

Afentra plc

Results for the six months ending 30 June 2021

Overview

Afentra plc ('Afentra' or the 'Company'), together with its subsidiary undertakings (the 'Group'), is an upstream oil and gas company quoted on the AIM market of the London Stock Exchange.

The Company's strategy is to build an oil and gas business of scale through the acquisition of both operated and non-operated production assets and discovered resources in Africa, where its management team have extensive operational experience. Afentra is well positioned to take advantage of the energy transition and associated market dynamics which is creating opportunities for experienced operators with a strong track record to acquire quality producing assets.

The Company currently has a position in the onshore Odewayne exploration block that is operated by Genel Energy, where its 34% interest is fully carried.

Operations summary

- Odewayne Licence – new Afentra team continue its technical assessment and outlook on block prospectivity in discussion with the operator
- Business Development – experienced team now in place and actively pursuing potential deals in Africa, primarily focused on operated and non-operated production assets

Corporate summary

- 18 February 2021: Several institutional and high net worth investors purchased shares sold by existing shareholders including Waterford Finance and Investment Limited (equating to its entire 29.23% shareholding in the Company) and Mistyvale Limited (equating to its entire 15.66% shareholding in the Company)
- 16 March 2021: Paul McDade and Ian Cloke join the Board of Directors as CEO and COO respectively
- 30 March 2021: Jeffrey MacDonald and Gavin Wilson join the Board of Directors as Independent non-executive Chairman and Independent non-executive Director respectively
- 13 April 2021: The Company announced its intention to change its name from Sterling Energy plc to Afentra plc and adopt new articles of association. The proposed changes were approved at the General Meeting held on 30 April 2021
- 5 May 2021: Afentra plc launched and Anastasia Deulina is appointed as Chief Financial Officer

Financial summary

- Cash resources as at 30 June 2021 of \$40.8 million (30 June 2020 of \$43.8 million).
- Adjusted EBITDAX loss of \$1.5 million (1H 2020: loss \$289k).
- Loss after tax of \$2.4 million (1H 2020: loss \$866k).
- The Group remains debt free and fully carried for Odewayne operations (Third and the Fourth Period).

Paul McDade, Chief Executive Officer, Afentra plc commented: "2021 has been an eventful period during which we have established Afentra plc and set the company on an exciting strategic path. The market drivers for the energy transition across Africa are presenting a wide range of compelling opportunities and we believe that our proven operating track record, focused ESG agenda, strong balance sheet and supportive shareholder base put us in a unique position to capitalise on these opportunities."

For further information contact:

Afentra plc +44 (0)20 7405 4133

Paul McDade, CEO
Anastasia Deulina, CFO

Buchanan (Financial PR) +44 (0)20 7466 5000

Ben Romney

Jon Krinks
James Husband

Peel Hunt LLP (Nominated Advisor and Joint Broker) +44 (0)20 7418 8900
Richard Crichton
David McKeown

Tennyson Securities (Joint Broker) +44 (0)20 7186 9033
Peter Krens

CEO Statement

I am pleased to provide an update on Afentra's progress in the first half of 2021, a period in which we have launched with a new name, management team and a clearly defined strategic vision. It is also a period, after the economic and industry challenges caused by the pandemic through 2020, in which we have begun to see a steady strengthening of commodity prices and cautious optimism within the sector and wider economies.

Afentra was launched in May 2021 with a clear agenda; to capitalise on opportunities presented by the accelerating energy transition in Africa and in doing so support a responsible transfer of asset ownership that provides beneficial outcomes for all stakeholders involved.

To deliver this vision, Afentra has assembled a high-quality team with a proven track record for operational excellence, commercial focus, environmental stewardship, transparent governance and delivering a positive socio-economic impact. We have ambitious plans for growth and aim to become a leading pan-African operator of scale, delivering long-term value for our shareholders through accretive transactions.

As International Oil Companies (IOCs) seek to meet the expectations of certain stakeholders to rationalise and diversify their portfolios away from carbon intensive activities, they are starting to divest parts of their African upstream assets. This is creating an opportunity rich landscape for responsible companies like Afentra. We are looking at a wide range of operated and non-operated opportunities and, with our experienced team, are well positioned as a credible counterparty for both IOCs seeking to divest assets and an experienced partner for host governments to work with.

Afentra's strong balance sheet and cost discipline also puts the company in an excellent position to review and compete for acquisition opportunities as they arise. The cash at hand also provides optionality with regards to the funding structure for any acquisitions, enabling us to consider smaller compelling opportunities without the need to raise capital.

The strengthening of the oil price is obviously welcomed by the industry, but does not alter the divestment agenda, nor does it have a material impact on the valuations or competitive landscape for our target acquisitions. It does however improve the economics of target assets which will in turn enhance the appetite within the capital markets to fund acquisitions.

Afentra is built upon an effective ESG framework. We have aligned ourselves with the UN Sustainable Development Goals (UNSDGs) and will increasingly meet the specific targets of the UNSDGs as we progress from acquisition through to operatorship and production.

At the heart of our approach is the conviction that African countries must be able to benefit from the positive socio-economic impact of their natural resources during the energy transition, while also upholding the highest possible environmental standards. We believe that it is important for all stakeholders that divested assets end up in the hands of quality operators that are committed to transparent disclosure of environmental data. Afentra believes that through strong environmental stewardship and a focused operating approach, we will be able to reduce the carbon emissions of any acquired assets over time.

With regard to our existing asset in Somaliland, we are currently progressing the technical assessment of Odewayne alongside our partner Genel. Afentra remains fully carried on this asset by Genel and we look forward to gaining a deeper understanding of the appropriate forward work program as that technical evaluation progresses through the second half of the year.

Overall, it has been a very active first half of the year for Afentra and we are making headway with our stated growth ambitions. The market drivers are gathering momentum and your company feels particularly well placed to capitalise on the array of upstream opportunities that will be presented as a result of the energy transition across Africa. We remain patient in our approach and believe we have put in place all the required building blocks to deliver long-term value. We thank our shareholders for their support and look forward to delivering positive outcomes for all our stakeholders through the second half of the year and beyond.

Operations Review

Somaliland

Somaliland offers one of the last great opportunities to target an undrilled onshore rift basin in Africa. The Odewayne block, with access to Berbera deepwater port less than a 100km to the north, is ideally located to commercialise any discovered hydrocarbons. The company has continued to work the reprocessed 2D seismic survey along with field data and legacy geological field studies to determine if a Mesozoic age sedimentary basin is present in the block and its prospectivity.

Odewayne (W.I. 34%) Exploration block

Overview

This large, unexplored, frontier acreage position covers 22,840km², the equivalent of c. 100 UK North Sea blocks. Exploration activity prior to the 2017 regional 2D seismic acquisition program has been limited to the acquisition of airborne gravity and magnetic data and surface fieldwork studies, with no wells drilled on block.

The Company's wholly owned subsidiary, Afentra (East Africa) Limited ('A(EA)L'), holds a 34% working interest in the PSA (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). The Odewayne production sharing agreement is in the Third Period, with a 1,000km, 10km by 10km 2D seismic grid acquired in 2017 by BGP. The Third Period has been further extended, through the 8th deed of amendment. This data was reprocessed in 2019 and is currently being reviewed after the disruption caused by Covid in 2020-21.

In 2H 2021 the Company will review the reprocessed 2D seismic data set and will update its technical assessment and outlook on block prospectivity accordingly. Alongside the seismic reprocessing review, the Operator is undertaking a number of work streams and it is anticipated that these will aid the JV partnership in developing an appropriate forward work program to further evaluate the prospectivity of the licence.

Outlook on buy and build strategy

In March 2021 the Company shifted focus to support a responsible energy transition in Africa by establishing itself as a credible partner for divesting IOCs and Host Governments. The Company is specifically targeting producing assets and discovered resources in Africa. The focus will be on operated positions but will also consider non-operated positions alongside credible operators with shared standards and within a joint venture where we can leverage our operating experience to influence outcomes and add value to operator plans. The Company has developed a rigorous ESG agenda which is being utilised in the screening process to ensure any acquisition opportunities meet our risk criteria and provide scope to reduce emissions through focused operational excellence.

An experienced technical and commercial team, of staff and consultants, with deep knowledge of the West African region has been assembled and is screening a number of opportunities.

Financial Review

Selected financial data

	1H 2021	1H 2020	FY 2020
Cash and cash equivalents net to Group (\$m)	40.8	43.8	42.7
Adjusted EBITDAX ¹ (\$m)	(1.5)	(0.3)	(0.8)
Loss after tax (\$m)	(2.4)	(0.9)	(1.9)
Debt (\$m)	-	-	-
NAVPS ² (at period end) (GBP pence)	20.2	23.9	21.3
Share price (at period end) (GBP pence)	15.0	11.5	9.4

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

²Net asset value per share

Loss from operations

The loss from operations for 1H 2021 was \$2.5 million (1H 2020: loss \$1.1 million) for the reasons described below.

During the period, net administrative expenditure increased to \$2.5 million (1H 2020: \$1.1 million) as a result of exceptional (one off) items relating to costs associated with the migration to Afentra, a change in management and an increase in contractors and advisors. Pre-licence costs for 1H 2021 was \$862k (1H 2020: \$716k).

Adjusted EBITDAX and loss after tax

Adjusted EBITDAX totalled a loss of \$1.5 million (1H 2020: loss \$289k).

Finance income of \$46k represents interest received (\$11k) and foreign exchange gains (\$35k) on cash held by the

Group (1H 2020: \$288k).

Finance costs totalled \$23k (1H 2020: \$56k).

The loss after tax totalled \$2.4 million (1H 2020: loss \$866k). Basic loss per share was 1.11 US¢ per share (1H 2020: 0.39 US¢ loss per share). No dividend is proposed to be paid for the six months to 30 June 2021 (30 June 2020: nil).

Cash flow

Net cash outflow from operating activities (pre-working capital movements) totalled \$2.3 million (1H 2020: outflow \$988k). After working capital, net cash outflow from operating activities totalled \$1.8 million (1H 2020: outflow \$1.2 million).

Statement of financial position

At 30 June 2021, Afentra held \$40.8 million cash and cash equivalents available for its own use (30 June 2020: \$43.8 million).

Group net assets at 30 June 2021 were \$61.4 million (30 June 2020 were \$64.9 million). Non-current assets totalled \$22.0 million (30 June 2020: \$22.0 million) with net current assets reducing to \$40.1 million (30 June 2020: \$43.7 million).

Going Concern

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

The Company has sufficient cash resources for its working capital needs for at least the next 12 months. As a consequence, the Directors have 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 from the date of signing these financial statements, and notwithstanding the impact that Covid-19 has had internationally. The Directors believe that the Group is in a strong position to absorb any potential impact on the Group arising from Covid-19. Accordingly, they continue to adopt the going concern basis in preparing the results for the six months ended 30 June 2021.

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
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
Group	Afentra plc, together with its subsidiary undertakings (the 'Group')
km	kilometre
NAVPS	Net asset value per share
Petrosoma	Petrosoma Limited (JV partner in Somaliland)
PSA	production sharing agreement
Seismic	Geophysical investigation method that uses seismic energy to interpret the geometry of rocks in the subsurface
km ²	square kilometre
WI	working interest

Condensed consolidated income statement for the six months to 30 June 2021

	Six months to 30th June 2021 \$000 (unaudited)	Restated Six months to 30th June 2020 \$000 (unaudited)	Year ended 31st December 2020 \$000 (audited)
Other administrative expenses	(1,605)	(382)	(953)
Pre-licence costs	(862)	(716)	(1,221)
Total administrative expenses	(2,467)	(1,098)	(2,174)
Loss from operations	(2,467)	(1,098)	(2,174)
Finance income	46	288	326
Finance expense	(23)	(56)	(58)
Loss before tax	(2,444)	(866)	(1,906)
Tax	-	-	-
Loss for the period attributable to the owners of the parent	(2,444)	(866)	(1,906)
Other comprehensive expense - items to be reclassified to the income statement in subsequent periods			
Currency translation adjustments	(5)	6	7
Total comprehensive (expense)/income for the period	(5)	6	7
Total comprehensive expense for the period attributable to the owners of the parent	(2,449)	(860)	(1,899)
Basic and diluted loss per share (US cents)	(1.11)	(.39)	(.87)

Condensed consolidated statement of financial position as at 30 June 2021

		As at 30th June 2021 \$000 (unaudited)	Restated As at 30th June 2020 \$000 (unaudited)	As at 31st December 2020 \$000 (audited)
	Note			
Non-current assets				
Intangible exploration and evaluation assets	3	21,252	21,142	21,209
Property, plant and equipment		746	848	844
		<u>21,998</u>	<u>21,990</u>	<u>22,053</u>
Current assets				
Trade and other receivables		228	148	193
Cash and cash equivalents		40,772	43,798	42,674
		<u>41,000</u>	<u>43,946</u>	<u>42,867</u>
Total assets		<u><u>62,998</u></u>	<u><u>65,936</u></u>	<u><u>64,920</u></u>
Equity				
Share capital		28,143	28,143	28,143
Currency translation reserve		(202)	(198)	(197)
Retained earnings		33,501	36,985	35,945
Total equity		<u>61,442</u>	<u>64,930</u>	<u>63,891</u>
Current liabilities				
Trade and other payables		825	178	209
Lease liability		120	98	205
		<u>945</u>	<u>276</u>	<u>414</u>
Non-current liabilities				
Lease liability		576	700	581
Long-term provision		35	30	34
		<u>611</u>	<u>730</u>	<u>615</u>
Total liabilities		<u>1,556</u>	<u>1,006</u>	<u>1,029</u>
Total equity and liabilities		<u><u>62,998</u></u>	<u><u>65,936</u></u>	<u><u>64,920</u></u>

Condensed consolidated statement of changes in equity for the six months ended 30 June 2021

	Share capital \$000	Currency translation reserve \$000	Retained earnings \$000	Total \$000
At 1 January 2020	28,143	(204)	37,851	65,790
Total comprehensive expense for the period attributable to the owners of the parent	-	6	(866)	(860)
At 30 June 2020 - restated	28,143	(198)	36,985	64,930
Total comprehensive expense for the period attributable to the owners of the parent	-	(1)	(1,040)	(1,039)
At 31 December 2020	28,143	(197)	35,945	63,891
Total comprehensive expense for the period attributable to the owners of the parent	-	(5)	(2,444)	(2,449)
At 30 June 2021	28,143	(202)	33,501	61,442

Condensed consolidated statement of cash flows for the six months ended 30 June 2021

	Note	Six months to 30th June 2021 \$000 (unaudited)	Restated Six months to 30th June 2020 \$000 (unaudited)	Year ended 31st December 2020 \$000 (audited)
Operating activities:				
Loss before tax		(2,444)	(866)	(1,906)
Depreciation, depletion & amortisation		119	166	193
Finance income and gains		(46)	(288)	(326)
Finance expense and losses		23	-	59
Operating cash outflow prior to working capital movements		(2,348)	(988)	(1,980)
(Increase)/decrease in trade and other receivables		(35)	84	57
Increase/(decrease) in trade and other payables		616	(262)	(230)
Increase in provision		1	-	4
Net cash outflow from operating activities		(1,766)	(1,166)	(2,149)
Investing activities				
Interest received		11	284	326
Purchase of property, plant and equipment		(9)	-	(12)
Exploration and evaluation costs	3	(43)	(23)	(90)
Net cash (used)/generated from investing activities		(41)	261	224
Financing activities				
Principal paid on lease liability		(121)	(108)	(237)
Interest paid on lease liability		(20)	(29)	(46)
Net cash used in financing activities		(141)	(137)	(283)
Net decrease in cash and cash equivalents		(1,948)	(1,042)	(2,208)
Cash and cash equivalents at beginning of period		42,674	44,851	44,851
Effect of foreign exchange rate changes		46	(11)	31
Cash and cash equivalents at end of period		40,772	43,798	42,674

Notes to the consolidated results for the six months ended 30 June 2021

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 2021 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 with International Financial Reporting Standards (IFRSs). The accounting policies, estimates and judgements applied are consistent with those disclosed in the annual financial statements for the year ended 31 December 2020. These financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

The financial information for the six months ended 30 June 2020 has been restated as a consequence of an IFRS 9 adjustment by the Group.

All financial information is presented in USD, unless otherwise disclosed.

An unqualified audit opinion was expressed for the year ended 31 December 2020, as delivered to the Registrar.

The Directors of the Company approved the financial information included in the results on 09 September 2021.

2. Results & dividends

The Group has retained earnings at the end of the period of \$33.5 million (30 June 2020: \$37.0 million retained earnings) to be carried forward. The Directors do not recommend the payment of a dividend (1H 2020: nil).

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

	Total \$000 (unaudited)
Net book value at 31 December 2019	21,119
Additions during the period	23
Net book value at 30 June 2020	21,142
Additions during the period	67
Net book value at 31 December 2020	21,209
Additions during the period	43
Net book value at 30 June 2021	21,252

Group intangible assets:

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