EFORA ENERGY LIMITED

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

PROVISIONAL CONDENSED RESULTS

for the year ended 28 February 2019

Damain Matroos, Interim Chief Executive Officer of Efora, commented:

"These results are disappointing due to the below-par performance at Afric Oil that was impacted by several challenges, some of which were beyond our control. Unexpected external factors also negatively impacted our other non-operating assets.

The results are not a reflection of the efforts that have gone into moving the Group forward. The coming months are absolutely critical and we remain focused on initiatives to drive sales volumes growth and cost containment in order to improve the performance of the business to the levels expected at the time of its acquisition. We are confident that these initiatives will bear fruit in the coming months."

SALIENT FEATURES

- Revenue of R2.6 billion (2018: R2.6 billion for nine months post-acquisition of Afric Oil), average monthly sales down by 26%
- R367.1 million raised by way of a Rights Issue
- Settlement of loan from Gemcorp of R187.7 million
- Loss after tax of R579.9 million (2018: loss of R175.9 million), up 225%, impacted primarily by:
  - impairment of Lagia oil and gas properties and intangible assets by R152.2 million;
  - Block III net write-off of R95.0 million of the contingent consideration off-set by the gains on derecognition of the deferred tax and cost carry liabilities;
  - impairments of R66.1 million of the loan receivable from EERNL and R23.2 million pertaining to the Transcorp Refund;
  - impairments totalling R143.5 million attributable to the Afric Oil intangible assets; and
  - inventory loss of R10.5 million
- Decrease of 21% in recurring cost base
- Award of two-year crude trading contract by NNPC in Nigeria, one lifting during the year
- Strategic review of Lagia asset
- Extension of Block III licence by six months

PERFORMANCE REVIEW

Whilst the Group's upstream assets benefited from the general improvement in oil prices during the year, this presented significant challenges for the South African market which experienced several price increases in the second half of the year. This resulted in working capital constraints that negatively affected volumes from our key business, Afric Oil Proprietary Limited ("Afric Oil"). Increased competition from heavy discounting by small entrants into the market, low-cost importers, illegal importation of fuel products and the currency crisis which resulted in the temporary suspension of our Zimbabwe operations, further exacerbated the impact on the Group's margins. Average monthly volumes from the Afric Oil business therefore decreased by 26% as the results of the business were included for nine months post-acquisition in the prior year. In this regard, total revenue remained relatively unchanged at R2.6 billion.

Initiatives are in place to improve the volumes at Afric Oil. However, in its impairment assessments of the business as at 28 February 2019, the Group recognised impairments totalling R143.5 million attributable to goodwill, brands and customer relationships intangibles that arose on acquisition, which were adversely affected by lower-than-expected performance of the business which impacted future estimated cash flow projections, especially at the Forever Fuels division which lost a number of customers. For more details on these impairments, see note 5.2.

The shift in focus to downstream operations meant that the Group's limited capital was deployed to the Afric Oil operations as a trade-off to the further development of the Lagia Oil Field. This was a decision the Board had to make whilst it sought strategic partnership for its Lagia asset, a process which has not yielded the desired outcome. The intermittent suspension of the Lagia development programme, amongst other matters, had a negative impact on the valuation of the Lagia Oil Field as reflected in the Competent Person's Report ("CPR") completed as at 1 February 2019 which resulted in an impairment of R152.2 million of the Lagia oil and gas and intangible assets. Note 5.1 provides more details on the impairment of the Lagia assets.

Total E&P RDC ("Total"), our former partner, decided not to continue as part of the Block III consortium. As previously reported, with the expectation of further development of Block III, the Group had recognised a contingent consideration and deferred tax and cost carry liabilities relating to its farm in agreement with Total. Total's exit from Block III resulted in a net write-off of R95.0 million of the contingent consideration, off-set by the gains on derecognition of the referred liabilities. The impact of Total's exit on the results of the Group is further highlighted in notes 6 and 12.

Under very unfortunate circumstances the Group learnt in February 2019 of the liquidation of Energy Equity Resources Norway Limited ("EERNL") which owes the Group R70.0 million (US$5 million). In accordance with our accounting policy which recognises this receivable as credit impaired, the Group has fully provided for the amount pending the outcome of the liquidation process as indicated in note 6. This resulted in a charge of R66.1 million under other operating costs.

In its interim results for the six months ended 31 August 2018 the Group reported on the loss of inventory totalling R10.5 million at its Boland subsidiary. Whilst a forensic investigation has now been completed the results are inconclusive and management is evaluating further interrogation of the occurrence. This loss is included under other operating costs.

The impact of the Group's cost optimisation initiatives is not immediately visible on the Group's statement of comprehensive income. However, excluding the impact of the developments noted above and other less material once-off items, the Group's recurring costs decreased by R35.3 million (excluding depreciation and amortisation) arising primarily from a reduction in business development, consulting, legal, listing and general overheads.

Excluding the impact of the derecognition of the Total cost carry liability, the Group's other income streams increased by R20.0 million, primarily as a result of a gain of acquisition of property and throughput income.

Whilst finance income has increased by R15.1 million, this is mainly imputed interest on the Group's financial assets. Finance costs have decreased by R7.5 million following the settlement of the loans owed to Gemcorp and Turquoise Moon.

The Group is therefore reporting a loss after tax of R579.9 million (2018: loss of R175.9 million) for the year ended 28 February 2019, a loss per share of 69.91 cents (2018: loss of 42.34 cents) and a headline loss per share of 45.31 cents (2018: loss of 42.20 cents).

OPERATIONAL REVIEW

AFRIC OIL, SOUTH AFRICA AND ZIMBABWE

The challenges already highlighted resulted in a decrease in volumes to 203.7 million litres (17.0 million litres per month) relative to 222.3 million litres (24.7 million litres per month) for the nine months post-acquisition in the prior comparative period. The loan of R124.0 million advanced to Afric Oil in September and October 2018, together with other working capital facilities totalling R40 million from third parties, did result in an increase in volumes albeit in the latter part of the year.

We continue to streamline the business in order to ensure that we remain competitive. During the year we reduced our fleet and terminated third-party transportation arrangements with a primary focus of optimising our internal logistics function. We are pleased to have signed on two large customers during the year and we remain excited about ongoing engagement with prospective customers, which we hope will be finalised soon.

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

Volumes from Lagia decreased from 21 152 barrels in the prior comparative period to 15 371 barrels for the year, a decrease of 27%, as operations were kept on cold flow. In the Group's interim results for the six months ended 31 August 2018, following a strategic review, part of Lagia's assets were classified as held for sale as a plan was in place to dispose of part of the asset. Offers received from prospective buyers were highly unfavourable which has led the Board to the decision to retain full ownership of the asset whilst it investigates further strategic options pertaining to the asset. As such, the Group no longer holds assets classified as held for sale.

CRUDE TRADING, NIGERIA

Constraints on the availability of crude oil from the Nigerian National Petroleum Corporation ("NNPC") continued, which resulted in only one lifting of 950 000 barrels during the year. Our joint venture therefore reported a profit of R1.1 million (2018: R1.8 million). We are confident of securing additional cargoes during the remaining period of the contract.

BLOCK III, DRC

The Block III licence was extended to July 2019, during which time the remaining partners will carry out a review of the technical data to determine the area that will be the subject of the renewal of the licence.

Total, which previously held 66.7% of the working interest in Block III, has indicated that it will no longer continue as part of the consortium to further explore Block III. Consequently, Efora will be required to pay its working interest share of forward costs associated with Block III. In addition, Efora now has the option to increase its working interest in Block III to 42.5% and is currently evaluating whether it will take up this option.

We remain confident that this block remains an exciting prospect for the Group with an unaudited recoverable resource estimate of 1 213 MMbbl (best estimate). We will undertake an assessment of the prospects as part of the process to obtain an extension of the licence after July 2019.

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 18 to the condensed provisional consolidated reviewed financial statements. The condensed provisional consolidated reviewed financial statements presented have therefore been prepared on a going concern basis.

LITIGATION UPDATE

Shareholders are referred to the SENS announcement dated 5 April 2019 which is available on the Company's website wherein updates were provided on the status of the Group's claims against Mr Robin Vela and Transcorp.

On 29 May 2019 judgment was issued wherein the Company's claim against Encha Group Limited was dismissed. The Company was ordered to pay the costs of the arbitration as well as the costs incurred by the defendant. These costs are still to be quantified. We are studying the judgment with our legal counsel to determine the details thereof. We will assess the prospects and basis for an appeal relating to the unexpected outcome.

OUTLOOK

Our key focus for the next few months is on achieving a material increase in sales volumes at Afric Oil as we expect to benefit from the track record of our newly appointed sales personnel, amongst the many initiatives adopted by the Group in this regard. We will also prioritise cost optimisation, especially within the management structures across the Group. With respect to our Lagia asset, we will continue to explore beneficial partnerships on terms that create value for our shareholders.

CHANGES IN DIRECTORATE

The following directors were appointed during the reporting period:

Mr Vuyo Ngonyama on 19 December 2018

Ms Zanele Radebe on 19 December 2018

Ms Tariro Gadzikwa on 7 February 2019

The following directors resigned during the reporting period:

Mr Ignatius Sehoole on 31 December 2018

Dr Thabo Kgogo on 30 January 2019

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 in South 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 2019

	Notes	2019 R'000	2018 R'000
Revenue	3	**2 599 369**	2 631 069
Cost of sales		**(2 530 997)**	(2 568 287)
Gross income		**68 372**	62 782
Other income		**94 199**	7 094
Other operating costs[1]		**(861 828)**	(246 338)
Loss from operations		**(699 257)**	(176 462)
Share of profit from joint venture net of taxation		**1 138**	1 878
Finance income		**68 230**	53 073
Finance costs		**(47 474)**	(55 017)
Loss before taxation		**(677 363)**	(176 528)
Taxation		**97 504**	669
Loss for the year		**(579 859)**	(175 859)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations[2]		**84 420**	(38 318)
Other comprehensive income/(loss) for the year net of taxation		**84 420**	(38 318)
Total comprehensive loss for the year		**(495 439)**	(214 177)
Loss attributable to:			
Equity holders of the Company		**(538 311)**	(151 971)
Non-controlling interests		**(41 548)**	(23 888)
Loss for the year		**(579 859)**	(175 859)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(456 690)**	(189 892)
Non-controlling interests		**(38 749)**	(24 285)
Total comprehensive loss for the year		**(495 439)**	(214 177)
Loss per share			
Basic (cents)	15	**(69.91)**	(42.34)
Diluted (cents)	15	**(69.91)**	(42.34)

[1] Impairment charges recognised in other costs are disclosed in notes 5, 6 and 8.
[2] This component of other comprehensive loss does not attract taxation.

CONDENSED PROVISIONAL CONSOLIDATED REVIEWED STATEMENT OF FINANCIAL POSITION

As at 28 February 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets			
Exploration and evaluation assets		**99 275**	95 860
Oil and gas properties	5.1	**76 808**	169 243
Investment in joint venture		**–**	5 847
Loans and other non-current receivables	6	**230 151**	452 086
Property, plant and equipment		**72 905**	83 286
Intangible assets	5.2	**80 364**	261 655
Total non-current assets		**559 503**	1 067 977
Current assets			
Loans and other current receivables	6	**–**	–
Inventories	7	**13 744**	22 454
Derivative asset		**–**	258
Trade and other receivables	8	**188 545**	146 509
Cash and cash equivalents	9	**61 875**	72 806
Total current assets		**264 164**	242 027
Total assets		**823 667**	1 310 004
EQUITY AND LIABILITIES			
Shareholders' equity			
Stated capital	10	**1 668 354**	1 305 911
Reserves	10	**102 834**	21 072
Accumulated loss		**(1 333 414)**	(750 639)
Equity attributable to equity holders of the Company		**437 774**	576 344
Non-controlling interests		**(3 813)**	1 834
Total shareholders' equity		**433 961**	578 178
LIABILITIES			
Non-current liabilities			
Deferred tax liability	12	**–**	81 360
Borrowings	13	**–**	5 152
Provisions	12	**–**	53 271
Finance lease obligations		**126**	714
Total non-current liabilities		**126**	140 497
Current liabilities			
Borrowings	13	**240 720**	388 895
Financial liabilities		**104**	8 603
Finance lease obligations		**585**	2 183
Loan from joint venture		**11 969**	7 134
Taxation payable		**12 851**	13 418
Trade and other payables	14	**123 351**	171 096
Total current liabilities		**389 580**	591 329
Total liabilities		**389 706**	731 826
Total equity and liabilities		**823 667**	1 310 004

CONDENSED PROVISIONAL CONSOLIDATED REVIEWED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2019

	Notes	Stated capital (note 10) R'000	Foreign currency translation reserve (note 10) R'000	Share-based payment reserve (note 10) R'000
Balance at 28 February 2017		1 216 504	48 641	9 811
Previously reported		1 216 504	48 641	9 811
Correction of error		–	–	–
Changes in equity:				
Loss for the year		–	–	–
Other comprehensive loss for the year		–	(37 921)	–
Total comprehensive loss for the year		–	(37 921)	–
Acquisition through business combination		89 487	–	–
Transaction costs		(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**
Changes in equity:				
Effect of the adoption of IFRS 9	4	**–**	**–**	**–**
Restated balance at 1 March 2018		**1 305 911**	**10 720**	**10 352**
Loss for the year		**–**	**–**	**–**
Other comprehensive income for the year		**–**	**81 621**	**–**
Total comprehensive loss for the year		**–**	**81 621**	**–**
Acquisition of non-controlling interest	11	**–**	**–**	**–**
Rights Issue		**367 052**	**–**	**–**
Transaction costs		**(4 609)**	**–**	**–**
Share-based payments expense		**–**	**–**	**141**
Total changes		**362 443**	**81 621**	**141**
Balance at 28 February 2019		**1 668 354**	**92 341**	**10 493**

Total reserves (note 10) R'000	Accumulated loss R'000	Total equity attributable to equity holders of the Company R'000	Non-controlling interest ("NCI") R'000	Total equity R'000
58 452	(598 668)	676 288	–	676 288
58 452	(587 075)	687 881	–	687 881
–	(11 593)	(11 593)	–	(11 593)
–	(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	**(750 639)**	**576 344**	**1 834**	**578 178**
–	**(11 362)**	**(11 362)**	**–**	**(11 362)**
21 072	**(762 001)**	**564 982**	**1 834**	**566 816**
–	**(538 311)**	**(538 311)**	**(41 548)**	**(579 859)**
81 621	**–**	**81 621**	**2 799**	**84 420**
81 621	**(538 311)**	**(456 690)**	**(38 749)**	**(495 439)**
–	**(33 102)**	**(33 102)**	**33 102**	**–**
–	**–**	**367 052**	**–**	**367 052**
–	**–**	**(4 609)**	**–**	**(4 609)**
141	**–**	**141**	**–**	**141**
81 762	**(571 413)**	**(127 208)**	**(5 647)**	**(132 855)**
102 834	**(1 333 414)**	**437 774**	**(3 813)**	**433 961**

CONDENSED PROVISIONAL CONSOLIDATED REVIEWED STATEMENT OF CASH FLOWS

for the year ended 28 February 2019

	Notes	2019 R'000	2018 R'000
Cash flows from operating activities			
Cash used in operations		**(147 283)**	(65 641)
Finance income		**4 650**	5 855
Finance costs		**(10 938)**	(25 984)
Tax paid		**(16)**	(336)
Net cash used in operating activities		**(153 587)**	(86 106)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(39)**	(863)
Proceeds on disposal of property, plant and equipment		**380**	–
Purchase of oil and gas properties		**(2 974)**	(5 104)
Purchase of intangible assets		**(1 325)**	(410)
Acquisition of subsidiary, net of cash acquired		**–**	20 202
Repayments of loans and other receivables		**410**	892
Advances of loans and other receivables		**(1 201)**	–
Net cash (used in)/from investing activities		**(4 749)**	14 717
Cash flows from financing activities			
Transaction costs on issue of shares		**(4 609)**	(80)
Proceeds from Rights Issue		**367 052**	–
Loan received from joint venture		**3 505**	2 732
Proceeds from borrowings		**239**	164 467
Repayments of borrowings		**(210 523)**	(39 771)
Repayments of financial liabilities		**(5 815)**	–
Repayments of finance lease obligations		**(2 444)**	(1 877)
Net cash from financing activities		**147 405**	125 471
Total movement in cash and cash equivalents for the year		**(10 931)**	54 082
Cash and cash equivalents at the beginning of the year		**72 806**	18 724
Cash and cash equivalents at the end of the year	9	**61 875**	72 806

NOTES TO THE CONDENSED PROVISIONAL CONSOLIDATED REVIEWED FINANCIAL STATEMENTS

for the year ended 28 February 2019

1 BASIS OF PREPARATION

The condensed provisional consolidated reviewed financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") and in accordance with and containing the information required by the International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants' ("SAICA") Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited ("JSE") Listings Requirements and the requirements of the Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at amortised cost, and are presented in South African Rand, which is the Company's functional and presentation currency. The significant 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, except as detailed in note 4. The significant accounting policies are available for inspection at the Company's registered office.

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 March 2018. The accounting pronouncement considered by the Group as significant on adoption is IFRS 9 – Financial Instruments ("IFRS 9") as set out in note 4. Other IFRS changes adopted on 1 March 2018 have no material impact on the consolidated results, financial position or cash flows of the Group. Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ended 28 February 2019.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS 16 – Leases was issued in January 2016 to replace IAS 17 – Leases. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group on 1 March 2019. IFRS 16 will primarily change lease accounting for lessees and will not have a material impact on the Group's financial statements. Under IFRS 16:

- Lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a liability for future lease payables.
- Lease costs will be recognised in the form of depreciation of the right-of-use asset and interest on the lease liability.

Under IAS 17 operating lease rentals have been expensed on a straight-line basis over the lease term within operating expenses. Lessee accounting for finance leases will be similar under IFRS 16 to existing IAS 17 accounting. Lessor accounting under IFRS 16 is also similar to existing IAS 17 accounting and is expected to be materially the same for the Group. IFRS 16 is being adopted with the cumulative retrospective impact recorded as an adjustment to equity on the date of adoption.

These condensed provisional consolidated reviewed financial statements have been prepared on a going concern basis after taking into account the matters in note 18.

All monetary information 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 2019 have been prepared under the supervision of the Interim Chief Financial Officer, Tariro Gadzikwa CA (SA).

These condensed provisional consolidated financial statements for the year ended 28 February 2019 have been reviewed by SizweNtsalubaGobodo Grant Thornton Inc. A copy of the auditors' unmodified review conclusion, which includes a material uncertainty relating to going concern with respect to the matters detailed in note 18, 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, 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 and Botswana, which were immaterial for the current year, did not meet the recognition criteria for externally reportable segments and have been aggregated under the South Africa and head office segments respectively as they meet the aggregation criteria permitted by IFRS on the basis of the nature of the products. The Botswana segment was separately disclosed in the prior year but due to the liquidation of Botwana the prior-year figures have been aggregated under the head office segment as it is not considered material.

3 SEGMENTAL REPORTING (CONTINUED)

	Egypt R'000	Nigeria R'000	DRC R'000	South Africa R'000
2019				
Revenue	**3 848**	**–**	**–**	**2 748 428**
Cost of sales	**(7 333)**	**–**	**–**	**(2 677 134)**
Gross (loss)/profit	**(3 485)**	**–**	**–**	**71 294**
Other income	**–**	**221**	**67 148**	**15 214**
Impairment of financial assets	**–**	**(11 678)**	**(270 593)**	**(11 992)**
Depreciation and amortisation	**(6 113)**	**–**	**–**	**(22 685)**
Share of profit from joint venture	**–**	**1 138**	**–**	**–**
Finance income	**–**	**11 194**	**23 862**	**2 538**
Finance costs	**–**	**–**	**(3 676)**	**(41 658)**
Other operating expenses	**(10 072)**	**(717)**	**(821)**	**(65 749)**
Impairment on intangible assets	**(30 739)**	**–**	**–**	**(143 522)**
Impairment of joint venture	**–**	**(8 142)**	**–**	**–**
Impairment of Lagia oil and gas assets and petroleum reserves	**(121 538)**	**–**	**–**	**–**
Taxation	**–**	**–**	**98 921**	**(1 417)**
Loss for the year	**(171 947)**	**(7 984)**	**(85 159)**	**(197 977)**
Segment assets – non-current	**97 235**	**115 075**	**99 275**	**100 596**
– current	**9 732**	**2**	**25**	**256 578**
Segment liabilities – non-current	**(143 745)**	**–**	**(81 970)**	**(127 341)**
– current	**(3 392)**	**(540)**	**(294)**	**(379 016)**
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
Depreciation and amortisation	(5 842)	–	–	(22 063)
Share of profit from joint venture	–	1 878	–	–
Finance income	–	10 461	20 927	2 076
Finance costs	–	–	(2 167)	(25 418)
Other operating expenses	(5 245)	(231)	(1 162)	(78 976)
Impairment of financial assets	–	(6 360)	–	–
Taxation	–	–	626	658
(Loss)/profit for the year	(16 074)	5 949	18 224	(52 786)
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)	(16 368)
– current	(4 097)	(30)	–	(276 011)

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.

Revenue from contracts with customers is disaggregated as follows:

	2019 R'000	2018 R'000
Sale of crude oil	**3 848**	3 454
Sale of petroleum products	**2 595 521**	2 627 615
	2 599 369	2 631 069

During the year ended 28 February 2019, R1.0 billion or 40% (2018: no customer with revenue of 10% or more of total revenue) of the Group's revenue depended on the sales of petroleum products to two customers under the South Africa segment.

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 tax or deferred tax is accrued.

Zimbabwe R'000	Mauritius R'000	Head office R'000	Eliminations R'000	Consolidated R'000
18 940	**–**	**–**	**(171 847)**	**2 599 369**
(18 377)	**–**	**–**	**171 847**	**(2 530 997)**
563	**–**	**–**	**–**	**68 372**
11 944	**–**	**6 078**	**(6 406)**	**94 199**
–	**–**	**(80 510)**	**–**	**(374 773)**
–	**–**	**(445)**	**–**	**(29 243)**
–	**–**	**–**	**–**	**1 138**
–	**–**	**36 683**	**(6 047)**	**68 230**
–	**–**	**(8 187)**	**6 047**	**(47 474)**
(21 813)	**(213)**	**(60 892)**	**6 406**	**(153 871)**
–	**–**	**–**	**–**	**(174 261)**
–	**–**	**–**	**–**	**(8 142)**
–	**–**	**–**	**–**	**(121 538)**
–	**–**	**–**	**–**	**97 504**
(9 306)	**(213)**	**(107 273)**	**–**	**(579 859)**
32 259	**–**	**468 027**	**(352 964)**	**559 503**
5 695	**61**	**15 111**	**(23 040)**	**264 164**
–	**–**	**–**	**352 930**	**(126)**
(100)	**(171)**	**(29 141)**	**23 074**	**(389 580)**
23 079	–	–	(21 052)	2 631 069
(21 052)	–	–	21 052	(2 568 287)
2 027	–	–	–	62 782
53	–	10 511	(8 865)	7 095
–	–	(768)	–	(28 673)
–	–	–	–	1 878
–	–	20 514	(905)	53 073
–	–	(28 337)	905	(55 017)
(15 984)	(83)	(112 008)	8 865	(204 824)
–	–	(6 481)	–	(12 841)
1 065	173	(1 853)	–	669
(12 839)	90	(118 422)	–	(175 858)
34 559	9 763	315 108	(207 849)	1 067 977
4 613	56	16 761	–	242 027
(35 014)	(9 762)	–	246 624	(140 497)
(87 396)	(91)	(184 929)	(38 775)	(591 329)

4 ADOPTION OF NEW ACCOUNTING STANDARD

ADOPTION OF IFRS 9

The Group has adopted IFRS 9 and applied the new rules using a modified retrospective approach from 1 March 2018. Comparatives for the year ended 28 February 2018 have not been restated. In terms of IFRS 9 the Group has applied the expected credit losses ("ECLs") model which replaces the incurred losses model in determining the impairment provisions for financial assets. The calculation of ECLs incorporates forward-looking variables which include potential risks in the current economic environment, historic trends and management's judgement. The Group has recognised a transition adjustment to the opening accumulated losses and ECLs for the current year are recognised in the statement of comprehensive income under other operating costs.

The adoption of IFRS 9 did not change the categorisation of the Group's financial assets, as shown below. The impact of the adoption of IFRS 9 on the carrying amounts of the Group's financial assets is outlined below.

Balance sheet (extract)	Original IAS 39 category	New IFRS 9 category	Carrying amount under IAS 39 at 28 February 2018 R'000	Adoption of IFRS 9 R'000	Carrying amount under IFRS 9 at 1 March 2018 R'000
Loans and other current receivables	Loans and receivables	Amortised cost	**452 086**	**(11 362)**	**440 724**
Trade and other receivables	Loans and receivables	Amortised cost	**146 509**	**–**	**146 509**
Cash and cash equivalents	Loans and receivables	Amortised cost	**72 806**	**–**	**72 806**
Impact on the Group's financial assets			**671 401**	**(11 362)**	**660 039**

The adoption of IFRS 9 did not result in a material adjustment to trade and other receivables and cash and cash equivalents at 1 March 2018.

The adjustment to the Group's accumulated losses as a result of the adoption of IFRS 9 under the modified retrospective approach is shown below:

	Under IAS 39 at 28 February 2018 R'000	Adoption of IFRS 9 R'000	under IFRS 9 at 1 March 2018 R'000
Accumulated loss	**(750 639)**	**(11 362)**	**(762 001)**
Impact on equity	**(750 639)**	**(11 362)**	**(762 001)**

The impact of the adoption of IFRS 9 on the Group's impairment provisions is summarised in notes 6 and 8.

ADOPTION OF IFRS 15

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") replaces IAS 18 – Revenue and related interpretations. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring a good or service. IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the revenue recognition model to contracts with customers. The standard also specifies the accounting treatment for revenue recognition costs directly related to obtaining a customer contract.

The Group has adopted IFRS 15 using the cumulative retrospective approach with the date of initial application being 1 March 2018 and has applied the new accounting policy to all contracts that were in existence at 1 March 2018. While IFRS 15 represents significant new guidance for revenue recognition and measurement, the implementation of IFRS 15 did not have a significant impact on the timing or amount of revenue recognised by the Group in any year.

Under IFRS 15 revenue from contracts with customers is recognised when a performance obligation is satisfied by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of Efora's products usually coincides with title passing to the customer and the customer taking physical possession, with the Group's performance obligations primarily satisfied at that point in time. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Invoices for products transferred are payable between 15 and 30 days, depending on the credit terms granted to customers. Payments are otherwise due immediately upon delivery for cash customers.

5 IMPAIRMENTS OF NON-FINANCIAL ASSETS

5.1 OIL AND GAS ASSETS

	Total R'000
Cost	
At 1 March 2018	**187 532**
Additions	**2 974**
Exchange differences	**28 499**
At 28 February 2019	**219 005**
Depletion	
At 1 March 2018	**(18 289)**
Provision for impairment	**(121 538)**
Depletion	**(2 370)**
At 28 February 2019	**(142 197)**
Net book value	
At 28 February 2018	**169 243**
At 28 February 2019	**76 808**

A provision for impairment of R152.2 million (US$10.9 million) (2018: Rnil) has been recognised with respect to the Lagia oil and gas assets (R121.5 million) and other intangible assets (R30.7 million) (see note 5.2) under other operating costs within the Egypt segment. The impairment is a result of the reduction in Lagia 2P reserves and therefore the recoverable amount as reported in the 2019 CPR relative to the 2018 CPR. The recoverable amount has been negatively impacted by (a) changes in oil sales price forecast; (b) changes in the oil production forecast; and (c) the effect of rolling the report forward by one year, while the end of the licence term remains fixed. The 2019 CPR oil sales price forecast is 12.5% lower on average over the field life. The 2019 CPR 2P production profile is approximately 89% lower for the calendar year 2019 due to the fact that no new production wells were drilled in 2018. The assumption in the 2018 CPR was that eight new production wells would be drilled. The production associated with these wells is therefore not included in the 2019 forecast. This difference continues at a reducing rate up to 2025 when production from the eight wells would have terminated.

The recoverable amount of the oil and gas assets and petroleum reserves of R101.2 million (US$7.2 million) was determined using value-in-use calculations where future cash flows were estimated and discounted at a weighted average cost of capital of 10%.

Additions and depletion are not significant for the year under review.

5 IMPAIRMENTS OF NON-FINANCIAL ASSETS (CONTINUED)

5.2 INTANGIBLE ASSETS

	Computer software R'000	Brands R'000	Customer relationships R'000	Goodwill R'000	Lagia intangible assets R'000	Total R'000
Cost						
At 28 February 2018	2 513	9 672	79 082	135 443	69 463	296 173
Additions	1 325	–	–	–	–	1 325
Disposal	(105)	–	–	(3)	–	(108)
Write-off of assets	(721)	–	–	–	–	(721)
Exchange differences	(18)	–	–	–	9 013	8 995
At 28 February 2019	2 994	9 672	79 082	135 440	78 476	305 664
Accumulated depreciation and impairment						
At 28 February 2018	(834)	–	(12 487)	–	(21 197)	(34 518)
Disposal	105	–	–	–	–	105
Impairment	–	(719)	(7 363)	(135 440)	(30 739)	(174 261)
Amortisation	(230)	(3 869)	(7 135)	–	(6 113)	(17 347)
Write-off of assets	721	–	–	–	–	721
At 28 February 2019	(238)	(4 588)	(26 985)	(135 440)	(58 049)	(225 300)
At 28 February 2018	1 679	9 672	66 595	135 443	48 266	261 655
At 28 February 2019	2 756	5 084	52 097	–	20 427	80 364

The following impairments have been recognised in the statement of comprehensive income under other operating costs with respect to the Group's intangible assets:

AFRIC OIL

The goodwill of R62.8 million allocated to the Afric Oil cash-generating unit ("CGU") on acquisition was tested for impairment as at 28 February 2019. The CGU 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 Afric Oil CGU as at 28 February 2019 was determined to be R104.4 million excluding the Group's share of debt. The discount rate applied to the cash flow projections is 12.05%. As a result of the analysis, management recognised an impairment of R62.8 million for the Afric Oil CGU which was allocated against goodwill.

FOREVER FUELS

The goodwill of R68.1 million, customer relationships with a carrying amount of R59.5 million and brands with a carrying amount of R5.8 million allocated to the Forever Fuels CGU on acquisition were tested for impairment as at 28 February 2019. The CGU 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 Forever Fuels CGU as at 28 February 2019 was determined to be R57.2 million. The discount rate applied to the cash flow projections is 12.05%. As a result of the analysis, management recognised an impairment of R76.7 million for the Forever Fuels CGU of which R68.1 million was allocated against goodwill. The remainder of the impairment charge was allocated to brands and customer relationships on an apportionment basis as shown in the table above.

BOLAND

The goodwill of R4.0 million allocated to the Boland CGU on acquisition was tested for impairment as at 28 February 2019. The CGU 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 Boland CGU as at 28 February 2019 was determined to be R6.5 million. The discount rate applied to the cash flow projections is 12.05%. As a result of the analysis, management recognised an impairment of R4.0 million for the Boland CGU which was allocated against goodwill.

The impairments above were a result of loss-making operations. There were no impairments of intangible assets in the prior financial year.

6 LOANS AND OTHER RECEIVABLES

	2019 R'000	2018 R'000
Non-current		
Loan due from EERNL	–	50 978
Transcorp Refund	**231 203**	194 165
Supplier development loans	**3 818**	2 618
Contingent consideration	–	206 943
Deferred consideration on disposal of Greenhills Plant	–	521
	235 021	455 225
Less: Provision for impairment	**(4 870)**	(3 139)
	230 151	452 086
Current		
Advance payment against future services	–	115 825
Loan due from EERNL	**69 970**	–
Phembani Group Proprietary Limited	**827**	827
Deferred consideration on disposal of Greenhills Plant	**1 805**	1 573
	72 602	118 225
Less: Provision for impairment	**(72 602)**	(118 225)
	–	–

ADVANCE PAYMENT AGAINST FUTURE SERVICES

As previously reported, the Company was claiming R115.8 million from Encha Group Limited. This amount had historically been fully provided for. As referred to in note 19, the Group's claim was dismissed by the arbitrator. In this regard the Group has utilised the provision for impairment of R115.8 million previously recognised to write off this asset as at 28 Februry 2019 as this development is considered to be an adjusting event. This did not impact the Group's statement of comprehensive income.

CONTINGENT CONSIDERATION

As previously reported, the Group was entitled to a contingent consideration to be settled by Total once the Block III operations reached first investment decision date and first oil date. Given Total's termination of its participation in the block, which extinguishes its indebtedness, the Group has derecognised this receivable totalling R270.6 million as at 28 February 2019 by way of a charge to the statement of comprehensive income under other operating expenses. Total's exit from Block III also resulted in the derecognition of the deferred tax liability attributable to the contingent consideration and the Group's liability under the cost carry arrangement which partially off-set the impact of the derecognition of the contingent consideration on the statement of comprehensive income. Refer to notes 12 and 19 for further details.

Movements in the Group's significant loans and other receivable are as follows:

	Gross carrying amount 28 February 2019[1] R'000	Provision for impairment R'000	Specified impairment[2] R'000	Write-down R'000	Net carrying amount 28 February 2019 R'000
Advance payment against future services	**115 825**	–	–	**(115 825)**	–
Contingent consideration	**270 593**	**(270 593)**	–	–	–
Transcorp Refund	**254 390**	**(1 052)**	**(23 187)**	–	**230 151**
Loan due from EERNL	**66 117**	**(60 029)**	**(6 088)**	–	–
	706 925	**(331 674)**	**(29 275)**	**(115 825)**	**230 151**

1. Before impairments and write-downs.
2. Time value adjustments attributable to the deferral of the receipt of expected contractual cash flows.

	Lifetime ECLs R'000	Credit impaired financial assets (lifetime ECLs)[1] R'000	Total R'000
At 1 March 2018	**121 364**	–	**121 364**
Effect of adoption of IFRS 9 (note 4)	**11 362**	–	**11 362**
Balance at 1 March under IFRS 9	**132 726**	–	**132 726**
Write-offs	**(115 825)**	–	**(115 825)**
Transfer to credit impaired	**(9 941)**	**9 941**	–
Changes in risk parameters	**1 369**	**60 029**	**61 398**
Other	**(827)**	–	**(827)**
	7 502	**69 970**	**77 472**

1. EERNL was placed under liquidation in February 2019 and the recoverability of this receivable has become doubtful. The Group is engaging with the liquidator regarding the settlement of this debt and we await finalisation of the liquidation process. As a result of the increase in provision for impairment, the amount due from EERNL is now provided for in full. The loan due from EERNL is now classified as short term.

7 INVENTORIES

	2019 R'000	2018 R'000
Consumables	**6 441**	5 794
Petroleum products	**7 303**	16 660
	13 744	22 454

A write-off of R10.5 million was recognised in other operating costs arising from inventory losses at Boland Diesel Proprietary Limited, a wholly-owned subsidiary of the Company. The preliminary independent investigation has just been completed and the findings thereof are not conclusive. Management is evaluating the recommendation to further the scope of the investigation.

8 TRADE AND OTHER RECEIVABLES

	2019 R'000	2018 R'000
Trade receivables	**229 781**	175 287
Value-added tax	**1 418**	1 792
Other receivables	**14 764**	12 527
	245 963	189 606
Less: Provision for impairment	**(57 418)**	(43 097)
	188 545	146 509

Trade receivables are non-interest bearing (except in the event of default) and are generally on 30 days' terms. The adoption of IFRS 9 did not result in a material adjustment to the impairment provision as at 1 March 2018. The provision for impairment of trade and other receivables is based on lifetime ECLs.

The movements in the provision for impairment of trade receivables determined using the ECL model are outlined below:

	2019 R'000	2018 R'000
At 1 March	**42 558**	–
Acquired through business combination	**–**	53 462
Exchange differences	**443**	–
Utilisation of provision	**(618)**	–
Arising/(reversed) during the year	**9 248**	(10 904)
At 28 February	**51 631**	42 558

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2019 R'000	2018 R'000
Cash at banks and on hand	**40 142**	45 020
Short-term deposits	**6 033**	12 086
Total unrestricted cash	**46 175**	57 106
Restricted cash balances	**15 700**	15 700
Cash and cash equivalents	**61 875**	72 806

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

A total of R2.4 million (2018: R1.9 million) is denominated in United States Dollars. At 28 February 2019 the Group had no undrawn committed borrowing facilities.

10 STATED CAPITAL AND RESERVES

		2019	2018
Stated capital			
Authorised:			
Number of ordinary shares with no par value	(000's)	**5 000 000**	1 000 000
Allotted equity share capital:			
Reported at the beginning of the year	(R'000)	**1 305 911**	1 216 504
Non-cash shares issued	(R'000)	**–**	89 487
Issued during the year for cash	(R'000)	**367 052**	–
Share issue costs	(R'000)	**(4 609)**	(80)
As at 28 February	(R'000)	**1 668 354**	1 305 911
Reconciliation of number of shares issued:			
Reported at the beginning of the year	(000's)	**369 733**	3 269 836
Non-cash shares issued	(000's)	**–**	427 478
Issued during the year for cash	(000's)	**734 103**	–
Share consolidation	(000's)	**–**	(3 327 581)
As at 28 February	(000's)	**1 103 836**	369 733

Issued during the year for cash:

Date	Nature of transaction	Recipient	Number of shares issued (000's)	Issue price R	Value R'000
13 August 2018	Rights Issue	Government Employees Pension Fund	**728 593**	**0.50**	**364 297**
13 August 2018	Rights Issue	Other shareholders	**5 510**	**0.50**	**2 755**
			734 103	**0.50**	**367 052**

Non-cash shares issued in the prior year comprise:

Date	Nature of transaction	Recipient	Number of shares issued (000's)	Issue price[1] R	Value 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.

Reserves	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Total R'000
Balance at 28 February 2017	9 811	48 641	58 452
Share-based payment expense	541	–	541
Foreign exchange losses arising on translation of foreign operations	–	(37 921)	(37 921)
Balance at 28 February 2018	**10 352**	**10 720**	**21 072**
Share based payment expense	**141**	**–**	**141**
Foreign exchange gains arising on translation of foreign operations	**–**	**81 621**	**81 621**
Balance at 28 February 2019	**10 493**	**92 341**	**102 834**

11 ACQUISITION OF NON-CONTROLLING INTEREST (“NCI”)

Following an arbitration award issued during the year the Group now owns 100% (2018: 65%) of Afric Oil Petroleum (Zimbabwe). The increase in ownership was granted for no consideration.

12 DEFERRED TAX LIABILITIES AND PROVISIONS

The termination of Total’s participation in Block III as referred to under note 6 resulted in the derecognition of the following liabilities:

	2019 R’000
Deferred tax	**108 452**
Provision for carried cost reimbursement	**67 148**
	175 600

13 BORROWINGS

The Company settled its loan from Gemcorp in August 2018 through payment of R187.0 million from the proceeds of the Rights Issue.

The Company’s 71%-owned subsidiary, Afric Oil, is in breach of debt covenants relating to its loan arrangement with the Unemployment Insurance Fund (“UIF”). Management of Afric Oil is in discussions with the Public Investment Corporation (“PIC”), manager of the UIF, to address the breaches in the covenants and to reset the same to the revised payment profile and cash-generation levels of the business.

14 TRADE AND OTHER PAYABLES

	2019 R’000	2018 R’000
Trade payables	**98 579**	143 111
Accruals	**8 735**	26 753
Other payables	**16 037**	1 232
	123 351	171 096
The carrying values of trade and other payables approximate their fair values. The carrying values of the Group’s trade and other receivables are denominated in the following currencies:		
US Dollar	**4 574**	8 827
South African Rand	**118 777**	162 269
	123 351	171 096

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other payable mentioned above. Trade payables are non-interest bearing and are generally on 30 to 60-day terms.

15 LOSS PER SHARE

		2019	2018
Basic (cents)		**(69.91)**	(42.34)
Diluted (cents)		**(69.91)**	(42.34)
Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Company as the numerator. No adjustments to profit were necessary in 2019 and 2018.			
Loss attributable to equity holders of the Company used in the calculation of the basic and diluted loss per share	(R'000)	**(538 311)**	(151 971)
Weighted average number of ordinary shares used in the calculation of basic loss per share	(000's)	**769 968**	358 956
Issued shares at the beginning of the reporting period	(000's)	**369 731**	3 269 836
Effect of shares issued during the reporting period (weighted)	(000's)	**400 237**	319 729
Share consolidation	(000's)	**-**	(3 230 609)
Add: Dilutive share options	(000's)	**–**	–
Weighted average number of ordinary shares used in the calculation of diluted loss per share	(000's)	**769 968**	358 956
Headline loss per share			
Basic (cents)		**(45.31)**	(42.20)
Diluted (cents)		**(45.31)**	(42.20)

Reconciliation of headline loss	R'000	R'000
Loss attributable to equity holders of the Company	**(538 311)**	(151 971)
Adjusted for:		
Impairment of Lagia oil and gas assets (note 5.1)	**121 538**	–
Impairment of intangible assets (note 5.2)	**174 261**	–
Gain on settlement of property purchase price	**(7 651)**	–
Impairment of joint venture	**8 142**	–
Write-off of property, plant and equipment	**–**	535
Loss on disposal of property, plant and equipment	**4 920**	–
Write-off of exploration and evaluation asset	**–**	307
Adjustments attibutable to NCIs	**(49 744)**	(155)
Tax effects of adjustments	**(62 035)**	(192)
Headline loss	**(348 880)**	(151 476)

16 FAIR VALUE MEASUREMENT

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

	Carrying value		Fair value	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Loans and receivables				
Loans and other receivables (note 6)	**230 151**	452 086	**245 783**	389 582

16 FAIR VALUE MEASUREMENT (CONTINUED)

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.

Assets	Fair value at 28 February 2019 R'000	Valuation	Method	Significant inputs
Loans and other receivables	245 783	Income approach	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 2019					
Loans and other receivables	(R'000)	–	–	**245 783**	**245 783**

There were no transfers between any levels during the year.

17 COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS

	2019 R'000	2018 R'000
Operating leases:		
Within one year	**2 835**	10 110
After one year but not more than five years	**–**	2 376
	2 835	12 486
Finance leases:		
Present value of minimum lease payments		
– Within one year	**585**	2 183
– After one year but not more than five years	**126**	714
	711	2 897

CONTINGENT LIABILITIES

Claimed transation fees

Gem Capital issued summons against Afric Oil 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 PIC 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.

Noble Company Proprietary Limited issued summons against Afric Oil claiming R1.4 million in capital-raising fees. 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 2019.

18 GOING CONCERN

The Group incurred a net loss for the year ended 28 February 2019 of R579.9 million (2018: loss of R175.9 million). The results of the Group for the year then ended are a manifestation of the continued underperformance of its key subsidiaries, Afric Oil and Mena, and further reflect the impact of consequential impairment losses coupled with further impairment charges arising from the adoption of IFRS 9 and developments relating to some of our non-operating assets. The challenges experienced at Afric Oil, which include working capital constraints, loss of customers and increased competition, had a significant impact on the profitability and cash generation of the business. As a result, the Group is reporting a cash outflow of R153.6 million for the year ended 28 February 2019 (2018: cash outflow of R86.1 million) from operations. Whilst the Group cash flow forecasts ("Forecast") to 28 February 2021 ("Forecast Period") indicate that the Group will be adequately funded based on the funds available and the plans in place to remedy the challenges which affected the Group during the year, there are uncertainties that exist with respect to the materialisation of these plans and therefore the ability of the Group to remain a going concern.

Management has put in place the following plans in order to improve the performance and financial position of the Group:

- Management has implemented an aggressive sales strategy to drive sales growth targeting key sectors where the Group has a competitive advantage.
- Management has recently recruited additional experienced sales staff with an impeccable track record to drive volume growth in its various business units.
- Additional working capital facilities have been secured.
- Initiatives are in place to improve the working capital management of the Group.
- Further cost optimisation and other synergies are expected from the merging of the Afric Oil and Efora offices expected from June 2019.

The Board is reasonably confident that these plans will have a positive impact on the performance and financial position of the Group. Given the degree of judgement and assumptions used to determine the Forecast, one cannot establish with certainty the extent to which management's plan will materialise. 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:

OPERATIONAL PERFORMANCE OF THE GROUP

Whilst management has explored further opportunities for cost optimisation, an improvement in performance of the Group is expected from an increase in the gross margin contribution underpinned by volume growth, primarily driven by the Afric Oil business. Management is projecting an increase of at least 25% in sales volumes from the current levels. It is difficult to establish with certainty the extent to which this growth target will be achieved.

AVAILABILITY OF FUNDING FOR THE GROUP'S ACTIVITIES

Afric Oil is due to settle R92.9 million, inclusive of interest, of the loan owed to the UIF during the Forecast Period. Afric Oil's performance as outlined above will determine its ability to repay this loan. As highlighted in note 12, Afric Oil is in breach of debt covenants pertaining to this loan. Management is in discussions with the PIC, manager of the UIF, to address the breach and to agree restructuring of the outstanding shareholder loan. Discussions in this regard are ongoing. It is uncertain the extent to which the shareholder loan will be restructured as any immediate repayment of the loan due to the breach will result in the Group not being able to discharge its liabilities in the normal course of business.

The gearing ratio for the Group is around 58% that has significantly increased due to the number of impairments at year-end. This is above the target range of the Group of around 30% to 40%. The Group will focus on improving the performance of the underlying business to address the concerns that resulted in the number of impairments that negatively impacted the equity position of the Group.

CONCLUSION

Should the Group not achieve its sales targets and as a minimum only maintain its current volumes, a cash deficit of R89.8 million will exist for the Forecast Period, starting from July 2020.

19 EVENTS AFTER THE REPORTING PERIOD

The following events took place from the period 1 March 2019 to the date of this report.

DEVELOPMENTS WITH LITIGATION

Mr R Vela

The Supreme Court of Appeal ("SCA") in a written judgment issued on 29 March 2019 dismissed Mr Vela's appeals, but allowed his appeal in respect of the leave pay claim in part. It granted Efora's cross-appeal, with costs and interest. The SCA ordered Mr Robin Vela to pay Efora:

- R3 324 524.36 with respect to PAYE taxes;
- interest on the above amount at the prescribed mora rate from 26 March 2014 to date of payment; and
- Efora's legal costs (to be determined in due course, but estimated to be in the region of at least R300 000).

The SCA has ordered the Company to pay Mr Vela R103 661.28 as leave pay. Practically speaking, this amount falls to be deducted from the amounts the SCA ordered Mr Vela to pay Efora. Mr Vela is requesting a payment plan over 12 months with respect to amounts owed. Discussions regarding this are ongoing.

Claim against Encha Group Limited

Arbitration commenced on 26 March 2019 and has been completed. Judgment was issued on 29 May 2019 wherein the Company's claim against Encha Group Limited was dismissed. The Company was ordered to pay the cost of the arbitration as well as the costs incurred by the defendant. These costs are still to be quantified. Management is studying the judgment with senior counsel in order to assess the basis and prospects to appeal the judgment.

Block III

Efora obtained a licence extension for Block III in the DRC that extends the licence until July 2019, during which time the remaining partners will carry out a review of the technical data to determine the area that will be the subject of the renewal of the licence in July 2019.

Total, which previously held 66.7% of the working interest in Block III, has indicated that it will no longer continue as part of the consortium to further explore Block III. Consequently, Efora will be required to pay its working interest share of forward costs (still to be determined) associated with Block III. In addition, Efora now has the option to increase its working interest in Block III to 42.5% and is currently evaluating whether it will take up this option.

On behalf of the Board

Boas Seruwe	**Damain Matroos**	**Tariro Gadzikwa**
Chairman	Chief Executive Officer (Interim)	Chief Financial Officer (Interim)

Johannesburg
31 May 2019

CORPORATE INFORMATION

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* 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
Corporate Legal Advisers	Norton Rose Fulbright South Africa
Auditors – external	SizweNtsalubaGobodo Grant Thornton Inc.
Auditors – internal	BDO Inc.
JSE Sponsor	PSG Capital Proprietary Limited