

Our business model and strategy introduction

Our business model and strategy have remained consistent since inception and have proven valid in both high and low oil price cycles.

A clear business model and strategy

Since inception we have been guided by a clear and consistent business model and strategy that have remained unchanged and are carefully designed to provide sustainable long-term value creation and growth for our shareholders and other stakeholders.

We aim to do this by leveraging our core strengths and expertise to capitalise on growth opportunities available to us across the upstream oil and gas value cycle.

Our business model sets out what we do and the fundamental structures, processes and resources we must have in place to deliver our strategy and manage risks to the business. Our strategy comprises the five key priorities that we have identified as essential in allowing us to run the business efficiently and responsibly in order to achieve our vision of being the leading African independent oil and gas company.





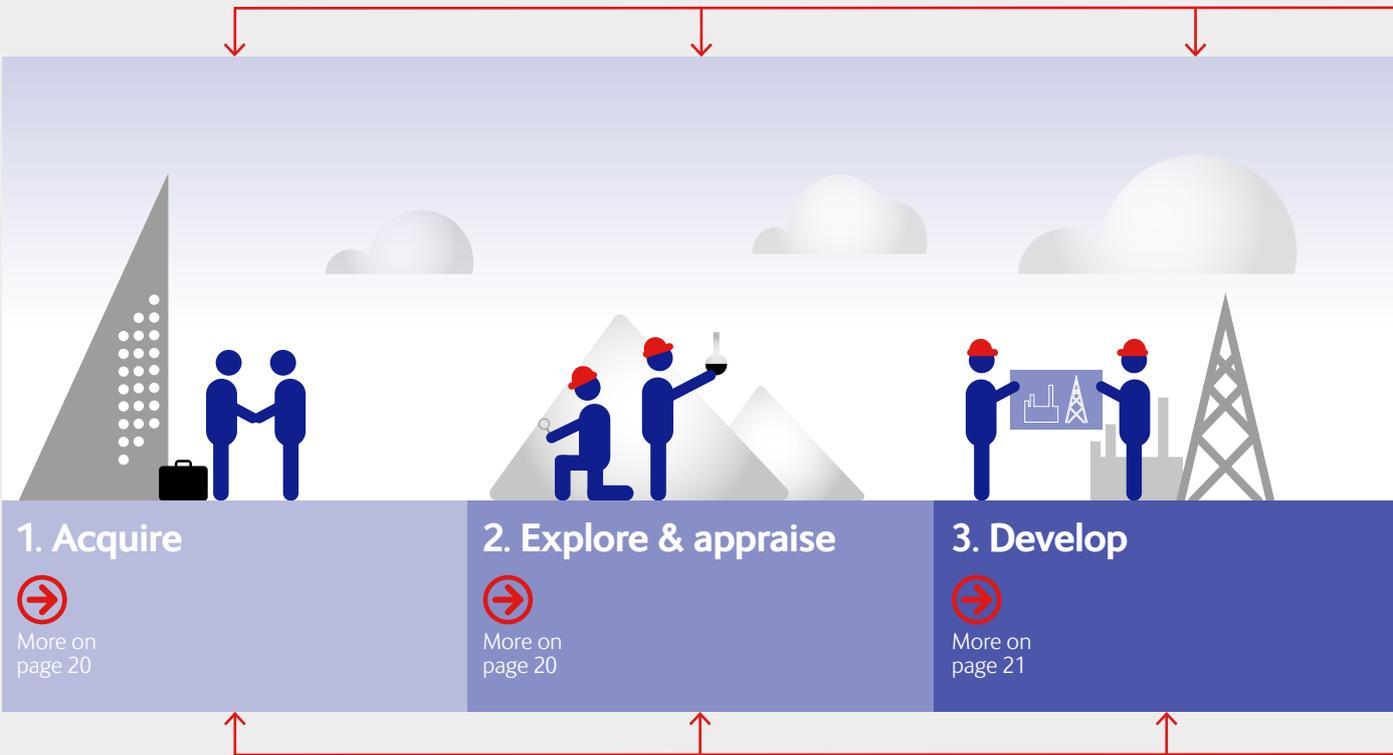
Seplat's competitive advantages:

- Strong margin cash flow
- Discretion over expenditures
- Access to deal flow and capital
- Diversification through gas business expansion

Leveraging our core strengths and expertise

Our business model has been carefully designed to create long-term value and shared prosperity for our shareholders and other stakeholders, leveraging our core strengths and expertise to capitalise on growth opportunities available to us across the upstream oil and gas value cycle.

Corporate responsibility



1. Acquire



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2. Explore & appraise



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3. Develop

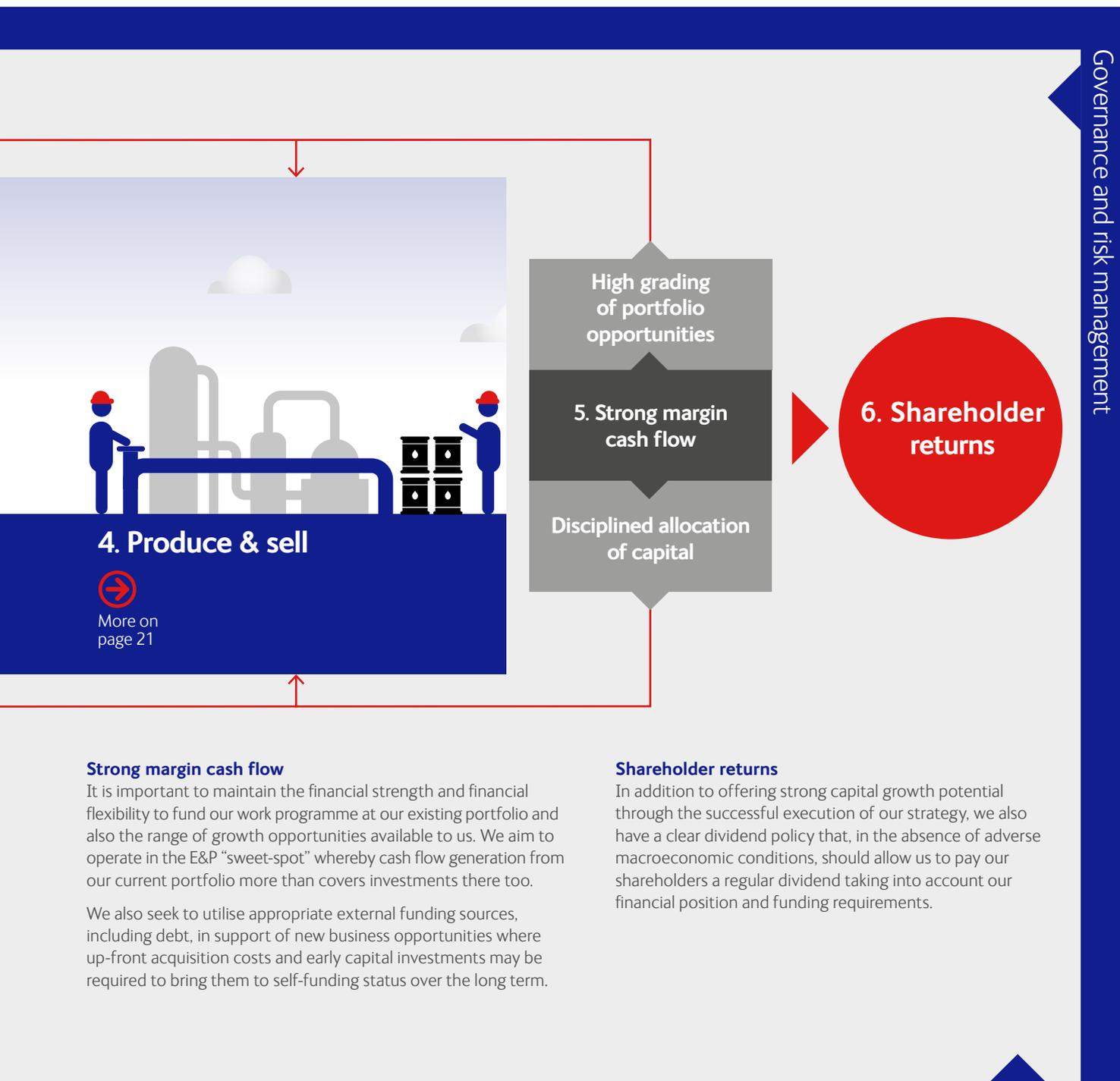


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High grading of portfolio opportunities and disciplined allocation of capital

We have assembled a multi-disciplinary team that has an in-depth knowledge of the areas in which we operate, both below and above the ground. When considering our capital investment opportunities, we benchmark each option in the context of the whole portfolio so that we can be sure that each dollar of capital deployed is allocated to those opportunities that meet our technical, commercial and strategic requirements.

Operational expertise



4. Produce & sell

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Strong margin cash flow

It is important to maintain the financial strength and financial flexibility to fund our work programme at our existing portfolio and also the range of growth opportunities available to us. We aim to operate in the E&P “sweet-spot” whereby cash flow generation from our current portfolio more than covers investments there too.

We also seek to utilise appropriate external funding sources, including debt, in support of new business opportunities where up-front acquisition costs and early capital investments may be required to bring them to self-funding status over the long term.

Shareholder returns

In addition to offering strong capital growth potential through the successful execution of our strategy, we also have a clear dividend policy that, in the absence of adverse macroeconomic conditions, should allow us to pay our shareholders a regular dividend taking into account our financial position and funding requirements.



1. Acquire



To date, we have acquired interests in six blocks in the onshore and swamp areas of the Niger Delta, Nigeria, and at any point in time we have an active pipeline of new acquisition and farm-in targets to help us grow our reserves and production on an ongoing basis.

In line with our strategy, we will maintain a price-disciplined approach and prioritise opportunities in the onshore to shallow water offshore areas of Nigeria that offer near-term production, cash flow and reserve replacement potential.

In 2015, Seplat acquired a 40% working interest in OML 53, onshore north eastern Niger Delta, and an effective 22.5% working interest in OML 55, coastal zone of south eastern Niger Delta. These acquisitions further expand our footprint in the Niger Delta and further cement our position as a leading indigenous independent E&P in Nigeria.

Access to capital is also key to fund the acquisition of new opportunities. In 2015 we successfully completed, in difficult market conditions, a US\$1 billion debt refinancing with a suite of Nigerian and international lending banks.

Key facts

- First Nigerian operator to acquire blocks from Major IOCs
- Six blocks acquired to date
- Ability to match opportunities with access to capital
- US\$1 billion debt refinancing completed in 2015



2. Explore & appraise



We will continue to appraise and test upside at our producing fields and also have a number of discovered but undeveloped discoveries on our blocks, some of which may be considered as appraisal targets in the future.

In 2015, we did not drill any exploration wells, electing to focus capital expenditures to development drilling opportunities that would offer the greatest cash returns and rapid payback.

The Ogegere-1 exploration well that was drilled in 2014 on OML 38 encountered oil bearing sands and indicated the potential for a new play, at greater depths than the primary target, which we continue to assess further on our acreage.

Through the acquisition of interests in OML 53 and OML 55 in 2015 we have not only extended our inventory of development opportunities but also our inventory of exploration leads and prospects. It is our intention to fully assess the exploration potential of the new blocks and incorporate into our overall planning in future years.

Key facts

- Evaluating potential for a new deeper exploration play in OMLs 4, 38 and 41
- OML 53 and OML 55 expand inventory of E&A growth opportunities
- Focus on opportunities close to infrastructure that can be monetised rapidly



3. Develop



Seplat has consistently been one of the most active drillers in Nigeria and has successfully undertaken and completed significant facilities and infrastructure projects on a fast-track timetable and within budget.

Since we acquired our interest in OMLs 4, 38 and 41 in July 2010, as operator we have drilled 45 new development wells, completed multiple workovers, reactivated production from pre-existing wells, constructed and installed a new liquid treatment facility, upgraded and significantly expanded the Oben gas plant, completed a new liquids pipeline linking our assets directly to the Warri refinery, installed additional storage capacity and implemented gas lift to aid our production with pressure support.

Another indicator of how actively we are developing our portfolio is the number of rigs engaged. In 2014, we had seven rigs engaged over the course of the year, the most of any operator onshore in the Niger Delta and drilled 23 wells (more than any other company). In 2015 we had five rigs engaged over the course of the year and drilled eight wells, reflecting adjustments made to the discretionary work programme in response to the sharp drop in oil price.

Key facts

- Proven track record as a skilled operator
- Consistently one of the most active drillers in Nigeria
- Installed and commissioned the Oben gas plant Phase I expansion in just five months with Phase II underway to take gross processing capacity to a minimum of 525 MMscfd in 2017
- Full discretion over future work programmes and flexibility to respond to macro conditions



4. Produce & sell



Seplat has grown oil production every year since inception and has more than doubled gas production since the Oben gas plant Phase I expansion was commissioned. With a significant undeveloped resource base Seplat has a portfolio capable of yielding significant further growth in coming years.

At OMLs 4, 38 and 41 we have increased liquids production six-fold from an initial gross rate of 14,000 bopd at time of acquisition in 2010 to a 2015 peak rate of over 84,000 bopd. Similarly, we have seen our annualised average working interest production grow during this period, from 21,431 boepd in 2011 (our first full year of operations) to 43,372 boepd in 2015.

In 2012, we became the first operator in the Niger Delta to install a Lease Automated Custody Transfer unit, greatly improving our metering of input to the Trans Forcados Pipeline. As a result we have seen reconciliation losses allocated to Seplat reduce to current levels of around 10% to 12% compared to an average of around 18% to 2015 pre installation.

Seplat has grown its natural gas output dramatically and regularly supplies over 300 MMscfd gross exclusively to the domestic market, enough gas to underpin over a third of Nigeria's current power generation.

Key facts

- Grown oil production every year since inception
- Operates enough gas production to underpin over a third of Nigeria's current power generation
- Significant inventory of future development and appraisal projects in current portfolio to provide continued growth in coming years

A sound and consistent strategy for growth

Since inception we have been guided by a clear and consistent strategy that is supportive of our long-term strategic vision to be the leading indigenous African independent oil and gas company.

Strategic pillar	Description
1 Maximise production and cash flows from operated assets	The development stage of the upstream value chain is where the majority of capital investments are usually made. It is imperative that we do this well, maintaining strict cost control, implementing the most appropriate technical solutions and organising ourselves and our service providers so that we deliver projects on time and within budget. This enables us to generate strong margins and predictable cash flows from our production, which in turn underpins our ability to fund our work programme. At the same time, we seek to improve operational efficiency by maximising uptime, reducing reconciliation losses, mitigating asset concentration and sole reliance on third party export infrastructure.
2 Move up 2C resources into 2P reserves category	We have an active drilling programme that, in addition to development wells, has an appraisal component built in so that we are constantly testing upside potential at our assets, gathering new information to allow us to maximise hydrocarbon recovery from the reservoirs and capitalise on low risk reserve addition opportunities. We also recognise the importance of exploration as a means of growing reserves. It is our intention that we will return to our objective of drilling at least one exploration well per year when oil prices recover and stabilise, with a focus on prospects that if successful can offer rapid monetisation, utilising our existing infrastructure where possible.
3 Commercialise and produce gas reserves	Nigeria has a vast natural gas resource that, to date, has barely been developed. We see the commercialisation and monetisation of Nigeria's natural gas resource as an attractive long-term opportunity and have strategically positioned ourselves by developing the Oben facility as a core gas hub through which Nigeria's greatest demand centres can be accessed and supplied. During periods of oil price weakness, the gas business takes on added importance. Gas prices are de-linked from oil price and have steadily increased to commercial levels, meaning that we can confidently plan, finance and invest in gas opportunities independent of oil price dynamics.
4 Pursue a focused acquisition and farm-in strategy	We see a rich opportunity set and a wide range of growth opportunities in Nigeria including further asset divestments from the Major IOCs, asset farm-in and acquisition opportunities amongst the independent E&P sector as liquidity in the secondary asset inevitably increases and future licensing awards occur. Our focus is on securing blocks in the onshore to shallow water areas of the Niger Delta that offer near-term production growth, cash flow and reserve replacement potential.
5 Be a highly responsible corporate citizen	Being a highly responsible and accountable corporate citizen is a key priority of ours. We recognise that minimising the effects of our activities on the environment, understanding local issues, positively contributing to our local communities, being a first-rate employer and providing our staff with a safe working environment and career development opportunities are essential enablers that allow us to achieve our goals. Underpinning all of this is a strict adherence to strong corporate governance and business integrity throughout our organisation.



Key performance indicators:
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Risk management:
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Measuring our performance

Risk

Outlook

- Working interest production
- Earnings before interest and tax ('EBIT')
- Opex per boe

Oil and gas production operations have a number of risks attached, above and below the ground. The Company has a skilled technical team with a detailed knowledge of the geology and reservoir dynamics to allow optimal production solutions to be implemented. Above the ground, the Company has clear systems and procedures in place to ensure the safe and secure operation of its oil and gas production, processing and transportation facilities.

- Disciplined allocation of capital to growth opportunities that offer strongest returns
- Enlarged portfolio offers greater optionality and more robust high-grading
- Right-sizing of capital investments to match prevailing environment and continued downward pressure on cost base

- Reserves replacement

Exploration activities are focused on determining the presence of hydrocarbons whilst appraisal activities are focused on better defining and assessing the commerciality of a hydrocarbon discovery. Both activities by definition carry significant geological risk, so the technical maturity of an E&A target is key to narrowing the range of risk and uncertainty. Seplat seeks to use available technologies including seismic analysis to minimise pre-drill risks and maximise chances of a successful drilling outcome.

- Continued evaluation and high-grading of the E&A potential within Seplat's portfolio
- Assessment of OML 53 and OML 55 E&A potential
- Resume plans to drill one exploration well a year when oil prices permit

- Gas reserves, production and revenues

Despite the abundance of resources in the ground, the natural gas sector in Nigeria is at a relatively nascent stage of development and requires significant ongoing investment to grow capacity. The pace at which the sector grows and scale of investment will to a large extent dictate the timing and magnitude of opportunities for producers such as Seplat.

- Oben Phase II expansion to take gross processing capacity to a minimum of 525 MMscfd in 2017
- Progress development of OML 53 strategic gas resource and aim to aggregate additional opportunities
- Increase supply to the domestic market

- Portfolio expansion
- 2P reserves and 2C resources
- Working interest production

Competition for upstream oil and gas blocks in Nigeria is intense and there are an increasing number of industry participants seeking to grow their presence in or gain access to the sector. High levels of competitive tension can drive acquisition prices higher. Oil price volatility also presents increased uncertainty when evaluating opportunities and access to capital can also constrain ability to successfully execute transactions.

- Continued pursuit of our focused acquisition strategy
- Price discipline and seek to implement innovative structures to protect the balance sheet
- Targeting both oil and gas

- Lost time incident frequency ('LTIF')
- Corporate responsibility initiatives

Failure to adhere to the highest standards of corporate responsibility can severely impede the Company's ability to efficiently operate its current portfolio, access new business opportunities, secure capital and ultimately deliver value accretion to its shareholders.

- Continually strive to improve environmental, health and safety performance
- Strict adherence and commitment to international governance standards
- Positively contribute to our host communities