitted to be withdrawn to finance projected costs in connection with any insolvency, liquidation or administration proceedings involving any member of the Seven Group;
- secondly, \$3.5m available from signing of the Lock-Up Agreement, subject to all conditions precedent to the Liquidity Facility having been satisfied; and
- thirdly, the remaining \$15m available from signing of the Implementation Agreement (subject to all conditions precedent to the Liquidity Facility having been satisfied).

Any drawings under the Liquidity Facility (other than the \$1.5m that has to be pre-funded) are subject to approval by Savannah of the payments to be made from such drawings unless such payments are pre-agreed. Loans under the Liquidity Facility are subject to PIK interest at 6 per cent. p.a. and are repayable in full upon completion of the Agreed Transaction or, if earlier, on termination of either the Lock-up Agreement or the Implementation Agreement.

It is intended that the Liquidity Facility will be used to part fund the advisory and legal fees incurred by Seven as part of the Agreed Transaction. Savannah intends to fund the first and second tranches of the Liquidity Facility from existing cash resources and its revolving loan facility with Oragroup SA. The third tranche is expected to be financed from the proceeds of the proposed equity fundraise.

### **Seven Energy Operational Update**

Savannah notes the following operational updates provided by Seven in its Presentation:

- average first nine months' 2017 Accugas gas sales, all supplied by Uquo gas, has been at a rate of 78 MMcfd, delivering gas to the Calabar power station, Ibom Power station and Unicem cement plant (nine months 2016: 80 MMcfd);
- all conditions precedent to the long-term sales agreement for the supply of gas by Accugas to Calabar (the "**Calabar GSA**") were satisfied and the start date on the Calabar GSA was confirmed as 22 September 2017;
- the Calabar GSA is supported by a World Bank Partial Risk Guarantee which guarantees payments to Accugas for gas supply and is backed by the Federal Government of Nigeria and the International Development Agency of the World Bank; and
- average first nine months 2017 gross oil production from the Stubb Creek and Uquo fields has been 3,100 bopd (first nine months' 2016: 1,900 bopd), with net entitlement to Seven Energy of 900 bopd (first nine months' 2016: 600 bopd).

### **Andrew Knott, CEO of Savannah Petroleum, said:**

*"We are pleased to have reached this milestone in the Agreed Transaction with the signature of the Lock-up Agreement, which represents the culmination of many months of hard work by Savannah, Seven, its stakeholders and the respective advisory teams. The work relating to Savannah's Admission Document remains ongoing and we look forward to providing more detailed updates in the coming weeks."*

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