# EFORA ENERGY LIMITED

Incorporated in the Republic of South Africa
(Registration number 1993/000460/06)
JSE share code: EEL
ISIN: ZAE000248258
LEI: 213800Z9GDANDTE13745
("Efora" or "the Company" or together with its subsidiaries and joint venture "the Group")

# CONDENSED CONSOLIDATED UNREVIEWED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

## SALIENT FEATURES

- **Revenue of R0.7 billion (August 2019: R1.0 billion), a decrease of 30% primarily due to the impact of the COVID-19 lockdown and the loss of a key customer**
- **Impairment of exploration and evaluation assets by R118.9 million due to the decision not to renew the Block III exploration licence (August 2019: nil)**
- **Impairment of the receivable from Transcorp by R203.9 million to align with settlement terms. Settlement agreement concluded post period.**
- **Impairment of Lagia oil and gas properties and intangible assets by R36.9 million (August 2019: RNil)**
- **Deferred payment plan agreed with Encha which resulted in an impairment of the amount due to the Company by R64.3 million**
- **A decrease in the cash operating cost base by R18.4 million to R40.4 million (August 2019: R58.8 million) underpinned by decreases in remuneration, consulting, legal, travel, rental and other costs**
- **A net monetary loss of R12.2 million on application of hyperinflation accounting for operations in Zimbabwe**
- **Overall, a loss after tax of R440.1 million (August 2019: profit of R2.7 million)**
- **A decrease of R435.8 million in total shareholders' equity impacted mainly by impairments and operational losses from key subsidiaries**
- **A decline in cash generated from operations by R29.6 million**
- **Post period, commencement of business rescue proceedings at Afric Oil**
- **Post period, disposal of Mena**

## PERFORMANCE REVIEW

### NEGATIVE IMPACT OF DEVELOPMENTS WITH COVID-19 ON OUR CORE BUSINESS

The 2020 financial year was an unprecedented one for all businesses globally. The South African economy in particular was under hard lockdown for the first half of the review period. This meant that the demand for fuel products was also unprecedentedly low for our key fuel wholesale operations at Afric Oil Proprietary Limited ("Afric Oil"), compounded by the prior-period loss of a key customer. The easing of restrictions in the second half of the review period did not yield the anticipated relief on the operational pressures at our core operations, in part due to the curtailment of activities by our key customer base. Revenue reported for the six months to August 2020 therefore declined to R0.7 billion compared to R1.0 billion in the prior comparative period, 99.9% of which is attributable to the Afric Oil business.

### EXPIRY OF THE BLOCK III LICENCE

We have for some time pursued the renewal of the Block III exploration licence which was delayed in part by the geopolitical situation in the Democratic Republic of Congo ("DRC") and the exit of our former partner on the block, Total E&P RDC ("Total"). In July 2021, following a number of engagements with the DRC Government and consideration of the hydrocarbons laws in the DRC, the Board of Directors ("Board") of Efora resolved not to continue to pursue the renewal of the exploration licence which expired in July 2020. The Board also took into consideration the Group's obligation to fund its working interest in the block given the expiry of the cost carry arrangement previously provided by Total. This resulted in the impairment of our prior investment in exploration activities by R118.9 million (see note 7.1).

### IMPAIRMENT OF TRANSCORP RECEIVABLE

The recovery of the funds owed to the Group by Transnational Corporation of Nigeria Limited ("Transcorp") had been a long outstanding litigation matter initiated in 2015. During the period under review, given the protracted and costly legal processes in Nigeria, we engaged Transcorp on a possible settlement arrangement. Whilst the settlement agreement only came into effect in November 2020, the terms under consideration at 31 August 2020 included the settlement of US$5.5 million by Transcorp over a period of a year. This resulted in the impairment of the Transcorp receivable by R203.9 million to reflect the amount the Group expected to recover from Transcorp (see notes 8 and 22).

### IMPAIRMENT OF UNDERPERFORMING ASSETS AT MENA

The Mena International Petroleum Corporation ("Mena") operational activity continued to decline, with minimal revenue recorded from the field during the period. Mena is the owner of the Lagia Oil Field ("Lagia") development lease in Egypt. We have over the years experienced challenges in raising additional funding to further develop the field which has unfortunately led to a continued decline in field production, despite a number of interventions introduced since the acquisition of the asset in 2014. In June 2020 the Board made the tough decision to extract the remaining value of the asset through disposal rather than continued use, which has led to the classification of the Mena assets and liabilities as held for sale and, prior to this reclassification, we impaired the oil and gas properties and petroleum reserves intangible assets by R36.9 million (US$2.2 million), underpinned by an independent third-party valuation. Management had for a number of years sought strategic partnerships through partial divestment of our interest in the asset in order to manage our exposure, but these efforts did not yield the desired outcome. At 31 August 2020 Mena oil and gas properties and petroleum reserves intangible assets were valued at R5.9 million (US$0.35 million) (see notes 7.2 and 12).

### ENCHA DEFERRED PAYMENT PLAN

In August 2020 the Company agreed to a deferred payment plan whereby Encha would settle R85.75 million over a four-year period subject to all payment commitments being met as and when they fell due (see note 8 for payment terms). This resulted in an impairment of the amount due from Encha by R64.3 million which includes a time value of money adjustment of R16.0 million attributable to the deferral of some of the expected cash flows.

Encha was due to pay R20.0 million on June 2021 under the deferred payment plan and has defaulted on this payment obligation. The Litigation Update section below and note 22 provide further details which occurred post the reporting period in relation to this receivable.

### MANAGING OUR CASH OPERATING COST BASE

Cost containment continues to be a crucial component of our strategic initiatives. Our key focus areas included seeking a reduction in our remuneration costs, consulting fees and legal costs which decreased by R3.6 million, R1.6 million and R2.6 million, respectively during the period under review. This was brought about mainly by streamlining the management structures across the Group, capacity building within our existing resource pool and prioritisation of legal matters to pursue.

Travel costs were also favourably impacted by the lockdown restrictions during the period and decreased by R0.9 million. The restructuring of our leasing arrangements resulted in a further cost saving of R1.8 million. The Group's remaining cash operating costs decreased by R7.9 million mainly due to decreases in external audit fees, office expenses, training costs, recruitment expenses and vehicle costs.

Overall, our cash operating cost base decreased by R18.4 million during the period under review. The Group's total operating costs are presented in note 4.

## FINANCIAL POSITION

The impairments and operational losses at our key subsidiaries incurred during the review period resulted in a decline in shareholders' equity which decreased by R435.8 million to a negative R22.1 million.

### NON-COMPLIANCE WITH DEBT REPAYMENT OBLIGATIONS

Compliance with the terms of the loan agreement with the Unemployment Insurance Fund ("UIF") remained a challenge given the decline in cash flows generated from operations from R36.8 million in the previous comparative period to R7.1 million for the six months under review. Consequently, Afric Oil settled only R6.0 million during the period out of repayment obligations totalling R24.6 million which resulted in it being in default of loan terms. Management had engaged the Public Investment Corporation ("PIC"), manager of the UIF, regarding the restructuring of the loan terms and its proposal was under consideration at 31 August 2020.

In January 2021 a notice was received from the PIC demanding settlement of R56.4 million in loan repayments outstanding as at 31 December 2020 by 12 February 2021. Due to ongoing cash constraints Afric Oil was unable to pay this amount. This subsequently led the UIF to obtain an interim court order against Afric Oil the effect of which was to take possession of its moveable and immoveable assets. Due to the financial distress experienced by the company, the Board of Directors of Afric Oil resolved to place the company under voluntary business rescue in April 2021.

A key factor which impacted the viability of the Group was its ability to settle the UIF loan repayments as and when they fell due. The institution of business rescue proceedings at Afric Oil, by virtue of the nature of such proceedings, will result in the full discharge of Afric Oil's indebtedness to the UIF through the implementation of the business rescue plan – in this instance the disposal of Afric Oil to Royale Energy Proprietary Limited ("Royale") as set out in note 22. In this regard the Group no longer has an obligation to fund Afric Oil and this development has been taken into account in performing the going concern assessment of the Group.

## OPERATIONAL REVIEW

### AFRIC OIL, SOUTH AFRICA

Volumes of fuel products sold by the business decreased by 19.4% relative to the prior comparative period and comprised sales mainly to customers in the mining and transport industries which remained operational during the lockdown period. As mentioned in our opening paragraph, despite our core subsidiary being classified as an essential services provider, volumes sold were negatively impacted by the lockdown restrictions. Shortages of fuel products due to the shutdown of refineries during the lockdown and the sabotage on the Transnet multi-product pipeline further impacted the volumes sold by the Group. These developments had a material impact on Afric Oil and ultimately resulted in its inability to generate adequate cash flows to meet its debt repayment obligations. Afric Oil was subsequently placed under business rescue in April 2021 as outlined in note 22.

### LAGIA, EGYPT

The Lagia operations remained on cold flow during the period under review due to the suspension of the development plan as a result of funding constraints. Crude oil output was therefore minimal during the review period.

In June 2020 the Board of Directors of Efora completed the strategic review of its investment in Mena and resolved to dispose of its 100% interest in the company. The disposal of Mena was subsequently completed in September 2021 for a consideration of US$0.35 million.

### CRUDE TRADING, NIGERIA

There was no crude trading activity during the review period due to the shortage of supply of crude oil under the contract with the Nigerian National Petroleum Corporation ("NNPC"), in addition to developments with COVID-19. The crude trading licence expired in May 2020 and an application for a new licence will be lodged with the

NNPC in the coming months. The Group is also exploring other crude trading opportunities on the African continent.

### BLOCK III, DRC

No exploration activities were undertaken during the review period. The licence for Block III expired at the end of July 2020 and, as mentioned above, the Board in July 2021 took the decision not to renew the exploration permit.

## GOING CONCERN

The Board has performed an assessment of the Group's operations relative to available cash resources taking into account the information provided in note 21. The condensed consolidated unreviewed interim financial statements presented have therefore been prepared on a going concern basis.

## LITIGATION UPDATE

Encha defaulted on the payment of R20.0 million which was due on 30 June 2021. Accordingly, Encha has failed to comply with the Company's deferred payment plan (as set out in note 8) and as such repudiated the agreement for the waiver and deferred payment of any amount. The full balance of R75.0 million plus interest at prime plus 3% up until settlement date is now due and payable. Efora resolved to take legal action to recover the debt and to this effect is pursuing Encha in the High Court via a filed liquidation application. The liquidation process has now been suspended pending the conclusion of a settlement agreement with Encha.

## UPDATE ON OUTSTANDING FINANCIAL STATEMENTS

The Company's shares are currently suspended from trading on the JSE due to outstanding financial reporting for the year ended 28 February 2021. Afric Oil is a key entity in the Group and the finalisation of its results for the year then ended was impacted by the ongoing business rescue proceedings which also posed challenges regarding the commencement of its annual audit. We are now aiming to complete all audits of the Group companies in February 2022 with the expectation to issue the Group audited financial statements for the year ended 28 February 2021 on or about 28 February 2022.

On 30 November 2021 the Company also became non-compliant with respect to its reporting obligations for the six months ended 31 August 2021 and will aim to issue the outstanding financial report by April 2022. Thereafter an application will be lodged with the JSE requesting the lifting of the suspension.

## EXEMPTION FROM PUBLISHING REVIEWED INTERIM RESULTS

Due to the adverse opinion issued for the Group annual financial statements for the year end 29 February 2020 wherein the auditors concluded that sufficient audit evidence could not be obtained that the Group was a going concern, paragraph 3.18(b) of the JSE Listings Requirements mandates that the interim results for the six months ended 31 August 2020 be reviewed. The Company applied for an exemption from applying the requirements of paragraph 3.18(b) which was granted by the JSE. The condensed consolidated interim financial statements presented are therefore unreviewed and are unaudited.

The interim review would otherwise have cost the Company R1.0 million and would have delayed the publishing of the audited annual financial statements for the year ended 28 February 2021 on the anticipated date as indicated above. These audited financial statements, in addition to being more recent, will provide all our stakeholders with more comfort given the level of assurance provided by an audit and will contain further updates on the finalisation of the sale of Afric Oil to Royale.

## OUTLOOK

In the coming months the following matters will be at the top of our agenda:

- finalisation of the strategic review to reposition the Group in the oil and gas sector and evaluation of a number of business development opportunities;
- collection of amounts owed to the Group by Encha;
- finalisation of the disposal of Afric Oil to Royale;
- finalisation of the application for a crude trading licence in Nigeria; and
- resolution the Group's non-compliance with continuing financial reporting obligations.

## CHANGE IN DIRECTORATE

Darrin Arendse was appointed as Interim CEO on 5 May 2021 following the resignation of Damain Matroos on 5 February 2021.

Thabang Monametsi was appointed as Interim CFO effective 1 April 2021.

Vuyo Ngonyama was appointed as Chairman of the Efora Board of Directors on 16 April 2021 following the resignation of Boas Seruwe on 15 April 2021.

# CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Unreviewed Six months to 31 August 2020 R'000 | Unreviewed Six months to 31 August 2019 R'000 |
|---|---|---|---|
| Revenue | 3 | **705 190** | 968 183 |
| Cost of sales | | **(695 935)** | (945 087) |
| **Gross profit** | | **9 255** | 23 096 |
| Other income | | **36 242** | 47 765 |
| Other operating costs | 4 | **(484 148)** | (67 525) |
| **(Loss)/profit from operations** | | **(438 651)** | 3 336 |
| Share of loss from joint venture, net of taxation | | **–** | (181) |
| Finance income | | **21 418** | 13 008 |
| Finance costs | | **(10 737)** | (13 499) |
| Net monetary loss | 5 | **(12 156)** | – |
| **(Loss)/profit before taxation** | | **(440 126)** | 2 664 |
| Taxation | | **–** | – |
| **(Loss)/profit for the period** | | **(440 126)** | 2 664 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified to profit or loss in subsequent periods:** | | | |
| Exchange differences on translation of foreign operations[1] | | **4 325** | 15 198 |
| **Other comprehensive income for the period** | | **4 325** | 15 198 |
| **Total comprehensive (loss)/income for the period** | | **(435 801)** | 17 862 |
| **(Loss)/profit attributable to:** | | | |
| Equity holders of the Company | | **(424 313)** | 9 135 |
| Non-controlling interest | | **(15 813)** | (6 471) |
| **(Loss)/profit for the period** | | **(440 126)** | 2 664 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Equity holders of the Company | | **(420 635)** | 24 497 |
| Non-controlling interest | | **(15 166)** | (6 635) |
| Total comprehensive (loss)/income for the period | | **(435 801)** | 17 862 |
| **(Loss)/earnings per share** | | | |
| Basic (cents) | 6 | **(38.44)** | 0.83 |
| Diluted (cents) | 6 | **(38.44)** | 0.83 |

[1] This component of other comprehensive income does not attract taxation.

# CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF FINANCIAL POSITION

| | Notes | Unreviewed As at 31 August 2020 R'000 | Audited As at 29 February 2020 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 7.1 | – | 110 857 |
| Oil and gas properties | 7.2 | – | 32 147 |
| Loans and other non-current receivables | 8 | **45 071** | 256 189 |
| Intangible assets | 7.2 | **1 339** | 9 953 |
| Right-of-use assets | | **6 750** | 7 154 |
| Property, plant and equipment | 9 | **44 259** | 53 167 |
| **Total non-current assets** | | **97 419** | 469 467 |
| **Current assets** | | | |
| Loans and other current receivables | 8 | **103 217** | 124 187 |
| Inventories | | **6 968** | 11 223 |
| Trade and other receivables | 10 | **63 540** | 93 240 |
| Cash and cash equivalents | 11 | **74 146** | 68 188 |
| **Total current assets** | | **247 871** | 296 838 |
| Assets held for sale | 12 | **14 756** | – |
| **Total assets** | | **360 046** | 766 305 |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Stated capital | 13 | **1 668 354** | 1 668 354 |
| Reserves | | **140 550** | 136 872 |
| Accumulated loss | | **(1 779 554)** | (1 355 241) |
| Equity attributable to equity holders of the Company | | **29 350** | 449 985 |
| Non-controlling interest | | **(51 401)** | (36 235) |
| **Total shareholders' equity** | | **(22 051)** | 413 750 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | | **6 158** | 6 434 |
| **Total non-current liabilities** | | **6 158** | 6 434 |
| **Current liabilities** | | | |
| Borrowings | 14 | **190 354** | 186 062 |
| Lease liabilities | | **482** | 463 |
| Loan from joint venture | | **13 713** | 12 940 |
| Taxation payable | | **8 164** | 8 366 |
| Trade and other payables | 15 | **159 723** | 138 290 |
| **Total current liabilities** | | **372 436** | 346 121 |
| **Total liabilities** | | **378 594** | 352 555 |
| Liabilities directly associated with assets held for sale | 12 | **3 503** | – |
| **Total equity and liabilities** | | **360 046** | 766 305 |

# CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF CHANGES IN EQUITY

| | Stated capital R'000 | Foreign currency translation reserve ("FCTR") R'000 | Share-based payment reserve R'000 |
|---|---|---|---|
| **For the six months ended 31 August 2020** | | | |
| **Balance at 29 February 2020** | **1 668 354** | **126 379** | **10 493** |
| Changes in equity: | | | |
| Loss for the period | **–** | **–** | **–** |
| Other comprehensive income for the period | **–** | **3 678** | **–** |
| Total comprehensive income/(loss) for the period | **–** | **3 678** | **–** |
| **Balance at 31 August 2020** | **1 668 354** | **130 057** | **10 493** |
| **For the six months ended 31 August 2019** | | | |
| **Balance at 28 February 2019** | 1 668 354 | 92 340 | 10 493 |
| Changes in equity: | | | |
| Profit/(loss) for the period | – | – | – |
| Other comprehensive income/(loss) for the period | – | 15 362 | – |
| Total comprehensive income/(loss) for the period | – | 15 362 | – |
| **Balance at 31 August 2019** | 1 668 354 | 107 702 | 10 493 |

| | Total reserves R'000 | Accumulated loss R'000 | Total equity attributable to equity holders of the Company R'000 | Non-controlling interest ("NCI") R'000 | Total equity R'000 |
|---|---|---|---|---|---|
| | **136 872** | **(1 355 241)** | **449 985** | **(36 235)** | **413 750** |
| | **–** | **(424 313)** | **(424 313)** | **(15 813)** | **(440 126)** |
| | **3 678** | **–** | **3 678** | **647** | **4 325** |
| | **3 678** | **(424 313)** | **(420 635)** | **(15 166)** | **(435 801)** |
| | **140 550** | **(1 779 554)** | **29 350** | **(51 401)** | **(22 051)** |
| | 102 833 | (1 333 414) | 437 773 | (3 811) | 433 962 |
| | – | 9 135 | 9 135 | (6 471) | 2 664 |
| | 15 362 | – | 15 362 | (164) | 15 198 |
| | 15 362 | 9 135 | 24 497 | (6 635) | 17 862 |
| | 118 195 | (1 324 279) | 462 270 | (10 446) | 451 824 |

# CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF CASH FLOWS

| | Unreviewed Six months to 31 August 2020 R'000 | Unreviewed Six months to 31 August 2019 R'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash from operations | **7 124** | 36 760 |
| Finance income | **821** | 1 311 |
| Finance costs | **(548)** | (203) |
| **Net cash from operating activities** | **7 397** | 37 868 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(267)** | (998) |
| Disposal of property, plant and equipment | **145** | 83 |
| Repayments of loans and other receivables | **5 000** | 1 200 |
| **Net cash from investing activities** | **4 878** | 285 |
| **Cash flows from financing activities** | | |
| Repayments of borrowings | **(6 000)** | (29 480) |
| Loan from joint venture | **(63)** | – |
| Repayments of lease liabilities | **(257)** | (565) |
| **Net cash used in financing activities** | **(6 320)** | (30 045) |
| **Total movement in cash and cash equivalents for the period** | **5 955** | 8 108 |
| Foreign exchange gains on cash and cash equivalents | **3** | – |
| Cash and cash equivalents at the beginning of the period | **68 188** | 61 875 |
| **Cash and cash equivalents at the end of the period** | **74 146** | 69 983 |

# SELECTED NOTES TO THE CONDENSED CONSOLIDATED UNREVIEWED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

## 1 BASIS OF PREPARATION

The condensed consolidated unreviewed interim financial statements comprising Efora Energy Limited, its subsidiaries and joint venture (together "the Group"), for the six months ended 31 August 2020, have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") and in accordance with and containing the information required by the International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants' ("SAICA") Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited ("JSE") Listings Requirements and the requirements of the Companies Act, No. 71 of 2008, as amended. The condensed consolidated unreviewed interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at amortised cost, and have been modified for the effects of inflation with respect to a subsidiary of the Group which operates in a hyperinflationary economy. The economy in Zimbabwe is now considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiary in Zimbabwe have been expressed in terms of the measuring unit current at the reporting date. The condensed consolidated unreviewed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended 29 February 2020 which were prepared in accordance with IFRS.

These condensed consolidated unreviewed interim financial statements have been prepared on a going concern basis after taking into account the matters in note 21. All monetary information is presented in South African Rand and is rounded to the nearest thousand.

### PRINCIPAL ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed in the preparation of these condensed consolidated unreviewed interim financial statements as those applied in the preparation of the Group's annual financial statements for the year ended 29 February 2020. Standards and interpretations which came into effect during the period under review were either not relevant to the Group or did not have a material impact.

## 2 PREPARATION OF THE CONDENSED CONSOLIDATED UNREVIEWED INTERIM FINANCIAL STATEMENTS

The Directors take full responsibility for the preparation of these condensed consolidated unreviewed interim financial statements for the six months ended 31 August 2020. The condensed consolidated unreviewed interim financial statements have been prepared under the supervision of the Interim Chief Financial Officer, Thabang Monametsi CA (SA), and have not been audited or reviewed by the Group's external Auditor, SizweNtsalubaGobodo Grant Thornton Inc.

## 3 SEGMENTAL REPORTING

The Group has identified reportable segments that are used by the Group Executive Committee (Chief Operating Decision-maker) to make key operating decisions, allocate resources and assess performance. For management purposes the Group is organised and analysed by geographical locations. For the period under review the Group operated in the following locations: South Africa, Egypt, Nigeria, DRC, Zimbabwe, Zambia and Mauritius. The Group's externally reportable operating segments are shown below.

Head office activities include the general management, financing and administration of the Group. The Group's operations in Zambia, which were immaterial for the current period, did not meet the recognition criteria for externally reportable segments and have been aggregated under the South Africa segment as they meet the aggregation criteria permitted by IFRS.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

## 3 SEGMENTAL REPORTING (CONTINUED)

| | Notes | Head office R'000 | South Africa R'000 | Egypt R'000 |
|---|---|---|---|---|
| **For the six months ended 31 August 2020** | | | | |
| **Revenue** | | | | |
| External customers | | **–** | **704 434** | **756** |
| Inter-segment | | **–** | **–** | **–** |
| **Total revenue** | | **–** | **704 434** | **756** |
| Cost of sales | | **–** | **(694 365)** | **(1 570)** |
| **Gross profit/(loss)** | | **–** | **10 069** | **(814)** |
| Other income | | **248** | **2 717** | **–** |
| Depletion, depreciation and amortisation | 4 | **(51)** | **(4 425)** | **(377)** |
| Net foreign exchange gains/(losses) | | **27 520** | **20 100** | **–** |
| Impairment of financial assets | 8 | **(64 272)** | **–** | **–** |
| Provision for impairment – financial assets | 8 | **(99 610)** | **(17 276)** | **–** |
| – oil and gas assets | 7.2 | **–** | **–** | **(29 773)** |
| – intangible assets | 7.2 | **–** | **–** | **(7 174)** |
| – exploration and evaluation assets | 7.1 | **–** | **–** | **–** |
| Employee benefit expense | | **(7 450)** | **(11 804)** | **(2 133)** |
| Motor vehicle expense | | **–** | **(4 328)** | **–** |
| Net monetary loss | | **–** | **–** | **–** |
| Finance income | | **18 314** | **812** | **–** |
| Finance costs | | **–** | **(15 523)** | **–** |
| Other operating expenses | | **(5 169)** | **(7 226)** | **(1 087)** |
| **(Loss)/profit for the period** | | **(130 470)** | **(26 884)** | **(41 358)** |
| Segment assets – non-current | | **117 093** | **40 564** | **–** |
| – current | | **65 637** | **139 575** | **–** |
| – asset held for sale | | **–** | **–** | **14 756** |
| Segment liabilities – non-current | | **–** | **(6 158)** | **–** |
| – current | | **(27 715)** | **(336 242)** | **(183 825)** |
| – liabilities directly associated with asset held for sale | | **–** | **–** | **(3 503)** |
| **For the six months ended 31 August 2019** | | | | |
| **Revenue** | | | | |
| External customers | | – | 966 454 | 1 729 |
| Inter-segment | | – | – | – |
| **Total revenue** | | – | 966 454 | 1 729 |
| Cost of sales | | – | (942 524) | (2 563) |
| **Gross (loss)/profit** | | – | 23 930 | (834) |
| Other income | | 7 015 | 11 159 | – |
| Depletion, depreciation and amortisation | | (163) | (9 731) | (2 566) |
| Net foreign exchange gains | | 23 990 | 4 581 | – |
| Reversal of provision for impairment – other financial assets | | 1 304 | 4 737 | – |
| Employee benefit expense | | (8 849) | (14 606) | (1 556) |
| Share of profit from joint venture | | – | – | – |
| Finance income | | 13 144 | 1 118 | – |
| Finance costs | | – | (20 625) | – |
| Other operating expenses | | (10 630) | (18 483) | (1 179) |
| **Profit/(loss) for the period** | | 25 811 | (17 920) | (6 135) |
| Segment assets – non-current | | 347 594 | 98 632 | 106 703 |
| – current | | 153 860 | 209 115 | 10 568 |
| Segment liabilities – non-current | | – | (108 744) | (159 071) |
| – current | | (28 089) | (363 914) | (3 378) |

| Nigeria R'000 | DRC R'000 | Zimbabwe R'000 | Mauritius R'000 | Eliminations R'000 | Consolidated R'000 |
|---|---|---|---|---|---|
| – | – | – | – | – | 705 190 |
| – | – | – | – | – | – |
| – | – | – | – | – | 705 190 |
| – | – | – | – | – | (695 935) |
| – | – | – | – | – | 9 255 |
| 346 | – | 764 | – | (542) | 3 533 |
| – | – | – | – | – | (4 853) |
| – | – | (14 909) | – | (2) | 32 709 |
| – | – | – | – | – | (64 272) |
| (101 928) | – | – | – | – | (218 814) |
| – | – | – | – | – | (29 773) |
| – | – | – | – | – | (7 174) |
| – | (118 864) | – | – | – | (118 864) |
| – | – | – | – | – | (21 387) |
| – | – | – | – | – | (4 328) |
| – | – | (12 156) | – | – | (12 156) |
| 7 078 | – | – | – | (4 786) | 21 418 |
| – | – | – | – | 4 786 | (10 737) |
| (149) | (251) | (1 303) | (42) | 544 | (14 683) |
| (94 653) | (119 115) | (27 604) | (42) | – | (440 126) |
| – | – | 12 172 | – | (72 410) | 97 419 |
| 42 146 | 29 | 464 | 20 | – | 247 871 |
| – | – | – | – | – | 14 756 |
| – | (92 407) | (48 637) | (15 446) | 156 490 | (6 158) |
| (289) | (932) | (126 285) | (74) | 302 926 | (372 436) |
| – | – | – | – | – | (3 503) |

| Nigeria R'000 | DRC R'000 | Zimbabwe R'000 | Mauritius R'000 | Eliminations R'000 | Consolidated R'000 |
|---|---|---|---|---|---|
| – | – | – | – | – | 968 183 |
| – | – | – | – | – | – |
| – | – | – | – | – | 968 183 |
| – | – | – | – | – | (945 087) |
| – | – | – | – | – | 23 096 |
| – | – | 2 413 | – | (1 393) | 19 194 |
| – | – | (1 812) | – | – | (14 272) |
| – | – | – | – | – | 28 571 |
| – | – | – | – | – | 6 041 |
| – | – | – | – | – | (25 011) |
| (181) | – | – | – | – | (181) |
| 5 872 | – | – | – | (7 126) | 13 008 |
| – | – | – | – | 7 126 | (13 499) |
| (33) | (356) | (4 829) | (144) | 1 371 | (34 283) |
| 5 658 | (356) | (4 228) | (144) | (22) | 2 664 |
| – | 107 426 | 33 194 | – | (355 062) | 338 487 |
| 130 649 | 27 | 4 226 | 125 | (27 344) | 481 226 |
| – | (85 683) | – | – | 353 498 | – |
| (575) | (318) | (452) | (72) | 28 909 | (367 889) |

## 3 SEGMENTAL REPORTING (CONTINUED)

### BUSINESS SEGMENTS

The operations of the Group comprise oil and gas exploration and production, crude trading and the sale of petroleum products.

### REVENUE

The Group derives revenue from the following sources:

- The sale of crude oil from the Lagia Oil Field to the Egyptian General Petroleum Corporation ("EGPC"). This revenue is included under the Egypt segment.
- Sales of petroleum products to a diversified customer base which includes local government and mining, construction, transport, manufacturing, retail and agricultural customers. These revenues are included under the South Africa segment.

Inter-segment revenues are eliminated upon consolidation and are reflected in the "eliminations" column. There was no inter-segment revenue or cost of sales for the period under review.

Revenue from contracts with customers is disaggregated as follows:

| | 31 August 2020 R'000 | 31 August 2019 R'000 |
|---|---|---|
| Sale of crude oil | **756** | 1 729 |
| Sale of petroleum products | **704 434** | 966 454 |
| | **705 190** | 968 183 |

### TAXATION – EGYPT

No income or deferred tax has been accrued by Mena International Petroleum Company Limited ("Mena") as the Concession Agreement between the EGPC, the Ministry of Petroleum and Mena provides that the EGPC is responsible for the settlement of income tax on behalf of Mena, out of EGPC's share of petroleum produced. The Group has elected the net presentation approach in accounting for this deemed income tax. Under this approach Mena's revenue is not grossed up for income tax payable by EGPC on behalf of Mena. Consequently, no income or deferred tax is accrued.

## 4 OTHER OPERATING COSTS

| | Notes | 31 August 2020 R'000 | 31 August 2019 R'000 |
|---|---|---|---|
| Other operating costs comprise: | | | |
| Impairments of financial assets | 8 | **64 272** | – |
| Provision/(reversal of provision) for impairment – financial assets[1] | 8, 10 | **218 814** | (6 041) |
| Provision for impairment – exploration and evaluation assets | 7.1 | **118 864** | – |
| – oil and gas properties | 7.2 | **29 773** | – |
| – intangible assets | 7.2 | **7 174** | – |
| Corporate costs | | **677** | 1 030 |
| External auditors' remuneration | | **372** | 2 464 |
| Prior-year underprovision | | **372** | 2 464 |
| Internal auditors' remuneration | | **41** | 367 |
| Current period | | **41** | 367 |
| Employee benefit expense | | **21 387** | 25 011 |
| Consulting fees | | **3 397** | 4 963 |
| Legal fees | | **1 038** | 3 678 |
| Business development | | **750** | 1 631 |
| Travel and accommodation | | **102** | 1 035 |
| Loss on disposal of property, plant and equipment | | **–** | 491 |
| Repairs and maintenance | | **994** | 853 |
| Subscriptions | | **85** | 201 |
| Motor vehicle expense | | **4 328** | 4 968 |
| Depletion, depreciation and amortisation | | **4 853** | 14 272 |
| Oil and gas properties[2] | | **–** | 498 |
| Property, plant and equipment | 9 | **3 577** | 5 164 |
| Right-of-use assets | | **404** | – |
| Intangible assets[3] | 7.2 | **872** | 8 610 |
| Lease expenses – low-value leases | | **1 064** | 2 851 |

[1] Comprised of provisions for impairment of loans and other receivables and trade receivables as presented in notes 8 and 10.
[2] Given the significant decline in volumes from the Lagia Oil Field, depletion is not material for the period under review.
[3] Includes amortisation amounting to R0.5 million attributable to computer software.

# 5 HYPERINFLATION

The Group has a subsidiary which is incorporated in Zimbabwe, namely Afric Oil Petroleum Private Limited ("AOP"). On 11 October 2019 the Public Accountants and Auditors Board of Zimbabwe classified Zimbabwe as a hyperinflationary economy in accordance with the provisions of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29"), applicable to entities operating in Zimbabwe.

The general price index, as published by the Reserve Bank of Zimbabwe, was used in adjusting the historical cost local currency results, financial position and cash flows of AOP. The adjustment factors used to restate the financial statements of AOP at 31 August 2020, using 29 February 2020 as a base year, are as follows:

| | Indices | Adjusting factors |
|---|---|---|
| 31 August 2020 | 2 124.00 | 1.00 |
| 29 February 2020 | 640.16 | 3.32 |

## EXCHANGE RATE APPLIED IN TRANSLATING THE RESULTS, NET ASSETS AND CASH FLOWS OF THE GROUP'S OPERATIONS IN ZIMBABWE

The results, financial position and cash flows of AOP have been translated into the Group's presentation currency at the closing rate in accordance with the hyperinflationary accounting provisions of IAS 21 – The Effects of Changes in Foreign Exchange Rates ("IAS 21") and consolidated in the Group results at this rate. The closing rate in this regard was the official exchange rate of ZWL1:ZAR0.19925 as at 31 August 2020. Amounts determined on this basis are summarised below.

| Determined using the official rate ZWL1:ZAR0.19925 | R'000 |
|---|---|
| **Summarised statement of financial position** | |
| Current assets | **464** |
| Total assets | **12 636** |
| Current liabilities | **(126 285)** |
| Total liabilities | **(174 922)** |
| **Summarised statement of comprehensive income** | |
| Other income | **764** |
| Other operating costs | **(16 212)** |
| Net monetary loss | **(12 156)** |
| **Loss for the period** | **(27 604)** |

This subsidiary is included under the Zimbabwe segment.

## 6 (LOSS)/EARNINGS PER SHARE

| | 31 August 2020 | 31 August 2019 |
|---|---|---|
| Basic (cents) | **(38.44)** | 0.83 |
| Diluted (cents) | **(38.44)** | 0.83 |
| Both the basic and diluted (loss)/earnings per share have been calculated using the (loss)/profit attributable to shareholders of the Company as the numerator. No adjustments to the reported (loss)/profit were necessary at 31 August 2020 and 31 August 2019. | | |
| (Loss)/profit attributable to equity holders of the Company for the period used in the calculation of the basic and diluted (loss)/earnings per share (R'000) | **(424 313)** | 9 135 |
| Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share (000's) | **1 103 835** | 1 103 835 |
| Issued shares at the beginning of the reporting period (000's) | **1 103 835** | 1 103 835 |
| Effect of shares issued during the reporting period (weighted) (000's) | **–** | – |
| Add: Dilutive share options (000's) | **–** | – |
| Weighted average number of ordinary shares used in the calculation of diluted (loss)/earnings per share (000's) | **1 103 835** | 1 103 835 |
| **Headline (loss)/earnings per share** | | |
| Basic (cents) | **(25.08)** | 0.85 |
| Diluted (cents) | **(25.08)** | 0.85 |

| | Notes | 31 August 2020 R'000 | 31 August 2019 R'000 |
|---|---|---|---|
| **Reconciliation of headline (loss)/earnings** | | | |
| (Loss)/profit attributable to equity holders of the Company | | **(424 313)** | 9 135 |
| Adjusted for: | | | |
| Loss on disposal of property, plant and equipment | | **–** | 491 |
| Provision for impairment of exploration and evaluation assets | 7.1 | **118 864** | – |
| Provision for impairment of oil and gas properties | 7.2 | **29 773** | – |
| Provision for impairment of intangible assets | 7.2 | **7 174** | – |
| Adjustments attributable to NCI | | **–** | (143) |
| Tax effect of adjustment | | **(8 313)** | (98) |
| Headline (loss)/earnings for the period | | **(276 815)** | 9 385 |

# 7 EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES AND INTANGIBLE ASSETS

## 7.1 EXPLORATION AND EVALUATION ASSETS

Foreign exchange gains amounting to R8.0 million were recognised during the period in relation to the Group's interest in Block III in the DRC which increased the value of the Group's exploration and evaluation assets to R118.9 million prior to impairment (February 2020: R110.9 million). At 31 August 2020 a provision for impairment amounting to R118.9 million was recognised under other operating costs due to a decision by the Board of Directors of Efora not to renew the exploration licence which expired in July 2020 (see note 22).

## 7.2 OIL AND GAS PROPERTIES AND INTANGIBLE ASSETS

### Oil and gas properties

Foreign exchange gains amounting to R2.4 million were recognised during the period with respect to the Group's oil and gas properties which increased the value of these assets to R34.5 million prior to impairment (February 2020: R32.1 million).

### Intangible assets

During the period under review the Group recognised R0.7 million in foreign exchange gains attributable to the translation of the petroleum reserves intangible asset and further recognised amortisation amounting to R0.4 million with respect to this asset which on a net basis increased the value of intangible assets to R8.3 million prior to impairment (February 2020: R8.0 million).

### Impairment of oil and gas properties and intangible assets and classification as held for sale

The Group's oil and gas properties and intangible assets were assessed for impairment immediately prior to the classification of these assets as held for sale on 31 August 2020 (see note 12).

A provision for impairment of R36.9 million (US$2.2 million) (August 2019: RNil) was recognised with respect to the Lagia oil and gas properties (R29.8 million) and petroleum reserves (R7.1 million) under other operating costs within the Egypt segment. The carrying amounts of the Lagia oil and gas assets and petroleum reserves were impaired to their recoverable amounts of R4.7 million and R1.2 million as at 31 August 2020, respectively and classified as held for sale. These recoverable amounts were negatively impacted by: (a) changes in the oil sales price forecast, (b) changes in the oil production forecast and (c) the effect of rolling the report forward by one year, while the end of the licence term remains fixed. The recoverable amounts of the oil and gas assets and petroleum reserves were determined using value-in-use calculations where future cash flows were estimated and discounted at a weighted average cost of capital of 17.4%.

# 8 LOANS AND OTHER RECEIVABLES

| | 31 August 2020 R'000 | 29 February 2020 R'000 |
|---|---|---|
| **Non-current** | | |
| Transcorp Refund | **–** | 258 246 |
| Encha Refund | **45 950** | – |
| Supplier development loans | **4 318** | 4 318 |
| | **50 268** | 262 564 |
| Provision for impairment | **(5 197)** | (6 375) |
| | **45 071** | 256 189 |
| **Current** | | |
| Transcorp Refund | **290 528** | – |
| Encha Refund | **19 228** | 128 009 |
| Phembani Group Proprietary Limited | **827** | 827 |
| Deferred consideration on disposal of Greenhills Plant | **1 805** | 1 805 |
| | **312 388** | 130 641 |
| Provision for impairment | **(209 171)** | (6 454) |
| | **103 217** | 124 187 |
| | **148 288** | 380 376 |

# 8 LOANS AND OTHER RECEIVABLES (CONTINUED)

### ENCHA REFUND

The Encha Refund was recognised in the prior year pursuant to the arbitration award granted on 15 November 2019, wherein Encha was ordered to pay R75.0 million plus interest and costs with respect to the Group's claim against Encha. On 5 August 2020 the Company agreed to a deferred payment plan whereby Encha would pay R85.75 million over a four-year period. Amounts totalling R5.75 million were paid in August and September 2020 pursuant to this plan. Encha was due to settle R20.0 million in June of each year over a four-year period, commencing in June 2021. This note should be read together with note 22.

The movements in the Group's loans and other receivables during the period under review are outlined below:

| | Gross carrying amount at 29 Feb 2020 R'000 | Interest[1] R'000 | Foreign exchange gains R'000 | Receipts R'000 | Gross carrying amount at 31 Aug 2020 R'000 |
|---|---|---|---|---|---|
| Transcorp Refund | 258 246 | **14 158** | **18 124** | **–** | **290 528** |
| Encha Refund | 128 009 | **6 442** | **–** | **(5 000)** | **129 451** |
| Supplier development loans | 4 318 | **–** | **–** | **–** | **4 318** |
| Deferred consideration on disposal of Greenhills Plant | 1 805 | **–** | **–** | **–** | **1 805** |
| Phembani Group Proprietary Limited | 827 | **–** | **–** | **–** | **827** |
| | 393 205 | **20 600** | **18 124** | **(5 000)** | **426 929** |

| | Gross carrying amount at 31 Aug 2020 R'000 | Write-down[2] R'000 | Specified impairments[3] R'000 | Provision for impairment R'000 | Carrying amount at 31 Aug 2020 R'000 |
|---|---|---|---|---|---|
| Transcorp Refund | **290 528** | **–** | **–** | **(206 412)** | **84 116** |
| Encha Refund | **129 451** | **(48 250)** | **(16 023)** | **(1 956)** | **63 222** |
| Supplier development loans | **4 318** | **–** | **–** | **(3 818)** | **500** |
| Deferred consideration on disposal of Greenhills Plant | **1 805** | **–** | **–** | **(1 355)** | **450** |
| Phembani Group Proprietary Limited | **827** | **–** | **–** | **(827)** | **–** |
| | **426 929** | **(48 250)** | **(16 023)** | **(214 368)** | 148 288 |

[1] Unwinding of discount applied on measurement of financial assets.
[2] Write-down of amount due from Encha pursuant to the deferred payment plan (written off against the gross carrying amount).
[3] Time value adjustments attributable to the deferral of the receipt of expected contractual cash flows (adjusted against the gross carrying amount).
[2, 3] Amounts totalling R64.3 million recognised as impairments of financial assets in note 4.

A reconciliation of the provision for impairment for the period under review is provided below:

| | At 29 February 2020 R'000 | (Recognised)/ reversed R'000 | At 31 August 2020 R'000 |
|---|---|---|---|
| Transcorp Refund | **(2 557)** | **(203 855)** | **(206 412)** |
| Encha Refund | **(3 822)** | **1 866** | **(1 956)** |
| Supplier development loans | **(3 818)** | **–** | **(3 818)** |
| Deferred consideration on disposal of Greenhills Plant | **(1 805)** | **450** | **(1 355)** |
| Phembani Group Proprietary Limited | **(827)** | **–** | **(827)** |
| | **(12 829)** | **(201 539)** | **(214 368)** |

The provision for impairment of loans and other receivables is based on lifetime expected credit losses.

## 9 PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment decreased by R8.9 million during the period under review as a result of the following:

- the recognition of foreign exchange losses amounting to R5.5 million on translation of the Zimbabwe operations;
- depreciation amounting to R3.6 million; and
- disposals amounting to R0.1 million of the Group's motor vehicles; off-set by
- additions totalling R0.3 million to the Group's plant and equipment.

## 10 TRADE AND OTHER RECEIVABLES

| | 31 August 2020 R'000 | 29 February 2020 R'000 |
|---|---|---|
| Trade receivables | **105 389** | 119 153 |
| Provision for impairment | **(46 012)** | (32 151) |
| | **59 377** | 87 002 |
| Other receivables | **3 618** | 5 819 |
| Provision for impairment | **–** | (149) |
| Financial assets | **62 995** | 92 672 |
| Value-added tax | **545** | 568 |
| | **63 540** | 93 240 |

Trade receivables are non-interest bearing (except in the event of default) and are generally on 30-day terms. The carrying values of all trade and other receivables approximate their fair values. The provision for impairment of trade and other receivables is based on lifetime expected credit losses. Trade and other receivables are measured at amortised cost.

At 31 August 2020 trade and other receivables totalling R2.2 million were reclassified as held for sale (see note 12).

A reconciliation of the trade receivables provision for impairment for the period under review is provided below:

| | Lifetime expected credit losses R'000 |
|---|---|
| At 1 March 2020 | **32 151** |
| Exchange differences and impact of hyperinflation | **(3 415)** |
| Arising during the period | **17 276** |
| At 31 August 2020 | **46 012** |

Expected credit losses at 31 August 2020 represent 44% of the trade receivables balance (February 2020: 27%). Developments with COVID-19 and the economic decline that ensued had an impact on the ability of our customers to meet settlement terms.

## 11 CASH AND CASH EQUIVALENTS

| | 31 August 2020 R'000 | 29 February 2020 R'000 |
|---|---|---|
| Cash and cash equivalents consist of: | | |
| Cash at banks and on hand | **51 852** | 45 863 |
| Short-term deposits | **3 664** | 3 725 |
| Total unrestricted cash | **55 516** | 49 588 |
| Restricted cash balances | **18 630** | 18 600 |
| Cash and cash equivalents | **74 146** | 68 188 |

Cash at banks earns interest at floating rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The restricted cash balances constitute cash guarantees issued in favour of creditors which are renewed annually.

At 31 August 2020 cash and cash equivalents totalling R0.2 million were reclassified as held for sale (see note 12).

## 12 ASSETS HELD FOR SALE

On 29 June 2020 the Efora Board of Directors made a decision to dispose of the Company's 100% shareholding in Mena International Petroleum Corporation ("Mena"). Mena owns the development lease over the Lagia Oil Field which is located in the Sinai Peninsula, Egypt, directly adjacent to the Gulf of Suez. The decision to dispose of Mena was brought about by the inability of the Company to further develop the Lagia Oil Field in order to increase oil output due to funding constraints. In addition, the heavy oil reserves at the field continued to pose operational challenges. Mena forms part of the Egypt segment.

At 31 August 2020 Mena's assets and liabilities were classified as held for sale following the implementation of a plan to secure the disposal of Mena. This note should be read together with note 22.

| | 31 August 2020 R'000 |
|---|---|
| **Assets classified as held for sale:** | |
| Oil and gas properties | **4 697** |
| Petroleum reserves intangible asset | **1 167** |
| Inventories | **6 487** |
| Trade and other receivables | **2 175** |
| Cash and cash equivalents | **230** |
| | **14 756** |
| **Liabilities directly associated with assets held for sale:** | |
| Trade and other payables | **3 503** |
| | **3 503** |

Included in other operating costs is an impairment charge of R36.9 million attributable to the decrease in value of the oil and gas properties and petroleum reserves intangible asset as outlined in note 7.2.

Mena has not been classified as a discontinued operation as it does not represent a separate major line of business or a major geographical area of operations.

## 13 STATED CAPITAL

There were no changes to the stated capital during the period under review.

## 14 BORROWINGS

Movements in borrowings for the period under review were as follows:

| | 29 February 2020 R'000 | Advances[1] R'000 | Interest R'000 | Exchange differences R'000 | Repayments R'000 | 31 August 2020 R'000 |
|---|---|---|---|---|---|---|
| Unemployment Insurance Fund ("UIF") | 185 352 | **–** | **10 190** | **–** | **(6 000)** | **189 542** |
| Loan due to EERNL | 710 | **50** | **–** | **52** | **–** | **812** |
| | 186 062 | **50** | **10 190** | **52** | **(6 000)** | **190 354** |

[1] Costs paid by EERNL on behalf of Efora.

At 31 August 2020 Afric Oil was in default of loan repayment obligations and was also in breach of loan covenants, which subsequently led to the company being placed under business rescue in April 2021 as outlined in note 22.

Outstanding loan repayments at 31 August 2020 amounted to R18.6 million and Afric Oil was in breach of the following debt covenants:

- debt to equity cover; and
- interest cover ratio.

The loan accrued interest on a monthly basis compounded quarterly at a rate of three-month JIBAR plus 420 basis points. The loan is secured by cession of inventories and trade receivables, bonds over moveable and immoveable properties, a cession of shares in or claims against all Afric Oil subsidiaries and the subordination of all claims. The loan was repayable in quarterly instalments and full payment was expected on 30 June 2022.

## 15 TRADE AND OTHER PAYABLES

| | 31 August 2020 R'000 | 29 February 2020 R'000 |
|---|---|---|
| Trade payables | **137 125** | 125 644 |
| Accruals | **16 234** | 7 354 |
| Other payables | **6 364** | 5 292 |
| | **159 723** | 138 290 |

Trade and other payables totalling R3.5 million were reclassified as held for sale (see note 12). The increase in trade and other payables reflects the impact of the cash flow challenges experienced by Afric Oil.

## 16 FAIR VALUE MEASUREMENT

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and the loan from the joint venture approximate carrying values due to the short-term maturities of these instruments. Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | **31 August 2020 R'000** | 29 February 2020 R'000 | **31 August 2020 R'000** | 29 February 2020 R'000 |
| **Loans and receivables** | | | | |
| Loans and receivables | **148 288** | 380 376 | **151 321** | 394 369 |

### VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED TO MEASURE FAIR VALUES

Valuation techniques and assumptions applied to financial instruments are consistent with those applied at 29 February 2020.

### FAIR VALUE HIERARCHY

There were no transfers between any levels during the period and all of the Group's financial instruments are still categorised as level 3.

## 17 RELATED PARTIES

| | **31 August 2020 R'000** | 31 August 2019 R'000 |
|---|---|---|
| **Key management compensation** | | |
| *Non-executive directors* | | |
| Fees | **1 576** | 2 246 |
| *Executive directors* | | |
| Salaries | **3 133** | 3 203 |
| *Other key management* | | |
| Salaries | **952** | 980 |
| | **5 661** | 6 429 |

## 18 COMMITMENTS AND CONTINGENT LIABILITIES

### COMMITMENTS

**Capital commitments**

Boland Diesel has committed to carry out improvements to the value of R1.0 million on the vacant land situated at Portion of Erf 5520, Moorreesburg, Western Cape.

### CONTINGENT LIABILITIES

In terms of section 133(1) of the Companies Act, no legal proceedings, including enforcement action, may be commenced or continued with in any form against a company, or in relation to any property belonging to a company, or lawfully in its possession, during business rescue proceedings. As such, claims against Afric Oil previously disclosed in the last integrated annual report published on 1 July 2021 were suspended pending the outcome of the business rescue proceedings.

## 19 LITIGATION

The Group is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. The Board believes, based on its judgement and advice obtained from legal counsel, that the Group has valid claims for the matters under litigation. A change in one or more of these judgements, although not anticipated, would significantly affect the Group's results. Provision is made for all liabilities which are expected to materialise and contingent liabilities are disclosed when the outflows are possible.

## 20 DIVIDENDS

The Board has resolved not to declare dividends to shareholders for the period under review.

## 21 GOING CONCERN

The Group was negatively impacted by the underperformance of its key subsidiaries, Afric Oil and Mena, and for the six months ended 31 August 2020 generated cash totalling R7.1 million (August 2019: R36.8 million). As disclosed in note 22, Afric Oil was subsequently placed under business rescue in April 2021 and in September 2021 the Company completed the disposal of Mena.

The cash flow forecast ("Forecast") to November 2022 ("Forecast Period") indicates that the Group has sufficient cash resources to meet its obligations in the normal course of business. In arriving at this conclusion Management has taken into account the following factors:

- the recently completed disposal of Mena and the discharge of funding obligations to the subsidiary;
- the ongoing business rescue proceedings at Afric Oil that are nearing completion, which will result in the full discharge of Afric Oil's indebtedness to the UIF and its various creditors. As such, there are no longer any funding obligations with respect to the Afric Oil operations;
- the pending disposal of Afric Oil pursuant to the implementation of the business rescue plan from which R10.0 million is expected for the disposal of Efora's 71% interest. The process is far advanced and it is the expectation of Management that the disposal will be concluded in the first quarter of next year;
- the final payment of US$1.25 million expected from Transcorp in December 2021. Transcorp has met all its past payment obligations under the terms of the settlement agreement concluded in November 2020 which is a reasonable basis to conclude that the final payment expected in December 2020 will be received; and
- all amounts due from Encha have been excluded from the Forecast for purposes of the going concern assessment pending the outcome of the legal recovery process as indicated in note 22.

### CONCLUSION

The Group has adequate cash resources to meet its financial obligations in the normal course of business for the Forecast Period.

## 22 EVENTS AFTER THE REPORTING PERIOD

The following events occurred after the reporting period:

### BUSINESS RESCUE PROCEEDINGS AT AFRIC OIL

On 16 April 2021 Afric Oil was placed under business rescue as a result of the following developments as previously referred to in our various announcements:

- default on loan repayment obligations and breach of loan covenants on the UIF loan (see note 14);
- the receipt of a notice of demand on 15 January 2021 from the PIC, manager of the UIF, demanding settlement of R56.4 million in outstanding loan repayments by 12 February 2021; and
- the issuance of an interim court order on 14 April 2021 against Afric Oil the effect of which was to take possession of its moveable and immoveable assets pursuant to the terms of the UIF loan agreement.

Under the terms of this loan agreement the UIF advanced R210.0 million to Afric Oil in February 2017 of which R189.5 million was due and payable as at 31 August 2020 (see note 14).

### DISPOSAL OF AFRIC OIL PURSUANT TO THE BUSINESS RESCUE PLAN

As announced on 16 August 2021 the Afric Oil Business Rescue Plan was published on 30 July 2021 which proposed the disposal of Afric Oil through an accelerated sales process.

On 16 August and 20 October 2021 the Company announced the approval, by Afric Oil shareholders and creditors, of the disposal of 100% of the shares in Afric Oil to Royale Energy Proprietary Limited ("Royale") for R12.9 million, pursuant to the business rescue plan. The business rescue practitioners, Afric Oil shareholders and Royale are in the process of concluding the sale agreement.

### DISPOSAL OF MENA PETROLEUM COMPANY CORPORATION

As mentioned in note 12, in June 2020 the Efora Board of Directors approved a plan to dispose of the Company's 100% interest in Mena. On 16 August 2021 the Company concluded an agreement with Enerjya International Limited ("Enerjya"), under the terms of which the Company sold its 100% shareholding in Mena for US$350 000. Enerjya is a private company incorporated in the United Arab Emirates, with no relation to Efora. The sale was perfected on 10 September 2021.

### EXPIRY OF EXPLORATION LICENCE IN THE DRC

On 14 July 2021 the Efora Board of Directors resolved not to renew the exploration licence for its interest in Block III in the DRC due to legal uncertainties surrounding the renewal of the licence under the hydrocarbons laws in the DRC. The Board was of the view that any additional investment in the asset would be at a level of risk which the Board was unprepared to accept, given the funding constraints in the Group. The Block III exploration licence expired in July 2020 (also see note 7.1).

### ENCHA DEFAULT

Encha defaulted on the payment of the R20.0 million which was due on 30 June 2021. Accordingly, Encha has failed to comply with the Company's deferred payment plan (as set out in the last integrated report published on 1 July 2021) and as such repudiated the agreement for the waiver and deferred payment of any amount. The full balance of R75.0 million plus interest at prime plus 3% up until settlement date is now due and payable. Efora resolved to take legal action to recover the debt and to this effect is pursuing Encha in the High Court via a filed liquidation application. The liquidation process has now been suspended pending the conclusion of a settlement agreement with Encha.

# 22 EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

### TRANSCORP

Following summarised judgments issued by the Nigeria Court of Appeal on 27 May 2020 which ordered SacOil 281 and EER 281 ("the Parties") to proceed with arbitration in their claim against Transcorp, and following further engagement with the latter, the Parties and Transcorp reached a settlement agreement on 9 November 2020 the terms of which are summarised below:

- the payment of US$500 000 by Transcorp to the Parties 10 business days after the execution of the settlement agreement;
- four quarterly payments of US$1 250 000 each to be made by Transcorp to the Parties on the last business day of each quarter (based on calendar year) commencing on 31 March 2021;
- Transcorp reserves the right to defer the payment of US$500 000 of the last quarterly payment expected on 31 December 2021 to the first quarter of 2022;
- all such payments to be made to Efora pursuant to a prior settlement agreement reached between the Parties;
- dismissal of all lawsuits and disputes by the Parties and Transcorp; and
- all payments made as set out to represent full and final settlement of Transcorp's indebtedness to the Parties.

Transcorp has met its repayment obligations to date and is due to make its final payment on 31 December 2021.

### LOSS OF A MATERIAL CONTRACT

Afric Oil was not able to obtain the renewal of a material contract with a key customer which accounted for 80% of the Group's revenue for the period under review. The contract ended on 30 September 2020.

### CHANGE IN DIRECTORATE

Changes in the Directorate post the review period are provided on page 3.

### SUSPENSION OF TRADING OF THE COMPANY'S SHARES ON THE JSE

The Company's shares were suspended from trading on the JSE on 9 October 2020 due to the delay in publishing financial reports.

# 23 COVID-19

Post the reporting period COVID-19 continued to materially and negatively impact the operations and financial performance of the Group. The operating context continued to be unpredictable and the Afric Oil sales volumes did not recover from the levels recorded during the six months ended 31 August 2020. The effects of COVID-19 also continued to be evident as some of our customers continued to fall behind on credit terms. Due to these operational challenges which placed Afric Oil in financial distress it was placed under business rescue in April 2021, as mentioned in note 22.

The other operations of the Group in the DRC, Egypt and Nigeria were also negatively impacted by the pandemic as outlined below:

- delay in engagement regarding the renewal of the exploration licence in the DRC due to the lockdown in the country;
- delay in the renewal of the crude trading licence by the NNPC; and
- further curtailment of Lagia production due to lockdown restrictions.

COVID-19 did not have a material impact on our other subsidiaries.

On behalf of the Board

| | | |
|---|---|---|
| **Vuyo Ngonyama** | **Darrin Arendse** | **Thabang Monametsi** |
| Chairman | Chief Executive Officer (Interim) | Chief Financial Officer (Interim) |

Johannesburg
9 December 2021

# CORPORATE INFORMATION

## REGISTERED OFFICE, DOMICILE AND PHYSICAL ADDRESS

2nd Floor, Building 11, Design Quarter District
Leslie Avenue, Fourways, 2191

## POSTAL ADDRESS

PostNet Suite 211
Private Bag X75, Bryanston, 2021

## CONTACT DETAILS

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Investor and shareholder queries: investorrelations@eforaenergy.com
Media queries: media@eforaenergy.com
Twitter: @EforaEnergy
LinkedIn: Efora Energy Limited

## DIRECTORS

Darrin Arendse (Chief Executive Officer – Interim), Thabang Monametsi (Chief Financial Officer – Interim), Vuyo Ngonyama (Chairman)*, Patrick Mngconkola*, Zanele Radebe*, Malande Tonjeni*
* Independent non-executive directors

## ADVISERS

| | |
|---|---|
| Company Secretary | Fusion Corporate Secretarial Services Proprietary Limited |
| Transfer Secretaries | JSE Investor Services Proprietary Limited |
| JSE Sponsor | PSG Capital |

## AUDITORS

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|---|---|
| External Auditors | SizweNtsalubaGobodo Grant Thornton Inc. |
| Internal Auditors | BDO Advisory Services Proprietary Limited |