

**AFENTRA PLC**  
**('Afentra' or the 'Company')**

**Azule Acquisition & Sonangol Acquisition Update**

**SPA with Azule to acquire a further 12% of Block 3/05 and up to 16% of Block 3/05A**  
**Amended Sonangol Acquisition to acquire 14% of Block 3/05 offshore Angola**  
**Shares suspended**

Afentra is pleased to announce that its wholly-owned subsidiary, Afentra (Angola) Ltd, has signed a Sale and Purchase Agreement ('SPA') with Azule Energy Angola Production B.V. ('Azule') to purchase a 12% interest in Block 3/05 and a 16%<sup>1</sup> interest in Block 3/05A, offshore Angola (together the '**Azule Acquisition**') for a firm consideration of \$48.5 million and deferred contingent payments of up to \$36 million subject to oil price, production and development conditions.

In order to ensure support for this additional transaction and an appropriate balance of equity interests in Block 3/05, Afentra has agreed with Sonangol Pesquisa e Produção S.A. ('**Sonangol**') to amend the terms of the SPA dated as at 20 April 2022 to reduce the interest being acquired by Afentra in Block 3/05 from 20% to 14% (the '**Amended Sonangol Acquisition**'). The SPA terms for the Amended Sonangol Acquisition will remain unchanged from those previously announced with the exception that the acquisition consideration will be reduced on a pro-rata basis to reflect the reduced interest acquired. The firm and contingent considerations will therefore reduce to \$56 million and up to \$35 million, respectively.

In accordance with the AIM Rules for Companies, the Company's ordinary shares will be suspended from trading on AIM with effect from 7:30 a.m. today. 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 Amended Sonangol Acquisition and the Azule Acquisition are not proceeding. The Company expects to publish the Admission Document in early Q4 2023, with both the Azule Acquisition and the Amended Sonangol Acquisition being subject to shareholder approval thereafter. We now expect both transactions to complete, subject to shareholder approval, in Q4 2023.

**Acquisition Highlights**

- **Strategic rationale** – combined with the previously announced acquisition from INA, the Azule Acquisition and the Amended Sonangol Acquisition provides Afentra with material equity in both Block 3/05 (30%) and Block 3/05A (21.33%).<sup>1</sup> We will therefore significantly increase our exposure to the upside potential of these material production and near-term development assets with Block 3/05 benefitting from a recently extended licence term and improved fiscal terms.
- **Azule Acquisition** – acquisition of additional equity in Block 3/05 (12%) and Block 3/05A (16%)<sup>1</sup>
  - Initial consideration of \$48.5m
  - Contingent consideration of up to \$21m over 3 years subject to certain oil price and Block 3/05 production hurdles and an annual cap of \$7m
  - Contingent consideration of up to \$15m linked to the successful future development of certain Block 3/05A discoveries and associated oil price and production hurdles
  - Significant associated cost pool<sup>2</sup> has a positive impact on asset economics
  - Effective date of transaction 31 October 2022
- **Sonangol Acquisition** – amended to acquire a reduced working interest (from 20% to 14%) in Block 3/05
  - Initial consideration of \$56m
  - Contingent consideration of up to \$35m to be paid over ten calendar years commencing 1 January 2023 subject to certain oil price, production hurdles and an annual cap of \$3.5m
  - Effective date remains 20 April 2022
- **Combined Acquisitions** – material equity in both Block 3/05 (30%) and Block 3/05A (21.33%)<sup>1</sup>
  - Net 2P reserves of approx. 32 mmbbls and net 2C resources of approx. 20 mmbbls<sup>3</sup>
  - Production of approx. 6,000 bbl/d net (including production from Block 3/05A)
  - Increased exposure to significant upside potential:
    - Improved recovery from over 3 billion bbls of OIIP in Block 3/05
    - Development of multiple fully appraised discoveries in Block 3/05A
  - Decommissioning costs to date have been pre-funded by previous and existing JV partners
- **Funding** – the Amended Sonangol Acquisition and the Azule Acquisition will be financed through the existing

Mauritius Commercial Bank and Trafigura debt facilities that were utilised to complete the INA acquisition and from existing cash on the balance sheet. The cash payable at completion will be reduced depending on the level of cash flows from the acquired assets between their respective effective dates and their dates of completion.

### **Management Presentation – 10:00 am 19 July 2023**

Afentra will be hosting a Management presentation audiocast via Investor Meet Company today at 10:00 am (<https://www.investormeetcompany.com/afentra-plc/register-investor>) and a short accompanying presentation has been uploaded to the Afentra website: <https://afentraplc.com/investors/>.

Commenting on the update, CEO Paul McDade said:

"We are delighted to have agreed terms with Azule and signed the SPA increasing Afentra's interest in the high-quality producing Block 3/05 and a material increase in our Block 3/05A interest offering access to existing discovered resources. This highly accretive transaction further demonstrates the Company's commercial discipline and focus on robust cash flow, increasing our net production to ~6 kbb/d and 2P reserves to 32 mmbbls.<sup>3</sup>

As we continually seek to work closely and ensure support from Sonangol, we have sought to amend the Sonangol Acquisition SPA to reduce the acquired equity from 20% to 14%, reducing the upfront and contingent consideration on a pro-rata basis. This helps to ensure a balanced equity ownership in Block 3/05 and to progress the Azule Acquisition; moreover, we view the combined acquisitions as an attractive step forward for the business given the relative value at which we are acquiring the combined interests. Finally, as frustrating as it may be to suspend Afentra shares today, we continue to highlight how attractively structured these acquisitions are given the backdated effective dates – as demonstrated at completion of the INA acquisition – and, in the meantime, we continue to work closely with our joint venture partners to optimise the production and development of these high-quality assets.

I would like to thank our shareholders for their continued patience through these processes and hope they share in Afentra management's excitement about the value creation implications of these deals. We look forward to the timely publication of the Admission Document and the recommencement of trading thereafter with an expectation to complete both Sonangol and Azule transactions in Q4'23."

### **Azule Acquisition Overview**

Afentra is acquiring a 12% non-operated interest in Block 3/05 and an up to 16%<sup>1</sup> non-operated interest in Block 3/05A for a total consideration of up to \$84.5m with an effective date of 31 October 2022. The consideration is comprised of:

- Initial cash consideration of \$48.5m (\$47.5m for Block 3/05, \$1.0m for Block 3/05A), subject to customary completion adjustments;
- up to \$21m in contingent payments payable on a sliding scale above a Brent price of \$75/bbl with an annual cap of \$7m over the years 2023, 2024 & 2025; and
- up to \$15m in contingent consideration linked to the successful future development of the Caco-Gazela and Punja discoveries (split \$7.5m equally), payable 1 year after first oil subject to a Brent price of \$75/bbl and production hurdles.

This represents a strategic increase in Afentra's equity in the high-quality producing assets in Block 3/05 and the attractive developments in Block 3/05A where production is currently being tested. The attractive acquisition cost implies approx. \$3.7/bbl (based on 2P reserves)<sup>3</sup> with contingent payments agreed on a dollar increment basis above a \$75/bbl threshold. Finally, Afentra inherits an increased historical cost pool resulting in a higher NPV per acquired barrel.

The Azule Acquisition is expected to be funded by a combination of the existing debt facilities with Mauritius Commercial Bank and Trafigura, and existing cash on the Company's balance sheet.

### **Amended Sonangol Acquisition**

Afentra have worked with Sonangol to ensure that, post the Azule transaction, there is an appropriate balance of equity interests across Block 3/05. This has resulted in an agreement to adjust the equity being acquired from Sonangol by Afentra from 20% to 14% with a pro-rata adjustment to the consideration and all other terms remaining unchanged. This results in the firm consideration reducing from \$80m to \$56m and the contingent consideration of up to \$50m reducing to up to \$35m with a reduced cap of \$3.5m per annum for an unchanged period of 10 years commencing 1 January 2023 and an unchanged oil price hurdle of \$65/bbl. The effective date of the transaction of 20 April 2022 remains unchanged.

Post completion of the Azule and Sonangol Acquisitions, the joint venture partners across both Blocks 3/05 and 3/05A will be comprised as follows:

Block 3/05 partners	Post completion interests		
	INA deal	Sonangol deal	Azule deal
Sonangol (op.)	50%	36%	36%
<b>Afentra</b>	<b>4%</b>	<b>18%</b>	<b>30%</b>
M&P	20%	20%	20%
etu energias	10%	10%	10%
NIS Naftagas	4%	4%	4%
Azule Energy	12%	12%	0%

Block 3/05A partners <sup>1</sup>	Post completion interests		
	INA deal	Sonangol deal	Azule deal
Sonangol (op.)	33.33%	33.33%	33.33%
M&P	26.67%	26.67%	26.67%
<b>Afentra</b>	<b>5.33%</b>	<b>5.33%</b>	<b>21.33%</b>
etu energias	13.33%	13.33%	13.33%
NIS Naftagas	5.33%	5.33%	5.33%
Azule Energy	16.00%	16.00%	0%

## Strategic Rationale and Next Steps

The Azule 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. The Azule Acquisition and the Amended Sonangol Acquisition increases Afentra's exposure to a high-quality asset base with long-life, low-cost production, significant production optimisation opportunities, material access to existing light oil and associated gas discoveries in Block 3/05A with near-term tie-back development potential to existing Block 3/05 infrastructure. The Azule Acquisition and the Amended Sonangol Acquisition also increase Afentra's influence on the initiation of measures to reduce emissions. In addition, the interests acquired from Azule are being acquired at a low cost per barrel, have a high historical cost pool resulting in higher value barrels, and come with the security of having the Block 3/05 licence term extended with improved fiscal terms expected to support the production period to 2040.

We continue to work closely with Sonangol at all levels to progress the completion of the Amended Sonangol Acquisition and are pleased to have secured Sonangol's support of Afentra's increased equity in Block 3/05 through the Azule Acquisition. The transactions with Azule and Sonangol will lead to a smaller and more focused joint venture grouping that is committed to maximising the value of these material world-class assets for the benefit of all stakeholders.

The Company will now publish an updated Admission Document in due course, which will also convene a General Meeting at which the resolutions for shareholders to approve the Amended Sonangol Acquisition and the Azule Acquisition will be proposed. Subject to shareholder approval the Company will proceed to obtain Governmental approval for both transactions with an expectation to complete both transactions in Q4 2023.

## Operations Update

Production from Block 3/05 has averaged approx. 19,100 bbl/d in June 2023 and approx. 18,000 bbl/d for the first half of the year, demonstrating the benefit of continued restoration works over Q1'23 in addition to the well intervention activities underway in Block 3/05. Moreover, production uptime improved quarter-on-quarter, from 77% in Q1'23 to 87% in Q2'23. Water injection has averaged approx. 38,000 bbl/d for the first half of the year, a material increase on the first half of 2022. The continued light well intervention programme will focus on acid wash and stimulation across the Oombo, Pacassa, Palanca and Bufalo fields. In Block 3/05A, at the Gazela field, long term testing continues at approx. 1,200 bbl/d, enabling framing of potential low cost development options. Future activities on Block 3/05 will consist of additional well perforations and the installation of artificial lift on a sample of production wells that Afentra is leading. A gas management workstream has commenced to examine a holistic solution for gas which could enable a material reduction of emissions in the medium to long term.

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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 4% non-operated interests in the producing Block 3/05 and adjacent development Block 3/05A offshore Angola in the Lower Congo Basin. In addition, Afentra maintains a 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.

<sup>1</sup> Subject to final approval of the distribution of the China Sonangol International ('CSI') interest to the remaining joint venture partners. This increases the acquired working interest in Block 3/05A from Azule from 12% to 16% and the aggregated Afentra interest in the Block from 5.33% (4% pre-redistribution of CSI interest) to 21.33% (16% pre-redistribution of CSI interest).

<sup>2</sup> Approximately 1.8x (ratio) per percentage working interest relative to Sonangol in Block 3/05

<sup>3</sup> Based on the Competent Persons Report on Block 3/05 effective 1 January 2023, estimating 2P reserves of 108 mmbbls (gross) and 2C resources of 43 mmbbls (gross). Block 3/05A 2C resources are based on an Afentra resource estimate effective 1 January 2022 of 33 mmbbls (gross).