# ANNUAL GENERAL MEETING

Efora Energy Limited

*25 September 2018*

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# Our story line

# The evolution of our strategy

*Responding to our operating context*

**Pre-2015**

The Group was a pure upstream play given the favourable conditions in the oil and gas markets at the time.

**2015**

We revised our strategy given the downturn in the industry in order to:

- Diversify our portfolio and consequently revenue streams and geographical reach;
- De-risk our portfolio by shifting our upstream focus towards producing or near-producing assets; and
- Prioritise cash generation within the Group.

**More recently**

More recently, our focus has shifted towards the downstream segment of the oil and gas value chain where opportunities exist to:

- Further diversify and de-risk our portfolio;
- Create a platform for full integration across the value chain;
- Become a leading pan-African oil and gas player;
- Enhance our geographical footprint; and
- Increase the revenue and cash generation and value creation of the Group.

**Value creation for our shareholders continues to underpin our strategy**

# The evolution of our strategy

*Our key immediate and near-term strategic priorities*

**Pursue operational excellence**

- Optimisation of the Afric Oil business
- HSE excellence
- Continued financial discipline

**Balance our portfolio**

- A strategic review of the Lagia business
- Pursue midstream and downstream opportunities across Africa

**Grow our portfolio**

- Improving working capital facilities to fund expansion
- Expansion of the Afric Oil business

**Maintain capital excellence**

- Recapitalisation of the Group
- Optimisation of capital structure and diversification of shareholder base
- Strengthening of the balance sheet of the Group

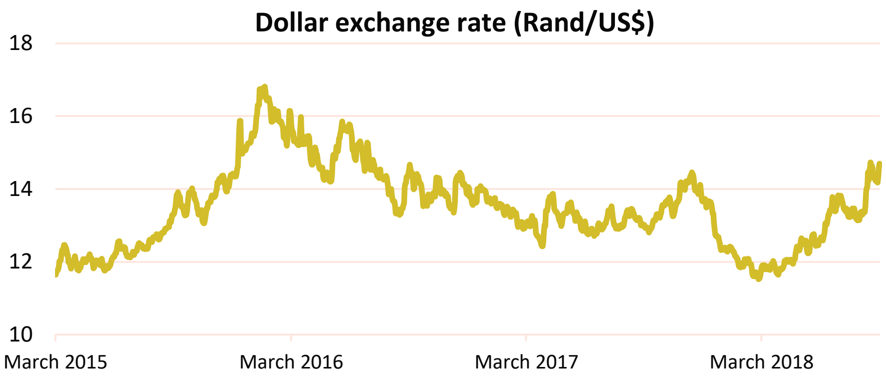
**Sound governance**

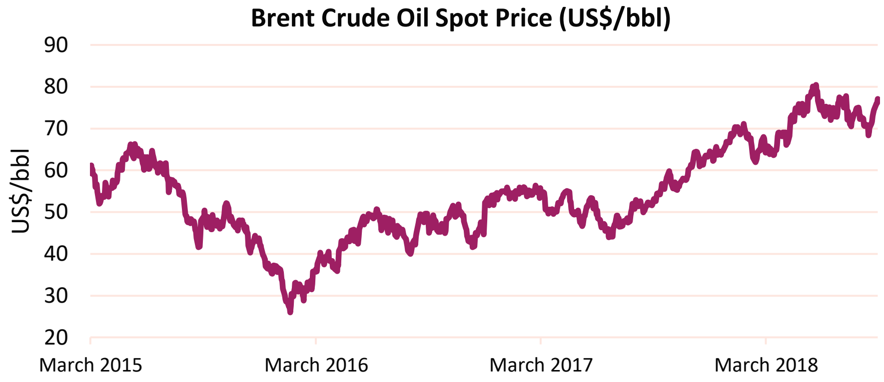
- Implement King IV principles still to be adopted
- Strengthen the Board composition

**We remain focused on delivering value for our stakeholders**

# Our operating context

*The execution of our strategy and value creation are heavily dependent on our ability to adapt to our operating context.*




**Volatility of the US Dollar/Rand exchange rate**

- The Group has a significant US Dollar asset base and foreign currency fluctuations have a significant impact on the Group.

**Global oil prices and demand/supply dynamics**

- Oil price fluctuations greatly impact our upstream and downstream operations.

**Legacy issues**

- Outstanding legal matters continue to require investment both in time and financial resources.

**Changes in the regulatory environment**

- Stronger focus on the efficient use of resources and reducing negative effects on the environment.

**We continue to level our playing field by promptly responding to emerging risks**

# Execution of our strategy

*Building a solid foundation for growth*

| Strategic priorities | Our achievements during the 2017/2018 financial year |
|---|---|
| Grow our portfolio<br>Balance our portfolio | ✓ Acquisition of Afric Oil |
| Pursue operational excellence | ✓ Afric Oil sales volumes and margins of 222 million litres and 2.5%, respectively |
| Pursue operational excellence | ✓ Zero HSE incidents |
| Maintain capital excellence<br>Grow our portfolio<br>Balance our portfolio | ✓ New funds raised of R400 million |
| Grow our portfolio | ✓ Volume and margin expansion from existing businesses of 28 million litres and 4.4%, respectively |
| Pursue operational excellence | ✓ Improvement in preferential procurement expenditure at 65% of total expenditure |

**We continue to strive to achieve our strategic targets**

# Execution of our strategy

*Afric Oil update*

- Acquisition completed in May 2017.
- Immediately introduced a turnaround plan which focused on working capital improvements, volume/margin enhancement, cost/logistics optimisation and growth of the Zimbabwe business.
- Achievements since acquisition:
  - Supply agreements have been concluded and working capital facilities have now increased;
  - Renewal of customer contracts and restructuring to reduce staff costs and other identified operating costs; and
  - Zimbabwe operations - 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.
- Challenges remain in the following areas:
  - The recent fuel price increases have constrained our working capital facilities;
  - Unprecedented discounts offered to customers by resellers in excess of discounts we enjoyed from our supply chain have led to a loss of customers.
- The loan of R89 million to Afric Oil should assist to ease the constraints on working capital. R32 million has been disbursed to date.

**The impact of this optimisation should be fully reflected from the 2018/2019 financial year**

# Execution of our strategy

*Operational progress of our assets*

**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 million litres of petroleum products sold for the nine-month period.

All operations – no reportable HSE incidents

**Further updates on our assets will be provided as part of our interim reporting for the 2018/2019 financial year**

# Execution of our strategy

*Our financial performance*

- First results of the Group to include the newly acquired Afric Oil downstream business
- R2.6 billion in revenue, up 125%, impacted by nine months of operations from Afric Oil
- Key matters which impacted the results:
  - Lower margins achieved at AO and Lagia;
  - Temporary suspension of the Zimbabwe operations;
  - Business development;
  - Foreign currency hedging fee associated with the Gemcorp loan;
  - Higher net finance costs of R55 million; and
  - SARB penalties of R7 million.
- Continued financial discipline.
- 123% increase in the Group's other operating costs from R79 million in the prior year to R175 million given the Afric Oil costs. The Group's operating cost base is analysed on page 11.

### Key financial metrics for the year

| | 2018<br>R m | Restated*<br>2017<br>R m | Restated*<br>2016<br>R m | 2015<br>R m |
|---|---|---|---|---|
| Revenue | **2 631.1** | 1 171.2 | 4.7 | 2.1 |
| Other operating expenses | **(246.3)** | (274.6) | (194.4) | (510.1) |
| Finance costs | **(55 017.2)** | (2 636.1) | (4) | (1) |
| (Loss)/Profit for the year | **(175.9)** | (205.3) | 39.6 | (277.0) |
| Net assets | **578.2** | 676.3 | 901.1 | 787.9 |
| Cash and Cash equivalents | **72.8** | 18.7 | 107.3 | 229.4 |
| Capital Expenditure | **6.4** | 8.3 | 57.8 | 76.8 |
| Capital Commitments (12 months) | **0.0** | 0.3 | 0.8 | 66.7 |
| | **2018<br>Cents** | 2017<br>Cents | 2016<br>Cents | 2015<br>Cents |
| (LPS)/EPS (basic) [1] | **(42.34)** | (62.80) | 16.40 | (85.40) |
| (HLPS)/HEPS (basic) [1] | **(42.20)** | (76.49) | 10.40 | (46.70) |
| NAV per share | **156.38** | 207.00 | 275.58 | 241.00 |

* See financials for restatements.

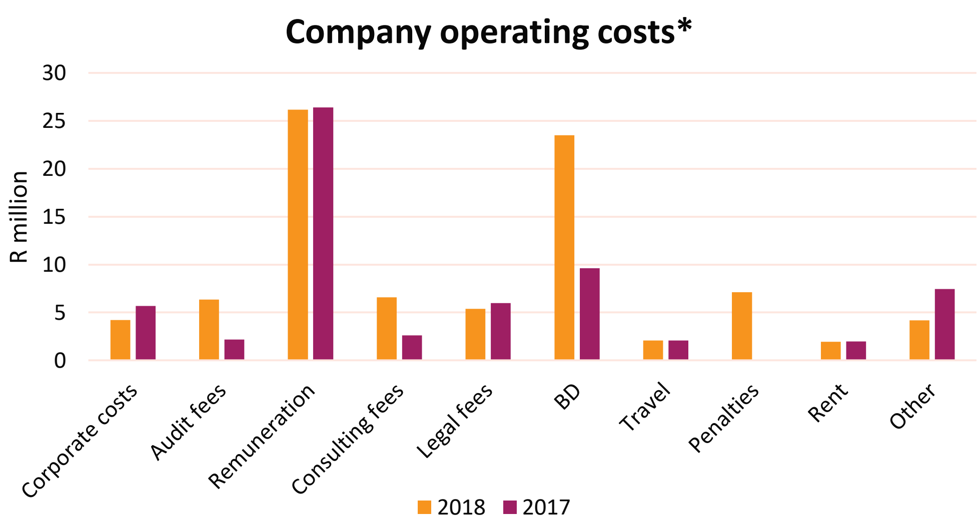
[1] Impacted by share consolidation.

**The Group's results were significantly impacted by once off items**

# Execution of our strategy

*Other operating expenses*


- Group other operating expenses were R175 million (2017: R79 million).
- 123% increase following the acquisition of Afric Oil.
- Other expenses comprise insurance, training, telecoms, office and other costs.

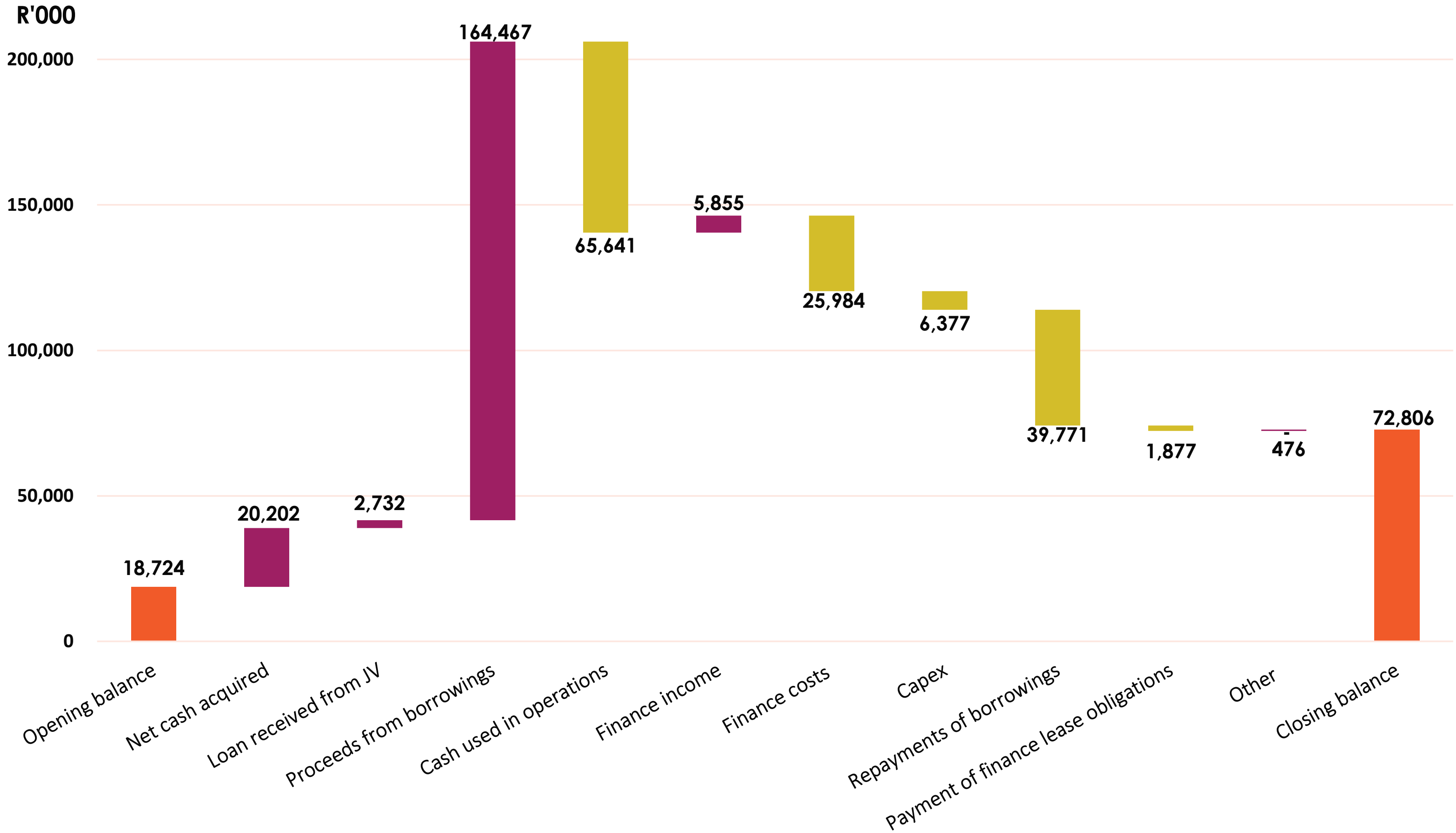



- Company other operating expenses totalled R88 million (2017: R64 million).
- 37% increase mainly due to business development, consulting fees and penalties.
- Other expenses comprise insurance, training, telecoms, office and other costs.

*** Operating cost base excluding impairments, forex movements, depreciation and amortisation**

# Execution of our strategy

*Cash utilisation/generation*




**Financial discipline remains one of our key priorities**

# Our next steps

## *Utilisation of rights issue proceeds*

| | R'm |
|---|---:|
| Proceeds of rights issue | 367 |
| Repayment of Gemcorp loan | (184) |
| Loan to Afric Oil for working capital facilities* | (89) |
| Corporate purposes and business development | (94) |
| * R32 million has been advanced to date | - |

## *Review of our corporate structure*

- Lean structure envisaged
- Consolidation of offices
- Synergies to be established
- Benefits expected at the end of this financial year

## *Business development*

- New volumes
- Downstream and midstream opportunities to diversify margins

## *Strategic review of our Lagia investment concluded*

| Challenges experienced with Lagia | Next steps |
|---|---|
| • Funding constraints which have delayed the execution of the development programme | • Seeking a strategic partner to accelerate the development programme<br>• Consideration will be given to a full disposal of Lagia<br>• The Board will consider reasonable offers which reflect the value of the asset |

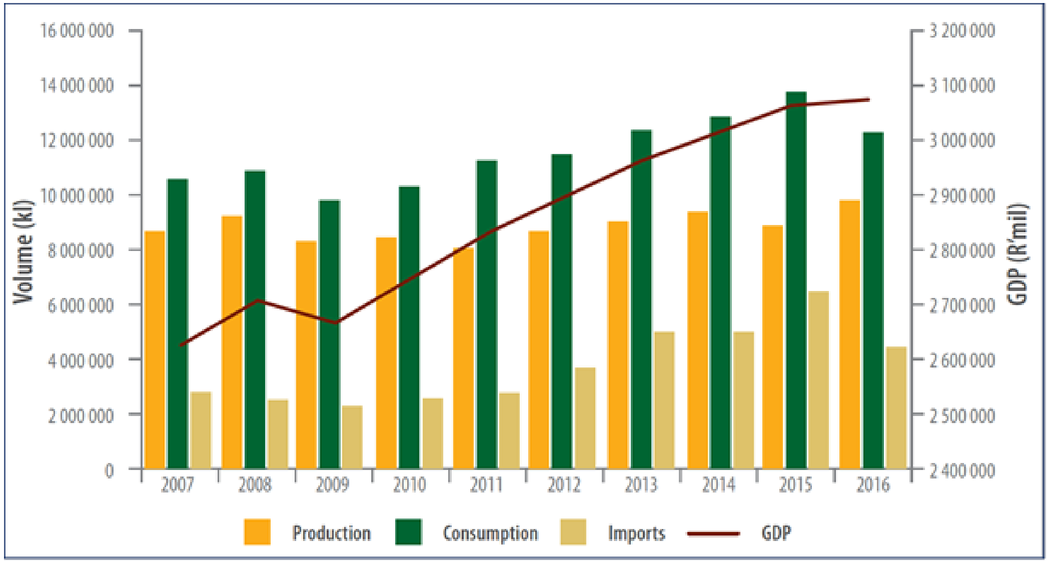
The Company cautions that there are no guarantees that the process will result in a transaction, or, if a transaction is undertaken, as to its terms, timing or conditions or approvals required to implement such transaction.

**Continued focus on the optimisation of our businesses**

# Our next steps

*Afric Oil optimisation*

- Further reduction in costs
- Optimisation of working capital
- Volume growth
- Re-activation of Zim business with strategic partners who can also support working capital requirements




Prioritising working capital and volume growth

# *QUESTIONS*

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