26 May 2016

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

Full Year Results

Savannah Petroleum PLC is pleased to announce its Full Year Results for the period ending 31 December 2015.

Highlights

- Savannah successfully completed its first ground operation in Niger, acquiring 36,949km of Full Tensor Gradiometry ("FTG") data, both on time and on budget
- An independent assessment by CGG Robertson ("CGG") increased R1/R2 best estimate gross risked prospective oil resources from 573 mmbbls to 1,191 mmbbls
- Initial exploration target inventory published, the highlights of which include the mapping from 3D seismic of 14 drill ready exploration prospects on R1/R2, as well as a further 37 exploration leads across the permit
- In July 2015 the Company announced the acquisition of the R3/R4 Production Sharing Contract ("PSC"), adding an incremental 29 mapped leads to our inventory (of sizes similar to other discoveries in the basin) and increasing Savannah's acreage position in the Agadem Rift Basin to c.50%

Financial

- US$88m net assets
- US$8 million year end cash position, debt free capital structure
- Successful placing of US$36 million in July 2015, primarily for the acquisition of R3/R4
- Continued focus on effective cost management

In January 2016, the Company entered into non-binding heads of terms regarding a potential transaction which, if completed on the currently proposed terms, would be classified as a reverse takeover under the AIM Rules for Companies. Consequently, the Company's shares were suspended from trading on 11 January 2016. Further updates relating to this potential transaction will be provided over the course of the next month.

Andrew Knott, CEO of Savannah Petroleum, said:
"2015 was a year of significant growth for Savannah, as we materially increased both our asset and resource bases. I believe that Savannah now finds itself in a highly advantageous position, with a large land position in a world class petroleum basin, an extensive and highly valuable technical dataset, and assets which benefit from a sophisticated oil service industry and associated low cost structure. As we prepare for our upcoming seismic acquisition campaign, and the subsequent exploration drilling programme, we look to the future with great excitement."

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Chairman's Statement

I am pleased to report on Savannah Petroleum's first full year of trading on the London Stock Exchange's AIM market. I would like to thank our shareholders for their support over the past year: our existing investors as well as our new holders who we welcomed to the register over the year.

2015 presented an incredibly challenging environment for companies in the oil and gas industry. The oil price fell 35%, compounding an already poor performance in the second half of 2014, which led to severe cuts in capital expenditure across the industry, in an attempt to shore up balance sheets and maintain flexibility in the face of the downturn. In the second half of 2015 alone, Wood Mackenzie estimated that, globally, US$380bn of capex was cancelled or postponed. Given this backdrop, I am pleased with the progress made by Savannah over the year.

February 2015 saw us complete our first ground operations in Niger, carrying out an airborne Full Tensor Gradiometry ("FTG") survey which acquired 36,949km of data and was completed on time and on budget. The results of this survey were integrated into our subsurface model, complementing our large existing dataset of 2D and 3D seismic, and have been instrumental in enhancing our understanding of the exploration potential on our acreage.

In July, we were extremely pleased to announce the acquisition of the R3/R4 Production Sharing Contract ("PSC"), in addition to the R1/R2 PSC, cementing our position in the Agadem Rift Basin in Niger, a prolific basin where we now hold c.50 per cent. of the acreage. Savannah has been an early mover into this emerging oil and gas province, and we thank the Government of Niger for their continued assistance and cooperation as we have expanded our presence in country. To facilitate this transaction, we successfully raised US$36m in the same month from existing shareholders as well as from several new, blue chip investors, in an oversubscribed placing. I believe this was a testament to our high quality asset base and associated plans to explore and develop both of our license areas.

The year ahead will see us continue to demonstrate the value of our assets. In 2016, we intend to return to operations on Agadem with the acquisition of 3D seismic over high graded parts of our acreage, in preparation for what we expect to be a significant exploration drilling campaign over the coming years. In the near term, we will also provide the market with an update to our view of the prospectivity of both R1/R2 and R3/R4.

I would like to thank our staff and management team, both in London and Niger, for their continued hard work over the course of the past year. With a lean and focused team which is aligned with shareholders, a superb institutional investor base and potentially world class assets, I believe Savannah is very strongly positioned to deliver future value. I look forward to reporting on our progress.

Steve Jenkins
Chairman

CEO’s 2015 Review

Dear fellow Shareholders,

I am pleased to report that 2015 was a year of significant growth for Savannah: our company materially increased the size of both our asset and resource bases over the course of the year, which led our shares to significantly outperform their peer group. In this letter I have sought to summarise the principal events of 2015 before going on to discuss how we intend to position the company to deliver future growth and share price performance over the course of the coming years.

Savannah’s focus in 2015 remained our Agadem Rift Basin (“ARB”) project in South East Niger. Our understanding of the project has increased materially over the course of the past year, driven by the growth in data available to us, and the associated volume of technical work we have now conducted over our permit areas. At the time of writing, our technical team has now completed approximately 2,600 man days of analytical work on the project.

In July, Savannah was pleased to announce an increase in our Competent Person’s (CGG Robertson or “CGG”) best estimate gross mean risked prospective resources for the R1/R2 permit from 573mmbbls to 1,191mmbbls. The estimate was conducted using a statistical “yet-to-find” approach, and the increase primarily related to the inclusion of prospectivity at the Yogou (Upper Cretaceous) formation (where there are now 14 known discoveries in the basin) in addition to the prospectivity previously ascribed by CGG to the shallower Alternances (Eocene) formation (where there are now over 90 existing discoveries). The implications of this upgrade were twofold. Firstly, there are the obvious implications associated with the increased volumetric potential associated with the Yogou play. Secondly, our core assertion since acquiring the license area – that the ARB is relatively lightly explored with the historic focus having been on only one exploration play type, and multiple new plays will emerge over time – has started to be validated.

In the same month, Savannah announced that it had acquired the R3/R4 permit area, thus increasing our land position by 5,249km^2 to 13,655km^2. R3/R4 is located on the South West and South East flanks of the ARB (compared to R1/R2 which is located in the North, North West and Central areas of the ARB) and is viewed as highly attractive by Savannah. Exploration prospectivity across R3/R4 is evident from the existing seismic data set and it is the R3 area on which we expect to focus the next phase of operations in 2016, with the acquisition of 3D seismic data.

Following these developments, I believe it is important to summarise the highly advantageous position that Savannah now finds itself in. We have a significant land position in the largely undrilled portion of a world class petroleum basin. We have an extensive and highly valuable technical dataset, which would likely cost in excess of excess of US$1.5bn to recreate today. This dataset enables us to: (1) understand the core aspects of the basin, and that these are highly conducive to petroleum exploration (i.e. that the ARB has a demonstrable abundance of good quality source and reservoir rocks, two proven and prolific exploration play types and multiple other emerging play types); (2) understand that the principal exploration risk associated with the ARB, especially the proven play types, is trap seal and that the principal way to mitigate this is the acquisition of 3D seismic data over potential exploration prospects so as to better image potential traps*; and (3) identify a host of exploration leads and prospects which over time will mature to drill-ready targets. Further, the ARB benefits from a highly developed and sophisticated oil service industry, an associated low cost structure and a highly supportive and pro-FDI regulatory regime. We therefore believe that Savannah is in a highly unique position: few oil and gas exploration assets offer more than one of these characteristics, far less all of them.

From an operational perspective we completed our FTG survey in the first quarter of 2015 (on time and on budget) and are now looking forward to entering the next phase of operational activity in 2H16, which is anticipated to include the commencement of 3D seismic acquisition. We expect that drilling activity will commence in 1H17, and will be in the form of a significant campaign targeting 10+ exploration targets on a back-to-back basis. With the commencement of this activity we are clearly anticipating a step change in the value of our company and the entire Savannah team is greatly excited about this.

Throughout the year, we remained strongly focused on maintaining financial discipline. Cash operating costs came in at an estimated US$6m, which given the scale of technical work that was conducted and the size of our operated asset base, reflects best in class performance.

On the financing front, Savannah issued US$36m in new equity over the summer, to fund the acquisition of R3/R4 and incremental working capital. We were supported in this raise by our existing and new institutional shareholders. The company remained debt free during the year.

During the year, Savannah's shares were a top quartile performer within the AIM Oil & Gas Index, and outperformed both the overall index (by 16%) and the oil price (by 9%).

Our core focus going forward is expected to remain the exploitation of our ARB asset base. I expect the company to be in a positon to report on both our resource base and our view of the emerging play types in the ARB around mid-year, and also expect us to recommence operational activity in the second half. Outside of the ARB I am cogniscent of the wider opportunity presented by the current oil price environment. There is an abundance of robust and high quality assets available for acquisition, often at prices substantially lower than our view of their intrinsic value. We are therefore considering new venture opportunities, but will only do so to the extent they do not compromise the value creation potential of our ARB asset base.

The core message I would therefore like to convey to Shareholders is that I believe that Savannah is well positioned to deliver material shareholder value from its ARB asset base. As I said in last year's shareholder letter, we think that the ARB represents the strongest regional opportunity to discover and commercialise hundreds of millions of barrels of oil at relatively low risk and cost. I believe we have now put in place the firm foundations to enable this to happen. I am therefore excited about the future for Savannah and look forward to sharing updates on our progress.

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

Andrew Knott
Chief Executive Officer

* Empirical statistics clearly support this conclusion. In the 2D seismic era, the demonstrated exploration success rate was 1-in-5. In the 3D seismic era, this increased to 3-in-4.

Financial Review

Overview

During the period ended 31 December 2015, the Group grew its asset base significantly, with net assets rising from US$59m to US$88m. At year end, the Group had cash and cash equivalents of US$8m (2014: US$17m) with no debt. The Group recorded an operating loss of US$7m (2014: US$7m), as it remained in the pre-revenue exploration and development phase of operations.

Analysis of Key Line items

Exploration expenditure

The Group accounts for exploration expenditure under the 'successful efforts' method of accounting per IFRS 6 'Exploration for an Evaluation of Mineral Resources'. Over the course of the year, exploration and evaluation assets grew from US$43m at year end 2014 to US$81m at year end 2015.

This growth was driven by the acquisition of the R3/R4 PSC area and the completion of multiple technical work programs associated with both the R1/R2 and R3/R4 PSC areas.

General and administration expenses

The Group continued to focus on effective cost management in 2015. On a pro-rata basis (i.e. with 2014 grossed up to reflect a full year of operational activity), operating costs remained flat year on year after adjusting for the non-recurring IPO costs incurred in 2014. On a similar pro-rata basis, cash operating costs were US$6m in 2015 and US$7m 2014. The principal difference between cash and non-cash operating costs related to share-based payments to employees.

The Group expects to maintain an efficient operating cost base going forward.

Cash and short-term investments

Cash balance at 31 December 2015 was US$8m. Cash of US$36m was raised through the issue of equity shares in the year (2014: US$71m*).

Total comprehensive loss

Total comprehensive loss was US$8m (2014: US$15m). The principal difference was the US$8m non-recurring costs related to the treatment of a debt to equity conversion exercise conducted around the time of the IPO.

Summary statement of financial position

The Group's non-current assets were US$81m at 31 December 2015, principally representing the exploration and evaluation assets noted above. Current assets were US$8m at 31 December 2015 (2014: US$19m) including cash reserves of US$8m (2014: US$17m). Current liabilities were US$1m (2014: US$2m) of tax payable and trade and other payables. The Group did not have any non-current liabilities (2014: US$0).

Dividend

No dividend has been recommended by the Directors (2014: US$0).

Accounting policies

The Group's significant accounting policies are disclosed within the notes to the 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 2015 the Group had cash reserves of $8m 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 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
25 May 2016

* Includes conversion of Pre-IPO convertible loan notes – see pages 107 and 108 of the Company's AIM admission document for more information.

Consolidated Statement of Comprehensive Income

	Note	**Year ended 31 December 2015** US$'000	**Period ended 31 December 2014** US$'000
Operating expenses		**(7,044)**	(6,831)
Operating loss		**(7,044)**	(6,831)
Finance income		**-**	1
Finance costs		**(250)**	(7,862)
Loss before tax		**(7,294)**	(14,692)
Income tax		**(565)**	-
Net loss and total comprehensive loss		**(7,859)**	(14,692)
Total comprehensive loss attributable to:			
Owners of the group		**(7,582)**	(14,619)
Non-controlling interests		**(277)**	(73)
		(7,859)	(14,692)
Loss per share			
Basic (US$)	3	**(0.05)**	(0.13)
Diluted (US$)	3	**(0.05)**	(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	Note	**2015** US$'000	**2014** US$'000
Assets			
Non-current assets			
Property, plant and equipment		734	503
Exploration and evaluation assets	4	80,529	42,539
Total non-current assets		81,263	43,042
Current assets			
Other receivables and prepayments		410	1,475

Cash and cash equivalents		7,849	17,221
Total current assets		8,259	18,696
Total assets		**89,522**	**61,738**
Equity and liabilities			
Capital and reserves			
Share capital	5	321	224
Share premium	5	108,576	73,668
Capital contribution	6	458	458
Other reserve	6	-	(375)
Share based payment reserve	7	1,223	61
Accumulated deficit		(22,149)	(14,619)
Equity attributable to owners of the Group		88,429	59,417
Non-controlling interests		(350)	(73)
Total equity		88,079	59,344
Non-current liabilities			
Total non-current liabilities		-	-
Current liabilities			
Trade and other payables		878	1,977
Corporation tax liability		565	-
Provisions		-	417
Total current liabilities		1,443	2,394
Total equity and liabilities		**89,522**	**61,738**

Consolidated Statement of Cash Flows

	Note	**Year ended 31 December 2015** US$'000	**Period ended 31 December 2014** US$'000
Cash flows from operating activities:			
Net cash used in operating activities	9	**(7,853)**	(11,349)
Net cash used in operating activities		**(7,853)**	(11,349)
Cash flows from investing activities			
Payments for property, plant and equipment		**(344)**	(509)
Proceed from disposal of property, plant and equipment		**11**	-
Exploration and evaluation costs paid		**(37,990)**	(42,539)
Net cash used in investing activities		**(38,323)**	(43,048)
Cash flows from financing activities			
Finance charges		**(84)**	-
Proceeds from issues of equity shares, net of issue costs		**36,888**	71,618
Net cash provided by financing activities		**36,804**	71,618

Net increase in cash and cash equivalents	**(9,372)**	17,221
Cash and cash equivalents at beginning of period	**17,221**	-
Cash and cash equivalents at end of period	**7,849**	17,221

Consolidated Statement of Changes in Equity

	Share capital US$'000	Share premium US$'000	Capital contribution US$'000	Other reserve US$'000	Share based payment reserve US$'000	Accumu-lated deficit US$'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**
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	-	-	-	375	-	52	427	-	427

Uncollected issued share capital and share premium	-	(250)	-	-	-	-	(250)	-	(250)
Balance at 31 December 2015	**321**	**108,576**	**458**	**-**	**1,223**	**(22,149)**	**88,429**	**(350)**	**88,079**

1. Corporate information

The consolidated financial statements of Savannah Petroleum Plc ("Savannah" or the "Company") and its subsidiaries (together the "Group") for the year to 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 25 May 2016.

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

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

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

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

No dividends have been declared or paid since incorporation.

2. Basis of preparation

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

The consolidated financial statements of the Group incorporate the results for the year to 31 December 2015.

Going concern

The Directors have reviewed the budgets and forecast as well as the funding requirements of the business for the next 12 months, which will require the group to access additional funds over the period. The Directors have a reasonable and strong expectation that the Group will be able to access such financial resources through either the proceeds of a partial asset sale and/or the issuance of equity or debt instruments. On this basis 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 2015, and had at that date US$7,849,000 (2014: US$17,221,000) of cash and cash equivalents to meet its working capital requirements.

In July 2015 the Company raised US$36 million (gross) from issuing new ordinary shares. The use of proceeds of this placing was to fund the acquisition and associated PSC commitments of the R3/R4 PSC as well as for ongoing corporate purposes.

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

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

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.

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.

	2015 US$'000	**2014** US$'000
Earnings		
Net loss attributable to owners of the parent	**(7,582)**	(14,619)
	Number of shares	Number of shares
Basic and diluted weighted average number of shares	**160,878,154**	113,056,632
Loss per share	US$	US$
Basic and diluted	**(0.05)**	(0.13)

In July 2015 the Company issued 61,690,000 new ordinary shares as part of an equity fund raising to the value of US$36 million (gross) and issued 314,275 ordinary shares as a share based payment.

4. Exploration and evaluation assets

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

	Total US$'000
At incorporation	-
Additions	42,539
Balance at 31 December 2014	42,539
Additions	37,990
Balance at 31 December 2015	**80,529**

The amount for intangible exploration and evaluation assets represents active exploration projects. These will ultimately be written off to the statement of comprehensive income as exploration costs if commercial reserves are not established but are carried forward in the statement of financial position whilst the determination process is not yet completed and there are no indications of impairment having regard to the indicators in IFRS 6.

5. Share capital

As at 31 December	**2015**	**2014**
Fully paid ordinary Shares in issue (number)	193,341,447	131,337,172
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 Incorporation	10	-	-	-
Shares issued	131,337,162	224	73,668	73,892
At 31 December 2014	**131,337,172**	**224**	**73,668**	**73,892**
Shares issued	62,004,275	97	35,158	35,255
Uncollected share capital	-	-	(250)	(250)
At 31 December 2015	**193,341,447**	**321**	**108,576**	**108,897**

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

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

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

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

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

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

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

6. Other reserves

	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
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

Nature and purpose of reserves

Capital contribution reserve

On 1 August 2014 a capital contribution of US$458,000 was made by shareholders of the Company as part of the loan note conversion.

Other reserve

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

Share based payment reserve

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

Capital risk management

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.

The Group finances its business through external share capital. In August 2014 the Group raised US$73,892,000 through the issue of additional ordinary shares. In July 2015 the Group raised US$35,254,000 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.

7. 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 2015 US$'000	For the period ended 31 December 2014 US$'000
Share-based payments	**1,162**	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.

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

		31 December 2014	
	Charge during the period US$'000	Number of options No.	Assumed exercise price in US$ per share
Granted during the period	-	15,737,896	0.02
Charge during the period	61	-	-
Outstanding at 31 December 2014		15,737,896	
Charge during the period	659	-	-
Granted, lapsed, exercised during the period	-	-	-
Outstanding at 31 December 2015		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$659,000 for the year to 31 December 2015 (2014: $61,000) 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 (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 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.

Supplementary share option plan

In the year to 31 December 2015 a supplementary share option plan was established.

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.

Milestone	Number of options	Assumed Exercise price (US$)	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:

	31 December 2015		
	Charge during the period US$'000	Number of options No.	Assumed exercise price in US$ per share
Granted during the period	-	10,128,599	0.39
Charge during the period	503	-	-
Outstanding at 31 December 2015		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$503,000 for the year to 31 December 2015 (2014: $nil) 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 (US$)	0.62
Weighted average exercise price (US$)	0.59
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.

8. 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 2015 US$'000	Management services 2015 US$'000	Outstanding 2014 US$'000	Management services 2014 US$'000
Lothian Oil & Gas Partners LLP	-	**441**	-	692

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.

9. Notes to the consolidated statement of cash flows

	Year ended 31 December 2015 US$'000	**Period ended 31 December 2014** US$'000
Loss for the period before tax	**(7,294)**	(14,692)
Adjustments for:		
Depreciation and amortisation	**97**	6
Finance costs	**84**	6,601
Issue costs	**(1,634)**	(3,868)
Share option charge	**1,162**	61
Profit/loss on disposal	**6**	-
Non-cash movement in provision	**10**	41
Operating cash flows before movements in working capital	**(7,569)**	(11,851)

Decrease/(Increase) in other receivables and prepayments	**815**	(1,475)
(Decrease)/Increase in trade and other payables	**(1,100)**	1,977
Income tax paid	**-**	-
Net cash outflow from operations	**(7,854)**	(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 2015 and the consolidated statement of comprehensive income for the year ended 31 December 2015, together with the associated notes, have been extracted from the Group's 2015 financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 498 of the Companies Act 2006.

Copies of the annual report and accounts will be posted to shareholders shortly. At this time they will also be made available on the Company's website (www.savannah-petroleum.com).