EFORA ENERGY LIMITED

(Formerly SacOil Holdings Limited)
(Incorporated in the Republic of South Africa)
(Registration number 1993/000460/06)
JSE share code: EEL
ISIN: ZAE000248258
("Efora" or "the Company" or "the Group")

PROVISIONAL CONDENSED RESULTS

for the year ended 28 February 2018

Dr Thabo Kgogo, Chief Executive Officer of Efora commented:

"These results reflect a period of significant change, characterised by our efforts to build a stable business capable of delivering sustainable, long-term growth. Clearly the headline figures of the results emphasise that we are not there yet, however the acquisition of our downstream business during the year represented a key milestone in our strategic development. That business, which has not performed in line with our expectations to date, has undergone significant restructuring in order to optimise financial and operational performance, and we are already seeing the benefits in the current year which we anticipate will gain momentum as we move forward. Whilst the results are the first in our form of Efora, in many ways they are the last in our previous form of SacOil, as they do not reflect the significant progress that has been made throughout the year to optimise the business and set in motion the catalysts for stability and growth. We are confident that the coming year will enable us to leverage the platform that we continue to reinforce, to better align our financial performance with the strategic progress that we have delivered in recent years."

KEY FEATURES

FINANCIAL

First results of the Group to include the newly acquired Afric Oil ("AO") downstream business

R2.6 billion in revenue, up 125%, impacted by nine months of operations from AO

Loss after tax of R175.9 million, down 14%, impacted by:

- lower margins achieved at AO and Lagia;
- significant once-off items;
- higher net finance costs;
- reservoir characterisation studies which temporarily curtailed Lagia's production; and
- legal fees attributable to the ongoing of legacy litigation.

Loss per share of 42.34 cents, down 33%

Headline loss per share of 42.20 cents, down 45%

OPERATIONAL

UPSTREAM

- Successfully spudded a pilot well (Lagia #14) on the Lagia Oil Field, with total annual production of 21 152 barrels
- Block III, DRC licence extension and ongoing review of seismic data
- Malawi and Botswana licences relinquished during the year

MIDSTREAM

- Nigeria crude contract resulting in off-take of 950 000 barrels of crude oil (50% attributable to Efora)
- Award of a two-year crude trading contract (post-period)

DOWNSTREAM

- 222.3 million litres of petroleum products sold for the nine-month period
- Significant part of the turnaround plan implemented

All operations – no reportable HSE incidents

BUSINESS DEVELOPMENT

- Acquisition and integration of the AO downstream business
- Significant investment in business development in pursuit of the Group's expansion plan

OTHER

- Delisted from the Alternative Investment Market ("AIM") of the London Stock Exchange
- Consolidated the Company shares on the basis of 10 ordinary no par value shares for 1 ordinary no par value share
- Rebranded and renamed the Company Efora Energy Limited ("Efora")
- Proposed rights issue of R600 million to raise funds to settle the Gemcorp loan and to provide capital for the Group's expansion strategy and operations (post-period)
- Gemcorp loan extension to 31 August 2018 to align with the proposed rights issue (post-period)
- Judgement issued in litigation against Robin Vela (post-period)

FINANCIAL REVIEW

GROUP PERFORMANCE

The Group is reporting a loss after tax of R175.9 million (2017: R205.3 million), a basic loss per share of 42.34 cents (2017: 62.80 cents) and a headline loss per share of 42.20 cents (2017: 76.49 cents) for the year ended 28 February 2018 as it continues to optimise and integrate its newly acquired downstream operations, the impact of which should be seen in the coming financial year when the benefits of these activities are expected to be realised and fully reflected in the financial results.

The Group generated R2.6 billion (2017: R1.2 billion) in revenue for the year primarily from its downstream operations in South Africa, an increase of 125% year on year (an increase of 164%, taking into account the Group's share of revenues reported by SacOil Energy Equity Resources Limited ("SEER" or the "Joint Venture"), the Group's crude trading joint venture in Seychelles). Despite the Group's effort to target higher volumes from the AO business, a lower-than-expected gross income of R62.8 million (2017: gross loss of R1.5 million) was achieved due to challenges experienced with the supply chain, the loss of customers and the occurrence of significant once-off items which impacted revenue and consequently gross income and the loss for the year as highlighted below. The gross income of the Group was, however, complemented by finance income of R53.1 million (2017: R77.6 million) which in the current year excludes interest on the Encha receivable, a matter under arbitration as disclosed in the Litigation section below, profit of R1.9 million (2017: nil) from the crude trading Joint Venture and other income of R7.1 million (2017: R0.7 million) from the Group's ancillary activities.

The Group's capital structure now includes a significant component of borrowings (R394.1 million (2017: nil)) which were partly utilised to fund acquisitions which resulted in an increase in finance costs to R55.0 million (2017: R2.6 million).

The Group's other operating cost base, which now includes the AO business, decreased by 10% to R264.3 million (2017: R274.6 million) despite the increase in business development expenditure in line with the Group's expansion plan, the increase in legal costs in pursuit of the progression of legacy issues and the occurrence of significant once-of items highlighted below. The Group's other operating cost base also benefited from lower foreign exchange losses attributable to the less volatile and stronger Rand during the year, reduced head office overheads and a reduction in the impairment of financial assets. Overall, lower-than-expected income was generated by the Group, which did not sufficiently cover its normal operating cost base and the once-off items noted, resulting in the reported loss. Whilst these results do not reflect the significant efforts throughout the year to optimise the newly acquired AO business, they do emphasise the continued need to diversify the business further and maintain a focus to optimise the Group's operations and cost structure.

SIGNIFICANT ONCE-OFF ITEMS

As part of the integration and optimisation of the AO business, we temporarily suspended the Zimbabwe operations whilst we restructured the business in order to revise the business model. This meant that the Zimbabwe business was not fully operational for nine months of the financial year pending the implementation of an improved working capital structure, the resolution of legacy operational issues and the roll-out of an improved cost structure. On a larger scale, we also sought to optimise the overall AO business by reviewing the total cost base of the business as part of the turnaround plan, which resulted in the Group incurring restructuring costs totalling R7.0 million.

During the year the Group undertook reservoir characterisation studies at its Lagia operations in Egypt, which resulted in lower production volumes due to the temporary suspension of steaming activities and the prioritisation of the pilot well which was drilled in November 2017. Given the lower production volumes, Lagia generated a loss of R16.1 million for the year.

One of the key priorities of the Board during the year, in line with its risk management strategy, was the diversification of the Group's income streams given the volatility experienced in the oil and gas industry in recent times, with a primary focus on cash-generating assets. This meant significant expenditure on business development as the Group concluded, pursued and evaluated various projects during the year. Business development expenditure for the year totalled R23.5 million (2017: R10.9 million) which was incurred with respect to the acquisition of AO (R11.8 million), the proposed acquisition of Belton Park (R3.9 million) that was not concluded and the ongoing assessment of various upstream and midstream projects (R7.8 million).

As previously disclosed to shareholders, the Group acquired debt from Gemcorp Africa Fund I Limited, a company based in Mauritius, which was partly used to fund the acquisition of AO. In terms of the funding agreement the Group was required to mitigate the exposure to foreign currency risk which cost R11.3 million, as projections at the time indicated that the Rand would potentially weaken.

The Company incurred penalties of R7.1 million imposed by the SARB arising from the contravention of Exchange Control Regulations when the Company paid $10 million in 2011, under previous management, in connection with the failed acquisition of Block I in the DRC. Shareholders have been informed of the conclusion of the Board's investigation of this transaction. Whilst the SARB acknowledged that the transgression occurred under previous management, it maintained that the Company was liable for the penalties imposed. It however agreed to a one-year payment plan which commenced in October 2017. At the end of the financial year R3.6 million remained outstanding with respect to this penalty.

SEGMENT PERFORMANCE

South Africa ("SA")

The SA segment comprises the AO downstream fuel distribution business which generated 99.9% (R2.6 billion) of the Group's revenue (results are incorporated for the nine months since acquisition). The loss for the period was R52.8 million, primarily as a result of:

- the segment contributing lower-than-expected gross income of R65.7 million due to lower-than-expected volumes and the impact on margins of the operational challenges detailed in the Operations Review section;
- finance costs of R22.9 million attributable to the loan from the Unemployment Insurance Fund obtained to fund the acquisition of the Forever Fuels business;
- depreciation and amortisation of R22.1 million; and
- other operating costs of R79.0 million which primarily include:
  - motor vehicle and transport-related expenses of R21.4 million;
  - remuneration of R31.4 million;
  - legal and consulting fees totalling R12.1 million;
  - once-off restructuring costs of R4.1 million, off-set by finance and other income totalling R7.2 million; and
  - a tax recovery of R0.7 million.

Zimbabwe

The temporary suspension and restructuring of the Zimbabwe operations meant this segment generated a loss of R12.8 million for the nine months since acquisition, after the deduction of operating expenses totalling R16.0 million which include R2.9 million of restructuring costs.

The segment contributed revenue of R23.1 million and gross income of R2.0 million.

Egypt

The temporary curtailment of production in order to prioritise reservoir characterisation studies and the drilling of the pilot well, which was completed in November 2017, had an impact on the performance of the Group's upstream business in Egypt. Consequently, revenue from this segment decreased by 34% to R3.5 million (2017: R5.3 million) with a relatively higher decrease of 44% in the gross loss to R5.0 million, a result of reduced steaming activities and improved oil prices.

Excluding the impact of the reversal of impairment of oil and gas assets of R62.1 million in the prior year, the Egypt business generated a lower loss for the year of R16.1 million (2017: R34.2 million), a decrease of

53%, as it benefited from the higher oil price, cost optimisation and the free floating of the Egyptian pound which occurred during the year.

Democratic Republic of Congo ("DRC")

The Group's upstream operations in the DRC are currently in the exploration phase, with activities focused on the review of seismic data. The Group does not incur any direct operating expenses with respect to the exploration work due to the cost carry arrangement it entered into with Total E&P RDC ("Total"), the operator of the block. As such the profit from this segment for the year of R18.2 million (2017: R20.7 million) is primarily a result of:

- interest of R20.9 million (2017: R17.6 million) on the contingent consideration and a deferred tax credit of R0.6 million (2017: R4.9 million), off-set by:
  - Interest on the provision for the carried cost reimbursement totalling R2.2 million (2017: R2.6 million) for the year.

Nigeria

The Nigeria segment houses the Group's midstream crude trading business and a receivable from Transcorp arising from a relinquished exploration project as detailed in the Litigation section.

Crude trading business

The Group experienced supply constraints during the year due to the increased number of parties awarded contracts by the Nigerian National Petroleum Corporation ("NNPC"). As such we managed to secure one lifting during the year which generated revenue of R0.5 billion (2017: R1.2 billion), being the Group's share, a decrease of 61%. The gross income benefited slightly from a higher margin negotiated for the year as it decreased by 53% to R3.5 million (2017: R7.5 million) relative to the decrease in revenue. Overall this business generated a profit of R1.9 million (2017: R5.1 million), which is accounted as the profit from the joint venture, after the deduction of operating expenses totalling R1.6 million (2017: R2.6 million). Operating costs for this segment of the business generally include management fees and travel costs.

Transcorp receivable

Interest income of R10.5 million (2017: R5.3 million) was recognised with respect to the Transcorp receivable and an impairment charge of R6.4 million (2017: R27.5 million). The impairment is reflective of the impact of the time value of money as the projected settlement date has been deferred given the postponement of the hearing of the matter in the Nigerian courts as highlighted in the Litigation section.

After taking into account the results of the crude trading business and the adjustments made to the Transcorp receivable, this segment generated a profit of R6.0 million (2017: loss of R43.4 million).

Head office

The focus of the head office has been to optimise the Group's various investments and businesses and to reduce the overall overheads. To date the following have been achieved:

- changes have been made to the executive structure;
- the Company delisted from AIM; and
- there were no salary increases awarded to management, executives and non-executives during the year.

Head office activities generated a loss of R123.3 million (2017: R[209.0] million), a decrease of 41% year on year despite the following:

- a reduction in the impairment of financial assets. There was an impairment charge of R143.3 million in the prior year attributable to the Encha and Transcorp receivables. Current impairment charges total R6.4 million, primarily arising from the further impairment of the Transcorp receivable due to the postponement of the hearing of the matter in the Nigerian courts as noted above;
- a reduction in foreign exchange losses on the Group's USD asset base to R14.3 million (2017: R68.0 million) as the Rand was not as volatile as in the prior year; and
- cost savings totalling R3.1 million on remuneration and legal and listing costs.

Whilst the head office prioritised cost optimisation during the year, it still incurred significant transactions and litigation-related costs, listed below, which dampened the impact of the reduction in costs referred to above and contributed to the loss reported by the segment:

- the SARB penalties of R7.1 million referred to above;
- the head office executes the Group's overall business development strategy. As such, expenditure totalling R23.5 million with respect to the AO acquisition (R11.8 million), Belton Park project (R3.9 million) and various upstream and midstream projects (R7.8 million) as previously referred to above, is reported under this segment;
- the Gemcorp equity bridge resulted in total interest costs of R12.9 million, in addition to the forward exchange option which cost R11.3 million;
- the Company progressed some of the outstanding litigation (see Litigation section) and incurred legal fees totalling R5.4 million; and
- the Group utilised external consultants with costs totalling R6.6 million on technical, operational and integration support to assist with certain specific challenges of the Group, to avoid increasing the head count of the Group.

GROUP FINANCIAL POSITION

The Group's total assets have increased by 56%, primarily due to the acquisition of AO and interest on financial assets, off-set by foreign exchange losses.

The Group's cash position has improved by 289% as a result of the cash generated by the AO business during the period.

The Group's total liabilities have increased by R569.3 million, primarily as a result of loans acquired from Gemcorp and the Unemployment Insurance Fund to fund the Group's acquisitions as mentioned above.

PRIOR-PERIOD CORRECTION

In 2011 and 2012 the Group entered into a cost carry arrangement with Total E&P RDC ("Total"), whereby Total would provide a carry of all exploration and appraisal costs on behalf of the Group with respect to its operations on Block III in the DRC. Under the terms of this arrangement Total is entitled to recover these costs plus interest from the Group's share of oil revenues if Block III goes into commercial production. In the prior years the Group accounted for the liability that could arise from the cost carry arrangement with Total as a contingent liability, as a great degree of judgement was applied in determining the chances of the liability materialising. After a further review of the assumptions used in accounting for the liability, it was concluded that it is more probable than previously assessed that this liability could materialise and as such that the liability should have historically been accounted for as a provision and not a contingent liability. As a result of this error the Group's investment in Block III under exploration and evaluation assets was understated with a corresponding understatement of liabilities. The error has been corrected by restating each of the affected financial statement line items for the prior periods as disclosed in note 5.

OPERATIONAL REVIEW

AO, SA AND ZIMBABWE

The Group completed the transformational and strategic acquisition of a controlling interest in AO on 31 May 2017, which expanded the Group's operations into the downstream segment of the oil and gas value chain and provided a platform for further acquisitions in the sector. The immediate priority post-acquisition was the integration and optimisation of the business which led to the adoption and implementation of a turnaround plan which focused on reliable and competitive supply, working capital improvements, volume and margin enhancement, cost and logistics optimisation, and the growth of the Zimbabwe business. To date we are happy to report the following achievements against this plan:

- supply agreements have been concluded with a number of oil majors which will ensure that the business is able to procure fuel products at competitive rates;
- working capital facilities have now increased;
- engagements are currently ongoing with respect to the renewal of customer contracts. New customers which AO intends to target have also been identified;
- the immediate restructuring of the AO business to enable cost optimisation was completed at the end of March 2018, which focused on the reduction of direct and indirect staff costs and other

identified operating costs. The impact of this optimisation should be fully reflected from the 2018/2019 financial year as management is targeting annualised cost savings of R25 million. We do recognise that cost optimisation is a continuous process; and

- most legacy issues in Zimbabwe have been resolved and the business model has been revised to focus entirely on cash sales and a strategy has been implemented to grow the cash business from the Beitbridge depot.

For the nine months reported on, challenges were presented by our operating context arising from fuel price increases that required increased working capital and unprecedented discounts offered to customers by resellers in excess of discounts we enjoyed from our supply chain. These factors were some of the key drivers that resulted in the loss of some low-margin customers which negatively impacted the expected volume and margin for the business. This was compounded by the temporary suspension of the Zimbabwe operations whilst we restructured the business. AO sold 222.3 million litres of fuel products for the nine months post-acquisition of which 70%, 9% and 21% were attributable to diesel, petrol and paraffin sales respectively.

Looking ahead, we aim to complete the optimisation of the logistics function and initiate a group sourcing strategy to include the Forever Fuels and Zimbabwe businesses, whilst targeting an improvement in margins. We will also finalise the renewal of customer contracts and the onboarding of targeted customers in order to strengthen our customer base. We have also strengthened our lubricants product offering which should contribute a higher-margin business for AO in the current financial year.

LAGIA, EGYPT

The Lagia operations continue to present significant operational challenges for the Group. The key priority during the year was the pilot well which was completed and logged in December 2017. A total of 90 feet of reservoir section was encountered during the drilling of the well, 31 feet of which was perforated in line with the pilot well objective of limiting steaming activity to a particular section of the reservoir. Positively, the heavy oil well had initial flow of water and oil, in line with pre-drill expectation.

Steam injection subsequently commenced and the reservoir initially accepted steam without any fracturing required. During efforts to bring the well on-stream, after an initial flow of around 300 bbls of steam-related water, the well produced little to no fluids and the well was subsequently shut-in for further technical studies. Following a period of consultation and analysis with independent consultant, Calgary-based Bouhry Global Energy Consultants, it was concluded that the well encountered tight reservoir which restricted the flow of oil and would therefore require hydraulic stimulation which was subsequently successfully completed. The well production peaked at an estimated 75 bbls/day of heavy crude (11 API consistent with the wider field) and has now stabilised at around 10 bbls/day of crude. Early production from this well indicates that the water cut is estimated at 5%, which compares favourably with the average water cut of around 60% throughout the Lagia field. The observed rates are within the range of the modelled estimates. The well remains under observation.

The curtailment of the Lagia operations pending the outcome of the pilot well had a significant impact on the production from the field. Total production for the year was 21 152 barrels (2017: 66 383 barrels).

In the near term the operating priorities at Lagia are the re-evaluation of the field development plans and the overall economic viability of this asset at the current production levels, whilst taking into account the improved oil price environment.

CRUDE TRADING, NIGERIA

As previously reported in the interim results, there was limited crude oil available under the contract with the NNPC, due to the increased number of parties awarded similar contracts, coupled with an increase in crude swaps for gasoline. As such SEER was able to secure only one lifting of 950 000 barrels of which 50% is attributable to Efora. The crude trading contract expired in March 2018 and SEER applied for a new contract which was granted in May 2018 for a two-year period on similar terms. Looking ahead, the NNPC is focused on improving oil supply in Nigeria. It is our expectation that we will be able to secure more liftings under this new two-year contract.

BLOCK III, DRC

Total, operator of Block III, continues to evaluate the seismic data obtained over the block. It is likely that a well could be drilled as early as 2019 on the assumption that economically and technically viable prospects and an identifiable well location are established. Total will continue to carry the Group's exploration and appraisal costs in line with the cost carry arrangement, which ceases if commercially viable resources are discovered and a development plan is approved. The operating licence was again renewed in January 2018 and will expire on 26 January 2019. Total will use this extension to complete the evaluation of the block.

BUSINESS DEVELOPMENT

The Group continues to focus on its strategy to evaluate opportunities in the sector that can be combined with the existing businesses. We recognise that in order to build a solid platform for growth, one which generates solid returns for our stakeholders, we need to invest in significant business development activities in the short term, the impact of which, in the form of returns, will only become evident in the longer term. Whilst we are very measured in our approach, we are unable to guarantee that every project we evaluate will materialise. Below are the more significant projects we assessed during the year:

AO

The acquisition was completed on 31 May 2017, whereby the Company acquired a 71% indirect interest in the equity of AO. The Company issued 427 477 149 Efora ordinary shares as part consideration for the acquisition of Phembani Oil Proprietary Limited, holding company of AO. The issue price of the shares of 20.93 cents (rounded) was based on the 90-day volume weighted average price as at 31 May 2017, at a discount of 10%. The resulting value of the shares issued was R89.5 million. The fair value of these shares was R85.5 million which resulted in a loss on the initial recognition of the consideration of R4.0 million. The Company further paid cash of R39.0 million and was due to pay a contingent consideration of R55.0 million if AO had achieved EBITDA of between R68.0 million and R100.0 million for the year ended 31 December 2017, and if it recovered specified accounts receivable within 12 months. The contingent consideration was subsequently reduced to R2.3 million as AO did not meet the EBITDA target but it is highly likely that taxes on certain provisions will be recoverable.

BELTON PARK

As part of the Group's strategy to strengthen its position in the fuel distribution market, the Company announced on 2 October 2017 that it had concluded certain transaction agreements with Belton Park which would have seen the Group acquire the assets and liabilities of its business. Unfortunately, the transaction did not complete, as certain outstanding conditions precedent to the transaction were not fulfilled and therefore the transaction agreements lapsed. The total transaction costs relating to the project were R3.9 million.

RIGHTS ISSUE

The Company convened a general meeting of shareholders on 18 June 2018, as required by the Companies Act, to seek shareholder approval for the Company to issue shares, which will be done in terms of a rights issue of R600 million ("the Rights Issue") that will be greater than 30% of the Company's market capitalisation. The proceeds of the Rights Issue will be utilised to repay the Gemcorp loan, for operational and working capital requirements and to fund the Group's growth strategy. Should the necessary resolution be approved by shareholders, the Company will launch the Rights Issue as soon as possible. The Company has received undertakings from shareholders owning up to 60% of the issued share capital of the Company in which they commit to support the resolution required to issue the shares. One of these shareholders is the Government Employees Pension Fund, managed by the Public Investment Corporation, which has pledged to fully follow its rights under the proposed Rights Issue.

GOING CONCERN

The Group continues to rely on its ability to successfully raise further financing to fund future working capital, repayment of the Gemcorp equity bridge facility and business development needs. The Board remains reasonably confident that it will manage the material

uncertainties that exist which are highlighted in note 16 to the condensed consolidated interim results. The condensed consolidated interim results have therefore been prepared on a going concern basis.

LITIGATION UPDATE

OPL 281

As previously announced, SacOil 281 Nigeria Limited ("SacOil 281") terminated its participation with Transnational Corporation of Nigeria Plc. ("Transcorp"), the operator of Oil Prospecting Licence ("OPL") 281. Efora contributed $12.5 million towards farm-in fees on 28 February 2011, which fees contractually were to be refunded with interest by Transcorp. Notwithstanding the receipt of Transcorp's acknowledgement of its refund obligation, Efora subsequently received notice from Transcorp that Efora's termination of the Farm-out and Participation Agreement ("FoPA") in December 2014 was wrongful and amounted to a repudiation of the FoPA. Pursuant to the FoPA, SacOil 281 filed a notice for arbitration with the Nigerian Chartered Institute of Arbitrators, Nigeria Branch on 28 August 2015 to recover its farm-in and related fees plus interest thereon.

On 18 June 2015 Transcorp in response filed the following two court applications in the High Court: Lagos State:

(i) alleging the repudiation of the FoPA by SacOil 281, claiming the sum of US$50.0 million as special damages for wrongful termination; and

(ii) challenging the validity, applicability and appointment of arbitrators and the arbitration clause in the FoPA.

SacOil 281 opposed these proceedings and on 31 May 2016 the High Court and Lagos State ruled against SacOil 281 on "matter (ii)" but granted SacOil 281 leave to appeal on 30 June 2016. Transcorp have made a settlement offer to Efora in an attempt to resolve the legal dispute, which would allow Efora to farm-in to OPL 281 for 40% of the working interest. There are ongoing discussions with Transcorp around alternative proposals; however, the legal process relating to the appeal hearing is still in progress. A court date was scheduled for February 2018, but this was postponed to 17 April 2018 when the appeal commenced and the Appeal Court noted that the court registrar had not served all the respondents with hearing notices and further postponed the appeal to 26 March 2019. It is anticipated that this matter will be concluded during the second quarter of 2019.

ENCHA GROUP LIMITED AND ENCHA ENERGY PROPRIETARY LIMITED

The Company instituted action against Encha Group Limited for payment of R75.0 million, together with interest and costs. In the same action, the Company is claiming payment of R75.0 million, plus interest, from Encha Energy Proprietary Limited and Encha Group Limited on the basis of a written acknowledgement of debt provided by Encha Energy Proprietary Limited, in respect of which Encha Group Limited bound itself as surety. The parties have agreed to refer the matter to arbitration and the arbitration process was due to begin on 20 November 2017. The matter has been postponed by the parties and the revised date will be agreed between the arbitrator and the parties in due course. The Company has, in April 2018, amended its statement of claim to introduce alternative causes of action, based on the underlying contracts.

ROBIN VELA

The Company instituted legal action against Mr Robin Vela (its former CEO) in which it claimed an amount of approximately R3.3 million together with interest in respect of taxes that became due to the South African Revenue Service and which were not deducted from the salary that was paid to him by the Company during his tenure as CEO. The Company has also claimed legal costs. Mr Vela defended the action and also raised three counterclaims in the action in terms of which he claimed an amount of just under R0.3 million allegedly owing in respect of unpaid leave, an amount of approximately R2.8 million allegedly due in respect of a bonus and an amount of approximately R16.9 million allegedly owing in respect of the breach of a share option agreement. In addition, Mr Vela also claimed interest on these amounts and legal costs. The trial commenced on 28 August 2017 and was concluded. The court delivered judgement on 6 February 2018 and found for the Company in respect of the capital portion of its claim. Mr Vela's two counterclaims were dismissed, but the court found the Company liable to Mr Vela for the bonus claim. Mr Vela applied for leave to appeal and was granted leave to appeal. He is appealing against the court upholding the Company's claim against him and the court dismissing two of his counterclaims. The Company applied for and was granted leave to cross-appeal. The Company is cross-appealing against the court upholding Mr Vela's bonus claim. Mr Vela's notice of appeal has been filed with the Supreme Court of Appeal. The Company's notice of cross-appeal has been finalised and filed with the Supreme Court of Appeal.

RICHARD LINNELL

Mr Richard Linnell (the Company's former Chairman) instituted legal action against the Company during September 2016 in which he claims, amongst others, payment of approximately R14.7 million, together with interest, and the reinstatement of 12.6 million share options which the Company contends have lapsed. He is also claiming legal costs. The Company is defending the action and for over 18 months Mr Linnell has taken no steps to progress this legal action. This claim is disclosed as a contingent liability as at 28 February 2018.

OUTLOOK

This financial year will be a pivotal period in the development of our Company. Our primary objective is to optimise each division of the business to ensure continued focus on cost discipline and operational efficiencies. We will maintain the good progress we demonstrated with regards to AO and hope to improve performance throughout the year as we benefit from the restructuring activities undertaken in the prior year.

Our near-term focus is on completion of the Rights Issue so we can use the proceeds to execute our growth strategy, which includes near-term completion of M&A opportunities. The Rights Issue will also put the Company on a considerably stronger footing in terms of our ability to leverage a strong balance sheet to support our growth ambitions.

Certainly, challenges remain, both in terms of legacy issues as well as those that we have acquired in recent years; however our portfolio is beginning to take the form of the strategic vision that we set ourselves a number of years ago, and we have seen the formation of a more stable business underpinned by multiple revenue streams from a diverse asset base across a continent characterised by potential and opportunity. Furthermore, the strengthening of global commodity prices continues to positively impact sentiment and margins throughout the industry, and we remain well placed to benefit from this significant recovery.

Taking all of this into account, we remain confident that the coming year will be the year in which Efora successfully builds on the strong foundations that we have been laying over the previous years, and begin to deliver the value that our shareholders expect and deserve.

CHANGES IN DIRECTORATE

The following directors were appointed during the reporting period:

Ms Thuto Masasa on 1 April 2017

Mr Patrick Mngconkola on 1 April 2017

Mr Boas Seruwe on 1 April 2017

The following directors resigned or retired during the reporting period:

Mr Tito Mboweni on 2 October 2017

Mr Mzuvukile Maqetuka on 2 October 2017

Mr Vusumzi Pikoli on 28 September 2017

Ms Titilola Akinleye on 28 September 2017

ABOUT EFORA

Efora Energy Limited is a South African based independent African oil and gas company, listed on the JSE. The Company has a diverse portfolio of assets spanning production in Egypt; exploration and appraisal in the Democratic Republic of Congo; a midstream project relating to crude trading in Nigeria; and material downstream distribution operations throughout southern Africa. Our focus as a Group is on delivering energy for the African continent by using Africa's own resources to meet the significant growth in demand expected over the next decade.

CONDENSED PROVISIONAL CONSOLIDATED REVIEWED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February

	Notes	2018 R'000	Restated* 2017 R'000
Revenue		**2 631 069**	1 171 247
Cost of sales		**(2 568 287)**	(1 172 733)
Gross income/(loss)		**62 782**	(1 486)
Other income		**7 094**	686
Other operating costs		**(246 338)**	(274 649)
Loss from operations		**(176 462)**	(275 449)
Share of profit from joint venture net of taxation	6	**1 878**	–
Finance income		**53 073**	77 613
Finance costs		**(55 017)**	(2 636)
Loss before taxation		**(176 528)**	(200 472)
Taxation		**669**	(4 877)
Loss for the year		**(175 859)**	(205 349)
Other comprehensive loss:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations[1]		**(38 318)**	(21 536)
Other comprehensive loss for the year net of taxation		**(38 318)**	(21 536)
Total comprehensive loss for the year		**(214 177)**	(226 885)
Loss attributable to:			
Equity holders of the Company		**(151 971)**	(205 349)
Non-controlling interests		**(23 888)**	–
Loss for the year		**(175 859)**	(205 349)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(189 892)**	(226 885)
Non-controlling interests		**(24 285)**	–
Total comprehensive loss for the year		**(214 177)**	(226 885)
Loss per share			
Basic (cents)[2]	12	**(42.34)**	(62.80)
Diluted (cents)[2]	12	**(42.34)**	(62.80)

* Details relating to the restatement are provided in note 5.

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

[2] The current year basic and diluted loss per share have been affected by the share consolidation that took place during the year. The prior year basic and diluted loss per share have been adjusted to reflect the impact of the share consolidation had it occurred in the prior year. The adjustment has been made to enable comparability and is neither a prior-period error or a change in accounting policy.

CONDENSED PROVISIONAL CONSOLIDATED REVIEWED STATEMENT OF FINANCIAL POSITION

As at 28 February

	Notes	2018 R'000	Restated* 2017 R'000	Restated* 2016 R'000
ASSETS				
Non-current assets				
Exploration and evaluation assets		**95 860**	96 319	74 745
Oil and gas properties		**169 243**	183 758	166 030
Investment in joint venture	6	**5 847**	–	–
Loans and other non-current receivables	7	**452 086**	468 322	253 799
Property, plant and equipment		**83 286**	1 187	1 075
Intangible assets	4	**261 655**	58 284	57 844
Total non-current assets		**1 067 977**	807 870	553 494
Current assets				
Loans and other current receivables	7	**–**	2 574	383 145
Inventories		**22 454**	7 484	9 330
Derivative asset		**258**	–	–
Trade and other receivables	8	**146 509**	2 192	3 405
Cash and cash equivalents		**72 806**	18 724	107 349
Total current assets		**242 027**	30 974	503 229
Total assets		**1 310 004**	838 844	1 056 723
EQUITY AND LIABILITIES				
Shareholders' equity				
Stated capital	9	**1 305 911**	1 216 504	1 216 504
Reserves		**21 072**	58 452	77 963
Accumulated loss		**(750 640)**	(598 669)	(393 320)
Equity attributable to equity holders of the Company		**576 343**	676 287	901 147
Non-controlling interests		**1 834**	–	–
Total shareholders' equity		**578 177**	676 287	901 147
LIABILITIES				
Non-current liabilities				
Deferred tax liability		**81 360**	83 403	78 526
Borrowings	10	**215 146**	–	–
Provisions	11	**53 271**	56 884	41 837
Finance lease obligations		**714**	–	–
Total non-current liabilities		**350 491**	140 287	120 363
Current liabilities				
Borrowings	10	**178 901**	–	–
Financial liabilities		**8 603**	–	–
Finance lease obligations		**2 183**	–	–
Loan from joint venture		**7 134**	–	–
Taxation payable		**13 418**	12 851	12 851
Trade and other payables		**171 097**	9 419	22 362
Total current liabilities		**381 336**	22 270	35 213
Total liabilities		**731 827**	162 557	155 576
Total equity and liabilities		**1 310 004**	838 844	1 056 723

* Details relating to the restatement are provided in note 5.

CONDENSED PROVISIONAL CONSOLIDATED REVIEWED STATEMENTS OF CHANGES IN EQUITY

For the year ended 28/29 February

	Notes	Stated capital (note 9) R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000
Balance at 29 February 2016		1 216 504	70 177	7 786
Previously reported		1 216 504	70 177	7 786
Correction of error	5	–	–	–
Changes in equity:				
Loss for the year		–	–	–
Previously reported		–	–	–
Correction of error	5	–	–	–
Other comprehensive loss for the year		–	(21 536)	–
Total comprehensive loss for the year		–	(21 536)	–
Share-based payments expense		–	–	2 025
Total changes		–	(21 536)	2 025
Balance at 28 February 2017		**1 216 504**	**48 641**	**9 811**
Previously reported		**1 216 504**	**48 641**	**9 811**
Correction of error	5	**–**	**–**	**–**
Changes in equity:				
Loss for the year		**–**	**–**	**–**
Other comprehensive (loss)/income for the year		**–**	**(37 921)**	**–**
Total comprehensive loss for the year		**–**	**(37 921)**	**–**
Consideration for business combination	4	**89 487**	**–**	**–**
Transaction costs	4	**(80)**	**–**	**–**
Share-based payments expense		**–**	**–**	**541**
Total changes		**89 407**	**(37 921)**	**541**
Balance at 28 February 2018		**1 305 911**	**10 720**	**10 352**

* Details relating to the restatement are provided in note 5.

Total reserves R'000	Restated* Accumulated loss R'000	Restated* Total equity attributable to equity holders of the Company R'000	Non-controlling interest ("NCI") R'000	Restated* Total equity R'000
77 963	(393 320)	901 147	–	901 147
77 963	(375 253)	919 214	–	919 214
–	(18 068)	(18 068)	–	(18 068)
–	(205 349)	(205 349)	–	(205 349)
–	(211 822)	(211 822)	–	(211 823)
–	6 475	6 475	–	6 475
(21 536)	–	(21 536)	–	(21 536)
(21 536)	(205 349)	(226 885)	–	(226 885)
2 025	–	2 025	–	2 025
(19 511)	(205 349)	(224 860)	–	(224 860)
58 452	**(598 669)**	**676 287**	**–**	**676 287**
58 452	**(587 075)**	**687 881**	**–**	**687 881**
–	**(11 594)**	**(11 594)**	**–**	**(11 594)**
–	**(151 971)**	**(151 971)**	**(23 888)**	**(175 859)**
(37 921)	**–**	**(37 921)**	**(397)**	**(38 318)**
(37 921)	**(151 971)**	**(189 892)**	**(24 285)**	**(214 177)**
–	**–**	**89 487**	**26 119**	**115 606**
–	**–**	**(80)**	**–**	**(80)**
541	**–**	**541**	**–**	**541**
(37 380)	**(151 971)**	**(99 944)**	**1 834**	**(98 110)**
21 072	**(750 640)**	**576 343**	**1 834**	**578 177**

CONDENSED PROVISIONAL CONSOLIDATED REVIEWED STATEMENTS OF CASH FLOWS

for the year ended 28 February

	Notes	2018 R'000	2017 R'000
Cash flows from operating activities			
Cash used in operations		**(65 641)**	(83 156)
Finance income		**5 855**	3 989
Finance costs		**(25 984)**	(1)
Tax paid		**(336)**	–
Net cash used in operating activities		**(86 106)**	(79 168)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(863)**	(586)
Purchase of exploration and evaluation assets		**–**	(781)
Purchase of oil and gas properties		**(5 104)**	(6 916)
Purchase of intangible assets		**(410)**	–
Acquisition of subsidiary, net cash acquired	4	**20 202**	–
Repayments/(advances) of loans and other receivables		**892**	(668)
Net cash from/(used in) investing activities		**14 717**	(8 951)
Cash flows from financing activities			
Transaction costs on issue of shares	9	**(80)**	–
Loan received from joint venture		**2 732**	–
Proceeds from borrowings		**164 467**	–
Repayments of borrowings		**(39 771)**	–
Payment of finance lease obligations		**(1 877)**	–
Net cash from financing activities		**125 471**	–
Total movement in cash and cash equivalents for the year		**54 082**	(88 119)
Foreign exchange losses on cash and cash equivalents		**–**	(506)
Cash and cash equivalents at the beginning of the year		**18 724**	107 349
Cash and cash equivalents at the end of the year		**72 806**	18 724

NOTES TO THE CONDENSED PROVISIONAL CONSOLIDATED REVIEWED FINANCIAL STATEMENTS

for the year ended 28 February

1 BASIS OF PREPARATION

The condensed provisional consolidated reviewed financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements, the requirements of the Companies Act of South Africa, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting. The accounting policies applied in the preparation of the condensed provisional consolidated reviewed financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. None of the new standards, interpretations and amendments effective as of 1 January 2017 have had material impact on the condensed consolidated reviewed annual financial statements.

These condensed provisional consolidated reviewed financial statements have been prepared on a going concern basis after taking into account the matters in note 16.

All monetary information is presented in the functional currency of the Company, being South African Rand and is rounded to the nearest thousand (R'000).

2 PREPARATION OF THE CONDENSED PROVISIONAL CONSOLIDATED REVIEWED FINANCIAL STATEMENTS AND AUDITORS' REVIEW CONCLUSION

The directors take full responsibility for the preparation of these condensed provisional consolidated reviewed financial statements. These condensed provisional consolidated reviewed financial statements for the year ended 28 February 2018 have been prepared under the supervision of the Chief Financial Officer, Mr Marius Damain Matroos CA (SA).

These condensed provisional consolidated financial statements for the year ended 28 February 2018 have been reviewed by SizweNtsalubaGobodo Inc. A copy of the auditors' unmodified review conclusion, which includes an emphasis of matter paragraph for the going concern matters noted in note 16, is available for inspection at the registered office of the Company.

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 year under review the Group operated in the following locations: South Africa, Egypt, Nigeria, DRC, Malawi, Botswana, 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 head office is located in South Africa and was reported as the South Africa segment in the prior year as the Group did not have operations locally. In the current year the South Africa segment includes the newly acquired fuel distribution business disclosed in note 4 resulting in the head office being segmented separately. The Group's operations in Zambia and Malawi, which were immaterial for the year, 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 on the basis of the nature of the products.

3 SEGMENTAL REPORTING (CONTINUED)

	Egypt R'000	Nigeria R'000	DRC R'000	South Africa R'000
2018				
Revenue	**3 454**	**–**	**–**	**2 625 588**
Cost of sales	**(8 441)**	**–**	**–**	**(2 559 846)**
Gross (loss)/profit	**(4 987)**	**–**	**–**	**65 742**
Other income	**–**	**201**	**–**	**5 195**
Depletion, depreciation and amortisation	**(5 842)**	**–**	**–**	**(22 063)**
Share of profit from joint venture (note 6)	**–**	**1 878**	**–**	**–**
Finance income	**–**	**10 461**	**20 927**	**2 076**
Finance costs	**–**	**–**	**(2 167)**	**(25 418)**
Other operating expenses	**(5 245)**	**(6 590)**	**(1 162)**	**(78 977)**
Taxation	**–**	**–**	**626**	**658**
(Loss)/profit for the year	**(16 074)**	**5 950**	**18 224**	**(52 787)**
Segment assets – non-current	**217 510**	**102 930**	**302 803**	**293 153**
– current	**10 385**	**2**	**25**	**210 185**
Segment liabilities – non-current	**(114 841)**	**–**	**(211 136)**	**(187 587)**
– current	**(4 097)**	**(30)**	**–**	**(104 792)**

	Egypt R'000	Nigeria R'000	DRC R'000	Malawi R'000
2017				
Revenue	5 263	1 165 984	–	–
Cost of sales	(14 210)	(1 158 523)	–	–
Gross (loss)/profit	(8 947)	7 461	–	–
Other income	62 147	447	31 755	–
Finance income	–	5 249	17 575	–
Finance costs	–	(1)	(2 635)	–
Other operating expenses	(25 247)	(56 526)	(21 108)	–
Taxation	–	–	(4 877)	–
(Loss)/profit for the year	27 953	(43 370)	20 710	–
Segment assets – non-current	241 807	109 561	304 368	307
– current	11 093	17	24	–
Segment liabilities – non-current	(112 140)	–	(217 628)	–
– current	(5 300)	(741)	–	–

BUSINESS SEGMENTS

The operations of the Group comprise oil and gas exploration and production, crude trading and the sale of petroleum products. The Group relinquished its exploration licences in Botswana and Malawi and ceased its activities in Equatorial Guinea.

Botswana

After a thorough review of all available geo-scientific data of the Kalahari Basins of Botswana as well as integrating exploration data from the neighbouring Gemsbok Basin in Namibia and the Kariba Basin in Zimbabwe, it was concluded that the potential for finding hydrocarbons was low and that further exploration in PELs 123,124 and 125 would be of a high risk nature. It was therefore decided not to renew the PELs when they expired in June 2017.

Malawi

The relinquishment of the Block 1 licence in August 2017 followed a desktop study completed by Efora which concluded that, although there is potential for petroleum exploration, the risk remains substantial due to the inability to distinguish between magnetic and sedimentary layers by using magnetic data.

Equatorial Guinea

The Group terminated its participation in the Bioko Oil Terminal project during the year.

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 and Zimbabwe segments.

Inter-segment revenues are eliminated upon consolidation and are reflected in the "eliminations" column. There were no inter-segment revenues in the prior year.

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.

Botswana R'000	Zimbabwe R'000	Mauritius R'000	Head office R'000	Eliminations R'000	Consolidated R'000
–	23 079	–	–	(21 052)	2 631 069
–	(21 052)	–	–	21 052	(2 568 287)
–	2 027	–	–	–	62 782
5 229	53	–	5 281	(8 865)	7 094
(153)	–	–	(615)	–	(28 673)
–	–	–	–	–	1 878
–	–	–	20 514	(905)	53 073
–	–	–	(28 337)	905	(55 017)
(167)	(15 984)	(83)	(118 322)	8 865	(217 665)
–	1 065	173	(1 853)	–	669
4 909	(12 839)	90	(123 332)	–	(175 859)
–	34 559	9 763	315 629	(207 849)	1 068 498
24	4 613	56	16 216	–	241 506
–	(35 014)	(9 762)	–	207 849	(350 491)
–	(87 396)	(91)	(184 930)	–	(381 336)

Botswana R'000	South Africa R'000	Eliminations R'000	Consolidated R'000
–	–	–	1 171 247
–	–	–	(1 172 733)
–	–	–	(1 486)
215	5 105	(98 983)	686
–	54 789	–	77 613
–	–	–	(2 636)
(1 859)	(268 892)	98 983	(274 649)
–	–	–	(4 877)
(1 644)	(208 998)	–	(205 349)
153	345 741	(194 067)	807 870
2	19 838	–	30 974
(4 586)	–	194 067	(140 287)
(454)	(15 775)	–	(22 270)

4 BUSINESS COMBINATION AND GOODWILL

On 31 May 2017 the Group acquired 100% of the share capital of Phembani Oil Proprietary Limited ("Phembani"), an investment holding company whose only asset is a 71% equity interest in Afric Oil Proprietary Limited ("AO") which owns a fuel distribution business. Phembani was acquired to enable the Group to enter the downstream segment of the oil and gas value chain and also to expand its footprint in southern Africa. The acquisition is also expected to contribute significant revenues and cash flows to the Group in line with its strategy of establishing a sustainable business.

The Company issued 427 477 149 Efora ordinary shares as part consideration for the acquisition of Phembani. The issue price of the shares of 20.93 cents (rounded) was based on the 90-day volume weighted average price as at 31 May 2017, at a discount of 10%. The resulting value of the shares issued was R89.5 million. The fair value of these shares was however R85.5 million which resulted in a fair value loss of R4.0 million on initial recognition of the consideration. The Company further paid cash of R39.0 million and was due to pay a contingent consideration of R55.0 million if AO had achieved EBITDA of between R68.0 million and R100.0 million for the year ended 31 December 2017, and if it recovered specified accounts receivable within 12 months. The contingent consideration was subsequently reduced to R2.3 million as AO did not meet the EBITDA target but it is highly likely that taxes on certain provisions will be recoverable.

The net assets attributed to the acquisition in the Group annual financial statements for the year ended 28 February 2017, were based on a provisional assessment of their fair values as the Company sought an independent valuation of identified intangible assets (brands and customer relationships) and tangible assets. The valuation had not been completed by the time the 2017 financial statements were approved for issue by the Board of Directors. Furthermore, the fair values of the assets acquired were based on a provisional balance sheet as at 31 March 2017, representing at the time the latest available information close to the acquisition date. The valuation has now been completed and financial information as at 31 May 2017 has also been obtained. The final fair values of the identifiable assets and liabilities of Phembani as at the date of acquisition, which are different from amounts previously reported for reasons noted, are therefore outlined below:

	Final fair value R'000
Property, plant and equipment	96 397
Intangible assets[1]	162 623
Other financial assets	3 085
Inventories	17 791
Current tax receivable	253
Trade and other receivables[2]	200 288
Cash and cash equivalents	59 202
	539 639
Borrowings	(264 187)
Finance lease obligations	(4 774)
Deferred tax liability	1 417
Trade and other payables	(182 028)
	(449 572)
Total identifiable net assets at fair value	90 067
Non-controlling interest	(26 119)
Goodwill arising on acquisition	62 809
Consideration at fair value	126 757
Cash	39 000
Equity instruments	85 495
Contingent consideration (equity instruments)	2 262
The net cash inflow on acquisition is as follows:	
Cash paid	(39 000)
Net cash acquired with the subsidiary	59 202
Net consolidated cash inflow	20 202

[1] Comprising brands, customer relationships and computer software.

[2] Includes an impairment provision of R53.5 million.

4 BUSINESS COMBINATION AND GOODWILL (CONTINUED)

The fair value of trade and other receivables is R202.9 million and includes trade receivables with a fair value of R184.8 million. The gross contractual amount for trade receivables due is R238.3 million, of which R53.5 million is expected to be uncollectible.

The goodwill arising on acquisition of R62.8 million is attributable to expected synergies from the integration of the AO and Big Red Investments Proprietary Limited businesses and is allocated entirely to the AO business. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition to 28 February 2018, AO has contributed revenue of R2.6 billion and a loss of R65.5 million to the Group loss. If the acquisition of AO had taken place at the beginning of the year, the Group revenue for the year ended 28 February 2018 would have been R3.7 billion and AO would have contributed a loss of R108.5 million to the Group results.

Transaction costs of R11.8 were expensed and are included in other operating expenses. The attributable costs of the issuance of the shares of R0.08 million have been charged directly to equity as a reduction in share capital.

GOODWILL

For impairment testing purposes, the goodwill of R62.8 million, which is included in intangible assets, acquired through the business combination detailed above has been allocated to the Afric Oil cash-generating unit ("AO CGU"). The cash generating unit was compared to its recoverable amount which was determined through value-in-use calculations where future cash flows were estimated and discounted at the weighted average cost of capital. The recoverable amount of the AO CGU as at 28 February 2018 was determined to be R144.5 million. The discount rate applied to the cash flow projections is 13.09%, and cash flows beyond the five-year period are extrapolated using an average growth rate of 4%. As a result of the analysis, management did not identify an impairment for the AO CGU. Key assumptions used in determining the value in use are as follows:

- Gross margins
- Discount rate
- Market share during the budget period
- Growth rates used to extrapolate cash flows beyond the budget period

Gross margins: Gross margins are based on average values achieved from current trading activities and are derived from regulated wholesale prices.

Discount rates: The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity, weighted 50% each. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Market share: Management expects the Group's share of the petroleum products market to be stable over the forecast period.

Growth rates: Based on the estimated growth rate for the petroleum products sector.

Sensitivity to changes in assumptions

Management assessed that the value-in-use calculation would be most sensitive to the discount rate applied to determine the recoverable amount. A 2% increase in the discount rate would reduce the recoverable amount by R42.8 million without resulting in an impairment of the goodwill allocated to the AO CGU.

5 CORRECTION OF ERROR

RECOGNITION OF THE BLOCK III CONTINGENT LIABILITY ATTRIBUTABLE TO ONGOING EXPLORATION ACTIVITIES

In 2011 and 2012 the Group entered into a cost carry arrangement with Total E&P RDC ("Total"), whereby Total would provide a carry of all exploration and appraisal costs on behalf of the Group with respect to its operations on Block III in the DRC. Under the terms of this arrangement, Total is entitled to recover these costs plus interest from the Group's share of oil revenues if Block III goes into commercial production. In the prior years the Group accounted for the liability that could arise from the cost carry arrangement with Total as a contingent liability as a great degree of judgement was applied in determining the chances of the liability materialising. During the current year, after a further review by the new auditors of the assumptions used in accounting for the liability, it was concluded that it is more probable than previously assessed that this liability could materialise and as such that the liability should have historically been accounted for as a provision and not a contingent liability. As a result of this error, the Group's investment in Block III under exploration and evaluation assets was understated with a corresponding understatement of liabilities. The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	Previously reported 28 February 2017 R'000	Adjustment R'000	Restated 28 February 2017 R'000	Previously reported 28 February 2016 R'000	Adjustment R'000	Restated 28 February 2016 R'000
Balance sheet (extract)						
Exploration and evaluation assets	51 029	45 290	96 319	50 976	23 769	74 745
Provisions (note 11)	–	(56 884)	(56 884)	–	(41 837)	(41 837)
Impact on net assets	51 029	(11 594)	39 435	50 976	(18 068)	32 908
Accumulated loss	(587 075)	(11 594)	(598 669)	(375 252)	(18 068)	(393 321)
Impact on equity	(587 075)	(11 594)	(598 669)	(375 252)	(18 068)	(393 321)
Statement of comprehensive income (extract)						
Finance costs	(1)	(2 635)	(2 636)	(4)	(1 125)	(1 129)
Other operating expenses	(283 758)	9 109	(274 649)	(194 429)	(10 574)	(205 003)
(Loss)/profit before taxation	(206 947)	6 475	(200 472)	100 009	(11 699)	88 310
(Loss)/profit for the year	(211 824)	6 475	(205 349)	39 587	(11 699)	27 888
Total comprehensive (loss)/profit for the year	(233 360)	6 475	(226 885)	101 047	(11 699)	89 348

The change did not have an impact on OCI or the Group's operating, investing and financing cash flows. The Group did not have non-controlling interests at 29 February 2016 and 28 February 2017.

Impact on loss per share*			
Basic and diluted loss per share (note 12)	(64.78)	1.98	(62.80)
Basic and diluted headline loss per share (note 12)	(78.47)	1.98	(76.48)

* Loss per share numbers for the prior year have been adjusted to reflect the impact of the share consolidation that took place during the year as detailed in note 12.

6 INVESTMENT IN JOINT VENTURE

	Country of registration	Principal place of business	Nature of activities	Participating interest 2018 %	2017 %
SacOil Energy Equity Resources Limited (“SEER”)	Seychelles	Nigeria	Crude trading	**50%**	–

CRUDE TRADING, NIGERIA

Efora, jointly with Energy Equity Resources (Nigeria Services) Limited, through SEER, participates in crude trading in Nigeria. Efora’s share of this arrangement is 50%. The interest in this joint venture is accounted for using the equity accounting method. In the prior year this arrangement was neither a joint venture nor a joint operation but rather classified as a cost-sharing arrangement. In the current year this arrangement is classified as a joint venture. The change in the basis of accounting post-acquisition is due to the change in the structuring of the Group’s interest in SEER. Since the incorporation of SEER up until 22 March 2017 the Group’s participation in SEER was governed by a 50/50 cost-sharing agreement which meant that the Group accounted for its 50% share of assets, revenues and costs in preparing its financial statements. Since the conclusion of a shareholder’s agreement on 22 March 2017, which now stipulates that the Group is entitled to a 50% share of SEER’s net assets, the Group now accounts for this investment as a joint venture in line with IFRS 11. SEER entered into an agreement with the Nigerian National Petroleum Corporation Limited for the purchase of crude oil grades for onward sale. The agreement expired on 31 March 2018 and a new contract was awarded in May 2018 for a period of two years.

Summarised financial statement information (100%) of the joint venture, based on its IFRS financial statements, is set out below:

	2018 R’000
Condensed statement of profit or loss of SEER	
Revenue	**917 046**
Cost of sales	**(910 080)**
Other operating costs	**(3 211)**
Profit for the year	**3 755**
Total comprehensive income for the year	**3 755**
Group’s share of profit for the year	**1 878**
Condensed statement of financial position of SEER	
Non-current assets	**8**
Current assets[1]	**15 685**
Current liabilities	**(3 999)**
Equity	**11 694**
Portion of the Group’s ownership	**5 847**
Reconciliation of carrying amount	
Balance at 1 March 2017	**–**
Net assets through restructuring of cost-sharing agreement	**4 610**
Share of profit	**1 878**
Exchange differences	**(641)**
Balance at 28 February 2018	**5 847**

[1] Including cash of R0.05 million and loans to shareholders of R15.6 million.

The joint venture had no contingent liabilities or capital commitments as at 28 February 2018. SEER cannot distribute its profits until it obtains the consent of the two joint venture partners. SEER is domiciled in Seychelles and is tax exempt.

7 LOANS AND OTHER RECEIVABLES

The following impairments to loans and other receivables have been recorded:

	2018 R'000	2017 R'000
Transcorp Refund	**12 720**	54 897
	12 720	54 897

TRANSCORP REFUND

Included in loans and other receivables is an amount due from Transcorp of R194.2 million after recording an impairment charge of R12.7 million (2017: R54.9 million). The impairment charge, which is recorded under other operating expenses, reflects the impact of the time value of money as it is estimated it will take longer to recover funds owed by Transcorp, as the hearing of the pending litigation as stated in the Litigation section was postponed in the prior year and again in the current year.

The provision for impairment of loans and other receivable is as follows:

	2018 R'000	2017 R'000
Balance at 1 March	**115 919**	173 571
Utilisation of provision attributable to the loan due from EERNL	**–**	(173 571)
Acquisition through business combination	**1 250**	–
Arising during the year	**4 195**	115 919
Advance payment against future services	**–**	115 825
Phembani Group Proprietary Limited	**827**	–
Supplier development loans	**1 368**	–
Deferred consideration on disposal of Greenhills plant	**2 000**	94
Balance at 28 February	**121 364**	115 919

DEFERRED CONSIDERATION ON DISPOSAL OF GREENHILLS PLANT

The remaining consideration of R2.0 million for the disposal of the Greenhills plant was due on 1 October 2016. Subsequently an addendum to the original sale of business agreement was concluded on 31 October 2017. Under the terms of the amended agreement, the remaining amount of R2.0 million will be paid in four instalments of R0.5 million each based on a payment plan with the last instalment expected on 30 June 2019. Interest will accrue on the value of each instalment at a rate of 10% calculated from 31 August 2017, as agreed, to the date of payment. The first instalment, which has been provided for in full, was due on 28 February 2018 and remains outstanding as at the date of these financial statements.

PHEMBANI GROUP PROPRIETARY LIMITED

Included in loans and other receivables is an amount of R0.8 million due from Phembani Group Proprietary Limited. An impairment charge of R0.8 million was recognised under other operating expenses after considering the recoverability of this amount.

SUPPLIER DEVELOPMENT LOANS

Included in loans and other receivables is an amount of R2.6 million due from loans granted to suppliers in line with Afric Oil's strategy for broad-based black economic empowerment with respect to supplier development. Due the the recurring default on the supplier development loans an impairment charge of R2.6 million has been recognised with respect to these loans under other operating expenses.

8 TRADE AND OTHER RECEIVABLES

As at 28 February 2018, trade receivables with a carrying value of R42.6 million (2017: nil) were impaired and fully provided for. The movements in the provision for impairment of trade receivables are outlined below:

	R'000
At 1 March 2017	–
Aquired through business combination (note 4)	**53 462**
Unused amounts reversed	**(10 904)**
At 28 February 2018	**42 558**

9 STATED CAPITAL

		2018	2017
Authorised:			
Number of ordinary shares with no par value	(000's)	**1 000 000**	10 000 000
Allotted equity share capital:			
Reported at the beginning of the year	(R'000)	**1 216 504**	1 216 504
Non-cash shares issued	(R'000)	**89 487**	–
Share issue costs	(R'000)	**(80)**	–
As at 28 February	(R'000)	**1 305 911**	1 216 504
Reconciliation of number of shares issued:			
Reported at the beginning of the year	(000's)	**3 269 836**	3 269 836
Non-cash shares issued	(000's)	**427 478**	–
Share consolidation	(000's)	**(3 327 581)**	–
As at 28 February	(000's)	**369 733**	3 269 836

Non-cash shares issued comprise:

Date	Nature of transaction	Recipient	Number of shares issued (000's)	Issue price[1] R	Value (note 4) R'000
31 May 2017	Part consideration for the acquisition of Afric Oil	Gentacure Proprietary Limited	387 459	0.21	81 110
31 May 2017	Part consideration for the acquisition of Afric Oil	Moopong Investment Holdings Proprietary Limited	40 019	0.21	8 377
			427 478	0.21	89 487

[1] The issue price is rounded to two decimal places.

10 BORROWINGS

	2018 R'000	2017 R'000
Non-current		
Redlex Investments Proprietary Limited[1]	**5 152**	–
Unemployment Insurance Fund[2]	**209 994**	–
	215 146	–
Current		
Gemcorp Africa Fund I Limited[3]	**146 010**	–
Redlex Investments Proprietary Limited[1]	**8 156**	–
Impact Trust[4]	**2 929**	–
Loan due to EERNL[5]	**107**	–
Turquoise Moon Proprietary Limited[6]	**21 699**	–
	178 901	–
Total	**394 047**	–

1 The loan represents an amount payable by Afric Oil with respect to the acquisition of the business assets of Big Red Proprietary Limited, Turquoise Moon Trading 477 Proprietary Limited and Redlex Investments Proprietary Limited which occurred in March 2017. This loan bears interest at 10.5% per annum, is secured by motor vehicles and is repayable in 30 monthly instalments of R0.8 million each which commenced on 1 April 2017. Full repayment of the loan is expected on 30 September 2019. Interest totalling R1.3 million was charged to finance costs in profit or loss with respect to this loan for the nine months since acquisition. This loan is denominated in Rands.

2 The loan was granted to Afric Oil in February 2017 in order to purchase the business assets of Big Red Proprietary Limited, Turquoise Moon Trading 477 Proprietary Limited and Redlex Investments Proprietary Limited. The loan accrues 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 movable and immovable properties, a cession of shares in or claims against all Afric Oil subsidiaries and the subordination of all claims. Repayments of the loans were due to commence on 31 October 2017 but Afric Oil obtained a moratorium on 15 May 2018 on both capital and interest repayments which will last a year following which the loan will be repayable over 20 equal quarterly instalments. Interest will continue to accrue on the loan during the moratorium. Interest totalling R21.1 million was charged to finance costs in profit or loss with respect to this loan for the nine months since acquisition. This loan is denominated in Rands. The Unemployment Insurance Fund is represented by the Public Investment Corporation.

3 The Gemcorp Africa Fund I Limited loan which was acquired by Efora on 1 June 2017 is repayable on 31 August 2018 from the proceeds of a rights issue which the Board has committed to undertake. The loan is secured by a cession in security of the rights offer proceeds, bears interest at 8.5% per annum and was arranged at a fee of 2%. The loan was utilised to fund the acquisition of Phembani Oil Proprietary Limited and is also being used for working capital and general corporate purposes of the Group. Interest totalling R12.9 million was charged to finance costs in profit or loss with respect to this loan. This loan is denominated in US Dollar.

4 The loan amount arose from the purchase of the business assets of AfricOil Petroleum – Zimbabwe and represents the balance owing to the liquidator. The loan is unsecured, bears no interest and has no fixed terms of repayment. This loan is denominated in US Dollar.

5 The loan due to EERNL is attributable to costs incurred on the Group's behalf pertaining to the operation of SEER. The loan is interest free, unsecured and has no fixed repayment terms. This loan is denominated in US Dollar.

6 The loan represents an amount payable by Afric Oil with respect to the acquisition of ERF 381 and ERF 380 in the township of Aureus Extension 3. This loans bears interest at prime minus 1 basis point per annum, is unsecured and is repayable in 19 instalments of R0.4 million which commenced in March 2017 with a final payment of R20.4 million. Full repayment of the loan is expected in September 2018. Interest totalling R1.5 million was charged to finance costs in profit or loss with respect to this loan for the nine months since acquisition. This loan is denominated in Rands.

11 PROVISIONS

	2018 R'000	Restated* 2017 R'000	Restated* 2016 R'000
Non-current			
Carried cost reimbursement	**53 271**	56 884	41 837

	Carried cost reimbursement
Balance at 1 March 2015	30 138
Interest	1 125
Exchange differences	10 574
Balance at 29 February 2016 – Restated*	41 837
Arising during the year	21 522
Interest	2 634
Exchange differences	(9 109)
Balance at 28 February 2017 – Restated*	**56 884**
Interest	**2 167**
Exchange differences	**(5 780)**
Balance at 28 February 2018	**53 271**

* Restated as disclosed in note 5.

CARRIED COST REIMBURSEMENT

The farm-in agreement between Semliki and Total provides for a carry of costs by Total on behalf of Semliki on Block III. Semliki's rights under the contract were subsequently assigned to SacOil DRC as part of the reorganisation concluded on 29 February 2016. Total will be entitled to recover the accrued aggregate of the carried costs, plus interest (at LIBOR for one-month deposits plus 3%), from SacOil DRC's share of cost oil plus 80% of profit oil if Block III commences commercial production. Based on current estimates commercial production is anticipated in 2022. The carried cost reimbursement provision at 28 February 2018 represents the present value of estimated costs and interest totalling R53.3 million (2017: R56.9 million, 2016: R41.8 million).

12 LOSS PER SHARE

	2018	2017
Basic (cents)	**(42.34)**	(62.80)
Diluted (cents)	**(42.34)**	(62.80)
Loss attributable to equity holders of the Company used in the calculation of the basic and diluted loss per share (R'000)	**(151 971)**	(205 347)
Weighted average number of ordinary shares used in the calculation of basic loss per share (000's)	**358 956**	326 983
Issued shares at the beginning of the reporting period (000's)	**3 269 836**	3 269 836
Effect of shares issued during the reporting period (weighted) (000's)	**319 729**	–
Share consolidation (000's)	**(3 230 609)**	(2 942 853)
Add: Dilutive share options (000's)	**–**	–
Weighted average number of ordinary shares used in the calculation of diluted loss per share (000's)	**358 956**	326 983
Headline loss per share		
Basic (cents)	**(42.20)**	(76.49)
Diluted (cents)	**(42.20)**	(76.49)

	R'000	R'000
Reconciliation of headline loss		
Loss attributable to equity holders of the Company	**(151 971)**	(205 347)
Adjust for:		
Reversal of impairment of oil and gas assets	**–**	(46 179)
Reversal of impairment of intangible assets	**–**	(15 968)
Write-off of property, plant and equipment	**535**	–
Write-off of exploration and evaluation asset	**307**	–
Adjustments attibutable to NCIs	**(155)**	–
Tax effects of adjustments	**(192)**	17 401
Headline loss	**(151 476)**	(250 093)

ADJUSTMENT OF PRIOR-YEAR LOSS PER SHARE AND HEADLINE LOSS PER SHARE

On 25 October 2017 the Company restructured its authorised and issued stated capital by consolidating every 10 ordinary shares of no par value into 1 ordinary share of no par value. The restructuring did not affect either the loss attributable to equity holders of the Company or dilutive share options. Its impact on the shares in issue had the share consolidation taken place in the prior year is reflected below. It is important to note that the adjustment has been made to facilitate comparability and is neither a prior-period error or a change in accounting policy.

Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share and basic and diluted headline loss per share:

	Previously reported	Adjusted
Issued shares as previously stated (000's)	3 269 836	3 269 836
Impact of share consolidation had this occurred in the prior year (000's)	–	(2 942 853)
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share and basic and diluted headline loss per share (000's)	3 269 836	326 983

	Previously reported	Impact of share consolidation	Adjusted for share consolidation	Impact of prior-year error (note 5)	Restated
Adjusted basic and diluted loss per share	(6.48)	(58.30)	(64.78)	1.98	(62.80)
Adjusted basic and diluted headline loss per share	(7.85)	(70.62)	(78.47)	1.98	(76.48)

	2018 R'000	2017 R'000

13 RELATED PARTIES

	2018 R'000	2017 R'000
Key management compensation		
Non-executive directors		
Fees	**4 096**	3 975
Executive directors		
Salaries	**7 489**	8 676
Other key management		
Salaries	**7 336**	7 575

14 FAIR VALUE MEASUREMENT

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables, financial liabilites 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	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Loans and receivables				
Loans and other receivables (note 7)[1]	**452 086**	470 896	**389 061**	428 682
Derivative financial assets				
Foreign exchange option	**258**	–	**258**	–
Financial liabilities at amortised cost				
Borrowings (note 10)	**(394 047)**	–	**(411 732)**	–

[1] In terms of Efora's accounting policies and IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") these financial instruments are carried at amortised cost and not at fair value, given that Efora intends to collect the cash flows from these instruments when they fall due over the life of the instrument. Changes in market discount rates which affect fair value would therefore not impact the valuation of these financial instruments and are not considered to be objective evidence of impairment for items carried at amortised cost per IAS 39 as this does not impact the timing or amount of expected future cash flows.

VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED TO MEASURE FAIR VALUES

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

	Fair value at 28 February 2018	Valuation technique	Significant inputs
Assets			
Loans and other receivables	**389 061**	Discounted cash flow model	Weighted average cost of capital
Foreign exchange option	**258**	Forward pricing using present value calculations	Forward exchange rates, discount rate
Liabilities			
Borrowings	**(411 732)**	Discounted cash flow model	Weighted average cost of capital

FAIR VALUE HIERARCHY

The following table presents the Group's assets for which the fair value is disclosed above. The different levels have been defined as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

	Level 1	Level 2	Level 3	Total
At 28 February 2018				
Loans and other receivables	–	–	**389 061**	**389 061**
Foreign exchange option	–	**258**	–	**258**
Borrowings	–	–	**(411 732)**	**(411 732)**
At 28 February 2017				
Loans and other receivables	–	–	428 682	428 682

There were no transfers between any levels during the year. The Group's own non-performance risk at 28 February 2018 was assessed to be insignificant, however the Group's ability to meet all its obligations is dependent on its ability to raise funds as referred to in note 15.

15 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES – GROUP

Claim by former chairman of the Company

Richard Linnell (the Company's former Chairman) instituted legal action against the Company during September 2016 in which he claims, amongst others, payment of approximately R14.7 million, together with interest, and the reinstatement of 12.6 million share options which the Company contends have lapsed. He is also claiming legal costs. The Company is defending the action and for over 18 months, Mr Linnell has taken no steps to progress this legal action. The outcome of this matter cannot be estimated at this point in time and accordingly, no provision was recognised at 28 February 2018.

Claimed transation fees

Gem Capital issued summons against Afric Oil Proprietary Limited on 11 October 2017. The claim is twofold:

(1) Gem Capital is claiming outstanding fees for assisting Afric Oil with the procurement of financing from the Public Investment Corporation to purchase Forever Fuels. The claim is for an outstanding amount of R0.5 million plus interest at 2% above prime rate from 22 May 2017. The claim is being opposed by the Company's attorneys, TGR Attorneys.

(2) Gem Capital is claiming success fees for providing advice and assistance with the "SacOil" (now Efora) transaction, being the acquisition of Afric Oil by Efora for R200 million (correct purchase price is R130.7 million). The claim is for R6.8 million plus interest at 2% above prime rate from 31 May 2018. The claim is being opposed by the Company's attorneys, TGR Attorneys.

The outcome of these matters cannot be estimated at this point in time and, accordingly, no provision was recognised at 28 February 2018.

16 GOING CONCERN

The Group incurred a net loss for the year ended 28 February 2018 of R175.9 million (2017: R205.3 million). The results of the Group continue to be affected by developments in the global markets with respect to oil prices and exchange rates as well as lower-than-expected performance of the Lagia and Afric Oil investments for the reasons highlighted in the operations and finance reviews. Consequently, the Group's operations have not delivered the expected cash flows which has resulted in a net cash outflow of R86.1 million (2017: R79.2 million) for the year from operations, business development activities and overhead costs. The Group's cash resources at 28 February 2018 total R72.8 million and are presently not considered adequate to meet the Group's obligations for the foreseeable future. The following uncertainties therefore exist with respect to the Group's ability to remain a going concern as it may not be able to realise its assets and discharge its liabilities in the normal course of business:

AVAILABILITY OF FUNDING FOR THE GROUP'S ACTIVITIES

A deficit of R126.1 million exists in the Group's cash flow forecast to May 2019 ("the Forecast") for reasons highlighted above. Part of this deficit is attributable to the Gemcorp loan repayment. In order to mitigate the risk of the Group falling short on its obligations the Board has put in place the following plans:

- A general meeting of shareholders has been convened to consider and, if deemed appropriate, approve the issue of shares by the Company which will be done by way of a rights issue that will be greater than 30% of the Company's market capitalisation ("the Rights Issue"). The proceeds of the Rights Issue will be utilised to repay the Gemcorp loan, for operational and working capital requirements and to fund the Group's growth strategy. Should the necessary resolution be approved by shareholders at the general meeting on 18 June 2018, the Company will launch the Rights Issue as soon as possible. Management has received undertakings from shareholders owning more than 60% of the issued share capital of the Company in which they commit to support the resolution required to issue the shares. Furthermore, these shareholders have pledged to fully follow their rights under the proposed Rights Issue which will raise a minimum of approximately R364 million. Whilst the Board is confident that it will be able to obtain the required support from shareholders making up 75% of the issued share capital as required by the Companies Act, it is difficult to establish with certainty the extent to which the Company will be able to secure the remaining 15% of votes required to approve the Rights Issue from the fragmented shareholder base.
- As previously announced, the Board had anticipated that the Company would have completed the Rights Issue by 31 May 2018, the proceeds of which would have been utilised partly to fund the repayment of the Gemcorp loan which is due on the same date. Due to the deferral of the Rights Issue, management obtained an extension of the Gemcorp loan until 31 August 2018 in order to align the repayment thereof with the new timeline for the proposed Rights Issue.

OPERATIONAL PERFORMANCE OF THE GROUP

As noted above the Group incurred a net loss R175.9 million partly due to the losses generated by the Lagia and Afric Oil businesses and the losses reported by the head office. Lagia's production is expected to increase significantly based on the planned development activities following the drilling of the pilot well and it is expected that this should have a material impact on the financial performance of the Group as a whole, subject to the impact of production rates actually achieved for each well and prevailing exchange rates and oil prices during the foreseeable future.

The acquisition of Afric Oil was completed on 31 May 2017 and management focused on the integration and optimisation of the business for the period following acquisition. The integration activities had an impact on the performance of the business due to integration-related costs, the temporary suspension and restructuring of the Zimbabwean business and changes in the contract arrangements for the supply of products to the business. The full realisation of benefits associated with these activities as reflected in future projections for the business remains an uncertainty. Management is however confident that these activities will result in an improvement of the underlying financial performance of the Group.

The focus of the head office has been to optimise the Group's various investments and businesses and to reduce the overall overheads. The optimisation initiatives implemented by management are beginning to take shape which will see a further reduction in the head office cost base which will impact the future performance of the Group.

17 EVENTS AFTER THE REPORTING PERIOD

The following events took place from the period 1 March 2018 to the date that this report was released on SENS.

EXTENSION OF GEMCORP AFRICA FUND I LOAN

On 31 May 2018 the Company concluded an agreement to extend the repayment of the Gemcorp Africa Fund I Limited loan of US$12.5 million to 31 August 2018. The loan which was acquired by Efora on 1 June 2017 is repayable from the proceeds of a Rights Issue which the Board has committed to undertake if approved by shareholders at the general meeting convened on 18 June 2018 (also see note 16). The loan is secured by a cession in security of the rights offer proceeds and bears interest at 8.5% per annum. The loan was utilised to fund the acquisition of Phembani Oil Proprietary Limited and is also being used for working capital and general corporate purposes of the Group.

MORATORIUM ON LOAN FROM THE UNEMPLOYMENT INSURANCE FUND

On 15 May 2018 Afric Oil obtained a moratorium on both capital and interest repayments which will last a year following which the loan will be repayable over 20 equal quarterly instalments. Interest will continue to accrue on the loan during the moratorium. The loan accrues interest on a monthly basis compounded quarterly at a rate of three-month Jibar plus 420 basis points.

On behalf of the Board

Boas Seruwe	**Dr Thabo Kgogo**	**Damain Matroos**
Chairman	Chief Executive Officer	Chief Financial Officer

Johannesburg
31 May 2018

CORPORATE INFORMATION

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Dr Thabo Kgogo (Chief Executive Officer), Marius Damain Matroos (Chief Financial Officer), Boas Seruwe (Chairman)*, Ignatius Sehoole*, Thuto Masasa*, Patrick Mngconkola*
* Independent non-executive directors

ADVISERS

Company Secretary	Fusion Corporate Secretarial Services Proprietary Limited
Transfer Secretaries	Link Market Services South Africa Proprietary Limited
Corporate Legal Advisers	Norton Rose Fulbright South Africa
Auditors – external	SizweNtsalubaGobodo
Auditors – internal	Grant Thornton Inc.
JSE Sponsor	PSG Capital Proprietary Limited
Investor Relations	Buchanan Communications Limited