

AFENTRA PLC

2023 HALF YEAR RESULTS

Afentra plc ('Afentra' or the 'Company'), the upstream oil and gas company focused on acquiring mature production and development assets in Africa, announces its half year results for the six months ended 30 June 2023 (the 'Period').

Financial Summary

- Cash resources as at 30 June 2023 of \$15.7 million, which includes restricted funds of \$8.0 million¹ (30 June 2022: \$35.1 million included restricted funds of \$8.0 million¹)
- Crude oil stock as at 30 June 2023 of approx. 245,000 bbls (30 June 2022: nil), including crude oil stock inherited from the INA Acquisition and subsequent net entitlement production from Blocks 3/05 and 3/05A
- Adjusted EBITDAX loss of \$0.8 million (H1 2022: loss \$1.2 million)
- Loss after tax of \$3.9 million (H1 2022: loss \$2.9 million)
- Debt drawdowns: Reserve Based Lending Facility (The "RBL Facility") \$12.8 million and Working Capital Facility \$9.1 million

Angolan Acquisitions

The Company completed the INA Acquisition in May 2023 and is progressing its two strategically consistent and complementary transactions in Angola.

- **INA Acquisition:** completed the acquisition of interests in Block 3/05 (4%) and Block 3/05A (5.33%)² offshore Angola for a net \$17.0 million payment on 10 May 2023 with a subsequent \$10.0 million contingent payment made to INA on 17 May 2023 upon the extension of the Block 3/05 licence from 31 December 2025 to 31 December 2040. The \$27.0 million net upfront consideration was funded through \$18.9 million in agreed debt facilities and \$8.1 million cash. The Company also inherited crude oil stock of 207,868 bbls, which has subsequently been sold Post-Period in August (details below).
- **Block 3/05 License Extension:** satisfaction of a key condition precedent of the Sonangol Acquisition following the Block 3/05 Licence Extension to December 2040. Improved fiscal terms have also been agreed between the JV partners and ANPG and are now proceeding through the formal government approval process.
- **Block 23 License Extension:** the exploration licence has been extended until 2 December 2026.
- **Financing Agreements:** Mauritius Commercial Bank entered both the RBL and working capital facilities becoming lender to the Company. Trafigura retains an interest in the RBL facility and will continue as an offtake provider.

Post Period end, announcement of intended acquisitions:

- **Azule Acquisition:** acquisition of interests in Block 3/05 (12%) and Block 3/05A (16%)² offshore Angola for a firm consideration of \$48.5 million and contingent payments of up to \$36 million³. Transaction will be funded through the agreed capacity within debt facilities with Mauritius Commercial Bank and Trafigura and existing cash on balance sheet. A 10% transaction deposit of \$4.85 million has been placed in escrow as per the Sale and Purchase Agreement ('SPA').
- **Amended Sonangol Acquisition:** acquiring a reduced working interest from Sonangol in Block 3/05, from 20% to 14% in order to ensure an appropriate balance of equity interests in Block 3/05. Firm and contingent considerations reduce to \$56 million and up to \$35 million, respectively⁴ (terms including the effective date of 20 April 2022 remaining unchanged). Combined with existing ownership and the Azule Acquisition, Afentra's working interests will be 30% in Block 3/05 and 21.33%² in Block 3/05A. The consideration for the 40% interest in Block 23 remains unchanged at \$0.5 million.

Operations Summary

Existing operations and impact of ongoing acquisitions⁵

- **Block 3/05 (4% interest):** a programme of successful light well interventions ('LWI') has been ongoing in 2023, delivering incremental production; combined with further interventions (post-period) gross daily production rates have exceeded 20,000 bbl/d since end July. An additional LWI campaign commenced in August and will continue through to year end. Water injection upgrades are also ongoing with injection rates more than doubling YoY (averaging approx. 38,000 bw/d during H1 2023), injection volumes are expected to continue to increase through H2 2023. This improved water injection is expected to impact oil production in the medium term as reservoir pressure increases.
- **Block 3/05A (5.33%):**² production was restored at the Gazela field in March and at end-July was approx. 1,450 bbl/d. This extended test will help to establish the long-term resource potential and appropriate development strategy.
- **Production:** consolidated net H1 2023 production from Blocks 3/05 and 3/05A

| | Production (bopd) | |
|-------------|-------------------|--------------------------------|
| | Current Equity | Post Transactions ⁵ |
| Block 3/05 | 720 | 5,400 |
| Block 3/05A | 65 | 260 |
| Total | 785 | 5,660 |

- **Reserves and resources:** following an updated CPR, effective 1 July 2023, reserves replacement in the first half of 2023 has been in excess of 150%.

| | 2P Reserves (mmbbls) | | 2C Resources (mmbbls) ⁶ | |
|-------------|----------------------|--------------------------------|------------------------------------|--------------------------------|
| | Current Equity | Post Transactions ⁵ | Current Equity | Post Transactions ⁵ |
| Block 3/05 | 4.4 | 32.9 | 1.7 | 13.1 |
| Block 3/05A | - | - | 2 | 7 |
| Total | 4.4 | 32.9 | 3.7 | 20.1 |

- **Odewayne block:** offshore Somaliland (34% interest fully carried by operator, Genel Energy), the operator and Afentra completed updated petroleum systems and satellite seep studies with borehole planning in progress.

Post Period end

- **Suspension of shares and reverse takeover:** in accordance with the AIM Rules for Companies, the Company's ordinary shares were suspended from trading on AIM from 19 July 2023 as the Azule Acquisition and Amended Sonangol Acquisition each constitute a reverse takeover ('RTO') under Rule 14 of the AIM Rules. Trading in the Company's ordinary shares will remain suspended until such time as either an admission document is published, or an announcement is released confirming that the Azule Acquisition and Amended Sonangol Acquisition are not proceeding.
- **AIM Readmission process and General Meeting:** the Company has made encouraging progress with respect to the recommencement of trading on AIM and expects to publish an Admission Document shortly, with both the Azule Acquisition and the Amended Sonangol Acquisition being subject to shareholder approval thereafter. We expect both transactions to complete, subject to shareholder approval, in Q4 2023.
- **First crude cargo sale:** the Company sold its first cargo of 300,000 bbls of crude oil in August comprising crude oil stock and subsequent production from the INA Acquisition. The sales price inclusive of the Brent premium was \$88/bbl, generating pre-tax sales of \$26.4 million net to Afentra.
- **Block 3/05 fiscal terms:** the enhanced fiscal terms associated with the Block 3/05 PSA extension remain subject to requisite government approvals and we look forward to providing shareholders with further updates in due course.

Paul McDade, Chief Executive Officer, Afentra plc commented: "Having identified Blocks 3/05 and 3/05A as assets that align with the strategic purpose of Afentra, we targeted acquiring a material ownership in both licenses. This year we have made substantial progress towards that goal. In the first half of 2023, we achieved a significant milestone through the completion of our inaugural deal with INA to introduce these producing and development assets to the Company. This was followed with the announcement of the Azule SPA and Amended Sonangol transaction post-period, allowing us to maximise our ownership in both Block 3/05 and Block 3/05A while ensuring an appropriate balance of interests in the partnership. The positive news on the license extension and the favourable improvement of the fiscal terms that are proceeding through the approval process, underpins our belief that Angola is an attractive investment environment where we can maximise the value of these high-quality assets over the long-term.

In August we achieved another important milestone selling our first cargo of crude, at an attractive price, allowing us to monetise the barrels acquired at the completion of the INA transaction and generate Afentra's first revenues.

On the operational side, the assets have performed well following the maintenance, light well intervention and water injection programmes undertaken and we take confidence in the positive influence the Afentra team have had working alongside Sonangol and our JV partners. The enhanced production and solid reserve replacement achieved through an active work programme demonstrates the considerable upside that we believe can be realised from Block 3/05 out to the current license period of 2040.

The RTO process has progressed both efficiently and cost effectively thus far, ensuring that the suspension period for our shares is minimised. We look forward to demonstrating the highly value-accretive nature of the Azule transaction, and the amended Sonangol transaction, when they complete in the coming months, and meanwhile due to the effective dates we continue to benefit from the associated cash flow of those interests, which will be further enhanced by the improved fiscal terms.

Finally, we look forward to ending the year having completed all three transactions which will underpin the Company with material proven reserves, robust production and cash flow, and significant upside potential from a high-quality asset base."

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¹ Please refer to Note 6 (notes to the accounts) for further detail on restricted funds

² Assumes that the default China Sonangol interests have been redistributed pro-rata amongst existing Partners, increasing Afentra's interest in Block 3/05A from 4% to 5.33% post-INA Acquisition and from 16% to 21.33% post-Azule Acquisition completion

³ Up to \$21 million in contingent payments payable on a sliding scale above Brent price of \$75/bbl with an annual cap of \$7 million over the years 2023, 2024 & 2025; and up to \$15 million in contingent consideration linked to the successful future development of the Caco-Gazela and Punja discoveries (split \$7.5 million equally), payable 1 year after first oil subject to a Brent price of \$75/bbl and production hurdles

⁴ Firm and contingent considerations reducing from \$80 million to \$56 million and from up-to \$50 million to up-to \$35 million (capped at \$3.5 million p.a. for an unchanged 10-year period commencing 1 January 2023 and oil price hurdle of \$65/bbl)

⁵ Subject to completion of the Azule and Amended Sonangol Acquisitions, Afentra's working interest increases from 4% to 30% in Block 3/05, from 5.33% to 21.33% in Block 3/05A,² and from 0% to 40% in Block 23

⁶ Block 3/05A 2C resources of 33 mmbbls (gross) based on Afentra resource estimate effective 1 July 2023

CEO Statement

The year thus far has seen Afentra take considerable strides towards its long-term growth objectives. Through the first-half period, our focus was to progress the Angolan transactions to ensure that we secured a material equity position in both Block 3/05 and Block 3/05A.

The completion of the INA transaction in May represented a watershed event for Afentra as we succeeded in underpinning the Company with proven reserves and robust cash flow from the 4% interest in Block 3/05, as well as obtaining exposure to the adjoining Block 3/05A in which we see significant long-term upside potential. The commercial terms structured for this transaction have been shown to be clearly attractive for Afentra with the Company benefitting from the long duration of associated production from the acquired assets since the effective date of 30 September 2021. Indeed, selling this inherited crude oil stock and subsequent production at \$88/bbl in August generated pre-tax sales of \$26.4 million.

Subsequently in May, we were able to satisfy a key condition precedent on the Sonangol SPA with the extension of the Block 3/05 PSA term to 31 December 2040 following a prolonged period of negotiation between the Angolan regulator ANPG and the Block 3/05 partners. The improved fiscal terms associated with the extension, when approved, are anticipated to enhance the economics of the assets for the contracting partners and encourages the partners to invest to deliver maximum value from these high-quality assets through to 2040.

While resulting in delays to completion of the Sonangol transaction there is no doubt that the better terms achieved will benefit Afentra as we move forward within the 3/05 partnership, especially in the context of the more material position we have since obtained in the license. The regulatory authorities have only shown to demonstrate a pragmatic approach throughout the negotiation period, providing a strong signal of the Country's willingness to encourage investment into the upstream sector. This strengthens our confidence that we have entered a supportive market with a firm understanding of the evolving industry landscape, and a recognition of the important role that companies like Afentra can play in delivering a responsible industry transition.

Post-period in July, Afentra announced signing of the SPA with Azule to acquire an additional 12% non-operated interest in Block 3/05 and up to 16% interest in Block 3/05A for a firm consideration of \$48.5 million and contingent payments of up to \$36 million. In order to ensure an appropriate balance of equity interests in Block 3/05 post completion of all previously announced transactions, the Company decided in tandem with Sonangol to amend the terms of the Sonangol SPA, reducing the working interest in Block 3/05 associated with that transaction from 20% to 14%, and reducing the associated firm and contingent considerations on a pro-rata basis. Other terms including the effective date remain unchanged so Afentra continues to benefit from the net share of production dating back to the effective date of 20 April 2022. At the time of the announcement, we explained why the acquired Azule barrels are attractive to us (low cost, more advantageous contingent payment structure and higher (on a relative basis) inherited cost pool) but also the strategic significance of obtaining a meaningful interest in the attractive development Block 3/05A.

As the Azule Acquisition constituted a reverse takeover by AIM Rules, the Company's ordinary shares were suspended from trading on AIM from 19 July 2023. While disruptive to enter another period of suspension with the Sonangol transaction having neared completion, we took the strategic decision to pursue the Azule transaction as a compelling opportunity that delivers numerous strategic and commercial benefits for Afentra. The parallel amendment to the Sonangol transaction was deemed to better align interests in the Block 3/05 JV going forward whilst allowing Afentra to become a significant partner in Block 3/05A.

Following completion of the Azule and Sonangol transactions, now expected to occur in Q4'23, Afentra will have material equity in both Block 3/05 (30%) and Block 3/05A (21.33%), resulting in net 2P reserves of approx. 33 mmbbls, net 2C resources of approx. 20 mmbbls and net production of approx. 5,700 bbl/d, and increased exposure to the significant upside potential of these material production, near-term development assets and additional prospective resources located around existing Block 3/05 fields.

The strategic rationale to acquire a more meaningful interest in these Blocks aligns with Afentra's desire to ensure the Company can utilise its technical and commercial expertise to influence the operational and environmental performance of the assets in which it is involved. In that regard, the Company continues to undertake technical work on the assets which it is evaluating alongside its new partners as we jointly seek to realise maximum value from these assets for the benefit of all stakeholders.

In terms of operational performance through the period, production from Block 3/05 averaged approx. 18,000 bbl/d, with production trending upwards to average 19,100 bbl/d in June and rates exceeding levels of 20,000 bbl/d since July, demonstrating the benefit of continued restoration works over Q1'23 in addition to the well intervention activities underway. Furthermore, reserves replacement in the first half of 2023 has been in excess of 150% and will be reflected in an updated CPR associated with the RTO process.

Alongside efforts to deliver strategic growth, the Company continued its commitment to governance through the appointment of Mr. Thierry Tanoh to its Board as Independent Non-Executive Director and Chairman of the Audit Committee. The appointment of Mr. Tanoh, whose previous roles included leadership positions within the International Finance Corporation (IFC), CEO of pan-African banking conglomerate Ecobank Group and Minister of Oil, Energy and Renewables of Cote d'Ivoire, reflected the Board's commitment to ensure it maintains the appropriate level of experience and independence, as well as its ambition to build a credible business capable of attracting such impressive talent.

In summary, the strategic progress delivered through the first half of the year and beyond maintain Afentra's strong momentum as we continue to identify and execute value enhancing transactions. The second half of the year looks set to be transformative for the Company, as we seek to complete the Azule and amended Sonangol acquisitions, and the associated RTO process, in an efficient and timely manner. Upon completion, Afentra will have transformed itself into one of the leading African focused independents listed in London and a company with a strong growth platform from which to deliver its more ambitious growth objectives.

Operations Review

Angola

Angola is one of the largest oil producers in Africa with current production of 1.1 million bbl/d from deepwater, shallow water and onshore dating back to 1956. The economy is dependent on responsible management of hydrocarbon resources. Investment has historically been dominated by IOCs, however assets are starting to change hands. Afentra believes that the situation is similar to the status to the UKCS where a more mature industry transition has already played out. Global research and consultancy business Wood Mackenzie has identified approx. 15 billion barrels of oil and gas reserves and resources, highlighting the scale of opportunity in Angola. According to IHS Markit Consulting, close to 300 fields have been discovered with less than half developed (IHS 2022). Over the last 5 years, the Angolan government led by President João Lourenço has actively sought new oil and gas investors alongside improving fiscal terms and extending licenses. There are large opportunities for growth and limited competition in the independent space.

Equity interests shown below relate to post completion of Sonangol and Azule transactions.

Block 3/05 (30%)

Block 3/05 is located in the Lower Congo Basin and consists of eight mature producing fields. The discoveries were made by Elf Petroleum (now part of TotalEnergies) in the early 1980s. Development was by shallow-water (40-100m) platforms that included successful waterflood activities with first oil achieved in 1985. Sonangol assumed operatorship from 2005 and has focused on sustaining production through workovers and maintaining asset integrity. The asset has a diverse portfolio of over 100 wells and currently produces from approx. 40 production wells and has approx. 16 active water injectors. The facilities include 14 well-head and support platforms, four processing platforms, a logistics and living quarter barge, 3 subsea wells and oil is exported via the Palanca FSO.

In the H1 of 2023 average daily gross production was approx. 18,000 bbl/d with an exit rate for June 2023 at approx. 19,100 bbl/d following good results from well intervention activities carried out during Q2 2023. Additional well interventions are ongoing through H2 2023 to enable further production rate increments during this period. Re-instatement of water injection has progressed steadily with H1 2023 averaging approx. 38,000 bw/d, more than double the 2022 average, with further ramp-up planned for the second half of the year. Gross 2P reserves are 110 mmbbls as of 30th June 2023 and 2C resources are 44 mmbbls. Block 3/05's existing Production Sharing Agreement ('PSA') has successfully been extended to the end of 2040. To date, the asset decommissioning costs have been pre-funded to the amount of \$554 million.

Post completion of the Acquisitions, the JV will be comprised as follows: Sonangol (Operator, 36%), Afentra (30%), M&P (20%), Etu Energias (10%) and NIS-Naftagas (4%).

Block 3/05A (21.33%)

Block 3/05A, which is located adjacent to Block 3/05, contains the undeveloped discoveries Punja, Caco and Gazela with an estimated in place resource of 0.3 billion barrels. The 2C resources estimated by Afentra is 33 mmbbls. The Gazela field was produced from 2015, with approximately 2 mmbbls recovered, prior to a wellbore shutdown in 2017. The well was successfully restarted at the end of March 2023 at approx. 1,200 bbl/d on an extended well test, increasing to 1,450 bbl/d post-period. Assessments to define an optimal development framework of these fields benefitting from the use of the nearby Block 3/05 facilities and infrastructure is ongoing.

Post completion of the Sonangol and Azule Acquisitions and subject to final approval of the distribution of the CSI interest, the JV will be comprised as follows: Sonangol (Operator, 33.33%), M&P (26.67%), Afentra (21.33%), Etu Energias (13.33%), and NIS-Naftagas (5.33%).

Block 23 (40%)

Block 23 is a 5,000 km² exploration and appraisal block located in the Kwanza basin in water depths from 600 to 1,600 meters and has a working petroleum system. Whilst the large block is covered by modern 3D and 2D seismic data sets, with no outstanding work commitments remaining, the majority of the block remains under-explored.

The block contains the Azul oil discovery, the first deepwater pre-salt discovery in the Kwanza basin. This discovery made in carbonate reservoirs has oil in place of approx. 150 mmbbls and tested at flow rates of approx. 3,000 - 4,000 bbl/d of light oil.

Post completion of the Acquisition, the JV is expected to be comprised of: Namcor, Sequa and Petrolog (40% and operator); Afentra (40%) and Sonangol (20%).

Somaliland

Somaliland offers one of the last great opportunities to target an undrilled onshore rift basin in Africa. The Odewayne block covers 22,840 km², and with access to Berbera deepwater port less than a 100km to the north, is ideally located to commercialise any discovered hydrocarbons.

Odewayne Block (34%)

In H1 the operator completed an updated petroleum system analysis complemented by a satellite seep study. Both the operator and Afentra have now confirmed the presence of trace oil in the sample taken at the water well drilled by the Ministry of Water Resources Development at the village of Baha-Dhamal in 2022. The likely source for the oil is a Mesozoic age source rock which fits with an Upper Jurassic source rock.

In H2 2023 the Company will work alongside the Operator in developing an appropriate forward work program to further evaluate the prospectivity of the license, including attempting to resample the fluid with a new borehole at the original well location to define the future work program.

The Company's 34% working interest in the PSA is fully carried by Genel Energy Somaliland Limited for its share of the costs of all exploration activities during the Third and Fourth Periods of the PSA.

Financial Review

From a financial perspective, the completion of the INA transaction in H1 2023 and the associated activation of the Reserve Based Lending and Working Capital facilities brings to fruition a long period of careful planning, negotiation and preparation for deal completion and Financial and Commercial JV operations. A robust and conservative approach towards cash management continued to be a focus area during H1, as did the progression of both the Sonangol and Azule transactions and the screening of further M&A opportunities in the West Africa Region. Looking to the second half of the year, we will look to become an active and supportive commercial partner in Blocks 3/05 and 3/05A, manage our cash and debt obligations robustly and prepare for the completion of the Sonangol and Azule transactions, whilst ensuring a successful re-admission of trading on the AIM market.

Selected financial data

| | H1 2023 | H1 2022 | FY 2022 |
|--|---------|---------|---------|
| Cash and cash equivalents net to Group (\$m) | 7.7 | 27.1 | 20.4 |
| Restricted Funds | 8.0 | 8.0 | 10.2 |
| Adjusted EBITDAX ¹ (\$m) | (0.8) | (1.2) | (5.2) |
| Loss after tax (\$m) | (3.9) | (2.9) | (9.1) |
| Debt facilities: | | | |
| Reserve Based Lending Facility (\$m) | 12.8 | - | - |
| Working Capital Facility (\$m) | 9.1 | - | - |
| Share price (at period end) (GBP pence) | 24.5 | 14.6 | 26.4 |

¹ Adjusted EBITDAX is calculated as earnings before interest, taxation, depreciation, amortisation, impairment, pre-licence expenditure, provisions and share-based payments.

Revenue

Currently, all of the Group's production is from Block 3/05 and Block 3/05A with net production in the period averaging c.a. 785 bbl/day. No revenue was recognised in H1 2023 (first cargo of crude oil sold in August 2023).

Loss from operations

The loss from operations for H1 2023 was \$3.4 million (H1 2022: loss \$2.9 million).

During the period, net administrative expenditure increased to \$3.4 million (H1 2022: \$2.9 million) predominantly as a result of increased headcount and costs relating to the Angolan Acquisitions and its associated workstreams. Pre-licence costs for H1 2023 were \$2.2 million (H1 2022: \$1.6 million).

Adjusted EBITDAX and loss after tax

Adjusted EBITDAX totaled a loss of \$0.8 million (H1 2022: loss \$1.2 million).

Finance income of \$0.1 million represents interest received on cash held by the Group (H1 2022: \$2k).

Finance costs totaled \$0.6 million (H1 2022: \$0.1 million).

The loss after tax totaled \$3.9 million (H1 2022: loss \$2.9 million). Basic loss per share was 1.8 US¢ per share (H1 2022: 1.3 US¢ loss per share).

No dividend is proposed to be paid for the six months to 30 June 2023 (30 June 2022: nil).

Cash flow

Net cash outflow from operating activities (pre-working capital movements) totaled \$2.9 million (H1 2022: outflow \$2.8 million). After working capital, net cash outflow from operating activities totaled \$5.8 million (H1 2022: outflow \$2.5 million).

Net cash used in investing activities totaled \$25.1 million (H1 2022: \$8.0 million) primarily due to the acquisitions of Block 3/05 and Block 3/05A, offset by a reduction in the restricted funds (payable on closing of the INA transaction, detailed in Note 6).

Net cash generated in financing activities totaled \$18.3 million (H1 2022: used \$0.1 million) primarily as a result of the drawdowns on debt facilities of \$21.9 million offset by the associated financing fees for the Angolan transactions of \$2.9 million.

Statement of financial position

At 30 June 2023 Non-current assets totaled were \$62.6 million (30 June 2022: \$21.8 million), the increase related to the acquisition of Block 3/05 and Block 3/05A (detailed in Notes 4, 5 and 9).

At 30 June 2023, Current assets stood at \$34.5 million (30 June 2022: \$35.4 million) including; oil inventories of \$9.7 million (30 June 2022: nil), cash and cash equivalents of \$7.7 million (30 June 2022: \$27.1 million), restricted funds of \$8.0 million (30 June 2022: \$8.0 million) and trade and other receivables of \$9.0 million (30 June 2022: \$0.3 million). The increase in trade and other receivables related to Joint Venture working capital items (Block 3/05 and Block 3/05A).

At 30 June 2023, Current liabilities were \$23.5 million (30 June 2022: \$0.9 million) including borrowings of \$11.5 million (30 June 2022: \$ nil), provisions of \$1.4 million (30 June 2022: \$ nil) and trade and other payables of \$10.6 million (30 June 2022: \$0.8 million). The increase in trade and other payables relates to Joint Venture working capital items (Block 3/05 and Block 3/05A).

At 30 June 2023, Non-current liabilities were \$27.6 million (30 June 2022: \$0.4 million) including borrowings of \$10.5 million (30 June 2022: \$ nil) and provisions of \$17.0 million (30 June 2022: \$32k).

Group net assets at 30 June 2023 were \$45.9 million (30 June 2022 were \$55.9 million), with net current assets reducing to \$10.9 million (30 June 2022: \$34.4 million). The reduction in both Group net assets as well as net current assets is due to the impact of the INA acquisition reducing cash balances and increasing current and non-current liabilities (borrowing), partially, offset by higher PP&E balances representing the consideration for tangible assets purchased.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position is set out above (pages 1 and 2) and within the CEO Statement, Operations Review and Financial Review. The financial position of the Group is described in the Financial Review.

The Group has sufficient cash resources for its working capital needs and its committed capital expenditure programme at least for the next 12 months. Consequently, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors have at the time of preparing the results for the six months ended 30 June 2023, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This assessment has been made by the Directors who remain confident the Group has sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months, notwithstanding the impact of the situation in Ukraine and the impact to commodity prices and foreign exchange rates. With respect to the completion of the Sonangol and Azule Angolan asset acquisition's (refer to subsequent events Note 10), the Directors believe that the Group is in a strong position, due to significant liquid resources being available, resulting from a combination of on balance sheet cash reserves, a conventional RBL arrangement, and a revolving working capital facility, in place with Trafigura and Mauritius Commercial Bank. The board has also looked at scenarios associated with additional acquisitions and believe that liquidity is sufficient through existing and further debt funding arrangements to pursue further opportunities and cover all financial covenants. As a consequence, the Directors believe that the Group is in a strong position and thus, they continue to adopt the going concern basis in preparing the results for the six months ended 30 June 2023.

Disclaimer

This document contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Group believes the expectation reflected herein to be reasonable in light of the information available to it at this time, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control but where, for example, the Group decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

Glossary

| | |
|-------------------------|---|
| \$ | US Dollars |
| 2D | two dimensional |
| 3D | three dimensional |
| Adjusted EBITDAX | earnings before interest, taxation, depreciation, amortisation, impairment, pre-licence expenditure, provisions and share based payments |
| AIM | Alternative Investment Market of the London Stock Exchange |
| ANPG | Agência Nacional de Petróleo, Gás e Biocombustíveis (holder of the mining rights of Exploration, Development and Production of liquid and gaseous hydrocarbons in Angola) |
| Azule | an incorporated Joint Venture between Eni and bp |
| Block 3/05 | the contract area described in and covered by the Block 3/05 PSA |
| Block 3/05A | the contract area described in the Block 3/05A PSA |
| Block 23 | the contract area described in and covered by the Block 23 PSA |
| bbl/d | barrels of oil per day ('k-' / 'mm-' for thousand / million) |
| Bopd | Barrels of Oil per day |
| CPR | Competent Persons Report |
| CSI | China Sonangol International |
| ERCe | Independent and qualified Reserves and Resources evaluator (CPR) |
| Group | Afentra plc, together with its subsidiary undertakings (the 'Group') |
| INA | Industrija Nafta, d.d |
| IOCs | international oil company |
| JV | joint venture |
| Km | kilometre |

| | |
|-----------------------|---|
| km² | square kilometre |
| Mmbo | million Barrels of Oil |
| Petrosoma | Petrosoma Limited (JV partner in Somaliland) |
| PSA | production sharing agreement |
| RBL | Reserve-Based Lending |
| Reserves | reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria; they must be discovered, recoverable, commercial and remaining based on the development projects applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status |
| RTO | reverse takeover (pursuant to Rule 14 of the AIM Rules) |
| Seismic | Geophysical investigation method that uses seismic energy to interpret the geometry of rocks in the subsurface |
| SOFR | Secured Overnight Financing Rate |
| SPA | Sale and Purchase Agreements |
| Sonangol | Sonangol Pesquisa e Produção S.A. |
| Trafigura | Trafigura PTE |
| WI | working interest |

Condensed consolidated income statement for the six months to 30 June 2023

| | Six months to 30th June 2023 \$000 (unaudited) | Six months to 30th June 2022 \$000 (unaudited) | Year ended 31st December 2022 \$000 (audited) |
|---|--|--|---|
| Revenue | - | - | - |
| Cost of Sales | - | - | - |
| Gross loss | - | - | - |
| Other administrative expenses | (1,278) | (1,301) | (5,484) |
| Pre-licence costs | (2,155) | (1,574) | (3,491) |
| Total administrative expenses | (3,433) | (2,875) | (8,975) |
| Loss from operations | (3,433) | (2,875) | (8,975) |
| Finance income | 135 | 2 | 86 |
| Finance expense | (575) | (73) | (197) |
| Loss before tax | (3,873) | (2,946) | (9,086) |
| Tax | - | - | - |
| Loss for the period attributable to the owners of the parent | (3,873) | (2,946) | (9,086) |
| Other comprehensive expense - items to be reclassified to the income statement in subsequent periods | | | |
| Currency translation adjustments | (9) | (21) | - |
| Total comprehensive expense for the period | (9) | (21) | - |
| Total comprehensive expense for the period attributable to the owners of the parent | (3,882) | (2,967) | (9,086) |
| Basic and diluted loss per share (US cents) | (1.8) | (1.3) | (4.1) |

Condensed consolidated statement of financial position as at 30 June 2023

| | Note | As at 30th June 2023 \$000 (unaudited) | As at 30th June 2022 \$000 (unaudited) | As at 31st December 2022 \$000 (audited) |
|--|------|--|--|--|
| Non-current assets | | | | |
| Intangible exploration and evaluation assets | 3 | 21,346 | 21,305 | 21,324 |
| Property, plant and equipment | 4 | 28,531 | 542 | 540 |
| Other non-current assets | 5 | 12,718 | - | - |
| | | <u>62,595</u> | <u>21,847</u> | <u>21,864</u> |
| Current assets | | | | |
| Inventories | | 9,735 | - | - |
| Trade and other receivables | | 9,008 | 290 | 419 |
| Cash and cash equivalents | | 7,725 | 27,096 | 20,384 |
| Restricted Funds | 6 | 8,000 | 8,000 | 10,200 |
| | | <u>34,468</u> | <u>35,386</u> | <u>31,003</u> |
| Total assets | | <u><u>97,063</u></u> | <u><u>57,233</u></u> | <u><u>52,867</u></u> |
| Equity | | | | |
| Share capital | | 28,143 | 28,143 | 28,143 |
| Currency translation reserve | | (211) | (223) | (202) |
| Retained earnings | | 17,994 | 28,007 | 21,867 |
| Total equity | | <u>45,926</u> | <u>55,927</u> | <u>49,808</u> |
| Current liabilities | | | | |
| Borrowings | 7 | 11,465 | - | - |
| Trade and other payables | | 10,579 | 836 | 2,689 |
| Provisions | 8 | 1,378 | - | - |
| Lease liability | | 114 | 111 | 210 |
| | | <u>23,536</u> | <u>947</u> | <u>2,899</u> |
| Non-current liabilities | | | | |
| Borrowings | 7 | 10,473 | - | - |
| Provisions | 8 | 16,982 | 32 | 33 |
| Lease liability | | 146 | 327 | 127 |
| | | <u>27,601</u> | <u>359</u> | <u>160</u> |
| Total liabilities | | <u>51,137</u> | <u>1,306</u> | <u>3,059</u> |
| Total equity and liabilities | | <u><u>97,063</u></u> | <u><u>57,233</u></u> | <u><u>52,867</u></u> |

Condensed consolidated statement of changes in equity for the six months ended 30 June 2023

| | Share capital \$000 | Currency translation reserve \$000 | Retained earnings \$000 | Total \$000 |
|---|---------------------------|---|-------------------------------|----------------|
| At 1 January 2022 | 28,143 | (202) | 30,953 | 58,894 |
| Total comprehensive expense for the period attributable to the owners of the parent | - | (21) | (2,946) | (2,967) |
| At 30 June 2022 | 28,143 | (223) | 28,007 | 55,927 |
| Total comprehensive expense for the period attributable to the owners of the parent | - | 21 | (6,140) | (6,119) |
| At 31 December 2022 | 28,143 | (202) | 21,867 | 49,808 |
| Total comprehensive expense for the period attributable to the owners of the parent | - | (9) | (3,873) | (3,882) |
| At 30 June 2023 | 28,143 | (211) | 17,994 | 45,926 |

Condensed consolidated statement of cash flows for the six months ended 30 June 2023

| | Note | Six months to 30th June 2023 \$000 (unaudited) | Six months to 30th June 2022 \$000 (unaudited) | Year ended 31st December 2022 \$000 (audited) |
|---|------|--|--|---|
| Operating activities: | | | | |
| Loss before tax | | (3,873) | (2,946) | (9,086) |
| Depreciation, depletion & amortisation | | 491 | 119 | 244 |
| Finance income and gains | | (135) | (2) | (86) |
| Finance expense and losses | | 575 | 15 | 197 |
| Operating cash outflow prior to working capital movements | | (2,942) | (2,814) | (8,731) |
| Increase in inventories | | (1,690) | - | - |
| Decrease/(increase) in trade and other receivables | | 175 | (2) | (131) |
| (Decrease)/Increase in trade and other payables | | (1,371) | 318 | 2,170 |
| Increase/(decrease) in provisions | | 2 | (4) | (3) |
| Net cash outflow from operating activities | | (5,826) | (2,502) | (6,695) |
| Investing activities | | | | |
| Corporate acquisitions | 9 | (26,995) | - | - |
| Interest received | | 135 | 2 | 86 |
| Purchase of property, plant and equipment | 4 | (457) | (1) | (127) |
| Exploration and evaluation costs | 3 | (22) | (16) | (35) |
| Decrease/(increase) in restricted funds | 6 | 2,200 | (8,000) | (10,200) |
| Net cash used in investing activities | | (25,139) | (8,015) | (10,276) |
| Financing activities | | | | |
| Draw-down on loan facilities (net of transaction fees) | 7 | 19,000 | - | - |
| Interest paid | | (531) | - | - |
| Principal paid on lease liability | | (115) | (99) | (204) |
| Interest paid on lease liability | | (12) | (14) | (21) |
| Net cash generated/(used) in financing activities | | 18,342 | (113) | (225) |
| Net decrease in cash and cash equivalents | | (12,623) | (10,630) | (17,196) |
| Cash and cash equivalents at beginning of period | | 20,384 | 37,727 | 37,727 |
| Effect of foreign exchange rate changes | | (36) | (1) | (147) |
| Cash and cash equivalents at end of period | | 7,725 | 27,096 | 20,384 |

Notes to the consolidated results for the six months ended 30 June 2023

1. Basis of preparation

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

The financial information for the six months ended 30 June 2023 is unaudited. In the opinion of the Directors, the financial information for this period fairly represents the financial position of the Group. Results of operations and cash flows for the period are in compliance UK adopted International Accountings Standards.

The accounting policies, estimates and judgements applied are consistent with those disclosed in the annual financial statements for the year ended 31 December 2022, and are also consistent with additional policies, estimates and judgements as noted below.

Critical Accounting judgements and Estimates.

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

Inventory (Oil).

Inventory is stated at the lower of cost and net realisable value, as are underlifts and overlifts which may occur because of imbalances between cumulative entitlement to production and cumulative liftings.

Business Combinations and Asset Acquisitions

The Group reviews acquisitions to determine whether the acquisition should be accounted for as an asset acquisition or a business combination. For each transaction, the Group may elect to apply the concentration test under IFRS 3 to determine if the fair value of assets acquired is substantially concentrated in a single asset (or a group of similar assets). If this concentration test is met, the acquisition qualifies as an acquisition of a group of assets and liabilities, not of a business. Accounting for business combinations under IFRS 3 is applied once it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues.

Where the group have acquired a non-controlling participating interest in an asset, when determining a suitable accounting policy the group has regard to the guidance in included in IFRS 11 – Joint arrangements and where applicable accounts for its interest in the joint operation by accounting for its share of the income, expenses, assets and liabilities from the acquisition date.

Financial Liabilities

Borrowings and Loans. Interest bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges relating to securing the loans and overdrafts are capitalised as a prepayment on the balance sheet and amortised over the repayment term period of the loan.

Development & Production Assets (PP&E)

Costs associated with Development and Production assets, including the costs of facilities, wells and subsea equipment are capitalised within Property, Plant & Equipment. These costs are depreciated on a unit of production basis based on the total proved and probable reserves of the asset.

Decommissioning

Provisions for Decommissioning are recognized in accordance with IAS37 and are recorded at the present value of the expenditures expected to be required to settle the Group's future obligations. Reference note 5.

These financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022. All financial information is presented in USD, unless otherwise disclosed.

An unqualified audit opinion was expressed for the year ended 31 December 2022, as delivered to the Registrar.

The Directors of the Company approved the financial information included in the results on 11 September 2023.

2. Results & dividends

The Group has retained earnings at the end of the period of \$18.0 million (30 June 2022: \$28.0 million retained earnings) to be carried forward. The Directors do not recommend the payment of a dividend (H1 2022: nil).

3. Intangible exploration and evaluation (E&E) assets

Group intangible assets:

| | Total \$000 (unaudited) |
|---------------------------------------|--|
| Net book value at 31 December 2021 | 21,289 |
| Additions during the period | 16 |
| Net book value at 30 June 2022 | 21,305 |
| Additions during the period | 19 |
| Net book value at 31 December 2022 | 21,324 |
| Additions during the period | 22 |
| Net book value at 30 June 2023 | 21,346 |

Odewayne PSA, Somaliland: A(EA)L 34%, Genel Energy Somaliland Limited 50%, Petrosoma 16%.

4. Property, plant and equipment

| Group | Oil and gas assets \$000 | Office Lease \$000 | Computer and office equipment \$000 | Total \$000 |
|--|---|-------------------------------|--|------------------------|
| Cost | | | | |
| At 31 December 2021 | - | 1,203 | 279 | 1,482 |
| Modification during the period | - | (54) | (12) | (66) |
| Additions during the period | - | - | 1 | 1 |
| At 30 June 2022 | - | 1,149 | 268 | 1,417 |
| Modification during the period | - | (6) | 4 | (2) |
| Additions during the period | - | - | 126 | 126 |
| Disposals during the period | - | - | (49) | (49) |
| At 31 December 2022 | - | 1,143 | 349 | 1,492 |
| Modification during the period | - | 22 | 9 | 31 |
| Acquisitions | 27,992 | - | - | 27,992 |
| Additions during the period | 453 | - | 4 | 457 |
| At 30 June 2023 | 28,445 | 1,165 | 362 | 29,972 |
| Accumulated depreciation and impairment | | | | |
| At 31 December 2021 | - | (598) | (159) | (757) |
| Charge for the period | - | (96) | (22) | (118) |
| At 30 June 2022 | - | (694) | (181) | (875) |
| Charge for the period | - | (91) | (35) | (125) |
| Disposals during the period | - | - | 49 | 49 |
| At 31 December 2022 | - | (785) | (167) | (952) |
| Charge for the period | (354) | (91) | (44) | (489) |
| At 30 June 2023 | (354) | (876) | (211) | (1,441) |
| Net book value at 30 June 2023 | 28,091 | 289 | 151 | 28,531 |
| Net book value at 31 December 2022 | - | 358 | 182 | 540 |
| Net book value at 30 June 2022 | - | 455 | 87 | 542 |
| Net book value at 31 December 2021 | - | 605 | 120 | 725 |

Block 3/05 PSA, Angola: Afentra Angola 4%, Sonangol (Operator) 50%, M&P 20%, Azule 12%, Etu Energias 10% and NIS-Naftagas 4%.

Block 3/05A PSA, Angola: Afentra Angola 4%, Sonangol (Operator) 25%, China Sonangol International 25%, M&P 20%, Azule 12%, Etu Energias 10% and NIS-Naftagas 4%. Should the China Sonangol interest be redistributed pro-rata amongst existing Partners, Afentra's interest in Block 3/05A would increase from 4% to 5.33%.

5. Other non-current assets

The Group have reviewed the accounting treatment for the Decommissioning Fund held by the Block 3/05 Operator and have recognised a Non-Current Asset and an offsetting Non-Current Liability for \$12.7 million, which equates to the present value of the future Decommissioning Liability. It is Management's view that the future liability for Decommissioning is represented by the totality of the funds held by the Operator, specifically for such purposes.

6. Restricted Funds

The Company has provided a bank guarantee issued by Nedbank Limited to Sonangol in respect of a \$8.0 million cash deposit in respect of the Sonangol Acquisitions that would otherwise have been required to be paid shortly after the signing of the Sonangol Acquisition Agreement. This guarantee has been fully cash collateralised by the Company.

Movement in the period of \$2.2 million relates to the release of Escrow funds held by Citibank, in respect of the INA Acquisitions.

7. Borrowings

The Group has activated elements of both the RBL Facility and Working Capital facility in order to facilitate the completion of the INA acquisition. As of June 30th, 2023, the Group has borrowings of \$12.8 million (RBL) and \$9.1 million (Working Capital) with the following key terms:

RBL Facility up to \$75 million

- 5-year tenor
- 8% margin over 3-month SOFR (Secured Overnight Financing Rate)
- Semi- annual linear amortisations
- Key financial covenant of Net Debt to EBITDA < 3:1

Working Capital up to \$30m revolving facility

- 5-year tenor
- 4.75% margin over 1-month SOFR
- Repayable with proceeds from liftings

| | Total \$000 |
|--------------------------------|------------------------|
| Current | |
| Reserve Based Lending Facility | 2,327 |
| Working Capital Facility | 9,138 |
| At 30 June 2023 | 11,465 |
| Non-current | |
| Reserve Based Lending Facility | 10,473 |
| At 30 June 2023 | 10,473 |

A charge is placed on Afentra (Angola) Ltd shares to Mauritius Commercial Bank Limited as required by the terms of the debt facilities.

8. Provisions

Contingent consideration

Provisions include contingent consideration payable to INA on blocks 3/05 and 305/A:

- 3/05 of up to \$4 million over 2 years, subject to certain oil price hurdles and an annual cap of \$2 million; and
- 3/05A of up to \$5 million linked to the successful future development of certain discoveries and oil price hurdles.

Management have reviewed the contingent payments related to the INA acquisition, which are dependent upon future oil price hurdles and future B3/05A developments. Judgement has been applied to the probability of the circumstances occurring that would give rise to some or all of the future payments. In addition, Management has applied a discount rate that approximates to the Company's cost of capital in arriving at a present value at the balance sheet date of the probable future liabilities. Management is therefore comfortable with the liabilities recorded at the balance sheet date in respect of these contingent future events.

Decommissioning provision

As detailed in note 5.

| | Total |
|--------------------------|---------------|
| | \$000 |
| Current | |
| Contingent consideration | 1,378 |
| At 30 June 2023 | 1,378 |
| Non-current | |
| Contingent consideration | 4,228 |
| Decommissioning | 12,718 |
| Other | 36 |
| At 30 June 2023 | 16,982 |

9. Acquisition

During the period the Company completed the acquisition of interests in Block 3/05 (4%) and Block 3/05A (4%) offshore Angola for a net \$17.0 million payment with a subsequent \$10.0 million contingent payment made upon the extension of the Block 3/05 licence from 31 December 2025 to 31 December 2040.

| | Block 3/05 | Block 3/05A | Total |
|---|-------------------|--------------------|---------------|
| | \$000 | \$000 | \$000 |
| Consideration | | | |
| Initial consideration | 9,000 | 3,000 | 12,000 |
| Actual adjustments from effective date | 765 | 2,202 | 2,967 |
| Contingent consideration - Extension of Block 3/05 licence | 10,000 | - | 10,000 |
| Contingent consideration - Oil price linked | 2,028 | - | 2,028 |
| Consideration paid | 21,793 | 5,202 | 26,995 |
| Contingent consideration - Oil price linked / future developments | 2,318 | 3,288 | 5,606 |
| Total consideration | 24,111 | 8,490 | 32,601 |
| | Block 3/05 | Block 3/05A | Total |
| | \$000 | \$000 | \$000 |
| Net assets | | | |
| Oil and gas properties | 18,456 | 9,536 | 27,992 |
| Inventory (Oil Stock) | 7,957 | 88 | 8,045 |
| Joint Venture partner balance | (2,165) | 627 | (1,538) |
| Joint Venture working capital | (137) | (1,761) | (1,898) |
| Net assets acquired | 24,111 | 8,490 | 32,601 |

The Group performed an assessment of the INA acquisition to determine whether the acquisition should be accounted for as an asset acquisition or a business combination. For the INA transaction, the Group elected to apply the concentration test under IFRS 3 to determine if the fair value of assets acquired are substantially concentrated in a single asset (or a group of similar assets). This test was met and thus the Group have deemed the acquisition to qualify as an acquisition of a group of assets and liabilities, not of a business. Furthermore, the Group gave regard to guidance included under IFRS 11- Joint Arrangements, and will account for its share of the income, expenses, assets, and liabilities from the acquisition date.

10. Subsequent Events

Subsequent to the Balance Sheet date of June 30th, the following business activities are anticipated to occur:

- **Azule Acquisition:** acquisition of interests in Block 3/05 (12%) and Block 3/05A (16%)² offshore Angola for a firm consideration of \$48.5 million and contingent payments of up to \$36 million³. Transaction will be funded through the agreed capacity within debt facilities with Mauritius Commercial Bank and Trafigura and existing cash on balance sheet. A 10% transaction deposit of \$4.85 million has been placed in escrow as per the Sale and Purchase Agreement ('SPA').
- **Amended Sonangol Acquisition:** acquiring a reduced working interest from Sonangol in Block 3/05, from 20% to 14% in order to ensure an appropriate balance of equity interests in Block 3/05. Firm and contingent considerations reduce to \$56m and up to \$35m, respectively (terms including the effective date of 20 April 2022 remaining

unchanged)⁴. Combined with existing ownership and the Azule Acquisition, Afentra's working interests will be 30% in Block 3/05 and 21.33%² in Block 3/05A. The consideration for the 40% interest in Block 23 remains unchanged at \$0.5 million.

- **Suspension of shares and reverse takeover:** in accordance with the AIM Rules for Companies, the Company's ordinary shares were suspended from trading on AIM from 19 July 2023 as the Azule Acquisition and Amended Sonangol Acquisition each constitute a reverse takeover ('RTO') under Rule 14 of the AIM Rules. Trading in the Company's ordinary shares will remain suspended until such time as either an admission document is published, or an announcement is released confirming that the Azule Acquisition and Amended Sonangol Acquisition are not proceeding.
- **AIM Readmission process and General Meeting:** the Company has made encouraging progress with respect to the recommencement of trading on AIM and expects to publish an Admission Document shortly, with both the Azule Acquisition and the Amended Sonangol Acquisition being subject to shareholder approval thereafter. We expect both transactions to complete, subject to shareholder approval, in Q4 2023.
- **First crude cargo sale:** the Company sold its first cargo of 300,000 bbls of crude oil in August comprising crude oil stock and subsequent production from the INA Acquisition. The sales price inclusive of the Brent premium was \$88/bbl, generating pre-tax sales of \$26.4 million net to Afentra.