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## ANNUAL GENERAL MEETING

Efora Energy Limited

14 June 2023



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## The Evolution of our Strategy

# The Evolution of our Strategy

Responding to our operating context and constraints



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

### Pre-2021

The Group was initially a pure upstream play given the favourable conditions in the oil and gas markets and In 2017 the Group entered the downstream segment.

### 2021

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

- Rationalised our portfolio and consequently revenue streams and geographical reach; and
- De-risked our portfolio by shifting away from upstream to prioritise cash generation within the Group.

### Post-2021

Shift towards the Midstream and Downstream segment of the oil and gas value chain where opportunities exist to:

- Increase the revenue and cash generation and value creation of the Group;
- Create a platform of stand-alone investments in the short-term;
- Diversify and de-risk our portfolio;
- Become a formidable pan-African oil and gas player; and
- Enhance our footprint in the oil and gas space.

# A Shift in our Strategic Objectives and Outcomes



To Become a Leading Sustainable and Profitable Pan-African Energy Company

## Goals and Aspirations

### VISION

To be a sustainable and profitable Energy company with high growth positions across the Oil, Gas and Energy value chain

### MISSION

To trade oil, gas and other energy related products that create value for all our stakeholders, while observing the principles of good corporate, social and environmental responsibility

## Energy Trading, Downstream Wholesaling & Strategic Investment

### *Develop niche trading business flows to support downstream sector*

Trading hydrocarbon and energy related products in collaboration with JV partners

### *To be a high growth Energy wholesaling partner of choice*

Wholesaling of hydrocarbon and energy related products primarily through in-house sale team and JV's

### *Pursue strategic invest positions in assets that support trading and wholesaling business*

Wholesaling of hydrocarbon and energy related products primarily through JV wholesaling platforms

## What we are focused on

### Balance our portfolio

- Maximise ROI

### Capital excellence

- Back-2-back trading
- Capital-lite JVs

### Growing our portfolio

- Focus on Gauteng, KZN and W. Cape Wholesale market

### Operational excellence

- Cost-efficiency & HSE

### Sound governance

- Effective ERM processes
- Improve BBBEE

## Our Values

Respect

Empowerment

Collaboration

Integrity

Innovation

Performance

Environment







# FYE 2021 Strategy Execution and Strategic Outcomes

# Execution of our Strategy in FYE 2021

Building a foundation for sustainable growth



	Strategic priorities	Strategic objectives	Outcomes
	Balance our portfolio	<ul style="list-style-type: none"> <li>✓ Review of the Group's retention and optimisation of its operations in South Africa, Egypt and Zimbabwe</li> <li>✓ Review exploration position &amp; licence renewal in the DRC</li> </ul>	<ul style="list-style-type: none"> <li>✓ Relinquishment of Block III licence (<i>post period</i>)</li> <li>✓ Disposal of Mena (Lagia Oil Field) (<i>post period</i>)</li> <li>✓ Disposal of Afric Oil (<i>post period</i>)</li> </ul>
	Maintain capital excellence	<ul style="list-style-type: none"> <li>✓ Pursue the restructuring of the Group's balance sheet</li> <li>✓ Focused deployment of capital for growth</li> <li>✓ Raise additional funding and working capital to enable targeted growth</li> </ul>	<ul style="list-style-type: none"> <li>✓ Afric Oil was unable to restructure the UIF debt (R196 million) which led to post-period commencement of business rescue proceedings as the entity</li> <li>✓ Raised R30 million in credit facilities</li> </ul>
	Grow our portfolio	<ul style="list-style-type: none"> <li>✓ Deployment of resources to focus on sectors where the Group has a competitive advantage</li> <li>✓ Launch of additional product lines</li> <li>✓ Expand the Group's position in the fuel retail sector in South Africa</li> <li>✓ Secure import storage facilities to support the growth strategy across the various locations</li> <li>✓ Enhance strategic partnerships in the fuel sector to strengthen the Group's market position</li> <li>✓ Leverage our SEER trading position</li> </ul>	<ul style="list-style-type: none"> <li>✓ Covid-19 lockdown measures and its negative effects on the economy resulted in:                             <ul style="list-style-type: none"> <li>• A 22% achievement of our growth target for the year by the wholesale business</li> <li>• Inability to launch new product lines and to implement a fuel importation model</li> </ul> </li> <li>✓ Inability to renew the crude trading licence which expired in May 2020</li> <li>✓ Acquisition of fuel wholesaling licence and commencement of fuel wholesaling business (<i>post period</i>)</li> </ul>

# Execution of our Strategy in FYE 2021 (continued)

Building a foundation for sustainable growth



## Pursue operational excellence

- ✓ Continued emphasis on cost optimisation
- ✓ Secure access to strategic supply positions to serve the various regions in South Africa on a competitive basis
- ✓ Improve the supply prices for fuel products to improve the competitive position of the Group
- ✓ Further enhance systems and processes to improve operations response times
- ✓ Continuous improvement of the Group's HSE practices

- ✓ A R21.4 million year-on-year decrease in the operating cost base
- ✓ A R9.0 million year-on-year decrease in finance costs
- ✓ A year-on-year decrease in volumes at Afric Oil and Lagia by 39% and 34%, respectively
- ✓ Achieved 66% of the targeted downstream volumes
- ✓ Fuel average gross margin was 19% higher than the target
- ✓ Zero environmental incidents
- ✓ Nil total recordable injury rate



## Sound governance

- ✓ Effective ERM process to manage risks
- ✓ Maintain at least a Level 2 rating in terms of the B-BBEE codes applicable to the Group
- ✓ Simplification of organisational structure
- ✓ Progression of significant litigation
- ✓ Improve brand recognition and reputation

- ✓ Implementation of a combined assurance framework
- ✓ Achieved a Level 1 BEE rating
- ✓ Management control was 6% below the target
- ✓ Restructuring of the Group's human capital pool
- ✓ Conclusion of settlement agreements with Transcorp and Encha, and post-period full and final settlement of amounts owed to the Group (US\$5.75 million and R45.75 million, respectively)



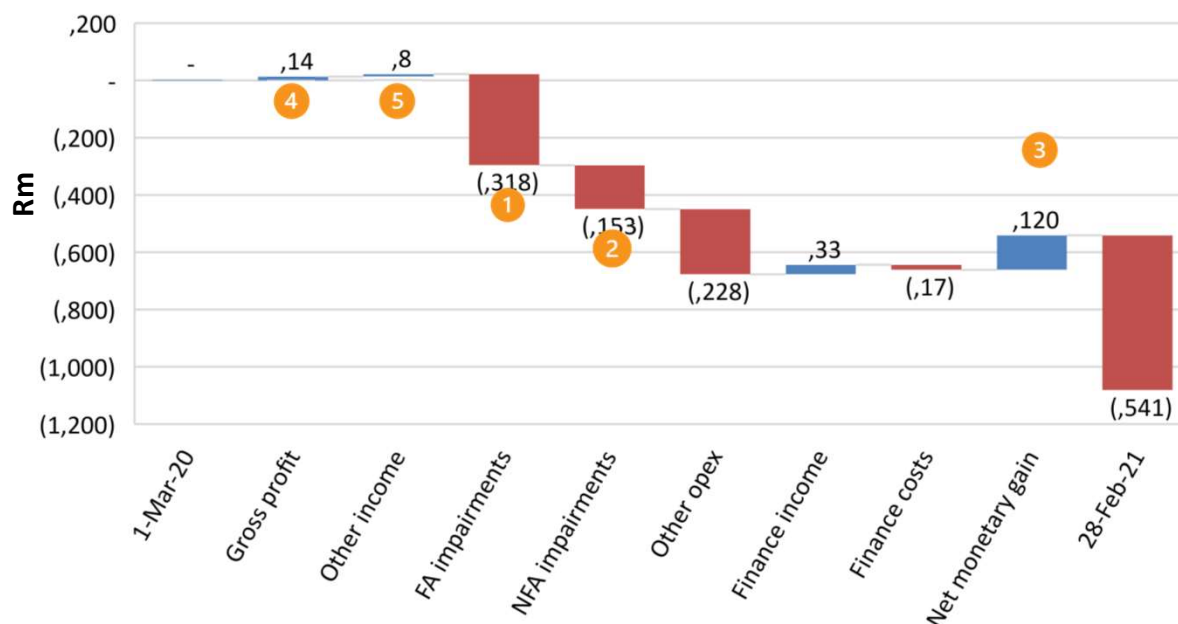


## FYE 2021 Performance - Key Financial Indicators

# FY2021 Performance and Financial Position



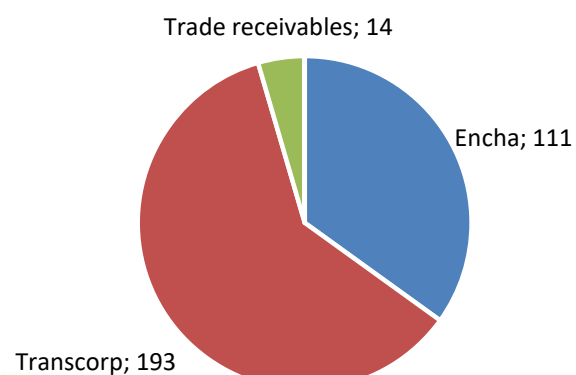
## Financial performance



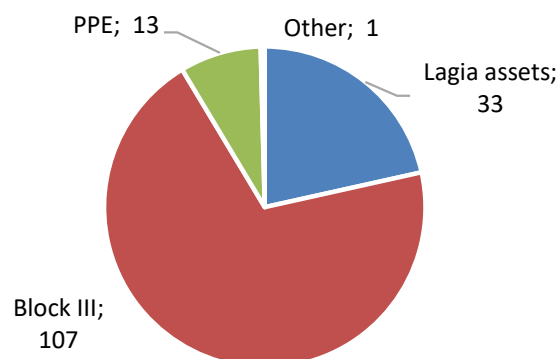
## Statement of profit or loss

R'm	2021	2020	△
Revenue	1,204	1,957	(753)
Cost of sales	(1,190)	(1,901)	711
<b>Gross income</b>	<b>14</b>	<b>56</b>	<b>(42)</b>
Other income	8	149	(141)
FA impairments	(318)	(30)	(288)
NFA impairments	(153)	(113)	(40)
Other operating costs	(228)	(138)	(90)
<b>Loss from operations</b>	<b>(677)</b>	<b>(76)</b>	<b>(601)</b>
Finance income	33	78	(45)
Finance costs	(17)	(27)	10
Net monetary gain/(loss)	120	(39)	159
<b>Loss before taxation</b>	<b>(541)</b>	<b>(64)</b>	<b>(477)</b>
Taxation	-	5	(5)
<b>Loss for the year</b>	<b>(541)</b>	<b>(59)</b>	<b>(482)</b>

## Impairment of financial assets



## Impairment of non-financial assets



## Statement of financial position

R'm	2021	2020	△
Block III asset	- 2	111	(111)
Lagia assets	- 2	42	(42)
Transcorp and Encha Refunds	88 1	380	(292)
PPE	35 2	60	(25)
Inventories	3	11	(8)
Trade and other receivables	40 1	93	(53)
Cash	8	68	(60)
Net assets held for sale	10	-	10
Borrowings	(197)	(186)	(11)
Trade and other payables	(94)	(138)	44
Other liabilities	(20)	(27)	7
<b>Equity</b>	<b>(127)</b>	<b>414</b>	<b>(541)</b>

1 Impact of Encha and Transcorp settlement agreements and increase in credit risk

2 Relinquishment of Block III license and the decline in Lagia valuation

3 Hyperinflationary impact of Afric Oil operations in Zimbabwe

4 Negative impact of Covid-19 lockdown measures and loss of material customer

5 Lower other income – impact of prior period once-off items



# Material Weakness and Disclaimer of Opinion



## Independent Auditor's Report

"We expressed a disclaimer of opinion on the audited consolidated financial statements in our report dated 4 May 2023.

We were unable to obtain sufficient, appropriate audit evidence for Afric Oil Proprietary Limited, a material subsidiary, to support the financial position, financial performance and cash flows of the consolidated financial statements.

The following matters were identified during the conduct of the audit at Afric Oil Proprietary Limited:

- Differences between the trial balance, the general ledger, the general ledger control accounts and sub-ledgers.
- Failure to execute an effective data migration process, resulting in suspense accounts and unreconciled take on balances.
- Lack of supporting documents for audit samples selected on the following financial statement line items:
  - Revenue/Trade receivables
  - Cost of sales/Creditors
  - Expenses
  - Cash and bank
- Property, plant and equipment was not supported by a detailed asset register that could be verified and included differences in opening balances. The asset register supplied also did not reconcile with the general ledger control accounts."

## Developments

- The management of Afric Oil was taken over by the business rescue practitioners from April 2021.
- Business rescue proceedings at Afric Oil led to several changes within the company - a change in management and high staff turnover, amongst other developments, which resulted in the loss of institutional knowledge.
- Since its acquisition by Efora Afric in 2017, Afric Oil had clean audit reports up until February 2020.
- Afric Oil was disposed to Royale Energy Proprietary Limited ("Royale") on 1 March 2022.
- The remediation of the control deficiencies highlighted fell outside the control of the Group given the disposal of Afric Oil to Royale, and therefore the control failures impacted the FY2021 consolidated annual financial statements.
- From an accounting perspective, the commencement of business rescue proceedings at Afric Oil signified Efora's loss of control of the entity with effect from April 2022, and this will result in the deconsolidation of Afric Oil and its operations from April 2021 in future consolidated results of Efora.
- Further audit qualification likely due to impact of the above on opening balances.
- There were no material internal control weaknesses identified with respect to any of the other Group companies.



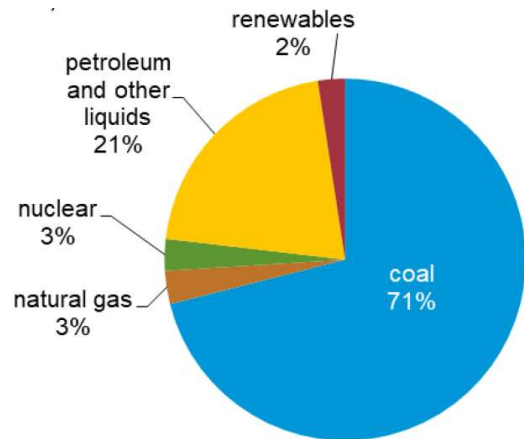
## Strategic Repositioning of the Group



# RSA Crude & Petroleum Statistics



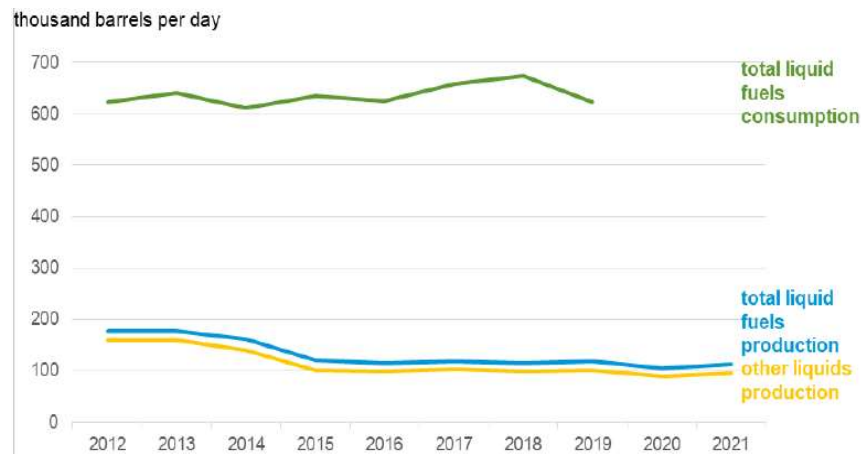
## Primary energy consumption in SA, 2022



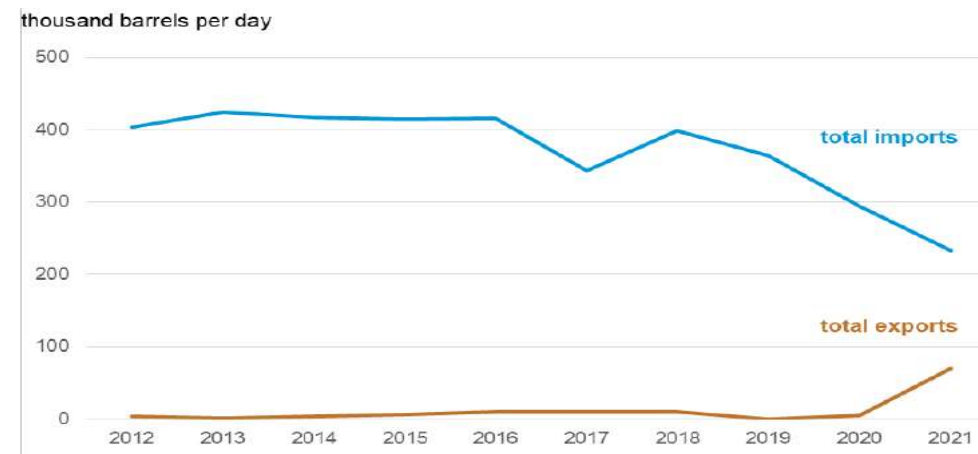
## South Africa's refineries

Refinery name	Ownership	Location	Notes	Nameplate capacity (barrels per day)
Natref refinery	Sasol (64%) TotalEnergies (36%)	Sasolburg	Operational	107,000
Sapref refinery	BP (50%) Shell (50%)	Durban	Closed indefinitely; possible future restart	180,000
Astron refinery	Astron Energy	Cape Town	Shut down in July 2021; possible restart in 2022	110,000
Enref (Engen) refinery	Petronas (74%) Phembani (21%) Phembani-led consortium (5%)	Durban	Shut down in 2020; planned conversion to a storage and import terminal by 2023	125,000
<b>Total</b>				<b>522,000</b>

## Liquid fuel production vs consumption 2012 - 2021



## SA crude oil and condensates imports vs exports, 2012 - 2021



Source: US EIA Aug 2, 2022

# The New Strategic Direction



- ✓ The strategic outcomes during FY2021 and the post-period disposals of the upstream assets and the fuel wholesaling business, necessitated an adaptation of our strategy
- ✓ In July 2021, the Group resolved to relinquish its interest in Block III in the DRC due to legal uncertainties surrounding the renewal of the licence under the DRC hydrocarbons laws
- ✓ Cash recovered from Encha and Transcorp, and from the Group's various divestments during FY2022, now forms a significant component of our debt-free statement of financial position
- ✓ Our intention now is to acquire cash-generative assets which are not capital intensive within the midstream and downstream segments of the O&G value chain
- ✓ Specifically, the Group is intent on securing opportunities to trade in refined and crude oil products, to acquire bulk storage for fuel and to wholesale fuel products
- ✓ With regards to trade in refined and crude oil products, the Group is pursuing opportunities on the African continent, through its joint venture in Seychelles, whilst it aims to tap the local market for its storage and wholesale businesses.
- ✓ Our current wholesale operations, which commenced in December 2022, comprise sales of petroleum products such as diesel, petrol and illuminated paraffin, amongst others, mainly to commercial businesses



Our Next Steps

# Our Next Steps



- ✓ Address the outstanding JSE non-compliance
- ✓ Approach financial institutions with strategic investments and partners to explore capital raising alternatives
- ✓ Secure storage infrastructure to break bulk and operationalise depot wholesaling and trading activities
- ✓ Utilise balance sheet capacity to target opportunistic trading of crude and other energy products that deliver higher returns than conventional Wholesale business
- ✓ To increase wholesale volumes by on-boarding new customers
- ✓ To resuscitate trading business in our SEER JV in the Seychelles
- ✓ Leverage off our existing platform to partner with BEE companies that have access to customers or suppliers but lack capital to close trades
- ✓ Implement JV arrangements and agency partnerships to access new distribution and trading opportunities
- ✓ Finalise the key executive appointments and senior appointments to ensure address business continuity and sustainability risks

**Focus on the strategically repositioning and optimisation of capital deployment in Downstream trading & wholesaling**

**Issues all outstanding audited financial information by 31 December 2023 to achieve JSE compliance to remove the JSE suspension on the trading of Efora shares**



