Anglo African Oil & Gas plc

Unaudited Consolidated Interim Financial Report

2017

for the six months ended 30 June 2017

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Company Information

Directors	D G Sefton	*Executive chairman*
	A A Macdonald	*Chief executive*
	J A Cane	*Finance director*
	B M Moritz	*Non-executive director*
	P J Davies	*Non-executive director*

Secretary
Cargil Management Services Limited

Registered Office
27/28 Eastcastle Street
London W1W 8DH

Registered Number
04140379

Independent Auditors
Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Solicitors (UK)
DLA Piper UK LLP
3 Noble Street
London EC2V 7EE

Solicitors (Republic of the Congo)
Cabinet d'Avocats Fernand Carle
BP 607 – Pointe Noire
Republique du Congo Brazzaville

Nominated Advisor and Broker
finnCap Limited
60 New Broad Street
London EC2M 1JJ

Bankers
Nedbank Limited
Millennium Bridge House
2 Lambeth Hill
London EC4V 4GG

Public Relations
St Brides Partners Limited
3 St Michael's Avenue
London EC3V 9DS

Website
www.aaog.co

Highlights

- Admission to AIM and £10 million equity capital raise to fund multi-well work programme to scale up production at the producing Tilapia oil field, Republic of the Congo
- Acquired 49% of the shares in Petro Kouilou SA, which owns a 56% interest in Tilapia, with the 44% balance held by the SNPC, the Congolese National Oil Company
- Completed the acquisition of the outstanding shares in Petro Kouilou to secure AAOG's 56% interest in Tilapia post-period end
- Tilapia represents a low-risk development play (R1, R2 and Mengo Sands Horizons) with exploration potential (Djeno Sands Horizon)
  - R1/R2 Sands – currently producing at Tilapia
  - Mengo Sands Horizon – an undeveloped reservoir from which wells on neighbouring fields are producing at rates of 200 – 800 bopd
  - Djeno Sands Horizon – a deeper exploration prospect from which adjacent wells are producing approximately 5,000 bopd
- Cash in hand at 25 September stands in excess of US$4.1m
- Drilling of the TLP-103 well fully funded in accordance with current licence terms – AAOG share of remaining budgeted cost is approximately US$2m
- Appointment of Alain Guiraud, experienced drilling manager, to lead the drilling of TLP-103, post-period end

Executive Chairman's Letter

At the time of our IPO in March 2017, we stated that AAOG was bringing private-equity capital discipline to the AIM oil and gas sector. By this we meant a tight control over costs to ensure as much of the £10 million we raised at the time of our Admission from blue-chip institutions and other valued investors was invested in a defined work programme at the Tilapia oil field in the Republic of the Congo. This is focused on scaling up production from proven horizons and an existing discovery, as well as testing a potential payzone that is known to be prolific on neighbouring fields. In keeping with the private-equity template, management's remuneration, which is based on ambitious production hurdles being cleared, is tied to success out in the field.

Management's willingness to sign-up to production targets is testament to our confidence in the Company's core asset. Following the two-stage acquisition of a 100% interest in Petro Kouilou SA during H1 and post period end, AAOG owns 56% of Tilapia with the remaining 44% held by SNPC. Tilapia, which is located in the prolific Lower Congo Basin, offers the attractive combination of low-cost development potential with high-impact exploration. Aside from the currently producing R1/R2 sands, there is an undeveloped discovery in the lower Mengo sands which has been assigned gross contingent resources of 8.1m barrels, and a deeper exploration prospect with gross prospective resources of 58.4m barrels in the Djeno interval from which the adjacent Minsala field produces 5,000 bopd.

Given the presence of multiple horizons at various stages of development, together with being located close to billion-barrel fields including the ENI-operated Litchendjili, we rate Tilapia a low-risk opportunity to generate material cash flows. In our view, realising the full potential of the producing R1/R2 reservoirs and monetising the discovery in the Mengo Sands discovery from which neighbouring fields are producing at rates of hundreds of barrels of oil a day per well, will generate significant value for shareholders.

At the time of our Admission, we detailed a 12-month development programme initially targeting the existing producing payzones. During the period, we commenced the workover of two existing wells, TLP-101 and TLP-102. Initial results at TLP-101 saw production increase 50% to 48 bopd from 32 bopd. We believe there is further upside as significant quantities of detritus material were discovered in the well which could be inhibiting production. The entire flow lines between the wellhead and the separator are due to be replaced shortly to remove this material ahead of the installation of a pump. Once completed, we expect to see a further increase in TLP-101's production. Meanwhile, testing of the R2 reservoir in TLP-102 confirmed the presence of recoverable hydrocarbons, though the well did not flow after reperforation. A mechanical intervention is planned to bring TLP-102 into production using the rig that will drill TLP-103, a new multi-horizon well, which will target production from the R1, R2 sands and test the Mengo discovery and the Djeno Sands.

While TLP-101 and 102 alone have the potential to increase production to between 185 and 250 bopd and see AAOG achieve operating breakeven at low oil prices, success at TLP-103 would be transformational. Not only would we expect to see the R1, R2 sands and the Mengo discovery drive company production to ~750 bopd, it would also open up the Djeno as a new play on the licence. With such a huge prize on offer, we are keen to have the best equipment to do the job. As previously announced, our favoured rig is currently under contract with a major international oil company operating nearby. After a full inspection, a number of technical adjustments are being made to the rig, which will not be completed until mid-October. The rig will likely not be operational at its current site before November 2017 and, as a result, it will not be available to AAOG before mid-December at the earliest. Having originally scheduled drilling TLP-103 in August/September 2017, the delay is frustrating. It does mean, however, that we will drill what we believe has the potential to be a company-making well using a rig that will have passed the standards of a blue-chip operator, and importantly will have been tried and tested in the field.

Executive Chairman's Letter

(continued)

I want to be clear that we are fully funded to drill the new TLP-103 well in accordance with current licence terms, under which 56% of the cost is met by AAOG and 44% by SNPC. Our cash position was £5.09m at period end. Our expenditure since IPO reflects the acquisition of the shares in Petro Kouilou SA, the gross cost of the workovers undertaken at TLP-101 and TLP-102, the general and administrative costs and listing costs.

We currently hold in excess of US$4.1m (£3.25m) cash in hand, which partly reflects the gross acquisition cost of certain long lead items for the drilling of TLP-103, a share of which is recoverable from our partner, SNPC.

As shareholders will be aware, we have recently made some changes to the operations team. I would like to thank Oleg Schkoda for his contribution to the Company. This was based on a careful analysis of operational performance to date at TLP-101 and TLP-102. Equally, we are aware that we need to ensure that the team in place to drill TLP-103 has the requisite skill set and in close co-operation with Gerard Bourgoin, Directeur General of Petro Kouilou, we have appointed, at the Petro Kouilou level, an experienced drilling manager, Alain Guiraud, to lead the campaign. M Guiraud is a very experienced drilling manager with global experience. He has worked as Republic of Congo Country Manager for Caroil and then from 2011 to 2014 for SFP, the drilling subsidiary of SNPC, as first Operations Manager and then General Manager. He also worked in the country earlier in his career for both SPIE and Maurel et Prom. He brings a wealth of experience from which the company can benefit. Ultimately, the current purpose of the Company is to drill TLP-103 and demonstrate the full value of the Tilapia asset. We are committed to achieving this as soon as possible.

Outlook

Much has been achieved since our Admission to AIM in March. We have completed the acquisition of a 56% interest in Tilapia, commenced the workover of existing wells to increase production, and we have advanced plans to drill a potentially transformational well. Given that we have selected a rig which will be "bedded down" by a world-class operator prior to delivery, timings have slipped. Despite this, the value inherent in Tilapia has not changed. Tilapia continues to be the low cost/low risk development opportunity and high-impact exploration play that we detailed in the Admission Document. It is located in a prolific hydrocarbon region close to excellent infrastructure and markets.

AAOG continues to have a strong balance sheet and sufficient capital to fund the TLP-103 well in accordance with the terms of the licence agreement. As of today, we have in excess of US$4.1 million cash in hand, having pre-paid approximately US$700,000 of drilling costs. AAOG's share of the remaining budgeted cost for drilling TLP 103 is approximately $2 million, with a contingency of a further US$700,000 needed only if the Djeno is unproven and we therefore complete the well for production from the Mengo. We are also owed approximately US$300,000 from SNPC for its share of the pre-paid costs. The company continues to tightly manage other costs, and management remain incentivised to significantly grow production. With this in mind, we are keen for drilling operations to commence at the TLP-103 well as soon as it is practicable to do so, as we look to build a highly cash generative producer and I look forward to updating you on the results of the drilling.

David Sefton
Executive Chairman

25 September 2017

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2017 (unaudited)

	Notes	Six months ended 30 June 2017 £	Four months ended 30 June 2016 £	Period ended 31 December 2016 (audited) £
Continuing operations				
Revenue		**65,661**	—	—
Cost of sales		**(285,500)**	—	—
Gross (loss)/profit		**(219,839)**	—	—
Administrative expenses		**(587,186)**	(317,192)	(931,829)
Operating loss before exceptional items		**(807,025)**	(317,192)	(931,829)
AIM admission costs		**(287,615)**	—	—
Costs of acquisition of subsidiaries		**—**	—	—
Costs associated with third party fundraising		**—**	—	—
Operating loss		**(1,094,640)**	(317,192)	(931,829)
Finance costs		**(61,941)**	—	(5,484)
Finance income		**—**	—	—
Loss before taxation		**(1,156,581)**	(317,192)	(937,313)
Taxation		**(3,196)**	—	—
Loss for the period		**(1,159,777)**	(317,192)	(937,313)
Total comprehensive expense for the period		**(1,159,777)**	(317,192)	(937,313)
Attributable to:				
Owners of the company		**(1,191,282)**	(317,192)	(937,313)
Non-controlling interests		**31,505**	—	—
Basic and diluted loss per ordinary share (pence)	6	**(3.41)**	(0.36)	(2.21)

Consolidated Statement of Financial Position

at 30 June 2017 (unaudited) (Registered number: 04140379)

	Notes	30 June 2017 £	30 June 2016 £	31 December 2016 (audited) £
Non-current assets				
Intangible assets	7	**3,208,148**	—	—
Property, plant and equipment	8	**227,138**	100,000	—
		3,435,286	100,000	—
Current assets				
Trade and other receivables		**1,114,740**	36,569	84,346
Cash and cash equivalents		**5,040,661**	1,830	2,078
		6,155,401	38,399	86,424
Total assets		**9,590,687**	138,399	86,424
Equity				
Shareholders' equity				
Share capital	9	**7,033,537**	4,463,008	4,463,008
Share premium		**8,091,064**	1,555,144	1,555,144
Currency translation reserve		**205,444**	156,557	156,557
Retained deficit		**(8,482,182)**	(6,670,779)	(7,290,900)
Equity attributable to owners of the company		**6,847,863**	(496,070)	(1,116,191)
Non-controlling interests		**(1,164,227)**	—	—
Total equity		**5,683,636**	(496,070)	(1,116,191)
Non-current liabilities				
Provisions		**2,712,346**	123,524	123,524
Current liabilities				
Trade and other payables		**1,194,705**	510,945	1,029,091
Loans and borrowings		**—**	—	50,000
Total liabilities		**3,907,051**	634,469	1,202,615
Total equity and liabilities		**9,590,687**	138,399	86,424

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017 (unaudited)

	Share capital £	Share premium £	Currency revaluation reserve £	Retained deficit £	Non-controlling interest £	Total equity £
Balance at 28 February 2016	4,463,008	1,555,144	156,557	(6,353,587)	—	(178,878)
Total comprehensive expense	—	—	—	(317,192)	—	(317,192)
Balance at 30 June 2016	4,463,008	1,555,144	156,557	(6,670,779)	—	(496,070)
Changes in equity					—	
Total comprehensive income	—	—	—	(620,121)	—	(620,121)
Balance at 31 December 2016	4,463,008	1,555,144	156,557	(7,290,900)	—	(1,116,191)
Changes in equity						
Acquisition of subsidiary	—	—	—	—	(1,195,732)	(1,195,732)
Issue of share capital	2,570,529	7,630,065	—	—	—	10,200,594
Costs of issuing equity instruments	—	(1,094,145)	—	—	—	(1,094,145)
Currency translation	—	—	48,887	—	—	48,887
Total comprehensive expense	—	—	—	(1,191,282)	31,505	(1,159,777)
Balance at 30 June 2017	7,033,537	8,091,064	205,444	(8,482,182)	(1,164,227)	5,683,636

Consolidated Statement of Cash Flows

for the six months ended 30 June 2017 (unaudited)

	Six months ended 30 June 2017 £	Four months ended 30 June 2016 £	Period ended 31 December 2016 (audited) £
Cash flows from operating activities			
Loss for the period	**(1,156,581)**	(317,192)	(937,313)
Adjustments for:			
Taxation	**(3,196)**	—	—
Depreciation charges	**38,167**	—	—
Movement in provisions	**16,560**	—	—
Currency exchange movement	**48,887**	—	—
Property, plant and equipment impairment	**—**	—	100,000
	(1,056,163)	(317,192)	(837,313)
Changes in:			
Stock	**—**	—	—
Trade and other receivables	**(493,759)**	21,636	(26,141)
Prepayments	**—**	71,998	71,998
Trade and other payables	**(587,929)**	224,157	742,303
Net cash used in operating activities	**(2,137,851)**	599	(49,153)
Cash flows from investing activities			
Purchase of tangible fixed assets	**(73,202)**	—	—
Acquisition of subsidiaries	**(2,059,308)**	—	—
Cash acquired upon acquisition of subsidiary	**252,495**		
Net cash from investing activities	**(1,880,015)**	—	—
Cash flows from financing activities			
Loan received in period	**—**	—	50,000
Loan repayment	**(50,000)**	—	—
Issue of share capital	**10,200,594**	—	—
Costs of issuing equity instruments	**(1,094,145)**	—	—
Net cash from financing activities	**9,056,449**	—	50,000
Increase/(decrease) in cash and cash equivalents	**5,038,583**	599	847
Cash and cash equivalents at beginning of period	**2,078**	1,231	1,231
Cash and cash equivalents at end of period	**5,040,661**	1,830	2,078

Notes to the Consolidated Financial Statements

for the six months ended 30 June 2017 (unaudited)

1. Reporting entity

The Company is incorporated and domiciled in England and Wales. The address can be found on the Company information page. The consolidated interim financial statements for the six months ended 30 June 2017 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. 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 period ended 31 December 2016.

A copy of the audited annual report for the period ended 31 December 2016 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 25 September 2017.

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 period ended 31 December 2016, with the exception of the policy relating to Revenue which was not included in the 2016 financial statements. The Revenue accounting policy is as follows:

Revenue

Revenue from the production of oil is recognised at the point at which oil is delivered to the customer.

The total revenue for the Group for the period was derived from its principal activity, being the production of oil.

Intangible Assets

Intangible assets relate to exploration licences which the group acquired upon the acquisition of Petro Kouilou S.A. during the period.

The intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The directors review the intangible assets at each year end and assess whether a provision for impairment is required.

Property, Plant and Equipment

Included within property, plant and equipment are oil and gas assets which were acquired upon the acquisition of Petro Kouilou S.A. These assets are stated at cost less accumulated depreciation and accumulated impairment losses. The oil and gas assets are being depreciated on a straight line basis over the life of the licence.

Notes to the Consolidated Financial Statements
(continued)

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 2017 £	Four months ended 30 June 2016 £	Period ended 31 December 2016 £
Costs associated with admission to AIM	**287,615**	—	—
Directors remuneration	**245,860**	—	—

The directors are considered to be key management personnel.

6. Basic and diluted loss per share

Basic

The calculation of loss per share for the six months to 30 June 2017 is based on the loss for the period attributable to ordinary shareholders of £1,191,282 divided by a weighted average number of ordinary shares in issue of 34,972,224 (December 2016 – £937,313/42,418,932).

The weighted average number of ordinary shares has been impacted by the share sub-division which took place on 25 July 2016.

At 1 March 2016, the issued share capital of the company consisted of 86,998,615 Ordinary shares of 1 pence each, 39,922,460 Deferred shares of 9 pence each and 86,998,615 B Deferred shares of 0.9 pence each. On 25 July 2016, the Ordinary shares were sub-divided into 1,739,972 shares of 5 pence each.

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

7. Intangible assets

	Six months ended 30 June 2017 £	Four months ended 30 June 2016 £	Period ended 31 December 2016 £
At start of period	**—**	—	—
Additions	**3,208,148**	—	—
At end of period	**3,208,148**	—	—

Additions relate to exploration licences acquired upon the acquisition of the subsidiary, Petro Kouilou S.A, during the period.

Notes to the Consolidated Financial Statements

(continued)

8. Property, plant and equipment

	Six months ended 30 June 2017 £	Four months ended 30 June 2016 £	Period ended 31 December 2016 £
Cost			
At start of period	**1,150,239**	1,150,239	1,150,239
Assets acquired as part of a business combination	**192,103**	—	—
Additions	**128,425**	—	—
Disposals	**(55,223)**	—	—
At end of period	**1,415,544**	1,150,239	1,150,239
Depreciation			
At start of period	**1,150,239**	1,050,239	1,050,239
Depreciation	**38,167**	—	—
Impairment	**—**	—	100,000
	1,188,406	1,050,239	1,150,239
Carrying amounts			
At end of period	**227,138**	100,000	—

9. Share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30 June 2017 £	30 June 2016 £	31 December 2016 £
53,150,550	Ordinary	£0.05	**2,657,528**	869,987	86,999
39,922,460	Deferred	£0.09	**3,593,021**	3,593,021	3,593,021
3,593,021	B Deferred	£0.009	**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 not material interest in the Company's residual assets.

At 1 January 2017, the issued share capital of the company consisted of 1,739,972 Ordinary shares of 5 pence each, 39,922,460 Deferred shares of 9 pence each and 86,998,615 B Deferred shares of 0.9 pence each.

On 6 March 2017, the company issued a further 51,410,578 Ordinary shares of 5 pence each, at a premium of 15 pence per share.

Notes to the Consolidated Financial Statements
(continued)

10. Provisions

	Six months ended 30 June 2017 £	Four months ended 30 June 2016 £	Period ended 31 December 2016 £
Provision for rehabilitation of drilling sites	**2,637,709**	—	—
Provision for rehabilitation of mining sites	**123,524**	123,524	123,524
At end of period	**2,761,233**	123,524	123,524

11. Acquisition of Petro Kouilou S.A

On 15 March 2017, the Group acquired 49% of the issued share capital of Petro Kouilou S.A for £2,059,308 (US$2,500,000), satisfied by cash.

Details of the acquisition are set out below:

	£
Fair value of consideration – Cash	2,059,308
Fair value of liabilities acquired	(1,148,840)
Fair value of exploration licences acquired	3,208,148
	2,059,308

12. Events after the reporting period

The Group acquired the remaining 51% shareholding of Petro Kouilou on 3 August 2017 for £3,270,803, satisfied by the issuance of 16,354,015 Ordinary shares of 5 pence each, issued at 20 pence per share.

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Registered office

27-28 Eastcastle Street
London W1W 8DH

www.aaog.co