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")

CONDENSED CONSOLIDATED UNREVIEWED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

SALIENT FEATURES

- **R367.1 million raised by way of a Rights Issue**
- **Strengthened balance sheet with repayment of Gemcorp loan of R187.7 million**
- **104.8 million litres (17.5 million litres per month) of petroleum products sold by Afric Oil**
- **Significant improvement in Afric Oil's KPIs post-period following strengthening of working capital position**
- **Average daily production from Lagia increased by 12% during the period**
- **Award of a two-year crude trading contract by NNPC in Nigeria, one lifting during the period**
- **Initiation of strategic review of Lagia**

CEO'S REVIEW

The year to date has delivered mixed results in terms of operational and corporate progress. On the one hand we significantly strengthened our financial position and corporate outlook with the successful completion of a Rights Issue. On the other hand, as evidenced by the financial results, our investment in Afric Oil has not yet yielded the results that we know the business is capable of, and that we expect to deliver going forward. As I will address below, the focus for the Company throughout the period has been on optimisation of the core businesses within the Group, as we seek to ensure they can deliver sustainable growth.

Whilst the general climate for the energy sector experienced somewhat of a resurgence during the period and improved sentiment on account of improved commodity pricing, our micro climate experienced an increasing number of challenges that have impacted the performance of our core business, Afric Oil. The steady increase in Brent crude prices throughout the period, from around $60 to a high of around $80, resulted in increases to fuel prices in South Africa which subsequently placed significant strain on Afric Oil's working capital position, and required an injection of capital by Efora to relieve this pressure.

The business continues to be negatively impacted by particularly challenging market conditions in Zimbabwe that led to the interim suspension of Afric Oil's activities in the country and resulted in lower-than-expected volumes and margins for the overall business. The local market dynamics continue to shift and increased competition from discounting peers and low-cost importers has caused pricing pressure for the overall market. All of these micro and macro factors underline the necessity to ensure a strict focus on cost discipline and operating efficiencies. In this regard, we have made positive headway in reducing overheads and streamlining operations. We are in the midst of implementing strategic interventions with regards to Zimbabwe that will determine the long-term outlook for that division in the context of the wider business. The injection by Efora of R124 million to assist Afric Oil with working capital has already yielded results post-period and the business has delivered a markedly improved performance in all KPIs through the subsequent months, giving us confidence that the business is now well positioned to remain competitive in these challenging markets.

As noted in our last update, we completed the drilling of the Lagia #14 pilot well in December 2017. That well came on-stream with reduced water production, which was one of the primary objectives of the well, as we sought to execute completion strategies that minimise water production which in turn lowers operating costs and improves production efficiencies. We also undertook a strategic review of Lagia, and concluded that the Company will seek to attract a strategic partner for Lagia. This conclusion was partly based on our increasingly strategic focus on downstream activities, but also supported by our belief that a strategic partner will help us accelerate the development programme of the field and realise the value from the proven reserves, whilst also evaluating the potential exploration upside that we believe to be present at Lagia. Whilst early stage and there can be no guarantees of reaching any agreement, we are actively engaged in initial discussions and hope to conclude a mutually beneficial agreement in due course with a partner that is willing to share the risk and reward of developing the field. In the meantime, we will continue to focus on optimising the asset through cost discipline and operating efficiencies.

Whilst the focus throughout the period and moving forward is on the optimisation of Afric Oil and Lagia, we continue to make progress in other aspects of our business. We were pleased to be awarded a two-year crude trading contract in Nigeria as this provides the business with an additional source of revenue and profitable income.

In August we completed the pivotal Rights Issue that raised R367.1 million. The funds raised during the process enabled us to strengthen the balance sheet through the repayment of a R187.7 million loan to Gemcorp. It also enabled us to inject money into Afric Oil to strengthen its working capital position and set it on the path for sustainable growth. We thank the GEPF and our other shareholders for the support they showed Efora through this process and look forward to leveraging this event to help turn around the fortunes of Afric Oil for the long-term benefit of Efora and its shareholders.

The Company's litigation processes continue to move forwards in line with expectation. A date for the arbitration against Encha has been set for March 2019. Post-period we also submitted our heads of argument against Mr R Vela and we look forward to having a date confirmed by the Supreme Court of Appeal some time next year. We remain confident in our legal position across all these litigations, and we look forward to drawing a line under them so that we can finally move forward without this legacy baggage that continues to distract the Company.

Post-period, I announced my decision to step down from my position as CEO of Efora. This was a very difficult decision for me, indeed. However I felt that the timing was appropriate and my departure at this time leaves the Company in a much stronger position to continue on the path of sustainable growth. During my tenure, I believe we have made considerable progress in stabilising the business and realigning its strategic objectives. The Company has evolved beyond recognition and has the elements in place to deliver long-term growth. I fully acknowledge that the corporate and strategic progress has not been *reflected in the share performance or financial results of the Company and put this down to a challenging sector backdrop and slower-than-expected turnaround of our operations, particularly Afric Oil. That said, I have full confidence that the talented team that remains, working alongside the incoming CEO, will be able to leverage the diverse portfolio that has been assembled and optimise the individual businesses to deliver the sustainable, long-term growth that our shareholders deserve.*

In conclusion, these results highlight the challenges that remain in our business and markets. There is no question that Afric Oil has not performed in line with our expectation to date, mostly on account of factors that have been outside of our control. We continue to address the specific micro issues that have contributed to the underperformance, whilst ensuring the business is also properly positioned to overcome the macro challenges, and we are already beginning to see encouraging evidence of a turnaround. We know that we have a good business that, once fully stabilised and appropriately managed, will be the bedrock of Efora's growth. The strategic objective of diversifying the business over the previous years will also protect the overall business from the cyclical volatility that defines the energy sector. The coming year will be pivotal for Efora as we demonstrate the benefits of our strategic focus in recent years.

FINANCIAL REVIEW

GROUP PERFORMANCE

The Group generated a loss after tax of R60.5 million (2017: R55.7 million), a basic loss per share of 12.63 cents (2017: 13.89 cents) and a basic headline loss per share of 12.57 cents (2017: 13.89 cents) for the six months ended 31 August 2018 as it continues to optimise its downstream and upstream businesses. Overall, the Group's performance has been mostly impacted by the underperformance of the Afric Oil and Lagia operations. The Afric Oil business was negatively impacted by the increases in fuel prices in South Africa which placed significant strain on the working capital requirements of the business, the continued suspension of the Zimbabwean activities and an inventory write-down. Consequently, the business generated a loss of R39.7 million (2017: R22.2 million). With respect to Lagia, the Board of Efora took a decision to suspend further investment in the asset whilst it seeks a strategic partner for the asset. As such, operations were kept on cold flow during the period. This negatively impacted the performance of the business which generated a loss of R4.6 million (2017: R7.7 million).

The Group generated revenue of R1.3 billion (2017: R0.9 billion) primarily from its downstream business. Whilst this represents an increase of 38% in reported revenues, the Afric Oil business is incorporated for six months for the current interim period relative to three months post-acquisition in the prior comparative period. This decline in performance is attributable to the challenges highlighted above. The average margin from the business decreased by 0.4%, a result of increased competition in the market, the interim suspension of the higher-margin Zimbabwe business and the impact of low-cost importers.

The Rand weakened against the US Dollar ("US$") during the interim period which resulted in R40.5 million (2017: R0.5 million) of foreign exchange gains on the Group's US$ asset base, which are reported under other income. The Group's asset base remains highly sensitive to currency fluctuations and the recognition of exchange gains on translation of foreign operations also resulted in R116.5 million of other comprehensive income.

A write-off of R10.5 million (2017: Rnil) was recognised in other operating costs arising from inventory losses at Boland Diesel, a subsidiary within the Group. Management has commenced a forensic investigation to determine the exact reasons for the losses at the business. The Group also impaired the receivable due from Energy Equity Resources Norway Limited ("EERNL") by R6.1 million which is reported under other operating costs. The impairment charge reflects the impact of the time value of money as it is estimated it will take longer to recover the funds. Excluding the impact of the inventory loss and impairment charge the Group has managed to contain overhead costs well below inflation and is reporting a 1% decrease in other operating costs despite the incorporation of the Afric Oil business and costs for six months for the current interim period relative to three months in the prior comparative period.

The performance of each of the Group's segments is outlined in note 3 to the condensed consolidated unreviewed interim financial statements.

GROUP FINANCIAL POSITION

The Group's net assets have increased by 73% to R999.8 million (28 February 2018: R578.2 million). Significant events which took place during the six months ended 31 August 2018, not already covered under the performance review, which had an impact on the Group's financial position include:

- The Company raised R367.1 million by way of a Rights Issue in August 2018.
- Part of these proceeds were utilised to repay the Gemcorp loan amounting to R187.7 million.
- Afric Oil secured a twelve-month moratorium on its long-term debt.

At 31 August 2018 the Group's cash position has improved by 183% to R205.8 million (28 February 2018: R72.8 million) and its total liabilities have decreased by 13% to R639.4 million (28 February 2018: R731.8 million) primarily as a result of these developments. Included in these liabilities is a loan from the Unemployment Insurance Fund ("UIF") of R218.3 million that Afric Oil obtained for the acquisition of the Forever Fuels business in February 2017 which has been classified as short term due to the breach of the debt equity ratio and interest cover covenants attributable to this loan (see note 11). This occurred as a result of working capital constraints experienced which led to the business obtaining additional loans as it was not able to generate adequate cash to fund operations. Management has engaged the Public Investment Corporation ("PIC"), manager of the UIF, to seek that the ratio and covenants be set at levels that reflect the future expected performance of Afric Oil given the challenges faced by the business.

PRIOR-PERIOD CORRECTION

The results of the Group contain a restatement of the comparative statements of comprehensive income and financial position with respect to an error in accounting for the cost carry arrangement with Total RDC to the extent that it impacts the Block III asset and provisions. This corresponds to the restatement fully disclosed in the Group annual financial statements for the year ended 28 February 2018 and reflects the impact of the error for the six months ended 31 August 2017 (see note 4).

OPERATIONAL REVIEW

Afric Oil, South Africa and Zimbabwe

The six months ended 31 August 2018 were characterised by significant challenges within our operating context with respect to recurring fuel price increases in South Africa and poor trading conditions in Zimbabwe. The turmoil in the Zimbabwean currency market placed undue pressure on our Zimbabwean operations which forced us to temporarily suspend activities in that market in May 2018, pending the outcome of planned strategic interventions which are dependent on some stability being achieved in the country primarily with respect to the ability to repatriate funds to South Africa.

In South Africa we experienced a number of operational challenges stemming from:

- Fuel price increases during the period placed significant strain on working capital as we were not able to secure adequate working capital facilities as quickly as we would have liked in order to respond to the highly volatile operating environment.
- Competition within the industry was also stiff, leading to pricing pressure which meant we were not able to achieve the volumes and margins that we had targeted.
- Loss of customers who were able to secure more favourable discounts from other suppliers.
- A drop in our BBBEE rating since the adoption of the new codes, which affected our ability to retain some of our customers.

Consequently, Afric Oil's volumes for the six months totalled 104.8 million litres (17.5 million litres per month) relative to 99.4 million litres (33.1 million litres per month) for the three months post-acquisition in the prior comparative period.

In order to address the key operational challenge, in September and October 2018, Efora injected R124 million to assist Afric Oil with working capital. Furthermore, a facility of R40 million was obtained by the business from a third party for the same purpose. This investment began to yield results post-period, as we have seen a significant uplift in volumes.

We continued with our optimisation initiative in order to ensure the business is adequately streamlined to remain competitive. During the period we reduced our fleet and terminated third-party transportation arrangements with a primary focus of optimising our internal logistics function. We are also pleased to have signed on two large customers in the mining and manufacturing industries during the period. We remain excited about ongoing engagement with prospective customers, which we hope will be finalised in the next four to six months.

Looking ahead, we have a few key priorities:

- improving our BBBEE rating in order to attract new business;
- finalising the strategic interventions for our Zimbabwean operations;
- implementing a sales strategy to drive growth and business retention; and
- adding working capital facilities to ensure the Group's growth plan is adequately funded.

Lagia, Egypt

The shift in the Group's focus to downstream operations meant that the Board suspended further investment in the asset pending the outcome of the process to engage a strategic partner who can co-fund the development programme to increase volumes from Lagia. Volumes from Lagia therefore increased only marginally from 9 773 barrels in the prior comparative period to 10 917 barrels for the six months ended 31 August 2018, an increase of 12%, as operations were kept on cold flow. Given the decision to dispose of part of the asset, 40% of Lagia's oil and gas and intangible assets have been disclosed as held for sale in the condensed consolidated unreviewed interim financial statements (see note 9).

Crude trading, Nigeria

Constraints on the availability of crude oil from the NNPC continued, which resulted in one lifting of 950 000 barrels during the period. Our joint venture therefore reported a profit of R1.3 million (2017: R2.5 million).

Block III, DRC

We await the extension of the licence of the block whilst Total RDC (the Operator) completes the evaluation of seismic data to determine optimal well location.

GOING CONCERN

The Board has performed an assessment of the Group's operations relative to available cash resources and is confident that the Group is able to continue operating for the next 12 months. The Board remains reasonably confident that it will manage the uncertainties that exist which are highlighted in note 17 to the condensed consolidated unreviewed interim financial statements. The condensed consolidated unreviewed interim financial statements presented have been prepared on a going concern basis.

LITIGATION UPDATE

Shareholders are referred to the litigation update provided in the Group annual financial statements for the year ended 28 February 2018. The outstanding litigation was progressed as follows since that update:

Encha Group Limited and Encha Energy Proprietary Limited

The parties have now agreed that the arbitration will be held from 25 to 27 March 2019.

Mr Robin Vela

Mr Vela submitted his heads of argument on 27 August 2018 and the Company submitted its heads of argument on 27 September 2018. The court file will now be handed to the President of the Supreme Court of Appeal, who in turn will allocate a date for the hearing of the appeal. It is estimated that the date for the hearing may be during the first or second terms next year, which run from 15 February to 31 March 2019 and 1 to 31 May 2019 respectively.

On the remaining outstanding litigation, the Group is awaiting the appeal hearing on the OPL281 matter which has been set for 26 March 2019, as previously reported. Mr Richard Linnell has still not taken further action to progress his claims against the Company.

INDEPENDENCE OF EXTERNAL AND INTERNAL AUDITORS

The Audit and Risk Committee has satisfied itself as to the ongoing independence of SNG Grant Thornton and Grant Thornton Johannesburg who are respectively the external and internal auditors of the Group.

OUTLOOK

The Group is confident that the benefits from the optimisation initiatives at the Afric Oil business will produce further beneficial results for the remainder of this financial year, resulting from additional reductions in the cost base and the business is also expected to contribute improved volumes and margins. The Board's confidence in the optimisation activities was further supported by a fresh injection of significant working capital to fund growth at Afric Oil, and performance post-period highlights the injection has had the desired impact. We continue to evaluate bolt-on acquisitions in the downstream space that could strengthen the Group's position in the market, with greater emphasis on fuel retail-related opportunities in South Africa.

With respect to our upstream business, we have recently initiated a programme to secure a strategic partner for our Lagia operations as we seek to optimise the asset and realise value from the proven reserves.

CHANGE IN DIRECTORATE

Shareholders are referred to the announcement published on 25 October 2018 regarding the resignation of Dr Thabo Kgogo from the Board of Directors of Efora. Shareholders are also referred to the announcement published on 23 November 2018 regarding the appointment of the interim CEO.

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 South Africa and in Zimbabwe. 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 CONSOLIDATED UNREVIEWED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unreviewed Six months to 31 August 2018 R	Restated* Unreviewed Six months to 31 August 2017 R
Revenue		**1 278 162 882**	928 975 159
Cost of sales		**(1 246 049 932)**	(901 128 676)
Gross profit		**32 112 950**	27 846 483
Other income		**45 782 067**	2 680 285
Other operating costs		**(112 701 792)**	(97 294 947)
Loss from operations		**(34 806 775)**	(66 768 179)
Share of profit from joint venture net of taxation		**1 254 126**	2 463 698
Finance income		**26 386 537**	25 396 016
Finance costs		**(27 419 603)**	(12 108 268)
Loss before taxation		**(34 585 715)**	(51 016 733)
Taxation		**(25 917 380)**	(4 678 403)
Loss for the period		**(60 503 095)**	(55 695 136)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations[1]		**116 475 695**	(2 089 534)
Other comprehensive income/(loss) for the period net of taxation		**116 475 695**	(2 089 534)
Total comprehensive income/(loss) for the period		**55 972 600**	(57 784 670)
Loss attributable to:			
Equity holders of the Company		**(48 999 354)**	(51 338 122)
Non-controlling interests		**(11 503 741)**	(4 357 014)
Loss for the period		**(60 503 095)**	(55 695 136)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**66 017 579**	(52 830 380)
Non-controlling interests		**(10 044 979)**	(4 954 290)
Total comprehensive income/(loss) for the period		**55 972 600**	(57 784 670)
Loss per share			
Basic (cents)[2]	5	**(12.63)**	(13.89)
Diluted (cents)[2]	5	**(12.63)**	(13.89)

* Details relating to the restatement are provided in note 4.
[1] This component of other comprehensive income/(loss) does not attract taxation.
[2] The prior-period basic and diluted loss per share have been adjusted to reflect the impact of the share consolidation that took place on 2 October 2017, had it occurred in the prior comparative period. The adjustment has been made to ensure comparability and is neither a prior-period error nor a change in accounting policy.

CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF FINANCIAL POSITION

	Notes	Unreviewed As at 31 August 2018 R	Restated* Unreviewed As at 31 August 2017 R	Audited As at 28 February 2018 R
ASSETS				
Non-current assets				
Exploration and evaluation assets		**122 507 887**	96 166 926	95 859 926
Oil and gas properties	6.1	**127 883 183**	183 329 735	169 243 137
Loans and other non-current receivables	7	**587 059 713**	494 302 444	452 085 671
Investment in joint venture		**8 743 986**	7 048 757	5 846 907
Deferred tax asset	22	**–**	5 816 000	–
Intangible assets	6.2	**239 368 863**	176 187 787	261 655 149
Property, plant and equipment		**84 845 490**	183 840 830	83 285 562
Total non-current assets		**1 170 409 122**	1 146 692 479	1 067 976 352
Current assets				
Loans and other current receivables	7	**–**	2 218 364	–
Inventories	8	**18 635 757**	19 010 092	22 453 562
Derivative asset		**–**	7 660 471	258 432
Trade and other receivables		**136 301 009**	199 899 906	146 508 698
Cash and cash equivalents		**205 783 304**	158 277 032	72 806 256
Total current assets		**360 720 070**	387 065 865	242 026 948
Assets held for sale	9	**108 070 348**	–	–
Total assets		**1 639 199 540**	1 533 758 344	1 310 003 300
EQUITY AND LIABILITIES				
Shareholders' equity				
Stated capital	10	**1 671 561 619**	1 305 911 241	1 305 911 241
Reserves		**136 090 189**	56 960 268	21 073 256
Accumulated loss		**(804 521 228)**	(650 005 817)	(750 639 089)
Equity attributable to equity holders of the Company		**1 003 130 580**	712 865 692	576 345 408
Non-controlling interests		**(3 327 911)**	20 866 167	1 834 283
Total shareholders' equity		**999 802 669**	733 731 859	578 179 691
LIABILITIES				
Non-current liabilities				
Deferred tax liability		**107 188 966**	104 426 162	81 360 452
Borrowings	11	**754 683**	15 613 386	5 151 952
Provisions		**67 865 252**	57 916 251	53 270 257
Finance lease obligations		**316 395**	2 683 242	713 668
Total non-current liabilities		**176 125 296**	180 639 041	140 496 329
Current liabilities				
Loan from joint venture		**12 830 904**	6 152 414	7 134 375
Borrowings	11	**251 139 166**	401 957 664	388 894 692
Financial liabilities		**3 890 393**	5 334 982	8 602 508
Trade and other payables		**181 541 937**	190 295 481	171 094 896
Taxation payable		**12 520 304**	14 132 418	13 417 743
Finance lease obligations		**1 348 871**	1 514 485	2 183 066
Total current liabilities		**463 271 575**	619 387 444	591 327 280
Total liabilities		**639 396 871**	800 026 485	731 823 609
Total equity and liabilities		**1 639 199 540**	1 533 758 344	1 310 003 300

* Details relating to the restatement are provided in note 4.

CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF CHANGES IN EQUITY

	Notes	Stated capital R	Foreign currency translation reserve R	Share-based payment reserve R
For the six months ended 31 August 2018				
Balance at 28 February 2018		**1 305 911 241**	**10 721 258**	**10 351 998**
Changes in equity:				
Loss for the period		–	–	–
Other comprehensive income for the period		–	**115 016 933**	–
Total comprehensive income/(loss) for the period		–	**115 016 933**	–
Acquisition of non-controlling interest		–	–	–
Issue of shares	10	**367 051 723**	–	–
Transaction costs	10	**(1 401 345)**	–	–
Total changes		**365 650 378**	**115 016 933**	–
Balance at 31 August 2018		**1 671 561 619**	**125 738 191**	**10 351 998**
For the six months ended 31 August 2017				
Balance at 28 February 2017		1 216 503 883	48 641 526	9 811 000
Previously reported		1 216 503 883	48 641 526	9 811 000
Correction of error	4	–	–	–
Changes in equity:				
Loss for the period		–	–	–
Previously reported		–	–	–
Correction of error		–	–	–
Other comprehensive loss for the period		–	(1 492 258)	–
Total comprehensive loss for the period		–	(1 492 258)	–
Previously reported		–	(1 492 258)	–
Correction of error	4	–	–	–
Acquisition through business combination		89 487 440	–	–
Transaction costs		(80 082)	–	–
Total changes		89 407 358	(1 492 258)	–
Balance at 31 August 2017		1 305 911 241	47 149 268	9 811 000

* Details relating to the restatement are provided in note 4.

Total reserves R	Restated* Accumulated loss R	Restated* Total equity attributable to equity holders of the Company R	Non-controlling interest ("NCI") R	Restated* Total equity R
21 073 256	**(750 639 089)**	**576 345 408**	**1 834 283**	**578 179 691**
–	**(48 999 354)**	**(48 999 354)**	**(11 503 741)**	**(60 503 095)**
115 016 933	**–**	**115 016 933**	**1 458 762**	**116 475 695**
115 016 933	**(48 999 354)**	**66 017 579**	**(10 044 979)**	**55 972 600**
–	**(4 882 785)**	**(4 882 785)**	**4 882 785**	**–**
–	**–**	**367 051 723**	**–**	**367 051 723**
–	**–**	**(1 401 345)**	**–**	**(1 401 345)**
115 016 933	**(53 882 139)**	**426 785 172**	**(5 162 194)**	**421 622 978**
136 090 189	**(804 521 228)**	**1 003 130 580**	**(3 327 911)**	**999 802 669**
58 452 526	(598 667 695)	676 288 714	–	676 288 714
58 452 526	(587 075 972)	687 880 437	–	687 880 437
–	(11 591 723)	(11 591 723)	–	(11 591 723)
–	(51 338 122)	(51 338 122)	(4 357 014)	(55 695 136)
–	(50 304 453)	(50 304 453)	(4 357 014)	(54 661 467)
–	(1 033 669)	(1 033 669)	–	(1 033 669)
(1 492 258)	–	(1 492 258)	(597 276)	(2 089 534)
(1 492 258)	(51 338 122)	(52 830 380)	(4 954 290)	(57 784 670)
(1 492 258)	(50 304 453)	(51 796 711)	(4 954 290)	(56 751 001)
–	(1 033 669)	(1 033 669)	–	(1 033 669)
–	–	89 487 440	25 820 457	115 307 897
–	–	(80 082)	–	(80 082)
(1 492 258)	(51 338 122)	36 576 978	20 866 167	57 443 145
56 960 268	(650 005 817)	712 865 692	20 866 167	733 731 859

CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF CASH FLOWS

	Notes	Unreviewed Six months to 31 August 2018 R	Unreviewed Six months to 31 August 2017 R
Cash flows from operating activities			
Cash used in operations		**(26 940 571)**	(31 282 123)
Finance income		**1 999 412**	2 137 740
Finance costs		**(11 404 852)**	(3 906 210)
Tax paid		**(946 176)**	910 881
Net cash used in operating activities		**(37 292 187)**	(32 139 712)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6 087)**	(190 820)
Disposal of property, plant and equipment		**345 187**	–
Purchase of oil and gas properties		**(2 057 973)**	(364 785)
Acquisition of subsidiary, net cash acquired		**–**	20 201 806
Investment in joint venture		**–**	(4 585 059)
Purchase of intangible assets		**(162 540)**	–
Repayments/(advances) of loans and other receivables		**250 000**	(139 686)
Net cash (used in)/from investing activities		**(1 631 413)**	14 921 456
Cash flows from financing activities			
Proceeds from borrowings		**–**	152 125 000
Repayments of borrowings		**(191 663 104)**	(1 466 034)
Repayments of financial liabilities		**(4 712 115)**	–
Proceeds from share issue	10	**367 051 723**	–
Transaction costs on issue of shares	10	**(1 401 345)**	(80 082)
Loan received from joint venture		**3 856 957**	6 768 174
Payment of finance lease obligations		**(1 231 468)**	(575 774)
Net cash from financing activities		**171 900 648**	156 771 284
Total movement in cash and cash equivalents for the period		**132 977 048**	139 553 028
Cash and cash equivalents at the beginning of the period		**72 806 256**	18 724 004
Cash and cash equivalents at the end of the period		**205 783 304**	158 277 032

SELECTED NOTES TO THE UNREVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August

1 BASIS OF PREPARATION

The condensed consolidated unreviewed interim financial statements of the Group, comprising Efora Energy Limited, its subsidiaries and joint venture (together "the Group"), for the six months ended 31 August 2018, have been prepared in accordance with the requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and in the manner required by the South African Companies Act, No. 71 of 2008 (as amended). Accordingly, the condensed consolidated unreviewed interim financial statements should be read in conjunction with the audited Group annual financial statements for the year ended 28 February 2018 which were prepared in accordance with International Financial Reporting Standards ("IFRS").

Principal accounting policies

The same accounting policies, presentation and methods of computation have been followed in the preparation of these condensed consolidated unreviewed interim financial statements as those applied in the preparation of the Group's annual financial statements for the year ended 28 February 2018. The following standards, effective for financial periods beginning after 1 January 2018, were effective for the first time during this interim period and did not have a material impact on the Group's results:

- IFRIC interpretation 22 – Foreign Currency Transactions and Advance Consideration
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 9 – Financial Instruments
- IFRS 16 – Leases

Details pertaining to the amendments or improvements referred to above are provided in the Group annual financial statements for the year ended 28 February 2018.

These condensed consolidated unreviewed interim financial statements have been prepared on a going concern basis.

All monetary information is presented in the functional currency of the Company, which is the South African Rand.

2 PREPARATION OF THE CONDENSED CONSOLIDATED UNREVIEWED INTERIM FINANCIAL STATEMENTS

The directors take full responsibility for the preparation of these condensed consolidated unreviewed interim financial statements for the six months ended 31 August 2018. The condensed consolidated unreviewed interim financial statements have been prepared under the supervision of the Chief Financial Officer, Damain Matroos CA (SA), and have not been audited or reviewed by the Group's external auditor, SizweNtsalubaGobodo Grant Thornton Inc.

3 SEGMENTAL REPORTING

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

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

3 SEGMENTAL REPORTING (CONTINUED)

	Head office R	South Africa R	Egypt R	Nigeria R
For the six months ended 31 August 2018				
Revenue	**–**	**1 258 225 377**	**1 931 727**	**–**
Cost of sales	**–**	**(1 227 305 776)**	**(2 662 954)**	**–**
Gross profit/(loss)	**–**	**30 919 601**	**(731 227)**	**–**
Other income	**38 357 303**	**5 521 252**	**2 374 646**	**79 423**
Depletion, depreciation and amortisation	**(253 250)**	**(12 217 560)**	**(3 647 008)**	**–**
Share of profit from joint venture	**–**	**–**	**–**	**1 254 126**
Finance income	**9 004 129**	**1 385 616**	**–**	**5 234 922**
Finance costs	**(8 061 946)**	**(18 659 481)**	**–**	**–**
Other operating expenses	**(45 637 930)**	**(44 918 055)**	**(2 637 122)**	**(120 904)**
Taxation	**(88 866)**	**–**	**–**	**–**
Profit/(loss) for the period	**(6 680 560)**	**(37 968 627)**	**(4 640 711)**	**6 447 567**
Segment assets – non-current	**412 150 093**	**245 503 643**	**162 105 521**	**136 118 843**
– current	**164 042 988**	**347 552 134**	**11 119 839**	**26 809**
– asset held for sale	**–**	**–**	**108 070 348**	**–**
Segment liabilities – non-current	**–**	**(1 071 078)**	**(146 975 558)**	**–**
– current	**(34 086 457)**	**(430 617 756)**	**(5 063 150)**	**(98 754)**

	Head office R	South Africa R	Egypt R	Nigeria R
For the six months ended 31 August 2017				
Revenue	–	925 928 882	1 645 461	–
Cost of sales	–	(895 855 309)	(3 995 597)	–
Gross (loss)/profit	–	30 073 573	(2 350 136)	–
Other income	3 940 769	480 351	46 656	–
Share of profit from joint venture	–	–	–	2 463 698
Finance income	9 734 497	137 684	–	5 173 649
Finance costs	(3 609 106)	(7 412 852)	–	–
Other operating expenses	(46 918 029)	(43 501 823)	(5 403 623)	(244 277)
Taxation	(626 497)	–	–	–
(Loss)/profit for the period	(37 478 366)	(20 223 067)	(7 707 103)	7 393 070
Segment assets – non-current	365 840 580	250 924 394	239 067 400	116 337 269
– current	94 998 293	344 709 631	11 886 503	66 585
Segment liabilities – non-current	–	7 530 921	(118 332 326)	–
– current	(189 759 975)	(377 676 311)	(4 968 931)	(199 166)

BUSINESS SEGMENTS

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

REVENUE

The Group derives revenue from the following sources:

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

Inter-segment revenues are eliminated upon consolidation and are reflected in the "eliminations" column.

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.

DRC R	Zimbabwe R	Mauritius R	Eliminations R	Consolidated R
–	18 005 778	–	–	1 278 162 882
–	(17 211 375)	–	1 130 173	(1 246 049 932)
–	794 403	–	1 130 173	32 112 950
–	2 726 863	–	(3 277 420)	45 782 067
–	(1 894 688)	–	–	(18 012 506)
–	–	–	–	1 254 126
11 159 622	–	–	(397 752)	26 386 537
(1 095 928)	–	–	397 752	(27 419 603)
(196 498)	(3 214 458)	(111 566)	2 147 247	(94 689 286)
(25 828 514)	–	–	–	(25 917 380)
(15 961 318)	(1 587 880)	(111 566)	–	(60 503 095)
394 021 953	41 171 077	12 261 245	(232 923 253)	1 170 409 122
24 758	13 601 399	115 612	(175 763 469)	360 720 070
–	–	–	–	108 070 348
(259 846 650)	–	–	231 767 990	(176 125 296)
–	(159 192 305)	(12 548 545)	178 335 392	(463 271 575)

DRC R	Malawi R	Botswana R	Zimbabwe R	Mauritius R	Eliminations R	Consolidated R
–	–	–	2 318 450	–	(917 634)	928 975 159
–	–	–	(2 195 404)	–	917 634	(901 128 676)
–	–	–	123 046	–	–	27 846 483
52 641	–	–	149 701	–	(1 989 833)	2 680 285
–	–	–	–	–	–	2 463 698
10 350 186	–	–	–	–	–	25 396 016
(1 086 310)	–	–	–	–	–	(12 108 268)
(635 421)	–	(322 656)	(2 250 116)	(8 835)	1 989 833	(97 294 947)
(4 051 906)	–	–	–	–	–	(4 678 403)
4 629 190	–	(322 656)	(1 977 369)	(8 835)	–	(55 695 136)
314 498 011	307 000	–	46 279 074	4 840 488	(191 401 737)	1 146 692 479
23 160	–	4 148	16 226 048	114 654	(80 963 157)	387 065 865
(223 126 131)	–	(5 197 244)	(1 351 618)	(31 564 380)	191 401 737	(180 639 041)
–	–	(14 932)	(127 469 758)	(261 528)	80 963 157	(619 387 444)

4 CORRECTION OF ERROR

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

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. The impact of this error on the statements of comprehensive income and financial position as at 31 August 2017 is outlined below. The full impact of this prior-period error is comprehensively disclosed in the Group annual financial statements for the year ended 28 February 2018.

	Previously reported 31 August 2017 R	Adjustment R	Restated 31 August 2017 R
Statement of financial position (extract)			
Exploration and evaluation assets	50 876 067	45 290 859	96 166 926
Provisions	–	(57 916 251)	(57 916 251)
Impact on net assets	50 876 067	(12 625 392)	38 250 675
Accumulated loss	(637 380 425)	(12 625 392)	(650 005 817)
Impact on equity	(637 380 425)	(12 625 392)	(650 005 817)
Statement of comprehensive income (extract)			
Finance costs	(11 021 958)	(1 086 310)	(12 108 268)
Other income	2 627 644	52 641	2 680 285
Loss before taxation	(49 983 064)	(1 033 669)	(51 016 733)
Loss for the period	(54 661 467)	(1 033 669)	(55 695 136)
Total comprehensive loss for the period	(56 751 001)	(1 033 669)	(57 784 670)

The change did not have an impact on OCI for the period or the Group's operating, investing and financing cash flows or non-controlling interests.

Impact on loss per share*			
Basic and diluted loss per share (cents) (note 5)	(13.61)	(0.28)	(13.89)
Basic and diluted headline loss per share (cents) (note 5)	(13.61)	(0.28)	(13.89)

* Loss per share numbers for the prior period have been adjusted to reflect the impact of the share consolidation detailed in note 5.

5 LOSS PER SHARE

	31 August 2018	Restated* 31 August 2017
Basic (cents)	**(12.63)**	(13.89)
Diluted (cents)	**(12.63)**	(13.89)
Loss attributable to equity holders of the Company for the period used in the calculation of the basic and diluted loss per share (Rand)	**(48 999 354)**	(51 338 122)
Weighted average number of ordinary shares used in the calculation of basic loss per share	**387 832 371**	369 731 190
Issued shares at the beginning of the reporting period	**369 731 190**	3 269 836 208
Effect of shares issued during the reporting period (weighted)	**18 101 181**	427 477 149
Share consolidation	**–**	(3 327 582 167)
Add: Dilutive share options	**–**	–
Weighted average number of ordinary shares used in the calculation of diluted loss per share	**387 832 371**	369 731 190
Headline loss per share		
Basic (cents)	**(12.57)**	(13.89)
Diluted (cents)	**(12.57)**	(13.89)

	R	R
Reconciliation of headline loss		
Loss attributable to equity holders of the parent	**(48 999 354)**	(51 338 122)
Adjusted for:		
Loss on disposal of property, plant and equipment	**479 752**	–
Adjustments attributable to NCI	**(139 128)**	–
Tax effect of adjustment	**(95 375)**	–
Headline loss for the period	**(48 754 105)**	(51 338 122)

* Details relating to the restatement are provided in note 4.

5 LOSS PER SHARE (CONTINUED)

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

On 2 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 if the share consolidation had taken place at 31 August 2017 is reflected below. It is important to note that the adjustment has been made to facilitate comparability and is neither a prior-period error nor 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	3 697 313 357	3 697 313 357
Impact of share consolidation	–	(3 327 582 167)
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	3 697 313 357	369 731 190

	Previously reported	Impact of share consolidation	Adjusted for share consolidation	Impact of prior-period error (note 4)	Adjusted
Adjusted basic and diluted loss per share (cents)	(1.36)	(12.25)	(13.61)	(0.28)	(13.89)
Adjusted basic and diluted headline loss per share (cents)	(1.36)	(12.25)	(13.61)	(0.28)	(13.89)

6 OIL AND GAS AND INTANGIBLE ASSETS

6.1 OIL AND GAS ASSETS

The movement in oil and gas assets for the period primarily comprises foreign exchange gains of R42.6 million arising on the translation of a foreign operation. Additions and depletion are not significant for the period under review. Oil and gas assets totalling R85.3 million have been reclassified as held for sale (see note 9).

6.2 INTANGIBLE ASSETS

The movement for the period primarily comprises the reclassification of other intangible assets totalling R22.8 million as held for sale (see note 9).

7 LOANS AND OTHER RECEIVABLES

The following impairment of loans and other receivables has been recorded:

	31 August 2018 R	28 February 2018 R
Loan due from EERNL	**6 087 909**	–

LOAN DUE FROM EERNL

Included in loans and other receivables is an amount due from EERNL of R60.8 million after recording an impairment charge of R6.1 million (2018: Rnil). The impairment charge, which is recorded under other operating costs, reflects the impact of the time value of money as it is estimated it will take longer to recover the funds.

The movement in loans and other receivables for the period also includes forex gains of R116.7 million on translation of foreign operations and US$-denominated balances and interest received of R24.4 million.

8 INVENTORIES

A write-off of R10.5 million was recognised in other operating costs arising from inventory losses at Boland Diesel Proprietary Limited. Management has commenced a forensic investigation to determine the exact reasons for the losses at the business.

9 ASSETS HELD FOR SALE

Assets held for sale comprise 40% of Mena International Petroleum Company Limited's ("MIPCL") (part of the Egypt segment) oil and gas and intangible assets following the approval of the board of directors on 27 August 2018 to seek a strategic partner and therefore dispose of 40% of the Group's interest in the Lagia Development Lease. There are several interested parties and the sale of these assets is expected to be completed within a year from the reporting date. Management has committed to a plan to sell the asset, following which an active programme to locate a buyer and complete the plan was initiated.

	31 August 2018 R
Assets	
Other intangible assets	**22 814 892**
Oil and gas assets	**85 255 456**
	108 070 348

There are no liabilities directly attributable to the assets classified as held for sale.

10 STATED CAPITAL

	31 August 2018	28 February 2018
Authorised:		
Number of ordinary shares with no par value	**10 000 000 000**	10 000 000 000
	R	R
Allotted equity share capital:		
Reported at the beginning of the period	**1 305 911 241**	1 216 503 883
Issued during the period for cash[1]	**367 051 723**	–
Non-cash shares issued	**–**	89 487 440
Share issue costs	**(1 401 345)**	(80 082)
As at the end of the reporting period	**1 671 561 619**	1 305 911 241
Reconciliation of number of shares issued:		
Reported at the beginning of the period	**369 731 190**	3 269 836 208
Issued during the period for cash[1]	**734 103 445**	–
Non-cash shares issued	**–**	427 477 149
Share consolidation	**–**	(3 327 582 167)
As at the end of the reporting period	**1 103 834 635**	369 731 190

[1] Comprises 734 103 445 shares issued at a subscription price of R0.50 per share under the Rights Issue completed in August 2018.

11 BORROWINGS

	28 February 2018 R	Advances R	Interest R	Foreign exchange differences R	Repayments R	31 August 2018 R
Non-current and current						
Gemcorp Africa Fund I Limited	146 009 697	–	7 803 514	33 919 313	(187 732 524)	**–**
Unemployment Insurance Fund ("UIF")	209 993 745	–	14 219 401	–	(5 873 456)	**218 339 690**
Redlex Investments Proprietary Limited	13 308 046	–	596 190	–	(4 565 317)	**9 338 919**
Turquoise Moon Proprietary Limited	21 698 659	–	949 480	–	(2 400 000)	**20 248 139**
Loan due to EERNL	107 209	136 356	–	50 161	–	**293 726**
Impact Trust	2 929 288	–	–	744 087	–	**3 673 375**
	394 046 644	136 356	23 568 585	34 713 561	(200 571 297)	**251 893 849**

The Public Investment Corporation ("PIC") has granted Afric Oil a payment moratorium of 12 months on capital and interest on the UIF loan, with the repayments commencing at the end of June 2019. Afric Oil is, however, currently in breach of certain covenants under the loan agreement due to the reduction in volumes at the business, primarily a direct result of the working capital constraints experienced during the period. It is engaging the PIC to reset the covenant levels in line with the expected performance levels of the business going forward. As a result of this breach, the loan from the UIF has been classified as current.

12 FAIR VALUE MEASUREMENT

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

	Carrying value		Fair value	
	31 August 2018 R	28 February 2018 R	31 August 2018 R	28 February 2018 R
Loans and receivables				
Loans and receivables[1]	**587 059 713**	452 085 671	**545 035 618**	389 582 393
Financial liabilities at amortised cost				
Borrowings (note 11)	**(251 893 849)**	(394 046 644)	**(251 340 159)**	(411 731 686)

[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 31 August 2018 R	Valuation technique	Significant inputs
Assets			
Loans and other receivables	**545 035 618**	Discounted cash flow model	Weighted average cost of capital
Liabilities			
Borrowings	**(251 340 159)**	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 R	Level 2 R	Level 3 R	Total R
At 31 August 2018				
Loans and other receivables	**–**	**–**	**545 035 618**	**545 035 618**
Borrowings	**–**	**–**	**(251 340 159)**	**(251 340 159)**
At 28 February 2018				
Loans and other receivables	–	–	389 582 393	389 582 393
Borrowings	–	–	(411 731 686)	(411 731 686)

There were no transfers between any levels during the period. The Group's own non-performance risk at 31 August 2018 was assessed to be low, however the Group's ability to meet all its obligations is dependent on the outcome of the uncertainties referred to in note 17.

	31 August 2018 R	31 August 2017 R
13 RELATED PARTIES		
Key management compensation		
Non-executive directors		
Fees	**2 334 241**	2 447 813
Executive directors		
Salaries	**6 329 296**	4 289 753
Other key management		
Salaries	**9 118 631**	4 069 523
	17 782 168	10 807 089

14 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 24 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 31 August 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 31 August 2018.

15 LITIGATION

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

16 DIVIDENDS

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

17 GOING CONCERN

The Group incurred a net loss of R60.5 million (2017: R55.7 million) for the six months ended 31 August 2018. 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 commentary on the results. Consequently, the Group's operations have not delivered the expected cash flows, which has resulted in a net cash outflow of R37.3 million (2017: R32.1 million) with respect to the Group's operating activities. The Group's cash resources at 31 August 2018 total R205.8 million (28 February 2018: R72.8 million) and are presently considered adequate to meet the Group's obligations for the foreseeable future based on the projected performance of the Group. However, the following uncertainties 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, in the event that the projected performance is weaker than expected:

OPERATIONAL PERFORMANCE OF THE GROUP

As noted above, the Group incurred a net loss of R60.5 million mainly due to the losses generated by the Lagia and Afric Oil businesses. Lagia's production is not expected to increase in the short term, as the Group has suspended further investment in the asset pending the outcome of the process to find a strategic partner to assist with the funding required to further develop Lagia in order to increase production levels. The outcome of this process and its impact on Lagia's production volumes cannot be estimated with certainty.

The Afric Oil business has been severely impacted by the increases in fuel prices in South Africa which placed significant strain on the working capital requirements of the business. This was compounded by the continued suspension of the Zimbabwean activities and inventory write-downs which occurred during the period. The optimisation of the business is ongoing, with further cost savings targeted for the remainder of the 2019 financial year. Efora has also provided the Afric Oil Group with a loan of R124 million to assist the business to mitigate the impact of higher fuel prices on working capital and also to fund growth in volumes.

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.

LOAN CONDITIONS FOR THE GROUP

The uncertainty highlighted above with respect to Afric Oil will impact its ability to make repayments and meet the covenants attributable to the loan from the UIF advanced for the acquisition of the Forever Fuels business in February 2017 (see note 11). Management engaged the PIC, manager of the UIF, on these matters and were granted a payment holiday of 12 months on capital and interest until June 2019. Discussions on the breaches of the debt equity ratio and interest cover covenants that occurred during the period are ongoing in order to set these at levels that reflect the future expected performance of the Afric Oil business. The PIC has confirmed that they are supportive of management's position on these matters, however it awaits approval from lender.

The Board remains reasonably confident that it will manage the material uncertainties that exist, accordingly the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

18 EVENTS AFTER THE REPORTING PERIOD

The following events occurred after the reporting period:

FINANCIAL ASSISTANCE TO AFRIC OIL PROPRIETARY LIMITED

As previously announced on 17 September 2018, the Board of Directors approved of a loan of R89.0 million to be advanced in tranches to Afric Oil Limited for utilisation as working capital. As at the date of this report R89.0 million has been advanced under this authority. This loan bears interest at prime plus 2% and is repayable on 28 February 2020.

As previously announced on 7 November 2018, the Board of Directors approved of a loan of R35.0 million to be advanced to Afric Oil Limited for utilisation as working capital. As at the date of this report R35.0 million has been advanced under this authority. This loan bears interest at prime plus 2% and is repayable on demand.

RESIGNATION OF THE CEO

On 25 October 2018 the Company announced the resignation of the CEO, Dr Thabo Kgogo. Shareholders are referred to this announcement for further details.

On behalf of the Board

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

Johannesburg
26 November 2018

CORPORATE INFORMATION

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DIRECTORS

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   ** Lead independent non-executive director

ADVISERS

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