

28 April 2022

AFENTRA PLC

Afentra signs Sale and Purchase Agreement with Sonangol for Blocks 3/05 & 23 offshore Angola

Afentra plc ('Afentra' or the 'Company') is pleased to announce that its wholly-owned subsidiary, Afentra (Angola) Ltd, has signed a Sale and Purchase Agreement ('SPA') with Sonangol Pesquisa e Produção S.A. ('Sonangol') to purchase interests in Block 3/05 and Block 23, offshore Angola (the "Acquisition") for a firm consideration of \$80 million and contingent payments of up to \$50 million (in aggregate) in the case of Block 3/05 and consideration of \$0.5 million in the case of Block 23.

Acquisition Highlights

- **Strategic rationale** - facilitates a first entry for Afentra into Angola, one of the Company's key target markets in West Africa, with opportunities to build a material production business and contribute to a sustainable transition
- **Block 3/05** - acquiring a 20% non-operated interest in a high-potential long-life asset
 - Initial consideration of \$80 million
 - Additional contingent consideration of up to \$50 million to be paid in respect of each of the ten calendar years commencing 1 January 2023
 - Stable production of c.4,000 bopd net with strong cashflow
 - Net 2P reserves of c.20 million barrels¹
 - Oil in Place of over 3 billion barrels¹ provides significant resource upside
 - Highly attractive asset economics with low breakeven oil price of \$35/bbl
 - To date, decommissioning costs have been pre-funded by previous and existing JV partners
- **Block 23** - acquiring 40% non-operated interest in a highly prospective deepwater exploration and appraisal opportunity for a consideration of \$0.5 million
- **Funding** – expected to be financed through new debt facilities and existing cash on the balance sheet. Discussions with prospective debt providers well advanced

Transaction Overview

Afentra is acquiring a 20% non-operated interest in Block 3/05 and a 40% non-operated interest in Block 23 for a total consideration of up to \$130 million. The consideration is comprised of \$80 million cash up front, subject to customary completion adjustments, up to \$50 million in contingent payments, payable in respect of each of the ten calendar years commencing January 1, 2023 and subject to certain oil price and production hurdles, and \$0.5 million in respect of Block 23. The Acquisition has an effective date of 20 April 2022.

This represents a strategic entry into a highly attractive West African jurisdiction with an implied acquisition cost of ~\$4/boe, based on 2P reserves¹.

The Acquisition is expected to be funded with new debt facilities and existing cash on the balance sheet. Discussions with prospective providers of debt finance are well advanced and will be finalised in due course.

While completion is expected in the third quarter of 2022, next steps in the process include the conclusion of Afentra's due diligence exercise, the provision of a bank guarantee in respect of the 10% transaction deposit and the completion of the right of first offer process by Sonangol. Government approvals and a license extension for Block 3/05 are anticipated to be granted, with the publication of the AIM re-admission document and resumption of trading anticipated to occur mid-year. In addition to the conditions described above relating to regulatory consents, right of first offer, license extension and due diligence, the Acquisition is subject to the receipt of shareholder approval pursuant to an ordinary resolution to be proposed at a General Meeting and re-admission of the enlarged group to trading on AIM. Further details of the Acquisition and SPA will be set out in the re-admission document.

Asset Overview: Block 3/05

Block 3/05, in which Afentra is acquiring a 20% non-operated interest, 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 in 1985. Sonangol assumed operatorship from 2005 and has focused on sustaining production through workovers and maintaining asset integrity. No infill drilling campaigns have taken place in the last 15 years. The asset has a diverse portfolio of over 100 wells and currently produces from around 40 production wells and has nine active water injectors. The facilities include 17 well-head and support platforms and four processing platforms, with oil exported via the Palanca FSO.

In 2021, the average daily gross production was 17,000 bopd, with an exit rate of 21,000 bopd, and gross 2P reserves of approximately 100 million barrels₁ at year end 2021.

Block 3/05's existing Production Sharing Agreement (PSA) expires in 2025 and this is expected to be extended to 2040. This extension is a condition to completing the Acquisition. To date, the asset decommissioning costs have been pre-funded.

Sonangol is an experienced operator with a sustained track record across the leading and lagging indicators for safety and environmental considerations, including CO₂ emissions and flaring measurements. Afentra looks forward to working with Sonangol to determine action plans to further reduce future emissions.

Post completion of the Acquisition, the JV will be comprised as follows: Sonangol (Operator, 30%), Afentra (20%), M&P (20%), ENI (12%), Somoil (10%), NIS-Naftagas (4%) and INA (4%).

Asset Overview: Block 23

Block 23 is a 5,000 km² exploration and appraisal block located in the Kwanza basin in water depths from 600 to 1,600 metres 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 around 150 mmbo and tested at flow rates of around 3,000 - 4,000 bopd 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%).

Strategic Rationale

The Acquisition is consistent with the strategic objective set by Afentra at the time of its launch in May 2021 to build a balanced cash flow generative portfolio of assets where the Company can contribute to emissions reduction to drive a sustainable transition. These assets give Afentra exposure to a high-quality asset base with long-life, low-cost production, access to additional production optimisation opportunities, upside potential and opportunities to reduce future emissions.

Angola is a jurisdiction where the Afentra team have significant knowledge and previous experience. It offers an attractive operating environment, with good fiscal terms which have been improved in recent years to attract new investment. It is a material hydrocarbon province with a wealth of future opportunities and was a key target country for the Company.

Afentra are acquiring a meaningful interest in Block 3/05 alongside an experienced and credible operator and an aligned JV. Consistent with Afentra's Purpose and Strategy, Afentra will be working alongside Sonangol to support its transition strategy which is closely aligned with Afentra's ESG agenda. A key outcome of the due diligence work to date has been to identify the opportunity to work with the JV to enhance the environmental performance of Block 3/05 through emissions reductions.

Commenting on the update, CEO Paul McDade said:

“We are delighted to have agreed terms with Sonangol and signed the SPA for our entry into Block 3/05, Lower Congo basin and Block 23, Kwanza basin in Angola. This transformative deal marks our first acquisition since launch last year, and sees the Company enter Angola, a major oil and gas jurisdiction with significant opportunities ahead to build a material business and positively impact the energy transition in Africa.

This highly accretive transaction gives Afentra exposure to a high-quality asset base, underpinned by strong cash flow from stable and long-life production and 20 million barrels¹ of net 2P Reserves. The assets, containing over 3 billion barrels¹ of oil in place, provide significant scope for further value creation from production optimisation, infill drilling and incremental developments. The attractive deal metrics and strong cashflow generation demonstrate Afentra’s commercial discipline and focus on robust cash flow. The entry into Block 23 provides us the opportunity to work with Sonangol to better understand and unlock the potential of this exciting and highly prospective exploration area.

We are looking forward to partnering with Sonangol, which has run a very pragmatic and transparent process, and supporting them in delivering an effective energy transition strategy. We are also looking forward to demonstrating our commitment to the ESG principles upon which Afentra was launched and working to create value for all of our stakeholders.

The next steps will be to complete our due diligence process and to conclude our discussions on the debt facility to fund the acquisition, with a view to completing the transaction in the third quarter of 2022.

I would like to thank our shareholders for their patience through this process and hope they share the management’s excitement about the value creation implications of this deal. We look forward to communicating on our progress as we move towards the publication of the re-admission document and the recommencement of trading thereafter.”

1. OIIP and 2P Reserves are currently determined by Afentra and subject to ongoing independent Competent Persons Report.

Management Presentation – 10am Thursday 28 April

Afentra’s management team will host a live audiocast presentation today at 10am to provide further details on the Acquisition and the assets.

The live audiocast can be accessed via the following link:

<https://webcasting.buchanan.uk.com/broadcast/625eab44841dd838fd0be737>

A playback of the audiocast will be made available on the website: www.afentraplc.com

Analysts and investors wishing to participate in the Q&A session can do so by submitting questions to afentra@buchanan.uk.com, or via the chat function of the live audiocast, and these will be addressed by management during the audiocast.

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About Afentra

Afentra plc (AIM:AET) is an upstream oil and gas company focused on opportunities in Africa. The Company's purpose is to support a responsible energy transition in Africa by establishing itself as a credible partner for divesting IOCs and Host Governments. Afentra has a current carried interest in the Odewayne Block onshore southwestern Somaliland.

Inside Information

This announcement contains inside information for the purposes of article 7 of Regulation 2014/596/EU (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018) ('UK MAR'). Upon publication of this announcement, this inside information (as defined in UK MAR) is now considered to be in the public domain. For the purposes of UK MAR, the person responsible for arranging for the release of this announcement on behalf of Afentra is Paul McDade, Chief Executive Officer.

Technical Information

The technical information contained in this announcement has been reviewed and approved by Robin Rindfuss, Head of Sub-Surface at Afentra plc. Robin Rindfuss has over 25 years of experience in oil and gas exploration, production and development and is a member of the Society of Petroleum Engineers (SPE). The OIIP and 2P Reserves information set out herein are currently determined by Afentra and are subject to the ongoing preparation of an independent Competent Persons Report.

Continued suspension of trading

The Acquisition constitutes a reverse takeover in accordance with Rule 14 of the AIM Rules for Companies. An AIM re-admission document setting out, *inter alia*, details of the Acquisition (including a competent person's report on the assets being acquired) will be published and sent to Afentra's shareholders with a notice of general meeting. Accordingly, the Company's ordinary shares will remain suspended from trading on AIM until either the publication of an AIM admission document or until confirmation is given that the Acquisition is not proceeding. The Company will release further announcements as and when appropriate.

Standard

Estimates of reserves and resources have been prepared in accordance with the June 2018 Petroleum Resources Management System ("**PRMS**") as the standard for classification and reporting.