Anglo African Oil & Gas plc

Unaudited Consolidated Interim Financial Report 2019

for the six months ended 30 June 2019

Contents

Company Information

Directors	S Cope	Non-executive chair
	A J Berwick	Chief executive officer
	J A Cane	Finance director
	P J Beck	Non-executive director
	N J Butler	Non-executive director
	B M Moritz	Non-executive director

Company Secretary	Cargil Management Services Limited 27/28 Eastcastle Street London W1W 8DH
Registered office	27/28 Eastcastle Street London W1W 8DH
Corporate office	12 Berkeley Street London W1J 8DT
Registered number	04140379
Website	www.aaog.com

Nominated advisor and Broker	finnCap Limited 60 New Broad Street London EC2M 1JJ
Solicitors (UK)	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
Solicitors (UK and Congo)	Bracewell LLP Tower 42 25 Old Broad Street London EC2N 1HQ
Solicitors (Republic of the Congo)	Cabinet d'Avocats Fernand Carle BP 607 – Pointe Noire Republique du Congo-Brazzaville
Independent auditors	Crowe U.K. LLP St Bride's House 10 Salisbury Square London EC4Y 8EH

Public relations	St Brides Media & Finance 3 St Michael's Alley London EC3V 9DS	
Registrar	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU19 7DR	
Bankers	Nedbank Limited Millennium Bridge House 2 Lambeth Hill London EC4V 4GG	HSBC Bank plc 593-599 Fulham Road London SW6 5UA
		Barclays Bank plc 1 Churchill Place London E14 5HP

Chair's letter

for the six months ended 30 June 2019

Dear shareholder,

These interim accounts cover the six-month period to 30 June 2019, during which the standout event was the successful drilling of the TLP-103C well on the Tilapia licence in the Republic of the Congo, in which the Company has a 56 per cent interest. The well encountered 56 metres of oil columns, including 26 metres in the Mengo formation and a further 12 metres in the deeper Djeno formation.

TLP-103C was the first well to target the Djeno at Tilapia, which represents an opportunity to generate significant cash flow and profitability. We plan to capitalise on this opportunity: preparations for drilling a new sidetrack, the TLP-103C-ST, are now finalised and, as we announced earlier this month, well re-entry operations have started.

Team

The drilling of TLP-103C-ST will be overseen by an experienced team, the majority of whom successfully managed operations at TLP-103 over the past twelve months.

However, while the technical and operational teams remain in place, there has been a change at board level. Earlier this month, we reported David Sefton's decision to step down from his position as Executive Chairman and as a director of the Company. It goes without saying that David played a major role in getting AAOG to where it is today.

In our view, one of his most important contributions has been to put in place a strong board and management structure. Led by our chief executive James Berwick, who has a proven track record in the industry, both operationally and commercially, the board and executive team comprise highly qualified professionals with the industry expertise and knowledge to take the Company into the next phase of its development.

Outlook

After the positive TLP-103C well results at the beginning of the year, the remainder of the review period and subsequently has been centred on drawing up a comprehensive forward plan to monetise the discovery in the Djeno at the earliest opportunity. With an operational team in place and a funding package finalised, the team is now concentrating on signing a rig contract for the sidetrack into the Djeno. The Company will provide further updates at the appropriate time.

In the meantime, I would like to thank the Board and management team for their hard work during the period and our shareholders for their continued support and patience.

Sarah Cope
Non-executive chair

27 September 2019

Chief Executive's letter

for the six months ended 30 June 2019

Dear shareholder,

This report and accounts cover the six months to 30 June 2019.

Financial results

The loss for the half-year reflects the significant costs that the Company has incurred in building the team to capitalise on the opportunity presented by TLP-103C. While increased production from the existing wells has not materialised as soon as had been originally hoped, the investment that the Company has made during the period has prepared the ground for the sidetrack drilling campaign into TLP-103C-ST. We also incurred costs during the period relating to the preparation for our negotiations for the new licence, the legal dispute with SMP and the aborted reverse take-over involving assets in Tunisia. We expect the second half of the year to show a significant reduction in non-standard operational expenditure.

Operational plan

The operational plan is to re-enter the existing TLP-103C well and drill the new sidetrack just below the Mengo formation to test the Upper Djeno and explore the Middle Djeno formations. The objective is to determine whether the Djeno can be brought into production from either horizon. Depending on the flowrate, some enhancements to topside infrastructure at the Tilapia field will be required.

Of course, drilling activity is never without risk. However, we believe that the sidetrack operations have an attractive risk/reward profile. TLP-103C has already proven the geological model and confirmed the presence of the Djeno at Tilapia. The fallback plan is to produce TLP-103C from the Mengo formation. At current oil prices, a daily production rate of, say, 500/bopd from the Mengo would generate material levels of cash flow for AAOG. It is this combination of the low-risk production story provided by the shallower R1/R2/R3 and Mengo formations, and the significant exploration upside potential offered by the Djeno, that attracted us to Tilapia in the first place. Furthermore, with the licence covering an area of 50.51 sq km, the Company has already identified multiple follow-up drill locations that can be targeted, once well TLP-103C has been brought into production, to generate further cash flow.

A suitable rig and equipment to carry out the operations are currently being sourced. The production plan is ready to be executed as soon as we have a rig on site.

Operations update

TLP-103C and TLP-103C-ST

The Company has now completed the planning phase of the TLP-103C-ST re-entry into the TLP-103C well and has moved into the operations phase. As we reported earlier this month, we have contracted Wire Group to supply and install an isolation plug, which is required to ensure that there are the necessary barriers in the well and which will enable re-entry.

The well continues to flow oil when bled off and pressure in the well is stable. Negotiations are ongoing with two potential rig providers, both of which have rig units in the Republic of the Congo. The Company is also scouting for other units with minimal mobilisation charges as a fallback option.

TLP-101

The Company has planned a further workover as part of its routine maintenance of well TLP-101. This will see fluids pumped into the well through the annulus in order to remove any potential blockages in the coiled tubing due to the build-up of wax. A similar exercise was completed in 2018 on the top-side flowlines.

Licence negotiations

The Company has held two rounds of negotiations with the Ministry of Hydrocarbons during this reporting period. We have agreed a basic set of terms that will be inserted into the new 25-year production-sharing contract. A final round of negotiations is scheduled for October to ensure that the optimal position for both parties can be finalised.

Financing

During the period under review, the Company completed a placing, in January 2019, raising gross proceeds of £6.0 million through the issue of 60,000,000 ordinary shares of five pence each at a price of ten pence. The Placing provided the Company with the funds required to complete the initial drilling of well TLP-103C.

Following the period-end, the Company completed a further fundraising for up to £8.25m. This comprised a placing of 49,288,347 ordinary shares of five pence each at a price of 5.2p raising a total of £2,562,994.04 and the entry into an Investor Sharing Agreement between AAOG, YA II PN, Ltd and Riverfort Global Opportunities PCC Limited. The consortium subscribed for 109,331,011 Ordinary Shares at the Issue Price for a total commitment of up to £5,685,212.57, dependent on the AAOG share price and the trading volumes during the twelve-month period of agreement. The funds will be released to the Company over the next 12 months.

These funds, alongside continued anticipated receipts from our partner Société Nationale des Pétroles du Congo ('SNPC'), the Congolese national oil company, are expected to enable the Company to re-enter the TLP-103C well at Tilapia with a view to producing oil from the Djeno horizon. Although AAOG has historically had to finance the majority of the partnership's total expenditure, SNPC has now been making regular cash-call payments since March 2019, with nearly US$4.0 million received by the date of this report.

Summary

The Company has continued to make progress during 2019, albeit not without delays and difficulties. However, I share the enthusiasm of our experienced team for the Tilapia project and I look forward to delivering a result for shareholders that will reward their patience and their investment.

James Berwick
Chief executive officer

27 September 2019

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2019 (unaudited)

	Note	Six months ended 30 June 2019 £	Six months ended 30 June 2018 £	Year ended 31 December 2018 (audited) £
Continuing operations				
Revenue		**173,524**	106,378	133,503
Cost of sales		**(259,434)**	(385,121)	(89,039)
Gross (loss)/profit		**(85,910)**	(278,743)	44,464
Administrative expenses		**(2,123,488)**	(1,605,175)	(5,147,777)
Impairment of trade and other receivables		**—**	—	(1,536,918)
Impairment of oil and gas assets		**—**	—	(3,407,395)
Impairment of exploration and evaluation assets		**—**	—	(1,498,591)
Share-based payment charges		**(46,914)**	(153,633)	3,540
Operating loss before exceptional items		**(2,256,312)**	(2,037,551)	(11,542,677)
Fundraising costs		**(195,398)**	(133,254)	—
Loss from operating activities		**(2,451,710)**	(2,170,805)	(11,542,677)
Finance costs		**(1,031)**	(801)	(143,207)
Loss before tax		**(2,452,741)**	(2,171,606)	(11,685,884)
Taxation		**—**	—	(8,550)
Loss for the period from operating activities		**(2,452,741)**	(2,171,606)	(11,694,434)
Exchange translation on foreign operations		**60,004**	(41,349)	(136,355)
Total comprehensive loss for the period		**(2,392,737)**	(2,212,955)	(11,830,789)
Attributable to:				
Owners of the Company		**(2,392,737)**	(2,212,955)	(11,830,789)
Non-controlling interests		**—**	—	—
Basic and diluted loss per ordinary share (pence)	6	**(1.03)**	(2.71)	(9.26)

Consolidated Statement of Financial Position

at 30 June 2019 (unaudited)

	Notes	30 June 2019 £	30 June 2018 £	31 December 2018 (audited) £
Non-current assets				
Property, plant and equipment	7	**137,928**	2,818,066	110,612
Intangible assets	8	**12,709,342**	8,378,540	10,386,085
		12,847,270	11,196,606	10,496,697
Current assets				
Stock		**37,219**	—	37,101
Trade and other receivables	9	**3,651,263**	1,546,955	4,135,134
Prepayments		**89,315**	8,305	45,364
Cash and cash equivalents		**739,007**	6,502,407	120,983
		4,516,804	8,057,667	4,338,582
Total assets		**17,364,074**	19,254,273	14,835,279
Equity				
Shareholders' equity				
Share capital	10	**16,272,462**	12,478,811	13,272,462
Share premium		**17,159,407**	14,286,058	14,492,407
Currency revaluation reserve		**248,945**	330,722	188,941
Retained deficit		**(24,350,663)**	(12,311,610)	(21,944,836)
Total equity		**9,330,151**	14,783,981	6,008,974
Current liabilities				
Trade and other payables		**5,118,408**	1,858,246	5,919,659
Provisions	11	**2,915,515**	123,524	2,906,646
		8,033,923	1,981,770	8,826,305
Long-term liabilities				
Provisions		**—**	2,488,522	—
Total equity and liabilities		**17,364,074**	19,254,273	14,835,279

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019 (unaudited)

	Share capital £	Share premium £	Currency revaluation reserve £	Retained deficit £	Total £
Balance at 31 December 2017	7,851,238	12,003,418	372,071	(10,293,637)	9,933,090
Issue of share capital	4,627,573	2,776,544	—	—	7,404,117
Costs of issuing equity instruments	—	(493,904)	—	—	(493,904)
Share-based payment charges	—	—	—	153,633	153,633
Currency translation	—	—	(41,349)	—	(41,349)
Total comprehensive expense	—	—	—	(2,171,606)	(2,171,606)
Balance at 30 June 2018	12,478,811	14,286,058	330,722	(12,311,610)	14,783,981
Changes in equity					
Issue of share capital	793,651	206,349	—	—	1,000,000
Costs of issuing equity instruments	—	—	—	—	—
Share-based payment charges	—	—	—	(157,173)	(157,173)
Currency translation	—		(46,775)	46,775	—
Total comprehensive expense	—	—	(95,006)	(9,522,828)	(9,617,834)
Balance at 31 December 2018	13,272,462	14,492,407	188,941	(21,944,836)	6,008,974
Changes in equity					
Issue of share capital	**3,000,000**	**3,000,000**	**—**	**—**	**6,000,000**
Costs of issuing equity instruments	**—**	**(333,000)**	**—**	**—**	**(333,000)**
Share-based payment charges	**—**	**—**	**—**	**46,914**	**46,914**
Currency translation	**—**	**—**	**—**	**—**	**—**
Total comprehensive expense	**—**	**—**	**60,004**	**(2,452,741)**	**(2,392,737)**
Balance at 30 June 2019	**16,272,462**	**17,159,407**	**248,945**	**(24,350,663)**	**9,330,151**

Consolidated Statement of Cash Flows

for the six months ended 30 June 2019 (unaudited)

	Six months ended 30 June 2019 £	Six months ended 30 June 2018 £	Year ended 31 December 2018 (audited) £
Cash flows from operating activities			
Loss for the period	**(2,452,741)**	(2,171,606)	(11,694,434)
Adjustments for:			
Depreciation and amortisation	**13,325**	901	277,455
Provision movement	**8,869**	—	294,600
Currency exchange movement	**60,004**	(41,349)	(136,355)
Impairment of trade and other receivables	—	—	1,536,918
Impairment of oil and gas assets	—	—	3,407,395
Impairment of evaluation and exploration assets	—	—	1,498,591
Share-based payment charges	**46,914**	153,633	(3,540)
	(2,323,629)	(2,058,421)	(4,819,370)
(Increase) in stock	**(118)**	—	(37,101)
Decrease/(increase) in trade and other receivables	**483,871**	(1,301,680)	(5,426,777)
(Increase) in prepayments	**(43,951)**	(4,090)	(41,149)
(Decrease)/increase in trade and other payables	**(801,251)**	831,155	4,892,568
Cash used in operating activities	**(2,685,078)**	(2,533,036)	(5,431,829)
Cash flows from investing activities			
Purchase of tangible fixed assets	**(40,641)**	(108,747)	(258,071)
Purchase of intangible fixed assets	**(2,323,257)**	(786,532)	(4,781,241)
Disposal of tangible fixed assets	—	338,598	—
Cash used in investing activities	**(2,363,898)**	(556,681)	(5,039,312)
Cash flows from financing activities			
Loan repayment	—	(15,000)	(15,000)
Issue of share capital	**6,000,000**	7,404,117	8,404,117
Costs of issuing equity instruments	**(333,000)**	(493,904)	(493,904)
Cash from financing activities	**5,667,000**	6,895,213	7,895,213
Increase in cash and cash equivalents	**618,024**	3,805,496	(2,575,928)
Cash and cash equivalents at beginning of period	**120,983**	2,696,911	2,696,911
Cash and cash equivalents at end of period	**739,007**	6,502,407	120,983

Notes to the Consolidated Financial Statements

for the six months ended 30 June 2019 (unaudited)

1. Reporting entity

The Company is incorporated and domiciled in England and Wales. The registered address can be found on the Company information page. The consolidated interim financial statements for the six months ended 30 June 2019 comprise of the Company and subsidiaries. The Group will continue to be primarily involved in the extraction of and exploration of natural resources in Africa.

2. Accounting policies

Statement of compliance

This consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are unaudited and do not constitute statutory accounts as defined in section 434(3) of the Companies Act 2006. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial performance and position of the Group since the last annual consolidated financial statements for the year ended 31 December 2018.

A copy of the audited annual report for the year ended 31 December 2018 has been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain statements under s498(2) or s498(3) of the Companies Act 2006.

This consolidated interim financial report was approved by the Board of Directors on 26 September 2019.

3. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2018. IFRS 16 has been adopted for the first time; as all leases are short term, there is no impact from this adoption.

4. Operating segments

The Company manages a group involved in mineral resources exploration and exploitation in Africa and is, therefore, considered to operate in a single geographical and business segment.

5. Loss from operating activities

The loss before taxation is stated after charging:

	Six months ended 30 June 2019 £	Six months ended 30 June 2018 £	Year ended 31 December 2018 £
Cost of fundraising	195,398	133,254	—
Costs incurred relating to potential acquisition*	289,676	—	310,495
Depreciation and amortisation	13,325	901	277,455
Directors' remuneration	395,000	378,083	935,583

The directors are considered to be key management personnel.

** Incurred prior to 31 March 2019*

6. Basic and diluted loss per share

Basic

The calculation of loss per share for the six months to 30 June 2019 is based on the loss for the period attributable to ordinary shareholders of £2,392,737 divided by a weighted average number of Ordinary shares in issue of 233,288,154 (December 2018 – £11,830,789/124,376,778).

In the opinion of the directors, all the outstanding share options and warrants are anti-dilutive and, hence, basic and fully diluted loss per share are the same.

Notes to the Consolidated Financial Statements

(continued)

7. Property, plant and equipment

	Six months ended 30 June 2019 £	Six months ended 30 June 2018 £	Year ended 31 December 2018 £
Cost			
At start of period	**5,032,077**	4,263,055	4,263,055
Reclassification of intangible assets	**—**	—	510,951
Additions	**40,641**	108,747	258,071
Disposals	**—**	(338,598)	—
At end of period	**5,072,718**	4,033,204	5,032,077
Depreciation			
At start of period	**4,921,465**	1,214,237	1,214,237
Reclassification of intangible assets	**—**	—	22,475
Depreciation	**13,325**	901	4,987
Impairment	**—**	—	3,679,766
At end of period	**4,934,790**	1,215,138	4,921,465
Carrying amounts			
At end of period	**137,928**	2,818,066	110,612

8. Intangible assets

	Six months ended 30 June 2019 £	Six months ended 30 June 2018 £	Year ended 31 December 2018 £
Cost			
At start of period	**13,038,625**	8,768,335	8,768,335
Reclassification of tangible assets	**—**	—	(510,951)
Additions	**2,323,257**	786,532	4,781,241
At end of period	**15,361,882**	9,554,867	13,038,625
Amortisation			
At start of period	**2,652,540**	1,176,327	1,176,327
Reclassification of tangible assets	**—**	—	(22,475)
Amortisation	**—**	—	97
Impairment	**—**	—	1,498,591
At end of period	**2,652,540**	1,176,327	2,652,540
Carrying amounts			
At end of period	**12,709,342**	8,378,540	10,386,085

Notes to the Consolidated Financial Statements

(continued)

9. Trade and other receivables

	30 June 2019 £	30 June 2018 £	31 December 2018 £
Trade receivables	**171,566**	52,216	4,010
Other receivables	**5,981,419**	2,382,152	6,536,884
Less: provision for doubtful debt	**(2,501,722)**	(887,413)	(2,405,760)
	3,651,263	1,546,955	4,135,134

Recoverability of debtor balances

Significant estimation is required in the determination of the fair value of debtor balance due from SNPC, taking account of the payments made by SNPC to the date of this report and the stated intention of SNPC to repay the amount due.

SNPC	**£m**
Gross amount due	5.6
Impairment provision	(2.5)
Carrying value	**3.1**
Received since 30 June 2019	0.9

10. Share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30 June 2019 £	30 June 2018 £	31 December 2018 £
237,929,038	Ordinary	£0.05	**11,896,453**	8,102,802	8,896,453
39,922,460	Deferred	£0.09	**3,593,021**	3,593,021	3,593,021
86,998,615	B Deferred	£0.009	**782,988**	782,988	782,988

The holders of deferred shares are not entitled to receive dividends or to vote at meetings of the Company and have no material interest in the Company's residual assets.

On 15 January 2019, the Company issued 60,000,000 ordinary shares at a premium of 5 pence per share.

11. Provisions

	Six months ended 30 June 2019 £	Six months ended 30 June 2018 £	year ended 31 December 2018 £
Provision for rehabilitation of drilling sites	**2,791,991**	2,488,522	2,783,122
Provision for rehabilitation of mining sites	**123,524**	123,524	123,524
At end of period	**2,915,515**	2,612,046	2,906,646

Provisions are all now classified as current liabilities.

12. Events after the reporting period

On 17 July 2019, the Company completed a further fundraising for up to £8.25m. This comprised a placing of 49,288,347 ordinary shares of five pence each at a price of 5.2p raising a total of £2,562,994.04 and the entry into an Investor Sharing Agreement between AAOG, YA II PN, Ltd and Riverfort Global Opportunities PCC Limited. The consortium subscribed for 109,331,011 Ordinary Shares at the Issue Price for a total commitment of up to £5,685,212.57, dependent on the AAOG share price and the trading volumes during the twelve-month period of agreement. The funds will be released to the Company over the next 12 months.

Perivan 256474

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