



# Interim management statement and consolidated interim financial results

For the three months ended 31  
March 2017 (expressed in US  
Dollars and Naira)

28 April 2017

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Seplat Petroleum Development Company Plc

# Seplat Petroleum Development Company Plc

## Interim management statement and consolidated interim financial results for the three months ended 31 March 2017

Lagos and London, 28 April 2017: Seplat Petroleum Development Company Plc (“Seplat” or the “Company”), a leading Nigerian independent oil and gas company listed on both the Nigerian Stock Exchange and London Stock Exchange, today announces its first quarter results. Information contained within this release is un-audited and is subject to further review.

### Key points

#### Alternative export route

- Upgrades and repairs recently completed on one of two jetties at the Warri refinery and barging operations are being re-established with loading of one 100,000 bbl cargo from the upgraded jetty completed on 27 April
- Work on the second jetty is progressing well and on-track to be operational during Q2. The upgraded jetties will enable sustained exports of 30,000 bopd (gross)
- Completion of the 160,000 bopd Amukpe to Escravos pipeline prioritised by the Nigerian government and anticipated in H2 2017
- The Forcados Terminal remains under force majeure at the date of this announcement

#### Strong performance of the gas business

- Net working interest gas production 95 MMscfd and gas revenues of US\$25 million (53% of total Q1 revenues)
- Expansion of gross processing capacity to 525 MMscfd provides headroom to increase contracted gas sales (actively engaged with counterparties) and handle 3<sup>rd</sup> party volumes

#### Financials reflect lower oil exports via the Warri refinery route whilst jetty upgrades and repairs were undertaken

- Revenue US\$47.3 million and gross profit US\$19.1 million; 22% year-on-year reduction in G&A helped narrow operating loss to US\$1.3 million; loss for the period after net finance costs US\$18.3 million and loss after tax US\$19.1 million
- Cash generated from operations US\$51.6 million versus capex incurred of US\$4.9 million
- Average oil price realisation US\$48.34/bbl (2016 :US\$35.4/bbl); average gas price US\$3.05/Mscf (2016: US\$2.98/Mscf)

#### Continued to reduce debt, improve balance sheet and preserve liquidity buffer

- US\$33 million debt principal repayments made in Q1; gross debt at 31 March stood at US\$643 million (down from US\$676 million at 31 December 2016) and net debt US\$487 million (down from US\$516 million at 31 December 2016)
- Cash at bank at 31 March US\$156 million
- NPDC headline receivable at 31 March US\$230 million; net receivable US\$220 million after adjusting for FX, interest and impairment<sup>†</sup>
- Discussions underway with lenders on the three year corporate facility with a view to extending the facility until end December 2018

#### Working interest production for the first three months of 2017<sup>(1)</sup>

|                 | Seplat % | Gross         |            |                      | Working Interest |            |                      |
|-----------------|----------|---------------|------------|----------------------|------------------|------------|----------------------|
|                 |          | Liquids Bopd  | Gas MMscfd | Oil equivalent Boepd | Liquids bopd     | Gas MMscfd | Oil equivalent boepd |
| OMLs 4, 38 & 41 | 45.0%    | 7,721         | 211        | 42,854               | 3,474            | 95         | 19,284               |
| OPL 283         | 40.0%    | 1,805         | -          | 1,805                | 722              | -          | 722                  |
| OML 53          | 40.0%    | 2,290         | -          | 2,290                | 916              | -          | 916                  |
| <b>Total</b>    |          | <b>11,816</b> | <b>211</b> | <b>46,949</b>        | <b>5,112</b>     | <b>95</b>  | <b>20,922</b>        |

<sup>(1)</sup> Liquid production volumes as measured at the LACT unit for OMLs 4, 38 and 41 and OPL 283 flow station. Volumes stated are subject to reconciliation and will differ from sales volumes within the period. Working interest sales volumes in the period were 1.9 MMboe, comprising 0.5 MMbbls oil and condensate and 1.4 MMboe gas.

<sup>†</sup> Note the commercial position does not follow accounting treatment as receivables are determined in the functional currency (i.e. US Dollar) which forms part of the “value for money” process currently underway with NPDC

#### Commenting on the results Austin Avuru, Seplat’s Chief Executive Officer, said:

“The first quarter of 2017 is a transitional period for Seplat in which our oil sales have been constrained whilst we electively undertook the necessary upgrade and repair work on two jetties at the Warri refinery to give us the future benefit of doubling barging volumes and stabilising exports via that route at a gross rate of 30,000 bopd. Alongside this we are collaborating with and supporting government on completion of the Amukpe to Escravos pipeline that will offer a third export route to Seplat and help to significantly de-risk the distribution of our oil production to market. These proactive management actions, combined with the consistently strong performance of our gas business and continued strict financial discipline to preserve a liquidity buffer, should lead to a much improved performance outlook over the remainder of 2017 and beyond, with a much greater level of in-built resilience to such external shocks”.

**Important notice**

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

Certain statements included in these results contain forward-looking information concerning Seplat's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which Seplat operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within Seplat's control or can be predicted by Seplat. Although Seplat believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. Actual results and market conditions could differ materially from those set out in the forward-looking statements. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Seplat or any other entity, and must not be relied upon in any way in connection with any investment decision. Seplat undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

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**Notes to editors**

Seplat Petroleum Development Company Plc is a leading indigenous Nigerian oil and gas exploration and production company with a strategic focus on Nigeria, listed on the Main Market of the London Stock Exchange ("LSE") (LSE:SEPL) and Nigerian Stock Exchange ("NSE") (NSE:SEPLAT).

Seplat is pursuing a Nigeria focused growth strategy and is well-positioned to participate in future divestment programmes by the international oil companies, farm-in opportunities and future licensing rounds. For further information please refer to the company website, <http://seplatpetroleum.com/>

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# **Interim Condensed Consolidated Financial Statements (Unaudited)**

Expressed in US Dollars ('USD') and Naira ('NGN')

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# Interim condensed consolidated statement of profit or loss and other comprehensive income

for the first quarter ended 31 March 2017

|   | Note | 3 months ended | 3 months ended | 3 months ended | 3 months ended |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 31 Mar 2017    | 31 Mar 2016    | 31 Mar 2017    | 31 Mar 2016    |
|   |      | Unaudited      | Unaudited      | Unaudited      | Unaudited      |
|   |      | \$'000         | \$'000         | ₦'m            | ₦'m            |
| Revenue   | 6    | 47,299         | 83,416         | 14,474         | 16,585         |
| Cost of sales                                   | 7    | (28,184)       | (53,780)       | (8,624)        | (10,692)       |
| Gross profit                                    |      | 19,115         | 29,636         | 5,850          | 5,893          |
| General and administrative expenses             | 8    | (16,759)       | (21,449)       | (5,129)        | (4,264)        |
| Gain/ (loss) on foreign exchange - net          | 9    | 1,730          | (2,441)        | 529            | (485)          |
| Fair value loss                                 | 10   | (5,433)        | (801)          | (1,662)        | (159)          |
| Operating (loss)/gain                           |      | (1,347)        | 4,945          | (412)          | 985            |
| Finance income                                  | 11   | 210            | 2,700          | 64             | 537            |
| Finance costs                                   | 11   | (17,181)       | (22,639)       | (5,257)        | (4,501)        |
| Loss before taxation                            |      | (18,318)       | (14,994)       | (5,605)        | (2,979)        |
| Taxation  | 12   | (819)          | (7,550)        | (250)          | (1,501)        |
| Loss for the period                             |      | (19,137)       | (22,544)       | (5,855)        | (4,480)        |
| Loss attributable to equity holders of parent   |      | (19,137)       | (18,829)       | (5,855)        | (3,741)        |
| Loss attributable to non-controlling interest   |      | -              | (3,715)        | -              | (739)          |
| <b>Other comprehensive income/(loss):</b>       |      |                |                |                |                |
| Items that may be classified to profit or loss: |      |                |                |                |                |
| Foreign currency translation difference         |      | -              | -              | 2,452          | (530)          |
| Total comprehensive loss for the period         |      | (19,137)       | (22,544)       | (3,403)        | (5,010)        |
| Loss attributable to equity holders of parent   |      | (19,137)       | (18,829)       | (3,403)        | (4,271)        |
| Loss attributable to non-controlling interest   |      | -              | (3,715)        | -              | (739)          |
| Loss per share (\$)/(₦)                         | 13   | (0.03)         | (0.03)         | (10.39)        | (6.67)         |
| Diluted loss per share (\$)/(₦)                 | 13   | (0.03)         | (0.03)         | (10.33)        | (6.67)         |

# Interim condensed consolidated statement of financial position

As at 31 March 2017

|                                |    | As at 31 Mar<br>2017 | As at 31 Dec<br>2016 | As at 31 Mar<br>2017 | As at 31 Dec<br>2016 |
|--------------------------------|----|----------------------|----------------------|----------------------|----------------------|
|                                |    | Unaudited            | Audited              | Unaudited            | Audited              |
| Note                           |    | \$'000               | \$'000               | ₦'m                  | ₦'m                  |
| <b>Assets</b>                  |    |                      |                      |                      |                      |
| <b>Non-current assets</b>      |    |                      |                      |                      |                      |
|                                |    | 1,217,941            | 1,224,400            | 373,908              | 373,442              |
|                                |    | 7,151                | 7,967                | 2,195                | 2,430                |
|                                |    | 250,090              | 250,090              | 76,778               | 76,277               |
|                                |    | 31,957               | 33,616               | 9,811                | 10,253               |
|                                |    | 1,507,139            | 1,516,073            | 462,692              | 462,402              |
| <b>Current assets</b>          |    |                      |                      |                      |                      |
|                                |    | 104,040              | 106,213              | 31,940               | 32,395               |
|                                | 15 | 397,092              | 390,694              | 121,908              | 119,160              |
|                                |    | 4,070                | 6,672                | 1,249                | 2,035                |
|                                |    | 155,710              | 159,621              | 47,803               | 48,684               |
|                                |    | 660,912              | 663,200              | 202,900              | 202,274              |
|                                |    | 2,168,051            | 2,179,273            | 665,592              | 664,676              |
| <b>Equity and liabilities</b>  |    |                      |                      |                      |                      |
| <b>Equity</b>                  |    |                      |                      |                      |                      |
|                                | 16 | 1,826                | 1,826                | 283                  | 283                  |
|                                |    | 497,457              | 497,457              | 82,080               | 82,080               |
|                                | 16 | 13,447               | 12,135               | 2,998                | 2,597                |
|                                |    | 40,000               | 40,000               | 5,932                | 5,932                |
|                                |    | 659,785              | 678,922              | 79,197               | 85,052               |
|                                |    | 3,675                | 3,675                | 202,881              | 200,429              |
|                                |    | 1,216,190            | 1,234,015            | 373,371              | 376,373              |
| <b>Non-current liabilities</b> |    |                      |                      |                      |                      |
|                                | 14 | 413,841              | 446,098              | 127,049              | 136,060              |
|                                |    | 338                  | -                    | 104                  | -                    |
|                                |    | 12,480               | 12,040               | 3,831                | 3,672                |
|                                |    | 620                  | 597                  | 190                  | 182                  |
|                                |    | 5,667                | 5,112                | 1,740                | 1,559                |
|                                |    | 432,946              | 463,847              | 132,914              | 141,473              |
| <b>Current liabilities</b>     |    |                      |                      |                      |                      |
|                                | 14 | 218,000              | 217,998              | 66,926               | 66,489               |
|                                | 17 | 298,549              | 261,528              | 91,655               | 79,766               |
|                                |    | 2,366                | 1,885                | 726                  | 575                  |
|                                |    | 518,915              | 481,411              | 159,307              | 146,830              |
|                                |    | 951,861              | 945,258              | 292,221              | 288,303              |
|                                |    | 2,168,051            | 2,179,273            | 665,592              | 664,676              |

# Interim condensed consolidated statement of financial position continued

As at 31 March 2017

The financial statements on pages 5 to 28 were approved and authorised for issue by the board of directors on 20 April 2017 and were signed on its behalf by



**A. B. C. Orjiako**  
FRC/2014/IODN/00000003161  
Chairman  
28 April 2017



**A. O. Avuru**  
FRC/2014/IODN/00000003100  
Chief Executive Officer  
28 April 2017



**R.T. Brown**  
FRC/2015/IODN/00000007983  
Chief Financial Officer  
28 April 2017

## Interim condensed consolidated statement of changes in equity continued

for the first quarter ended 31 March 2017

for the first quarter ended 31 March 2016

|   | Issued<br>share<br>capital | Share<br>premium | Capital<br>contribution | Share<br>based<br>payment<br>reserve | Foreign<br>currency<br>translation<br>reserve | Retained<br>earnings | Total     | Non-<br>controlling<br>interest | Total<br>equity |
|---|----------------------------|------------------|-------------------------|--------------------------------------|---|----------------------|-----------|---------------------------------|-----------------|
|   | \$'000                     | \$'000           | \$'000                  | \$'000                               | \$'000  | \$'000               | \$'000    | \$'000                          | \$'000          |
| At 1 January 2016                                     | 1,821                      | 497,457          | 40,000                  | 8,734                                | 325   | 865,483              | 1,413,820 | (745)                           | 1,413,075       |
| Loss for the period                                   | -                          | -                | -                       | -                                    | -   | (18,829)             | (18,829)  | (3,715)                         | (22,544)        |
| Other comprehensive income                            | -                          | -                | -                       | -                                    | -   | -                    | -         | -                               | -               |
| Total comprehensive loss for the period               | -                          | -                | -                       | -                                    | -   | (18,829)             | (18,829)  | (3,715)                         | (22,544)        |
| Transactions with owners in their capacity as owners: |                            |                  |                         |                                      |   |                      |           |                                 |                 |
| Employee share schemes                                | -                          | -                | -                       | 805                                  | -   | -                    | 805       | -                               | 805             |
| Dividends   | -                          | -                | -                       | -                                    | -   | -                    | -         | -                               | -               |
| Total   | -                          | -                | -                       | 805                                  | -   | -                    | 805       | -                               | 805             |
| At 31 March 2016 (unaudited)                          | 1,821                      | 497,457          | 40,000                  | 9,539                                | 325   | 846,654              | 1,395,796 | (4,460)                         | 1,391,336       |

for the first quarter ended 31 March 2017

|   | Issued<br>share<br>capital | Share<br>premium | Capital<br>contribution | Share<br>based<br>payment<br>reserve | Foreign<br>currency<br>translation<br>reserve | Retained<br>earnings | Total     | Non-<br>controlling<br>interest | Total<br>equity |
|---|----------------------------|------------------|-------------------------|--------------------------------------|---|----------------------|-----------|---------------------------------|-----------------|
|   | \$'000                     | \$'000           | \$'000                  | \$'000                               | \$'000  | \$'000               | \$'000    | \$'000                          | \$'000          |
| At 1 January 2017                                     | 1,826                      | 497,457          | 40,000                  | 12,135                               | 3,675   | 678,922              | 1,234,015 | -                               | 1,234,015       |
| Loss for the period                                   | -                          | -                | -                       | -                                    | -   | (19,137)             | (19,137)  | -                               | (19,137)        |
| Other comprehensive income                            | -                          | -                | -                       | -                                    | -   | -                    | -         | -                               | -               |
| Total comprehensive loss for the period               | -                          | -                | -                       | -                                    | -   | (19,137)             | (19,137)  | -                               | (19,137)        |
| Transactions with owners in their capacity as owners: |                            |                  |                         |                                      |   |                      |           |                                 |                 |
| Employee share schemes                                | -                          | -                | -                       | 1,312                                | -   | -                    | 1,312     | -                               | 1,312           |
| Dividends   | -                          | -                | -                       | -                                    | -   | -                    | -         | -                               | -               |
| Total   | -                          | -                | -                       | 1,312                                | -   | -                    | 1,312     | -                               | 1,312           |
| At 31 March 2017 (unaudited)                          | 1,826                      | 497,457          | 40,000                  | 13,447                               | 3,675   | 659,785              | 1,216,190 | -                               | 1,216,190       |



# Interim condensed consolidated statement of changes in equity continued

for the first quarter ended 31 March 2017

for the first quarter ended 31 March 2016

|   | Issued share capital | Share premium | Capital contribution | Share based payment reserve | Foreign currency translation reserve | Retained earnings | Total   | Non-controlling interest | Total equity |
|---|----------------------|---------------|----------------------|-----------------------------|--------------------------------------|-------------------|---------|--------------------------|--------------|
|   | ₦'m                  | ₦'m           | ₦'m                  | ₦'m                         | ₦'m                                  | ₦'m               | ₦'m     | ₦'m                      | ₦'m          |
| At 1 January 2016                                     | 282                  | 82,080        | 5,932                | 1,729                       | 56,182                               | 134,919           | 281,124 | (148)                    | 280,976      |
| Loss for the period                                   | -                    | -             | -                    | -                           | -                                    | (3,741)           | (3,741) | (739)                    | (4,480)      |
| Other comprehensive loss                              | -                    | -             | -                    | -                           | (530)                                | -                 | (530)   | -                        | (530)        |
| Total comprehensive loss for the period               | -                    | -             | -                    | -                           | (530)                                | (3,741)           | (4,271) | (739)                    | (5,010)      |
| Transactions with owners in their capacity as owners: |                      |               |                      |                             |                                      |                   |         |                          |              |
| Employee share schemes                                | -                    | -             | -                    | 161                         | -                                    | -                 | 161     | -                        | 161          |
| Dividends   | -                    | -             | -                    | -                           | -                                    | -                 | -       | -                        | -            |
| Total   | -                    | -             | -                    | 161                         | -                                    | -                 | 161     | -                        | 161          |
| At 31 March 2017 (unaudited)                          | 282                  | 82,080        | 5,932                | 1,890                       | 55,652                               | 131,178           | 277,014 | (887)                    | 276,127      |

for the first quarter ended 31 March 2017

|   | Issued share capital | Share premium | Capital contribution | Share based payment reserve | Foreign currency translation reserve | Retained earnings | Total   | Non-controlling interest | Total equity |
|---|----------------------|---------------|----------------------|-----------------------------|--------------------------------------|-------------------|---------|--------------------------|--------------|
|   | ₦'m                  | ₦'m           | ₦'m                  | ₦'m                         | ₦'m                                  | ₦'m               | ₦'m     | ₦'m                      | ₦'m          |
| At 1 January 2017                                     | 283                  | 82,080        | 5,932                | 2,597                       | 200,429                              | 85,052            | 376,373 | -                        | 376,373      |
| Loss for the period                                   | -                    | -             | -                    | -                           | -                                    | (5,855)           | (5,855) | -                        | (5,855)      |
| Other comprehensive income                            | -                    | -             | -                    | -                           | 2,452                                | -                 | 2,452   | -                        | 2,452        |
| Total comprehensive loss for the period               | -                    | -             | -                    | -                           | 2,452                                | (5,855)           | (3,403) | -                        | (3,403)      |
| Transactions with owners in their capacity as owners: |                      |               |                      |                             |                                      |                   |         |                          |              |
| Employee share schemes                                | -                    | -             | -                    | 401                         | -                                    | -                 | 401     | -                        | 401          |
| Dividends   | -                    | -             | -                    | -                           | -                                    | -                 | -       | -                        | -            |
| Total   | -                    | -             | -                    | 401                         | -                                    | -                 | 401     | -                        | 401          |
| At 31 March 2017 (unaudited)                          | 283                  | 82,080        | 5,932                | 2,998                       | 202,881                              | 79,197            | 373,371 | -                        | 373,371      |

## Interim condensed consolidated statement of cash flow

for the first quarter ended 31 March 2017

|   |      | 3 months ended<br>31 Mar<br>2017<br>\$'000 | 3 months ended<br>31 Mar<br>2016<br>\$'000 | 3 months ended<br>31 Mar<br>2017<br>₦'m | 3 months ended<br>31 Mar<br>2016<br>₦'m |
|---|------|--|--|---|---|
|   | Note | Unaudited                                  | Unaudited                                  | Unaudited                               | Unaudited                               |
| <b>Cash flows from operating activities</b>                   |      |  |  |   |   |
| Cash generated from operations                                | 18   | 51,631                                     | 64,051                                     | 15,798                                  | 12,736                                  |
| Net cash inflows from operating activities                    |      | 51,631                                     | 64,051                                     | 15,798                                  | 12,736                                  |
| <b>Cash flows from investing activities</b>                   |      |  |  |   |   |
| Investment in oil and gas properties                          |      | (4,895)                                    | (8,472)                                    | (1,498)                                 | (1,684)                                 |
| Acquisition of other property, plant and equipment            |      | (302)                                      | (844)                                      | (92)                                    | (168)                                   |
| Interest received   |      | 210  | 97   | 64                                      | 19                                      |
| Net cash (outflows) from investing activities                 |      | (4,987)                                    | (9,219)                                    | (1,526)                                 | (1,833)                                 |
| <b>Cash flows from financing activities</b>                   |      |  |  |   |   |
| Repayments of bank financing                                  |      | (33,250)                                   | (61,750)                                   | (10,175)                                | (12,277)                                |
| Interest paid   |      | (17,158)                                   | (20,724)                                   | (5,250)                                 | (4,120)                                 |
| Net cash (outflows) from financing activities                 |      | (50,408)                                   | (82,474)                                   | (15,425)                                | (16,397)                                |
| Net (decrease) in cash and cash equivalents                   |      | (3,764)                                    | (27,642)                                   | (1,153)                                 | (5,494)                                 |
| Cash and cash equivalents at beginning of period              |      | 159,621                                    | 326,029                                    | 48,684                                  | 64,828                                  |
| Effects of exchange rate changes on cash and cash equivalents |      | (147)                                      | -  | 272                                     | (116)                                   |
| <b>Cash and cash equivalents at end of period</b>             |      | <b>155,710</b>                             | <b>298,387</b>                             | <b>47,803</b>                           | <b>59,218</b>                           |

# Notes to the interim condensed consolidated financial statements

## 1. Corporate structure and business

Seplat Petroleum Development Company Plc ('Seplat' or the 'Company'), the parent of the Group, was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2014, under the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration and production.

The Company's registered address is: 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets:

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was US\$340 million paid at the completion of the acquisition on 31 July 2010 and a contingent payment of US\$33 million payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds US\$80 per barrel. US\$358.6 million was allocated to the producing assets including US\$18.6 million as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of US\$33 million was paid on 22 October 2012.

In 2013, Newton Energy Limited ('Newton Energy'), an entity previously beneficially owned by the same shareholders as Seplat, became a subsidiary of the Company. On 1 June 2013, Newton Energy acquired from Pillar Oil Limited ('Pillar Oil') a 40 percent Participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the 'Umuseti/Igbuku Fields').

In 2015, the Group purchased a 40% participating interest in OML 53, onshore north eastern Niger Delta, from Chevron Nigeria Ltd for \$ 259.4 million.

In 2017, the Group incorporated a new subsidiary, ANOH Gas Processing Company Limited. The principal activities of the Company is the processing of gas from OML 53.

The Company together with its subsidiary, Newton Energy, and five wholly owned subsidiaries, namely, Seplat Petroleum Development Company UK Limited ('Seplat UK'), which was incorporated on 21 August 2014, Seplat East Onshore Limited ('Seplat East'), which was incorporated on 12 December 2014, Seplat East Swamp Company Limited ('Seplat Swamp'), which was incorporated on 12 December 2014, Seplat Gas Company Limited ('Seplat GAS'), which was incorporated on 12 December 2014, and ANOH Gas Processing Company Limited which was incorporated on 18 January 2017 are collectively referred to as the Group.

| Subsidiary                          | Country of incorporation and place of business | Shareholding % | Principal activities                 |
|-------------------------------------|--|----------------|--------------------------------------|
| Newton Energy Limited               | Nigeria  | 100%           | Oil & gas exploration and production |
| Seplat Petroleum Development UK     | United Kingdom                                 | 100%           | Oil & gas exploration and production |
| Seplat East Onshore Limited         | Nigeria  | 100%           | Oil & gas exploration and production |
| Seplat East Swamp Company Limited   | Nigeria  | 100%           | Oil & gas exploration and production |
| Seplat Gas Company                  | Nigeria  | 100%           | Oil & gas exploration and production |
| ANOH Gas Processing Company Limited | Nigeria  | 100%           | Gas processing                       |

# Notes to the interim condensed consolidated financial statements continued

## 2. Summary of significant accounting policies

### 2.1 Introduction to summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards which are set out below.

### 2.2 Basis of preparation

#### i) Compliance with IFRS

The interim condensed consolidated financial statements of the Group have been prepared in accordance with accounting standard IAS 34 Interim financial reporting.

#### ii) Historical cost convention

The financial information has been prepared under the going concern assumption and historical cost convention, except for contingent consideration and financial instruments on initial recognition measured at fair value. The historical financial information is presented in US Dollars and Nigeria Naira. All values are rounded to the nearest thousand (\$000) and million (₦m) respectively, except when otherwise indicated. The accounting policies are applicable to both the Company and Group.

#### iii) Going concern

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of these financial statements.

#### iv) New and amended standards adopted by the group

There were a number of new standards and amendments to standards that are effective for annual periods beginning after 1 January 2017; the group has adopted these new or amended standards in preparing the condensed consolidation interim financial statement. The nature and impact of the new standards and amendments to the standards are described below.

Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

#### a. Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

This amendment has no impact on the Group's financial statements as at the period ended 31 March 2017.

#### b. Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 Disclosure of Interests in Other Entities clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

## Notes to the interim condensed consolidated financial statements continued

IAS 28 Investments in Associates and Joint Ventures - A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

This amendment has no impact on the Group's financial statements as at the period ended 31 March 2017.

### c. Disclosure initiative - Amendments to IAS 7

The Group is now required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets are included in this disclosure if the cash flows were, or are, included in cash flows from financing activities. This is the case, for example, for assets that hedge liabilities arising from financing liabilities.

The Group may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items are disclosed separately from the changes in liabilities arising from financing activities.

The Group discloses this information in tabular format as a reconciliation from opening and closing balances, but may adopt a different format as the standard does not mandate a specific format.

The impact of this amendment can be found in note 14

### v) New standards and interpretations not yet adopted

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

#### a. IFRS 9 Financial Instruments

IFRS 9 Financial instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, the standard introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption.

The Group is currently performing a detailed assessment of the impact of the new standard on the classification and measurement of its financial assets, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have such liabilities.

The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group is currently performing a detailed assessment of how its impairment provisions would be affected by the new guidance, it generally expects the adoption of IFRS 9 to result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

## Notes to the interim condensed consolidated financial statements continued

### b. IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

The Group is currently performing an assessment of the effect of the new principles on the Group's financial statements. The Group will make more detailed assessments of the effect over the next nine months. The Group does not expect to adopt the new standard before 1 January 2018.

### c. IFRS 16 Leases

This standard eliminates the classification of leases as either operating or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases under IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, the Group also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 does not require a lessee to recognise assets and liabilities for (a) short term leases (b) leases of low-value assets. The Group is yet to assess the full impact of IFRS 16 and intends to adopt IFRS 16 no later than 1 January 2019 as required by the standard.

The Group is currently performing an assessment of the effect of the new principles on its financial statements. The Group will make more detailed assessments of the effect over the next nine months. The Group does not expect to adopt the new standard before 1 January 2019.

Other new standards are not expected to have any material impact on the Group's financial statements.

## 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2017.

This basis is the same adopted for the last audited financial statements as at 31 December 2016.

## 2.4 Functional and presentation currency

The Group's financial statements are presented in United States Dollars, which is also the Company's functional currency and the Nigerian Naira as required by the Financial Reporting Council of Nigeria. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

### i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

## Notes to the interim condensed consolidated financial statements continued

### ii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### 3. Segment reporting

Segment reporting has not been prepared as the Group operates one segment, being the exploration, development and production of oil and gas related products located in Nigeria. Operations in the different OMLs are integrated due to geographic proximity, the use of shared infrastructure and common operational management.

### 4. Significant accounting judgements, estimates and assumptions

#### 4.1 Judgements

Management judgements at the end of the first quarter are consistent with those disclosed in the recent 2016 Annual financial statements. The following are some of the judgements which have the most significant effect on the amounts recognised in this consolidated financial statements.

#### i) OMLs 4, 38 and 41

OMLs 4, 38, 41 are grouped together as a cash generating unit for the purpose of impairment testing. These three OMLs are grouped together because they each cannot independently generate cash flows. They currently operate as a single block sharing resources for the purpose of generating cash flows. Crude oil and gas sold to third parties from these OMLs are invoiced together.

#### ii) Advances on investment (note 15)

The Group considers that the advances on investment of US\$65.7 million (₦20 million) in relation to the acquisition of additional assets is fully recoverable in accordance with the terms of the deposit.

#### 4.2 Estimates and assumptions

The key assumptions concerning the future and the other key source of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed in the most recent 2016 annual financial statements.

The following are some of the estimates and assumptions made.

#### i) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## Notes to the interim condensed consolidated financial statements continued

Management has made certain assumptions about the recoverability of financial assets exposed to credit risk from NPDC. These are based on management's past experiences with NPDC, current discussions with NPDC and financial capacity of NPDC. However, wherever these assumptions do not hold, it might have a significant impact on the Group's profit or loss in future.

### ii) Defined benefit plans

The cost of the defined benefit retirement plan and the present value of the retirement obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and changes in inflation rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The rates of mortality assumed for employees are the rates published in 67/70 ultimate tables, published jointly by the Institute and Faculty of Actuaries in the UK.

## 5. Financial risk management

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks such as market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

| Risk                           | Exposure arising from  | Measurement                                   | Management  |
|--------------------------------|--|---|---|
| Market risk - foreign exchange | Future commercial transactions<br>Recognised financial assets and liabilities not denominated in US dollars. | Cash flow forecasting<br>Sensitivity analysis | Match and settle foreign denominated cash inflows with foreign denominated cash outflows. |
| Market risk - interest rate    | Long term borrowings at variable rate  | Sensitivity analysis                          | None  |
| Market risk - commodity prices | Future sales transactions  | Sensitivity analysis                          | Oil price hedges  |
| Credit risk                    | Cash and cash equivalents, trade receivables and derivative financial instruments.                           | Aging analysis<br>Credit ratings              | Diversification of bank deposits.   |
| Liquidity risk                 | Borrowings and other liabilities   | Rolling cash flow forecasts                   | Availability of committed credit lines and borrowing facilities                           |

#### 5.1.1 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due.

The Group uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the Group's debt financing plans and covenant compliance. Surplus cash held is transferred to the treasury department which invests in interest bearing current accounts, time deposits and money market deposits.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.



## Notes to the interim condensed consolidated financial statements continued

|  | Effective interest rate | Less than 1 year | 1 -2 years | 2 - 3 years | 3 - 5 years | After 5 years | Total   |
|--|-------------------------|------------------|------------|-------------|-------------|---------------|---------|
|  | %                       | \$ '000          | \$ '000    | \$ '000     | \$ '000     | \$ '000       | \$ '000 |
| <b>31 March 2017</b>                                   |                         |                  |            |             |             |               |         |
| <b>Non - derivatives</b>                               |                         |                  |            |             |             |               |         |
| <b>Variable interest rate borrowings (bank loans):</b> |                         |                  |            |             |             |               |         |
| Zenith Bank Plc  | 8.5%+LIBOR              | 29,011           | 76,006     | 70,109      | 74,477      | -             | 249,603 |
| First Bank of Nigeria                                  | 8.5%+LIBOR              | 18,132           | 47,504     | 43,818      | 46,548      | -             | 156,002 |
| United Bank of Africa Plc                              | 8.5%+LIBOR              | 18,132           | 47,504     | 43,818      | 46,548      | -             | 156,002 |
| Stanbic IBTC Bank Plc                                  | 8.5%+LIBOR              | 2,717            | 7,119      | 6,567       | 6,976       | -             | 23,379  |
| The Standard Bank of South Africa Limited              | 8.5%+LIBOR              | 2,717            | 7,119      | 6,567       | 6,976       | -             | 23,379  |
| Standard Chartered Bank                                | 6.0%+LIBOR              | 23,502           | -          | -           | -           | -             | 23,502  |
| Natixis  | 6.0%+LIBOR              | 23,502           | -          | -           | -           | -             | 23,502  |
| Citibank Nigeria Ltd                                   | 6.0%+LIBOR              | 23,502           | -          | -           | -           | -             | 23,502  |
| Bank of America Merrill Lynch Int'l Ltd                | 6.0%+LIBOR              | 15,668           | -          | -           | -           | -             | 15,668  |
| First Rand Bank (Merchant Bank Division)               | 6.0%+LIBOR              | 15,668           | -          | -           | -           | -             | 15,668  |
| JP Morgan Chase Bank NA, London Branch                 | 6.0%+LIBOR              | 15,668           | -          | -           | -           | -             | 15,668  |
| Ned Bank Ltd London Branch                             | 6.0%+LIBOR              | 15,668           | -          | -           | -           | -             | 15,668  |
| Stanbic IBTC Bank Plc                                  | 6.0%+LIBOR              | 11,751           | -          | -           | -           | -             | 11,751  |
| The Standard Bank of South Africa Limited              | 6.0%+LIBOR              | 11,751           | -          | -           | -           | -             | 11,751  |
| <b>Other non-derivatives</b>                           |                         |                  |            |             |             |               |         |
| Trade and other payables                               |                         | 162,607          | -          | -           | -           | -             | 162,607 |
| Contingent consideration                               |                         | -                | -          | 18,500      | -           | -             | 18,500  |
|  |                         | 389,996          | 185,252    | 189,379     | 181,525     | -             | 946,152 |

## Notes to the interim condensed consolidated financial statements continued

|  | Effective interest rate | Less than 1 year | 1 - 2 year     | 2 - 3 years    | 3 - 5 years    | After 5 years | Total          |
|--|-------------------------|------------------|----------------|----------------|----------------|---------------|----------------|
|  | %                       | \$ '000          | \$ '000        | \$ '000        | \$ '000        | \$ '000       | \$ '000        |
| <b>31 December 2016</b>                                |                         |                  |                |                |                |               |                |
| <b>Non - derivatives</b>                               |                         |                  |                |                |                |               |                |
| <b>Variable interest rate borrowings (bank loans):</b> |                         |                  |                |                |                |               |                |
| Zenith Bank Plc  | 8.5% + LIBOR            | 37,406           | 76,006         | 70,109         | 74,477         | -             | 257,998        |
| First Bank of Nigeria Limited                          | 8.5% + LIBOR            | 23,379           | 47,504         | 43,818         | 46,548         | -             | 161,249        |
| United Bank for Africa Plc                             | 8.5% + LIBOR            | 23,379           | 47,504         | 43,818         | 46,548         | -             | 161,249        |
| Stanbic IBTC Bank Plc                                  | 8.5% + LIBOR            | 3,504            | 7,119          | 6,567          | 6,976          | -             | 24,166         |
| The Standard Bank of South Africa Limited              | 8.5% + LIBOR            | 3,504            | 7,119          | 6,567          | 6,976          | -             | 24,166         |
| Standard Chartered Bank                                | 6.0% + LIBOR            | 27,711           | -              | -              | -              | -             | 27,711         |
| Natixis  | 6.0% + LIBOR            | 27,711           | -              | -              | -              | -             | 27,711         |
| Citibank Nigeria Ltd and Citibank NA                   | 6.0% + LIBOR            | 27,711           | -              | -              | -              | -             | 27,711         |
| Bank of America Merrill Lynch Int'l Ltd                | 6.0% + LIBOR            | 18,474           | -              | -              | -              | -             | 18,474         |
| FirstRand Bank Ltd (Rand Merchant Bank Division)       | 6.0% + LIBOR            | 18,474           | -              | -              | -              | -             | 18,474         |
| JP Morgan Chase Bank NA, London Branch                 | 6.0% + LIBOR            | 18,474           | -              | -              | -              | -             | 18,474         |
| NedBank Ltd, London Branch                             | 6.0% + LIBOR            | 18,474           | -              | -              | -              | -             | 18,474         |
| Stanbic IBTC Bank Plc                                  | 6.0% + LIBOR            | 13,856           | -              | -              | -              | -             | 13,856         |
| The Standard Bank of South Africa Ltd                  | 6.0% + LIBOR            | 13,856           | -              | -              | -              | -             | 13,856         |
| <b>Other non - derivatives</b>                         |                         |                  |                |                |                |               |                |
| Trade and other payables                               | -                       | 161,773          | -              | -              | -              | -             | 161,773        |
| Contingent consideration                               | -                       | -                | -              | -              | 18,500         | -             | 18,500         |
|  |                         | <b>437,686</b>   | <b>185,252</b> | <b>170,879</b> | <b>200,025</b> | <b>-</b>      | <b>993,842</b> |

## Notes to the interim condensed consolidated financial statements continued

|  | Effective<br>interest<br>rate | Less than 1<br>year | 1 - 2<br>years | 2 - 3<br>years | 3 - 5<br>years | After<br>5 years | Total   |
|--|-------------------------------|---------------------|----------------|----------------|----------------|------------------|---------|
|  | %                             | ₦'m                 | ₦'m            | ₦'m            | ₦'m            | ₦'m              | ₦'m     |
| <b>31 March 2017</b>                                       |                               |                     |                |                |                |                  |         |
| <b>Non - derivatives</b>                                   |                               |                     |                |                |                |                  |         |
| <b>Variable interest rate borrowings<br/>(bank loans):</b> |                               |                     |                |                |                |                  |         |
| Zenith Bank Plc  | 8.5%+LIBOR                    | 8,906               | 23,334         | 21,523         | 22,865         | -                | 76,628  |
| First Bank of Nigeria                                      | 8.5%+LIBOR                    | 5,566               | 14,584         | 13,452         | 14,290         | -                | 47,892  |
| United Bank of Africa Plc                                  | 8.5%+LIBOR                    | 5,566               | 14,584         | 13,452         | 14,290         | -                | 47,892  |
| Stanbic IBTC Bank Plc                                      | 8.5%+LIBOR                    | 834                 | 2,186          | 2,016          | 2,142          | -                | 7,178   |
| The Standard Bank of South Africa<br>Limited               | 8.5%+LIBOR                    | 834                 | 2,186          | 2,016          | 2,142          | -                | 7,178   |
| Standard Chartered Bank                                    | 6.0%+LIBOR                    | 7,215               | -              | -              | -              | -                | 7,215   |
| Natixis  | 6.0%+LIBOR                    | 7,215               | -              | -              | -              | -                | 7,215   |
| Citibank Nigeria Ltd                                       | 6.0%+LIBOR                    | 7,215               | -              | -              | -              | -                | 7,215   |
| Bank of America Merrill Lynch Int'l Ltd                    | 6.0%+LIBOR                    | 4,810               | -              | -              | -              | -                | 4,810   |
| First Rand Bank (Merchant Bank<br>Division)                | 6.0%+LIBOR                    | 4,810               | -              | -              | -              | -                | 4,810   |
| JP Morgan Chase Bank NA, London<br>Branch                  | 6.0%+LIBOR                    | 4,810               | -              | -              | -              | -                | 4,810   |
| Ned Bank Ltd London Branch                                 | 6.0%+LIBOR                    | 4,810               | -              | -              | -              | -                | 4,810   |
| Stanbic IBTC Bank Plc                                      | 6.0%+LIBOR                    | 3,608               | -              | -              | -              | -                | 3,608   |
| The Standard Bank of South Africa<br>Limited               | 6.0%+LIBOR                    | 3,608               | -              | -              | -              | -                | 3,608   |
| <b>Other non-derivatives</b>                               | -                             | -                   | -              | -              | -              | -                | -       |
| Trade and other payables                                   | -                             | 49,920              | -              | -              | -              | -                | 49,920  |
| Contingent consideration                                   | -                             | -                   | -              | 5,643          | -              | -                | 5,643   |
|  |                               | 119,727             | 56,874         | 58,102         | 55,729         | -                | 234,869 |

## Notes to the interim condensed consolidated financial statements continued

|  | Effective<br>interest rate<br>% | Less than<br>1 year<br>N'm | 1 - 2<br>year<br>N'm | 2 - 3<br>years<br>N'm | 3 - 5<br>years<br>N'm | After<br>5 years<br>N'm | Total<br>N'm   |
|--|---------------------------------|----------------------------|----------------------|-----------------------|-----------------------|-------------------------|----------------|
| <b>31 December 2016</b>                                |                                 |                            |                      |                       |                       |                         |                |
| <b>Non - derivatives</b>                               |                                 |                            |                      |                       |                       |                         |                |
| <b>Variable interest rate borrowings (bank loans):</b> |                                 |                            |                      |                       |                       |                         |                |
| Zenith Bank Plc  | 8.5% + LIBOR                    | 11,409                     | 23,182               | 21,383                | 22,715                | -                       | 78,689         |
| First Bank of Nigeria Limited                          | 8.5% + LIBOR                    | 7,131                      | 14,489               | 13,364                | 14,197                | -                       | 49,181         |
| United Bank for Africa Plc                             | 8.5% + LIBOR                    | 7,131                      | 14,489               | 13,364                | 14,197                | -                       | 49,181         |
| Stanbic IBTC Bank Plc                                  | 8.5% + LIBOR                    | 1,069                      | 2,171                | 2,003                 | 2,128                 | -                       | 7,371          |
| The Standard Bank of South Africa Limited              | 8.5% + LIBOR                    | 1,069                      | 2,171                | 2,003                 | 2,128                 | -                       | 7,371          |
| Standard Chartered Bank                                | 8.5% + LIBOR                    | 8,452                      | -                    | -                     | -                     | -                       | 8,452          |
| Natixis  | 6.00% + LIBOR                   | 8,452                      | -                    | -                     | -                     | -                       | 8,452          |
| Citibank Nigeria Ltd and Citibank NA                   | 6.00% + LIBOR                   | 8,452                      | -                    | -                     | -                     | -                       | 8,452          |
| Bank of America Merrill Lynch Int'l Ltd                | 6.00% + LIBOR                   | 5,635                      | -                    | -                     | -                     | -                       | 5,635          |
| FirstRand Bank Ltd (Rand Merchant Bank Division)       | 6.00% + LIBOR                   | 5,635                      | -                    | -                     | -                     | -                       | 5,635          |
| JP Morgan Chase Bank NA, London Branch                 | 6.00% + LIBOR                   | 5,635                      | -                    | -                     | -                     | -                       | 5,635          |
| NedBank Ltd, London Branch                             | 6.00% + LIBOR                   | 5,635                      | -                    | -                     | -                     | -                       | 5,635          |
| Stanbic IBTC Bank Plc                                  | 6.00% + LIBOR                   | 4,225                      | -                    | -                     | -                     | -                       | 4,225          |
| The Standard Bank of South Africa Ltd                  | 6.00% + LIBOR                   | 4,225                      | -                    | -                     | -                     | -                       | 4,225          |
| <b>Other non - derivatives</b>                         |                                 |                            |                      |                       |                       |                         |                |
| Trade and other payables                               |                                 | 49,341                     | -                    | -                     | -                     | -                       | 49,341         |
| Contingent consideration                               |                                 | -                          | -                    | -                     | 5,643                 | -                       | 5,643          |
|  |                                 | <b>133,496</b>             | <b>56,502</b>        | <b>52,117</b>         | <b>61,008</b>         | <b>-</b>                | <b>303,123</b> |

### 5.2 Fair value measurements

Financial instruments measured at fair value were based on the same assumptions as determined in the 31 December 2016 financial statements. There were no updates on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report. There were no transfers of financial instruments between fair value hierarchy levels during this first quarter.

## Notes to the interim condensed consolidated financial statements continued

### 6. Revenue

|                      | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 |
|----------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                      | \$'000                          | \$'000                          | ₦'m                             | ₦'m                             |
| Crude oil sales      | 30,110                          | 36,495                          | 9,214                           | 7,256                           |
| (Overlift)/underlift | (7,869)                         | 19,596                          | (2,408)                         | 3,896                           |
|                      | 22,241                          | 56,091                          | 6,806                           | 11,152                          |
| Gas sales            | 25,058                          | 27,325                          | 7,668                           | 5,433                           |
| <b>Total revenue</b> | <b>47,299</b>                   | <b>83,416</b>                   | <b>14,474</b>                   | <b>16,585</b>                   |

The major off-taker for crude oil is Mercuria. The major off-taker for gas is the Nigerian Gas Company.

### 7. Cost of sales

|  | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | \$'000                          | \$'000                          | ₦'m                             | ₦'m                             |
| Crude handling fees                      | 548                             | 9,682                           | 168                             | 1,925                           |
| Barging cost                             | 2,140                           | -                               | 655                             | -                               |
| Royalties                                | 4,944                           | 8,808                           | 1,513                           | 1,751                           |
| Depletion, depreciation and amortisation | 11,355                          | 18,936                          | 3,474                           | 3,765                           |
| Niger Delta Development Commission levy  | 1,141                           | 1,901                           | 350                             | 378                             |
| Rig related expenses                     | 1,000                           | 1,048                           | 306                             | 208                             |
| Employee benefit expenses                | 1,587                           | 2,797                           | 485                             | 556                             |
| Operations & maintenance expenses        | 5,469                           | 10,608                          | 1,673                           | 2,109                           |
|  | 28,184                          | 53,780                          | 8,624                           | 10,692                          |

### 8. General and administrative expenses

|                                      | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 |
|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                      | \$'000                          | \$'000                          | ₦'m                             | ₦'m                             |
| Depreciation                         | 1,118                           | 1,313                           | 342                             | 261                             |
| Employee benefits                    | 5,837                           | 6,213                           | 1,787                           | 1,235                           |
| Professional and consulting fees     | 4,445                           | 5,649                           | 1,361                           | 1,123                           |
| Auditor's remuneration               | 150                             | 167                             | 46                              | 33                              |
| Directors emoluments (executive)     | 582                             | 1,209                           | 178                             | 240                             |
| Directors emoluments (non-executive) | 753                             | 915                             | 230                             | 182                             |
| Rentals                              | 238                             | 590                             | 73                              | 117                             |
| Other general expenses               | 3,636                           | 5,393                           | 1,112                           | 1,073                           |
|                                      | 16,759                          | 21,449                          | 5,129                           | 4,264                           |

Directors' emoluments have been split between executive and non-executive directors. There were no non-audit services rendered by the Group's auditors during the period.

Other general expenses relate to costs such as office maintenance costs, telecommunication costs, logistics costs and others.

## Notes to the interim condensed consolidated financial statements continued

### 9. Gain/ (loss) on foreign exchange - net

|                      | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 |
|----------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                      | \$'000                          | \$'000                          | ₦'m                             | ₦'m                             |
| Exchange gain/(loss) | 1,730                           | (2,441)                         | 529                             | (485)                           |

This is principally as a result of translation of naira denominated monetary assets and liabilities.

### 10. Fair value loss

|   | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | \$'000                          | \$'000                          | ₦'m                             | ₦'m                             |
| Hedging payments                            | (4,993)                         | -                               | (1,528)                         | -                               |
| Fair value loss on contingent consideration | (440)                           | (801)                           | (134)                           | (159)                           |
|   | <b>(5,433)</b>                  | <b>(801)</b>                    | <b>(1,662)</b>                  | <b>(159)</b>                    |

Hedging payments represents the payments for crude oil price options charged to profit or loss. Fair value loss on contingent consideration arises in relation to remeasurement of contingent consideration on the Group's acquisition of participating interest in its OMLs. The contingency criteria are the achievement of certain production milestones.

### 11. Finance income/ (costs)

|  | 3 months<br>ended<br>31 March 2017 | 3 months<br>ended<br>31 March 2016 | 3 months<br>ended<br>31 March 2017 | 3 months<br>ended<br>31 March 2016 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|  | \$'000                             | \$'000                             | ₦'m                                | ₦'m                                |
| <b>Finance income</b>                                  |                                    |                                    |                                    |                                    |
| Interest income  | 210                                | 2,700                              | 64                                 | 537                                |
| <b>Finance costs</b>                                   |                                    |                                    |                                    |                                    |
| Interest on bank loan and other bank charges           | 17,158                             | 21,954                             | 5,250                              | 4,365                              |
| Unwinding of discount on provision for decommissioning | 23                                 | 685                                | 7                                  | 136                                |
|  | 17,181                             | 22,639                             | 5,257                              | 4,501                              |
| <b>Finance income/ (cost) - net</b>                    | <b>(16,971)</b>                    | <b>(19,939)</b>                    | <b>(5,193)</b>                     | <b>(3,964)</b>                     |

### 12. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 31 March 2017 is 65.75% for crude oil activities and 30% for gas activities. As at 31<sup>st</sup> December 2016, the tax rates were 65.75% and 30% for crude oil and gas activities respectively.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of US\$210 million (2016: US\$192 million) in respect of losses amounting to US\$88 million (2016: US\$71 million) that can be carried forward against future taxable income. There are no expiration dates for the tax losses.

## Notes to the interim condensed consolidated financial statements continued

### 13. Loss per share (LPS)

#### Basic

Basic LPS is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid ordinary shares at the end of the period.

#### Diluted

Diluted LPS is calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (arising from outstanding share awards in the share based payment scheme) into ordinary shares.

|  | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | \$'000                          | \$'000                          | ₦'m                             | ₦'m                             |
| Loss for the period attributable to equity holders of the parent               | (19,137)                        | (18,829)                        | (5,855)                         | (3,741)                         |
|  | Share '000                      | Share '000                      | Share '000                      | Share '000                      |
| Weighted average number of ordinary shares in issue                            | 563,445                         | 560,576                         | 563,445                         | 560,576                         |
| Share awards   | 3,412                           | 189                             | 3,412                           | 189                             |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 566,857                         | 560,765                         | 566,857                         | 560,765                         |
|  | \$                              | \$                              | ₦                               | ₦                               |
| Basic loss per share   | (0.03)                          | (0.03)                          | (10.39)                         | (6.67)                          |
| Diluted loss per share   | (0.03)                          | (0.03)                          | (10.33)                         | (6.67)                          |
|  | \$'000                          | \$'000                          | ₦'m                             | ₦'m                             |
| Loss attributable to equity holders of the parent                              | (19,137)                        | (18,829)                        | (5,855)                         | (3,741)                         |
| Loss used in determining diluted loss per share                                | (19,137)                        | (18,829)                        | (5,855)                         | (3,741)                         |

### 14. Interest bearing loans & borrowings

Below is the net debt reconciliation on interest bearing loans and borrowings.

|                              | Borrowings<br>within 1 year<br>US\$'000 | Borrowings<br>above 1 year<br>US\$'000 | Total<br>US\$'000 | Borrowings<br>within 1 year<br>₦'m | Borrowings<br>above 1 year<br>₦'m | Total<br>₦'m   |
|------------------------------|---|--|-------------------|------------------------------------|-----------------------------------|----------------|
| Balance as at 1 January 2017 | 217,998                                 | 446,098                                | 664,096           | 66,489                             | 136,060                           | 202,549        |
| Loan transaction cost        | -                                       | 995                                    | 995               | -                                  | 304                               | 304            |
| Reclassification             | 2                                       | (2)                                    | -                 | 1                                  | (1)                               | -              |
| Principal repayment          | -                                       | (33,250)                               | (33,250)          | -                                  | (10,175)                          | (10,175)       |
| Exchange differences         | -                                       | -                                      | -                 | 436                                | 861                               | 1,297          |
| <b>Carrying amount</b>       | <b>218,000</b>                          | <b>413,841</b>                         | <b>631,841</b>    | <b>66,926</b>                      | <b>127,049</b>                    | <b>193,975</b> |

## Notes to the interim condensed consolidated financial statements continued

### 15. Trade and other receivables

|   | As at 31 March<br>2017<br>\$'000 | As at 31 Dec<br>2016<br>\$'000 | As at 31 March<br>2017<br>₦'m | As at 31 Dec<br>2016<br>₦'m |
|---|----------------------------------|--------------------------------|-------------------------------|-----------------------------|
| Trade receivables   | 86,686                           | 73,427                         | 26,613                        | 22,395                      |
| Nigerian Petroleum Development Company (NPDC) receivables | 230,300                          | 239,034                        | 70,702                        | 72,049                      |
| National Petroleum Investment Management Services         | 5,355                            | 8,233                          | 1,644                         | 2,511                       |
| Advances on investment                                    | 65,705                           | 65,705                         | 20,172                        | 20,040                      |
| Underlift   | 9,825                            | 4,498                          | 3,016                         | 1,372                       |
| Advances to suppliers                                     | 8,407                            | 8,921                          | 2,581                         | 2,720                       |
| Other receivables   | 1,074                            | 1,136                          | 330                           | 346                         |
|   |                                  |                                | -                             | -                           |
| Impairment loss on NPDC receivables                       | (10,260)                         | (10,260)                       | (3,150)                       | (2,273)                     |
|   | 397,092                          | 390,694                        | 121,908                       | 119,160                     |

#### 15a. Trade receivables:

Included in trade receivables are amounts due from NGC of US\$77 million (2016: US\$67 million) with respect to the sale of gas.

#### 15b. NPDC receivables:

NPDC receivables represent the outstanding cash calls due to Seplat from its JV partner, Nigerian Petroleum Development Company. The receivables have been discounted to reflect the impact of time value of money, and an impairment loss has been recognized in the financial statements. As at 31 March 2017, the undiscounted value of this receivable is US\$230 million (2016: US\$239 million).

#### 15c. Advances on investment:

This comprises an advance of US\$45million on a potential investment in OML 25 and US\$20.5 million currently held in an escrow account. Proceedings commenced against Newton Energy Limited, a wholly owned subsidiary of Seplat Plc by Crestar Natural Resources relating to the US\$20.5million currently held in an escrow account. The escrow monies relate to the potential acquisition of OML 25 by Crestar which Newton Energy has an option to invest into. These monies were placed in escrow in July 2015 pursuant to an agreement reached with Crestar and the vendor on final terms of the transaction.

## 16. Share capital

### 16a. Authorised and issued share capital

|   | As at 31 March<br>2017<br>\$'000 | As at 31 Dec<br>2016<br>\$'000 | As at 31 March<br>2017<br>₦'m | As at 31 Dec<br>2016<br>₦'m |
|---|----------------------------------|--------------------------------|-------------------------------|-----------------------------|
| <b>Authorised ordinary share capital</b>  |                                  |                                |                               |                             |
| 1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share                 | 3,335                            | 3,335                          | 500                           | 500                         |
| <b>Issued and fully paid</b>  |                                  |                                |                               |                             |
| 563,444,561 (2016: 563,444,561) issued shares denominated in Naira of 50 kobo per share | 1,826                            | 1,826                          | 283                           | 283                         |



## Notes to the interim condensed consolidated financial statements continued

### 16b. Employee share based payment scheme

As at 31 March 2017, the Group had awarded shares of 25,448,071 (2016: 25,448,071 shares) to certain employees and senior executives in line with its share based incentive scheme. During the first quarter ended 31 March 2017 no shares were vested (31 December 2016: 2,868,460 shares had vested, resulting in an increase in number of issued and fully paid ordinary shares of 50k each from 561 million to 563 million).

### 17. Trade and other payables

|                             | As at 31 March<br>2017 | As at 31 Dec<br>2016 | As at 31 March<br>2017 | As at 31 Dec<br>2016 |
|-----------------------------|------------------------|----------------------|------------------------|----------------------|
|                             | \$'000                 | \$'000               | ₦'m                    | ₦'m                  |
| Trade payables              | 108,012                | 108,140              | 33,160                 | 32,983               |
| Accruals and other payables | 151,042                | 117,600              | 46,370                 | 35,868               |
| NDDC levy                   | 2,466                  | 19                   | 757                    | 6                    |
| Deferred revenue            | 1,420                  | 1,420                | 436                    | 433                  |
| Royalties                   | 35,609                 | 34,349               | 10,932                 | 10,476               |
|                             | 298,549                | 261,528              | 91,655                 | 79,766               |

Included in accruals and other payables are advances against oil sales of US\$75m (2016: US\$32m), field-related accruals - US\$28m (2016: US\$35m) and other vendor payables of US\$48m (2016: US\$51m). Royalties include accruals in respect of gas sales for which payment is outstanding at the end of the period.

### 18. Computation of cash generated from operations

|   | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 | 3 months ended<br>31 March 2017 | 3 months ended<br>31 March 2016 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | \$'000                          | \$'000                          | ₦'m                             | ₦'m                             |
| Loss before tax   | (18,318)                        | (14,994)                        | (5,605)                         | (2,979)                         |
| Adjusted for:   |                                 |                                 |                                 |                                 |
| Depletion, depreciation and amortisation                                    | 12,473                          | 20,249                          | 3,816                           | 4,026                           |
| Interest on bank loan and other bank charges                                | 17,158                          | 21,954                          | 5,250                           | 4,365                           |
| Unwinding of discount on provision for decommissioning                      | 23                              | 685                             | 7                               | 136                             |
| Interest income   | (210)                           | (2,700)                         | (64)                            | (537)                           |
| Fair value loss on contingent consideration                                 | 440                             | 801                             | 134                             | 159                             |
| Unrealised foreign exchange (gain)/ loss                                    | (1,730)                         | 2,441                           | (529)                           | 485                             |
| Share based payments expenses   | 1,312                           | (805)                           | 401                             | (161)                           |
| Defined benefit expenses  | 555                             | -                               | 170                             | -                               |
| Fair value loss on derivative assets  |                                 | 3,073                           |                                 | 611                             |
| Gain on disposal of property, plant and equipment                           |                                 | (66)                            |                                 | (13)                            |
| Changes in working capital (excluding the effects of exchange differences): |                                 |                                 |                                 |                                 |
| Trade and other receivables, including prepayments                          | (1,143)                         | 87,602                          | (350)                           | 17,418                          |
| Trade and other payables  | 38,892                          | (48,964)                        | 11,901                          | (9,735)                         |
| Inventories   | 2,179                           | (5,225)                         | 667                             | (1,039)                         |
| Net cash from operating activities  | 51,631                          | 64,051                          | 15,798                          | 12,736                          |

# Notes to the interim condensed consolidated financial statements continued

## 19. Related party relationships and transactions

The Group is controlled by Seplat Petroleum Development Company Plc (the 'parent Company'). As at 31 March 2017, the parent Company is owned 11.91% either directly or by entities controlled by A.B.C. Orjiako ('SPDCL BVI') and members of his family and 13.15% either directly or by entities controlled by Austin Avuru ('Professional Support Limited' and 'Platform Petroleum Limited'). The remaining shares in the parent Company are widely held.

### 19a. Related party relationships

The services provided by the related parties:

**Abbeycourt Trading Company Limited:** The Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations.

**Berwick Nigeria Limited:** The Chairman of Seplat is a shareholder and director. The company provides construction services to Seplat in relation to a field base station in Sapele.

**Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited):** Is owned by common shareholders with the parent Company. The company provides drilling rigs and drilling services to Seplat.

**Helko Nigeria Limited:** The Chairman of Seplat is shareholder and director. The company owns the lease to Seplat's main office at 25A Lugard Avenue, Lagos, Nigeria.

**Keco Nigeria Enterprises:** The Chief Executive Officer's sister is shareholder and director. The company provides diesel supplies to Seplat in respect of its rig operations.

**Montego Upstream Services Limited:** The Chairman's nephew is shareholder and director. The company provides drilling and engineering services to Seplat.

**Nabila Resources & Investment Ltd:** The Chairman's in-law is a shareholder and director. The company provides lubricant to Seplat.

**Ndosumili Ventures Limited:** Is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.

**Neimeth International Pharmaceutical Plc:** The Chairman of Seplat is also the chairman of this company. The company provides medical supplies and drugs to Seplat, which are used in connection with Seplat's corporate social responsibility and community healthcare programmes.

**Nerine Support Services Limited:** Is owned by common shareholders with the parent Company. Seplat leases a warehouse from Nerine and the company provides agency and contract workers to Seplat.

**Oriental Catering Services Limited:** The Chief Executive Officer of Seplat's spouse is shareholder and director. The company provides catering services to Seplat at the staff canteen.

**Platform Petroleum Limited:** The Chief Executive Officer of Seplat is a director and shareholder of this company. The company seconded support staff to Seplat.

**ResourcePro Inter Solutions Limited:** The Chief Executive Officer of Seplat's in-law is its UK representative. The company supplies furniture to Seplat.

**Shebah Petroleum Development Company Limited (BVI) :** The Chairman of Seplat is a director and shareholder of SPDCL (BVI). SPDCL (BVI) provided consulting services to Seplat.

## Notes to the interim condensed consolidated financial statements continued

The following transactions were carried by Seplat with related parties:

### 19b. Related party relationships

| i) Purchases of goods and services        | 3 months ended | 3 months ended | 3 months ended | 3 months ended |
|---|----------------|----------------|----------------|----------------|
|   | 31 March 2017  | 31 March 2016  | 31 March 2017  | 31 March 2016  |
|   | \$'000         | \$'000         | ₦'m            | ₦'m            |
| <b>Shareholders of the parent company</b> |                |                |                |                |
| SPDCL (BVI)                               | 225            | 239            | 69             | 47             |
|   | 225            | 239            | 69             | 47             |

Entities controlled by key management personnel:

#### Contracts > \$1million in 2017

|                                  |       |       |     |     |
|----------------------------------|-------|-------|-----|-----|
| Nerine Support Services Limited* | 1,203 | 2,925 | 368 | 581 |
|                                  | 1,203 | 2,925 | 368 | 581 |

#### Contracts < \$1million in 2017

|                                       |              |              |            |              |
|---------------------------------------|--------------|--------------|------------|--------------|
| Abbey Court trading Company Limited   | 201          | 137          | 62         | 27           |
| Cardinal Drilling Services Limited    | 172          | 1,300        | 53         | 258          |
| Keco Nigeria Enterprises              | 73           | 27           | 22         | 5            |
| Ndosumili Ventures Limited            | 550          | 297          | 168        | 59           |
| Oriental Catering Services Limited    | 64           | 52           | 20         | 10           |
| ResourcePro Inter Solutions Limited   | -            | 74           | -          | 15           |
| Berwick Nigeria Limited               | -            | 28           | -          | 6            |
| Montego Upstream Services Limited     | -            | 558          | -          | 111          |
| Nabila Resources & Investment Limited | -            | 5            | -          | 1            |
|                                       | 1,060        | 2,478        | 325        | 492          |
| <b>Total</b>                          | <b>2,263</b> | <b>5,403</b> | <b>693</b> | <b>1,073</b> |

\* Nerine charges an average mark-up of 7.5% on agency and contract workers assigned to Seplat. The amounts shown above are gross and include salaries paid to contract workers and Nerine's mark-up. Total costs for agency and contracts during the first quarter ended 31 March 2017 is US\$1.2million.

### 19c. Balances

The following balances were receivable from or payable to related parties as at 31 March 2017:

| Prepayments / receivables                              | 3 months ended | 3 months ended | 3 months ended | 3 months ended |
|--|----------------|----------------|----------------|----------------|
|  | 31 March 2017  | 31 March 2016  | 31 March 2017  | 31 March 2016  |
|  | \$'000         | \$'000         | ₦'m            | ₦'m            |
| <b>Entities controlled by key management personnel</b> |                |                |                |                |
| Cardinal Drilling Services Limited                     | 6,211          | 8,007          | 1,907          | 1,589          |
|  | 6,211          | 8,007          | 1,907          | 1,589          |

| Payables   | 3 months ended | 3 months ended | 3 months ended | 3 months ended |
|--|----------------|----------------|----------------|----------------|
|  | 31 March 2017  | 31 March 2016  | 31 March 2017  | 31 March 2016  |
|  | \$'000         | \$'000         | ₦'m            | ₦'m            |
| <b>Entities controlled by key management personnel</b> |                |                |                |                |
| Cardinal Drilling Services Limited                     | 1,207          | -              | 371            | -              |
|  | 1,207          | -              | 371            | -              |

## Notes to the interim condensed consolidated financial statements continued

### 20. Commitments and contingencies

#### 20a. Operating lease commitments - group as lessee

The Group has entered into operating leases for the use of drilling rigs and rentals. The Group has no minimum lease payments to be disclosed because the total lease payment has been prepaid at inception of the lease.

#### 20b. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the period ended 31 March 2017 is US\$15.5 million (2016: US\$15.5 million). No provision has been made for this potential liability in these financial statements. Management and the Group's solicitors are of the opinion that the Group will suffer no loss from these claims.

### 21. Events after the reporting period

There was no significant event after the statement of financial position date which could have a material effect on the state of affairs of the Company as at 31 March 2017 and on the profit or loss for the first quarter ended on that date, which have not been adequately provided for or disclosed in these financial statements.

### 22. Compliance with FRC Rule 1

In compliance with the regulatory requirement in Nigeria that the CFO, who signs the Financial Accounts, must be a member of a professional accountancy body recognised by an Act of the National Assembly in Nigeria, the CFO of Seplat, Roger Brown, has been granted a waiver by the Financial Reporting Council of Nigeria to sign the 2017 First Quarter Report and Accounts without indicating any FRC registration number with the certification.

### 23. Exchange rates used in translating the accounts to Naira

The table below shows the exchange rates used in translating the accounts into Naira.

|                                 | Basis                | 31 March 2017 ₦/\$ | 31 March 2016 ₦/\$ | 31 December 2016 ₦/\$ |
|---------------------------------|----------------------|--------------------|--------------------|-----------------------|
| Fixed assets - opening balances | Historical rate      | Historical         | Historical         | Historical            |
| Fixed assets - additions        | Average rate         | 306                | 199                | 308                   |
| Fixed assets - closing balances | Closing rate         | 307                | 198                | 305                   |
| Current assets                  | Closing rate         | 307                | 198                | 305                   |
| Current liabilities             | Closing rate         | 307                | 198                | 305                   |
| Equity                          | Historical rate      | Historical         | Historical         | Historical            |
| Income and Expenses:            | Overall Average rate | 306                | 199                | 255                   |

## General information

|                                       |  |
|---------------------------------------|--|
| <b>Company secretary</b>              | Mirian Kachikwu  |
| <b>Registered office and business</b> |  |
| <b>Address of directors</b>           | 25a Lugard Avenue<br>Ikoyi<br>Lagos<br>Nigeria   |
| <b>Registered number</b>              | RC No. 824838  |
| <b>FRC number</b>                     | FRC/2015/NBA/00000010739   |
| <b>Auditors</b>                       | Ernst & Young<br>10 <sup>th</sup> & 13th Floor, UBA House<br>57 Marina Lagos.  |
| <b>Registrars</b>                     | DataMax Registrars Limited<br>7 Anthony Village Road<br>Anthony<br>P.M.B 10014<br>Shomolu<br>Lagos, Nigeria  |
| <b>Solicitors</b>                     | Abraham Uhumwagho & Co<br>Adepetun Caxton-Martins Agbor & Segun<br>(‘ACAS-Law’)<br>Austin and Berns Solicitors<br>Chief J.A. Ororho & Co.<br>Consolex LP<br>Freshfields Bruckhaus Deringer LLP<br>G.C. Arubayi & Co.<br>Herbert Smith Freehills LLP<br>J.E. Okodaso & Company<br>Norton Rose Fulbright LLP<br>Ogaga Ovwah & Co.<br>Olaniwun Ajayi LP<br>O. Obrik. Uloho and Co.<br>Streamsowers & Kohn<br>Thompson Okpoko & Partners<br>V.E. Akpoguma & Co.<br>Winston & Strawn London LLP |
| <b>Bankers</b>                        | Citibank Nigeria Limited<br>First Bank of Nigeria Limited<br>HSBC Bank<br>Skye Bank Plc<br>Stanbic IBTC Bank Plc<br>Standard Chartered Bank<br>United Bank for Africa Plc<br>Zenith Bank Plc   |