EFORA ENERGY LIMITED

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

CONDENSED CONSOLIDATED UNREVIEWED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2019

SALIENT FEATURES

- **Revenue of R1.0 billion (August 2018: R1.3 billion), a decrease of 24% primarily due to difficult trading conditions in the petroleum products wholesale market**
- **Knock-on deterioration of gross margin by 5%**
- **Significant reduction in cash operating cost base by R21.2 million (26%) due to optimisation of remuneration, business development, travel and rental costs**
- **A reduction of R14.0 million in finance costs, a result of a significant decrease in borrowings**
- **Decline of R13.4 million in finance income**
- **An increase of R2.0 million in other income streams**
- **Overall, profit after tax of R2.7 million (August 2018: loss after tax of R60.5 million)**
- **Headline earnings per share of 0.85 cents (August 2018: headline loss per share of 12.57 cents)**
- **R17.9 million increase in net asset value**
- **Cash flow from operations of R36.8 million (August 2018: cash utilisation of R26.9 million)**
- **Ongoing discussions on debt restructuring nearing finalisation**
- **R75.0 million plus interest and costs awarded in claim against Encha Group Limited (post period)**
- **Allocation of 950 000 barrels of crude oil by the Nigerian National Petroleum Corporation for onward trading (post period)**
- **Further extension of Block III licence (post period)**

PERFORMANCE REVIEW

NEGATIVE IMPACT OF MARKET CONDITIONS ON REVENUE AND MARGINS

The six months ended 31 August 2019 were particularly tough for Afric Oil which sells petroleum products to the wholesale market and is the Group's primary revenue contributor. The Group's revenue and margins continue to be impacted by tough trading conditions in the market characterised by heavy discounting by small entrants, low-cost importers and the illegal importation of fuel products compounded by the currency crisis in Zimbabwe which has resulted in the continued suspension of operations in the country. Whilst the Afric Oil business has made significant strides towards optimising the supply chain in order to become more competitive, the benefits of these initiatives have been felt post the interim period. We also look to the renewed effort by SARS to stabilise the market through its enforcement mandate to eliminate illegal trade in fuel products.

SIGNIFICANT REDUCTION IN COSTS

We are pleased to report that our cost optimisation initiatives are beginning to bear fruit. Whilst there will always be room to improve the cost base, to date and relative to the prior comparative period, our recurring cash cost base has gone down by 26%. Our focus on debt management has also improved our finance costs by R14.0 million, which is primarily as a result of the settlement of part of our debt from available funds from our last Rights Issue.

MARGINAL GROWTH IN OTHER INCOME

Whilst the Group continues to benefit from the weaker Rand, its foreign exchange gains on US Dollar assets decreased by R11.9 million; however, this was off-set by increases in other income streams by R13.9 million. Other income streams in this regard include slate income, transportation income and recoveries of past business development costs on a project that did not materialise.

EXPECTED DECLINE IN FINANCE INCOME

Following Total's exit from Block III and the derecognition of the contingent consideration as previously reported, our finance income has taken a knock and has declined by R13.4 million. In the prior comparative period the Group recognised interest of R11.2 million with respect to this asset. We continue to recognise interest on the Transcorp receivable which is primarily attributable to the unwinding of the discount applied on initial recognition of the asset which resulted in interest income of R11.7 million being recognised for the period. Interest on cash balances has remained relatively unchanged at R1.3 million.

Overall, a positive outcome with profit after tax of R2.7 million (August 2018: loss after tax of R60.5 million) and headline earnings per share of 0.85 cents (August 2018: headline loss per share of 12.57 cents).

FINANCIAL POSITION

RECOVERING BALANCE SHEET

Our net asset position has shown some growth which is encouraging in light of the unfortunate and significant impairments of the Group's non-current and financial assets at the end of the last financial year. The net asset value of the Group has increased by R17.9 million a result of the foreign exchange gains and interest on financial assets mentioned above, and further exchange gains recognised in other comprehensive income on translation of foreign operations, especially on Block III in the DRC, our oil and gas assets in Egypt and our financial assets in Nigeria.

UPHOLDING OUR DEBT COMMITMENTS

We are pleased to have met our debt obligation on the loan from the Unemployment Insurance Fund ("UIF") as we repaid R25.1 million during the period in line with the instalment arrangement.

CASH FLOWS

FOCUS ON CASH GENERATION

The Group generated R36.8 million from operations (August 2018: utilisation of R26.9 million) which is a significant improvement especially compared to the prior financial year when the Group utilised R147.3 million. This is testament to the initiatives that have gone into positioning the Group for sustainability.

Cash flows from investing activities were minimal and the debt repayment mentioned above partly resulted in utilisation of R30.0 million in financing activities.

Overall, we generated cash of R8.1 million during the period primarily from primary business activities relative to R133.0 million in the prior period when we raised funds by way of a Rights Issue.

CEO'S REVIEW

Commenting on the results, Damain Matroos, CEO (Interim) of Efora said: *"We continued to push certain initiatives to improve the performance of the business and we are proud that the effort we have put into optimising our operating and finance costs is beginning to reflect in our results. With respect to our top line, whilst our customer base showed improvement in the last months of the review period, we continue to face headwinds that impact our business activities. The supply positions that we have arranged which come online in the next few months should ease the pressure and make the business more competitive. Furthermore, the storage facilities that we have secured in the Durban port for the importation of diesel which come on-stream towards the end of Q1 2020 also present another new and exciting chapter for the Group. We are very enthused to be one of the few independent fuel distributors in the country and we look forward to significantly improved supply prices of diesel as a result of these efforts.*

Litigation is always a protracted process and I am proud to have overseen the drive to recover monies owed to Efora by Encha Group Limited, of which R75.0 million plus interest and costs in now due and payable. We continue to prepare for our day in court in March 2020 when our claim against Transcorp will be heard and, hopefully, decided on.

The next few months will see us finalise the restructuring of the debt within the Group, implement our new supply positions to drive volumes and margin growth, further our cost optimisation and conclude on our proposed leaner management structure. We will also remain focused on improving the performance of Lagia and completing our exploration plan for Block III."

OPERATIONAL REVIEW

AFRIC OIL, SOUTH AFRICA

Market conditions, as already highlighted, meant that volumes from the business declined by 26%. We continue to pursue new business whilst we further strengthen our fuel-sourcing capabilities. We expect our recruitment of additional sales personnel at the back end of the interim period to steer us towards improved volumes in the near term. Our logistics optimisation has shown positive results and we continue to investigate other measures to ensure the sustainability of the business.

Excluding our Zimbabwe operations, which are being maintained at break-even as we await stabilisation of the currency and fuel products markets in the country, two out of three of our business units in Afric Oil have become profitable.

LAGIA, EGYPT

The Lagia Oil Field remains on cold flow pending further development of the field earmarked for the last quarter of the financial year. Volumes for the period declined to 6 993 barrels (August 2018: 10 917 barrels), a direct result of the deferment of the development programme.

CRUDE TRADING, NIGERIA

Our expectation of securing crude oil liftings for onward trading during the period did not materialise due to continued shortages of crude oil in Nigeria. On 21 October 2019 we were notified by the NNPC that we had secured 950 000 barrels for lifting in December 2019.

BLOCK III, DRC

As mentioned in our announcement dated 22 November 2019, we obtained an extension to the licence for Block III up until July 2020. We are working with our partners to agree on plans for the exploration of the block following Total's exit. Negotiations are quite advanced and it is our expectation that we will finalise the arrangement by the end of the financial year.

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 based on the plans in place. 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 therefore been prepared on a going concern basis.

LITIGATION UPDATE

We mentioned our intention to appeal the arbitration award in our claim against Encha Group Limited. The appeal was heard on 21 October 2019 and on 20 November 2019 we learnt that our appeal was successful. In this regard, R75.0 million plus interest and costs is now due and payable by Encha Group Limited. We are delighted that our investment in this matter over the years has yielded a positive result for all our stakeholders.

There are no other developments on the Group's other outstanding litigation.

OUTLOOK

As part of our continued turnaround strategy, optimising our supply positions will remain at the top of the agenda, as will the restructuring of the loan from the UIF given the magnitude of the attributable finance costs and the impact thereof on the financial performance and financial position of the Group. Our improved B-BBEE rating of level 2 should enable us to be more effective in securing new customers. Our importation facilities, connected to the multi-product pipeline, secured in the Durban port will be operational in Q1 2020 and are anticipated to provide a very competitive supply position for the Group.

Other key priorities for the near term include firming up on our exploration initiatives in Block III, optimising our management structure and improving volumes from the Lagia Oil Field whilst keeping a keen eye on all costs within the Group in order to avoid reversing the gains we have made to date in this regard.

CHANGES IN DIRECTORATE

There was no change in directorate during the period reported on.

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 CONSOLIDATED UNREVIEWED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unreviewed Six months to 31 August 2019 R'000	Unreviewed Six months to 31 August 2018 R'000
Revenue	3	**968 183**	1 278 163
Cost of sales		**(945 087)**	(1 246 050)
Gross profit		**23 096**	32 113
Other income		**47 765**	45 782
Other operating costs		**(67 525)**	(112 702)
Profit/(loss) from operations		**3 336**	(34 807)
Share of (loss)/profit from joint venture net of taxation		**(181)**	1 254
Finance income		**13 008**	26 387
Finance costs		**(13 499)**	(27 420)
Profit/(loss) before taxation		**2 664**	(34 586)
Taxation		**–**	(25 917)
Profit/(loss) for the period		**2 664**	(60 503)
Other comprehensive income:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations[1]		**15 198**	116 476
Other comprehensive income for the period net of taxation		**15 198**	116 476
Total comprehensive income for the period		**17 862**	55 973
Profit/(loss) attributable to:			
Equity holders of the Company		**9 135**	(48 999)
Non-controlling interests		**(6 471)**	(11 504)
Profit/(loss) for the period		**2 664**	(60 503)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**24 497**	66 018
Non-controlling interests		**(6 635)**	(10 045)
Total comprehensive income for the period		**17 862**	55 973
Earnings/(loss) per share			
Basic (cents)	4	**0.83**	(12.63)
Diluted (cents)	4	**0.83**	(12.63)

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

CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF FINANCIAL POSITION

	Notes	Unreviewed As at 31 August 2019 R'000	Audited As at 28 February 2019 R'000
ASSETS			
Non-current assets			
Exploration and evaluation assets	5.1	**107 426**	99 275
Oil and gas properties	5.2	**83 574**	76 808
Loans and other non-current receivables	6	**–**	230 151
Investment in joint venture		**–**	–
Intangible assets		**76 525**	80 364
Property, plant and equipment		**70 962**	72 905
Total non-current assets		**338 487**	559 503
Current assets			
Loans and other current receivables	6	**261 294**	–
Inventories		**17 243**	13 744
Trade and other receivables	7	**132 706**	188 545
Cash and cash equivalents	8	**69 983**	61 875
Total current assets		**481 226**	264 164
Total assets		**819 713**	823 667
EQUITY AND LIABILITIES			
Shareholders' equity			
Stated capital	9	**1 668 354**	1 668 354
Reserves		**118 195**	102 834
Accumulated loss		**(1 324 279)**	(1 333 414)
Equity attributable to equity holders of the Company		**462 270**	437 774
Non-controlling interests		**(10 446)**	(3 813)
Total shareholders' equity		**451 824**	433 961
LIABILITIES			
Non-current liabilities			
Finance lease obligations		**–**	126
Total non-current liabilities		**–**	126
Current liabilities			
Loan from joint venture		**12 870**	11 969
Borrowings	10	**224 537**	240 720
Financial liabilities		**–**	104
Taxation payable		**12 851**	12 851
Finance lease obligations		**145**	585
Trade and other payables	11	**117 486**	123 351
Total current liabilities		**367 889**	389 580
Total liabilities		**367 889**	389 706
Total equity and liabilities		**819 713**	823 667

CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000
For the six months ended 31 August 2019			
Balance at 28 February 2019	**1 668 354**	**92 340**	**10 493**
Changes in equity:			
Profit/(loss) for the period	–	–	–
Other comprehensive income/(loss) for the period	–	**15 362**	–
Total comprehensive income/(loss) for the period	–	**15 362**	–
Balance at 31 August 2019	**1 668 354**	**107 702**	**10 493**
For the six months ended 31 August 2018			
Balance at 28 February 2018	1 305 911	10 721	10 352
Changes in equity:			
Loss for the period	–	–	–
Other comprehensive income for the period	–	115 017	–
Total comprehensive income/(loss) for the period	–	115 017	–
Acquisition of non-controlling interest	–	–	–
Issue of shares	367 052	–	–
Transaction costs	(1 401)	–	–
Total changes	365 651	115 017	–
Balance at 31 August 2018	1 671 562	125 738	10 352

Total reserves R'000	Accumulated loss R'000	Total equity attributable to equity holders of the Company R'000	Non-controlling interest ("NCI") R'000	Total equity R'000
102 833	**(1 333 414)**	**437 773**	**(3 811)**	**433 962**
–	**9 135**	**9 135**	**(6 471)**	**2 664**
15 362	**–**	**15 362**	**(164)**	**15 198**
15 362	**9 135**	**24 497**	**(6 635)**	**17 862**
118 195	**(1 324 279)**	**462 270**	**(10 446)**	**451 824**
21 073	(750 639)	576 345	1 834	578 179
–	(48 999)	(48 999)	(11 504)	(60 503)
115 017	–	115 017	1 459	116 476
115 017	(48 999)	66 018	(10 045)	55 973
–	(4 883)	(4 883)	4 883	–
–	–	367 052	–	367 052
–	–	(1 401)	–	(1 401)
115 017	(53 882)	426 786	(5 162)	421 624
136 090	(804 521)	1 003 131	(3 328)	999 803

CONDENSED CONSOLIDATED UNREVIEWED STATEMENT OF CASH FLOWS

	Unreviewed Six months to 31 August 2019 R'000	Unreviewed Six months to 31 August 2018 R'000
Cash flows from operating activities		
Cash from/(used in) operations	**36 760**	(26 941)
Finance income	**1 311**	1 999
Finance costs	**(203)**	(11 405)
Tax paid	**–**	(946)
Net cash from/(used in) operating activities	**37 868**	(37 293)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(998)**	(6)
Disposal of property, plant and equipment	**83**	345
Purchase of oil and gas properties	**–**	(2 058)
Purchase of intangible assets	**–**	(163)
Repayments of loans and other receivables	**1 200**	250
Net cash from/(used in) investing activities	**285**	(1 632)
Cash flows from financing activities		
Repayments of borrowings	**(29 480)**	(191 663)
Repayments of financial liabilities	**–**	(4 712)
Proceeds from share issue	**–**	367 052
Transaction costs on issue of shares	**–**	(1 401)
Loan received from joint venture	**–**	3 857
Payment of finance lease obligations	**(565)**	(1 231)
Net cash (used in)/from financing activities	**(30 045)**	171 902
Total movement in cash and cash equivalents for the period	**8 108**	132 977
Cash and cash equivalents at the beginning of the period	**61 875**	72 806
Cash and cash equivalents at the end of the period	**69 983**	205 783

SELECTED NOTES TO THE CONDENSED CONSOLIDATED UNREVIEWED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2019

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 2019, 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 Reporting 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 do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated annual financial statements of the Group as at and for the year ended 28 February 2019 which were prepared in accordance with IFRS.

PRINCIPAL ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed in the preparation of these condensed consolidated unreviewed interim financial statements as those applied in the preparation of the Group's annual financial statements for the year ended 28 February 2019, except for the adoption of new and amended accounting standards as set out below.

The adoption of IFRS 16 – Leases did not have a material impact as the Group does not have significant transactions covered by this standard.

The amendments to IFRS 9 – Financial Instruments: Prepayment features with negative compensation and IAS 28 – Investments in Associates and Joint Ventures regarding long-term interests did not have an impact on the Group as there are currently no transactions within the scope of these amendments.

These condensed consolidated unreviewed interim financial statements have been prepared on a going concern basis after taking into account the matters in note 17. All monetary information is presented in South African Rand and is rounded to the nearest thousand.

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 2019. The condensed consolidated unreviewed interim financial statements have been prepared under the supervision of the Interim Chief Financial Officer, Tariro Gadzikwa 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, Botswana 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 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.

3 SEGMENTAL REPORTING (CONTINUED)

	Head office R'000	South Africa R'000	Egypt R'000	Nigeria R'000
For the six months ended 31 August 2019				
Revenue	**–**	**1 021 246**	**1 729**	**–**
Cost of sales	**–**	**(997 451)**	**(2 563)**	**–**
Gross profit/(loss)	**–**	**23 795**	**(834)**	**–**
Other income	**31 005**	**15 740**	**–**	**–**
Depletion, depreciation and amortisation	**(163)**	**(9 731)**	**(2 566)**	**–**
Share of loss from joint venture	**–**	**–**	**–**	**(181)**
Finance income	**13 144**	**1 118**	**–**	**5 872**
Finance costs	**–**	**(20 625)**	**–**	**–**
Other operating expenses	**(18 175)**	**(28 352)**	**(2 735)**	**(33)**
Profit/(loss) for the period	**25 811**	**(18 055)**	**(6 135)**	**5 658**
Segment assets – non-current	**347 594**	**98 632**	**106 703**	**–**
– current	**153 860**	**209 115**	**10 568**	**130 649**
Segment liabilities – non-current	**–**	**(108 744)**	**(159 071)**	**–**
– current	**(28 089)**	**(363 914)**	**(3 378)**	**(575)**
For the six months ended 31 August 2018				
Revenue	–	1 258 225	1 932	–
Cost of sales	–	(1 227 306)	(2 663)	–
Gross (loss)/profit	–	30 919	(731)	–
Other income	38 357	5 521	2 375	79
Depletion, depreciation and amorisation	(253)	(12 218)	(3 647)	–
Share of profit from joint venture	–	–	–	1 254
Finance income	9 004	1 386	–	5 235
Finance costs	(8 062)	(18 659)	–	–
Other operating expenses	(45 638)	(44 918)	(2 637)	(121)
Taxation	(88)	–	–	–
Loss for the period	(6 681)	(37 969)	(4 640)	6 447
Segment assets – non-current	412 150	245 504	162 106	136 119
– current	164 043	347 552	11 120	27
– asset held for sale	–	–	108 070	–
Segment liabilities – non-current	–	(1 071)	(146 976)	–
– current	(34 086)	(430 618)	(5 063)	(99)

BUSINESS SEGMENTS

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

REVENUE

The Group derives revenue from the following sources:

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

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

	31 August 2019 R'000	31 August 2018 R'000
Sale of crude oil	**1 729**	1 932
Sale of petroleum products	**966 454**	1 276 231
	968 183	1 278 163

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'000	Zimbabwe R'000	Mauritius R'000	Eliminations R'000	Consolidated R'000
–	–	–	(54 792)	968 183
–	–	–	54 927	(945 087)
–	–	–	135	23 096
–	2 413	–	(1 393)	47 765
–	(1 812)	–	–	(14 272)
–	–	–	–	(181)
–	–	–	(7 126)	13 008
–	–	–	7 126	(13 499)
(356)	(4 829)	(144)	1 371	(53 253)
(356)	(4 228)	(144)	113	2 664
107 426	33 194	–	(355 062)	338 487
27	4 226	125	(27 344)	481 226
(85 683)	–	–	353 498	–
(318)	(452)	(72)	28 909	(367 889)
–	18 006	–	–	1 278 163
–	(17 211)	–	1 130	(1 246 050)
–	795	–	1 130	32 113
–	2 727	–	(3 277)	45 782
–	(1 895)	–	–	(18 013)
–	–	–	–	1 254
11 160	–	–	(398)	26 387
(1 096)	–	–	398	(27 420)
(196)	(3 214)	(112)	2 147	(94 689)
(25 829)	–	–	–	(25 917)
(15 961)	(1 587)	(112)	–	(60 503)
394 022	41 171	12 261	(232 924)	1 170 409
25	13 601	116	(175 764)	360 720
–	–	–	–	108 070
(259 847)	–	–	231 769	(176 125)
–	(159 192)	(12 549)	178 335	(463 272)

	31 August 2019	31 August 2018
4 EARNINGS/(LOSS) PER SHARE		
Basic (cents)	**0.83**	(12.63)
Diluted (cents)	**0.83**	(12.63)
Profit/(loss) attributable to equity holders of the Company for the period used in the calculation of the basic and diluted earnings/(loss) per share (Rand)	**9 135**	(48 999)
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	**1 103 835**	387 741
Issued shares at the beginning of the reporting period	**1 103 835**	369 731
Effect of shares issued during the reporting period (weighted)	**–**	18 010
Add: Dilutive share options	**–**	–
Weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	**1 103 835**	387 741
Headline earnings/(loss) per share		
Basic (cents)	**0.85**	(12.57)
Diluted (cents)	**0.85**	(12.57)

	R'000	R'000
Reconciliation of headline loss		
Profit/(loss) attributable to equity holders of the Company	**9 135**	(48 999)
Adjusted for:		
Loss on disposal of property, plant and equipment	**491**	480
Adjustments attributable to NCI	**(143)**	(139)
Tax effect of adjustment	**(98)**	(95)
Headline profit/(loss) for the period	**9 385**	(48 753)

5 OIL AND GAS AND EXPLORATION AND EVALUATION ASSETS

5.1 EXPLORATION AND EVALUATION ASSETS

The movement in exploration and evaluation assets for the period primarily comprises foreign exchange gains of R8.2 million arising on the translation of the Group's interest in Block III in the DRC.

5.2 OIL AND GAS PROPERTIES

The movement in oil and gas properties for the period primarily comprises foreign exchange gains of R7.3 million arising on the translation of a foreign operation. Additions and depletion are not significant for the period under review.

6 LOANS AND OTHER RECEIVABLES

The increase in the loans and other receivables during the period is primarily attributable to foreign exchange gains amounting to R19.4 million and interest of R11.7 million on the Transcorp receivable. In line with past expectations the Transcorp receivable is now due within the next year and as such is now classified as short term.

	31 August 2019 R'000	28 February 2019 R'000

7 TRADE AND OTHER RECEIVABLES

	31 August 2019 R'000	28 February 2019 R'000
Trade receivables	**165 597**	229 781
Value-added tax	**647**	1 418
Other receivables	**20 836**	14 764
	187 080	245 963
Less: Provision for impairment	**(54 374)**	(57 418)
	132 706	188 545

Trade receivables are non-interest bearing (except in the event of default) and are generally on 30 days' terms. The provision for impairment of trade and other receivables is based on lifetime expected credit losses ("ECLs").

The movements in the provision for impairment of trade receivables, determined using the ECL model, include the partial reversal of the provision by R7.1 million owing to a decrease in the Group's receivables off-set by foreign exchange gains totalling R4.0 million on the Zimbabwe debtors book.

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	31 August 2019 R'000	28 February 2019 R'000
Cash at banks and on hand	**47 936**	40 142
Short-term deposits	**3 629**	6 033
	51 565	46 175
Restricted cash	**18 418**	15 700
Cash and cash equivalents	**69 983**	61 875

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.

9 STATED CAPITAL

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

10 BORROWINGS

	28 February 2019 R'000	Interest R'000	Repayments R'000	31 August 2019 R'000
Unemployment Insurance Fund ("UIF")	235 188	13 296	(25 082)	**223 402**
Redlex Investments Proprietary Limited[1]	5 152	168	(4 565)	**755**
Loan due to EERNL	380	–	–	**380**
	240 720	13 464	(29 647)	**224 537**

[1] Repayments include interest paid.

As previously reported, Afric Oil Proprietary Limited, a 71%-owned subsidiary of the Group remains in breach of debt covenants relating to its loan arrangement with the UIF. Management of Afric Oil are in discussions with the 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. Discussions are ongoing and are pending finalisation. This loan is denominated in Rands.

11 TRADE AND OTHER PAYABLES

	31 August 2019 R'000	28 February 2019 R'000
Trade payables	**94 192**	98 579
Accruals	**7 070**	8 735
Other payables	**16 224**	16 037
	117 486	123 351

12 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	
	31 August 2019 R'000	28 February 2019 R'000	31 August 2019 R'000	28 February 2019 R'000
Loans and receivables				
Loans and receivables	**261 294**	230 151	**267 376**	245 783

VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED TO MEASURE FAIR VALUES

Valuation techniques and assumptions applied to financial instruments are consistent with those applied at 28 February 2019.

FAIR VALUE HIERARCHY

There were no transfers between any levels during the period and all of the Group's financial instruments are still categorised as level 3. The Group's own non-performance risk at 31 August 2019 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.

13 RELATED PARTIES

	31 August 2019 R'000	31 August 2018 R'000
Key management compensation		
Non-executive directors		
Fees	**2 246**	2 334
Executive directors		
Salaries	**3 203**	6 329
Other key management		
Salaries	**980**	9 119
	6 429	17 782

14 COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS

There are no material commitments at 31 August 2019 with respect to the Group's operations.

CONTINGENT LIABILITIES

The Group's contingent liabilities are consistent with those disclosed at 28 February 2019 and there were no developments during the period with respect to these liabilities.

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 litigation. A change in one or more of these judgments, 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

Whilst the Group generated a profit after tax of R2.7 million (August 2018: loss of R60.5 million) and cash of R8.1 million (August 2018: R133.0 million) for the six months ended 31 August 2019, its performance has been below expected targets given the challenges experienced by its key subsidiary Afric Oil. Various factors in the fuel wholesale market, as previously outlined continued to put pressure on volumes at the subsidiary. These factors are dealt with fully in the operational and financial reviews of the condensed consolidated unreviewed interim financial statements of the Group.

The Group cash flow forecast ("Forecast") to November 2020 ("Forecast Period") indicates 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 period; however, uncertainties 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 continues to secure better supply positions that should improve the ability to secure more reseller business.
- Initiatives continue for the improvement of the working capital management of the Group.
- Further cost optimisation and other synergies are expected from the restructuring of the staff complement in the Group.

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 plans will materialise which results in the following uncertainties with respect to the availability of sufficient funds to ensure the viability of the Group.

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 volumes 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 R90.2 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 10, 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 the restructuring of the outstanding loan. Discussions in this regard are ongoing. It is uncertain the extent to which the loan will be restructured as any requirement to immediately settle the loan due to the breach will result in the Group not being able to discharge its liabilities in the normal course of business.

CONCLUSION

Should the Group not achieve its sales targets and as a minimum only maintain its current volumes, a cash deficit of R57.8 million will exist for the Forecast Period, starting from April 2020. The Forecast excludes cash that is receivable from Encha (see note 18) or from Transcorp.

18 EVENTS AFTER THE REPORTING PERIOD

The following events occurred after the reporting period:

CRUDE TRADING, NIGERIA

On 21 October 2019 we were notified by the NNPC that we had secured 950 000 barrels of crude oil for lifting in December 2019.

BLOCK III

Efora is pleased to announce that the Company has obtained a further licence extension for Block III in the Democratic Republic of Congo ("DRC"), which extends the licence until July 2020. This allows us additional time to review the technical data to determine the area that will be the subject of the renewal of the licence in July 2020. We are also awaiting confirmation of the revised contractual terms that will be the subject of the renewal which have already been negotiated with the DRC Government.

ARBITRATION AGAINST ENCHA

As previously announced, the Company appealed the outcome of the arbitration award granted in May 2019 wherein the Company's claim of R115.8 million against Encha Group Limited was dismissed and the Company was ordered to pay the cost of the arbitration. The appeal process has now been completed and the Appeal Tribunal has ruled in favour of Efora and has ordered Encha to pay the Company R75.0 million plus interest at the agreed rate calculated from 1 March 2016 up to the date of payment. These amounts are now due and payable.

On behalf of the Board

Boas Seruwe
Chairman

Damain Matroos
Chief Executive Officer (Interim)

Tariro Gadzikwa
Chief Financial Officer (Interim)

Johannesburg
27 November 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 Fullbright South Africa
Auditors – external	SizweNtsalubaGobodo Grant Thornton Inc.
Auditors – internal	BDO Inc.
JSE Sponsor	PSG Capital