Anglo African Oil & Gas plc

Unaudited Consolidated Interim Financial Report 2018

for the six months ended 30 June 2018

Contents

Company Information

Directors	D G Sefton	Executive chairman
	A J Berwick	Chief executive officer
	J A Cane	Finance director
	P J Beck	Non-executive director
	N J Butler	Non-executive director
	S Cope	Non-executive director
	B M Moritz	Non-executive director

Secretary
Cargil Management Services Limited

Registered office
27/28 Eastcastle Street
London W1W 8DH

Registered Number
04140379

Independent Auditors
Crowe U.K. LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

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

Bracewell LLP
25 Old Broad Street
London EC2N 1HQ

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

HSBC Bank plc
593-599 Fulham Road
London SW6 5UA

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

Website
www.aaog.com

Chairman's letter

Dear shareholder,

This report and accounts cover the six months to 30 June 2018, during which, with new management in place, the Company finally moved to deliver on the potential of its Tilapia asset and build up to the drilling of a new well.

Capital and financial planning

As I mentioned in the recent annual report, the entire board and I are very grateful to members for their support in the placing that closed in June 2018. That placing has enabled the Company to move forward with drilling the new well, whether or not its partners contribute to the upfront costs. This well is pivotal to the value of the Company.

In addition to the placing, and as part of our contingency planning, we also took the precautionary step of discussing with interested providers debt facilities which, if agreed, will be structured in a way that gives the Company and its members control over any dilutive effect on the shares. These negotiations took place over the summer and the importance of having done so was evident when the Company faced the situation of having to absorb costs relating to the re-spud of the new well.

This approach to capital planning is an ongoing process. We are very aware of the need to protect the interests of members and are actively developing plans that will enable the Company to grow and develop the Tilapia asset, as well as to acquire new assets, while at the same time ensuring that in doing so there must be accretive value to the shareholders.

New management team

As I mentioned in my letter in the annual report, we now have in place an experienced operational team led by James Berwick supported by a strong board with complementary skills and experience. The new directors have proved to be invaluable in our deliberations over the past nine months.

James Berwick's letter provides an up-to-date review of the operational progress made by the Company since his appointment. I would add that AAOG's team in-country have proved to be dedicated and professional, and we are most grateful to them for their hard work and determined approach to the challenges that we have faced.

I would also like to take this opportunity to introduce two new members of the non-board, executive team. Jeremy Patullo has joined from Chevron to provide further support on the finance side and brings with him a wealth of experience in budgeting and managing capital projects. In addition, David Livingston has joined from Upstream Risk Management and is providing much-needed support to James Berwick in managing the operations.

New licence

As I reported in June, the Company's investment in the Tilapia field has been welcomed by the Congolese authorities. We have been told by the authorities that the drilling of TLP-103C, and our interest in other fields in the country, are significant factors in the granting of a new licence for Tilapia, and we expect the process to complete shortly.

Overall strategy

At the moment, the focus remains on drilling what is now designated as TLP-103C. We have also developed plans for the full development of the Tilapia field, with the variations on that plan depending on the results of TLP-103C.

In addition, we have progressed discussions on new asset opportunities which fit with the Company's continued strategy of becoming a lean, profitable oil producer with a focus on the bottom line and a clear and unswerving commitment to the payment of dividends. We look forward to progressing these discussions further.

We will keep members updated on progress.

David Sefton
Executive chairman

27 September 2018

Chief Executive's letter

Dear shareholder,

I would like to take this opportunity to summarise the progress that the Company has made in the six months to 30 June 2018 and provide an operational update on works completed and future plans for the Tilapia site during this and the next financial period:

Six months to 30 June 2018

During the period under review, the Company made considerable strides towards its primary goal of turning the Tilapia site into a profitable, cash-generative asset. We have recruited new members to the operational team and restructured our operations in the Congo so that the Company now has a balanced and highly experienced group of oilfield specialists. Their expertise has enabled the Company to prepare and execute on a revised and greatly improved drilling programme that takes account of the increased knowledge of the asset and its geology that we have acquired since the start of the year. We have introduced a more stringent health and safety code of practice for our operations that provides the reassurance of best practice to our extensive team of employees and contractors on site (the majority of whom are Congolese nationals). In addition, we have built strong relationships with, among many others, the government department supervising our activities, and with SNPC, the national oil company. I am delighted to report that the group as a whole has worked collaboratively and most effectively during an intense period of planning and execution.

TLP-101 and TLP-102

The Company has during this period completed two successful workovers on wells TLP-101 and TLP-102 and is now in the process of analysing the results with a view to increasing production from its existing infrastructure.

TLP-103C

The TLP-103 well was spudded on 15 August but at approximately 290 metres we encountered a thief zone in the formation which caused the rig to shift on its pads some 50cm. It was decided, because of this movement, that it would be unsafe to continue drilling in this location. As a result, the Company gave instructions to abandon the current location and move 95m northwest of the 103 well and re-spud the well as TLP-103C.

A specialist rig, drilling and site inspector was despatched to the Tilapia site immediately on notification of the incident. Contingency planning has been included in the new 103C well design in order best to mitigate any further issues in the troublesome formation encountered on well 103. In order to accommodate the location change, the Company was required to complete remedial civil works to extend the drilling pad by some 50m, giving ample room for future development on the site. Construction of the new pad is now complete, and the Company expects to spud well TLP-103C during the week commencing 8 October 2018.

The Company through its contacts has been able to secure all the required long lead items to replace and enhance the new well.

Summary

Whilst we have encountered a short delay in the drilling of well 103, the operational team, drilling contractor and support services have all performed superbly over this period.

We will continue to conduct our operations in line with best industry practice and we look forward to announcing positive news flow in the next financial period.

James Berwick
Chief executive officer

27 September 2018

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2018 (unaudited)

	Note	Six months ended 30 June 2018 £	Six months ended 30 June 2017 £	Year ended 31 December 2017 (audited) £
Continuing operations				
Revenue		**106,378**	65,661	226,757
Cost of sales		**(385,121)**	(285,500)	(405,349)
Gross loss		**(278,743)**	(219,839)	(178,592)
Administrative expenses		**(1,605,175)**	(587,186)	(2,405,864)
Share-based payment charges		**(153,633)**	—	(138,332)
Operating loss before exceptional items		**(2,037,551)**	(807,025)	(2,722,788)
Fundraising costs		**(133,254)**	—	—
AIM admission costs		—	(287,615)	(363,869)
Loss from operating activities		**(2,170,805)**	(1,094,640)	(3,086,657)
Finance income		—	—	8,131
Finance costs		**(801)**	(61,941)	(62,543)
Loss before tax		**(2,171,606)**	(1,156,581)	(3,141,069)
Taxation		—	(3,196)	—
Loss for the period from operating activities		**(2,171,606)**	(1,159,777)	(3,141,069)
Exchange translation on foreign operations		**(41,349)**	—	215,514
Total comprehensive loss for the period		**(2,212,955)**	(1,159,777)	(2,925,555)
Attributable to:				
Owners of the company		**(2,212,955)**	(1,191,282)	(2,925,555)
Non-controlling interests		—	31,505	—
Basic and diluted loss per ordinary share (pence)	6	**(2.71)**	(3.41)	(5.75)

Consolidated Statement of Financial Position

at 30 June 2018 (unaudited)

	Notes	30 June 2018 £	30 June 2017 £	31 December 2017 (audited) £
Non-current assets				
Property, plant and equipment	7	**2,818,066**	227,138	3,048,818
Intangible assets	8	**8,378,540**	3,208,148	7,592,008
		11,196,606	3,435,286	10,640,826
Current assets				
Trade and other receivables		**1,546,955**	1,114,740	245,275
Prepayments		**8,305**	—	4,215
Cash and cash equivalents		**6,502,407**	5,040,661	2,696,911
		8,057,667	6,155,401	2,946,401
Total assets		**19,254,273**	9,590,687	13,587,227
Equity				
Shareholders' equity				
Share capital	9	**12,478,811**	7,033,537	7,851,238
Share premium		**14,286,058**	8,091,064	12,003,418
Currency revaluation reserve		**330,722**	205,444	372,071
Retained deficit		**(12,311,610)**	(8,482,182)	(10,293,637)
Equity attributable to owners of the Company		**14,783,981**	6,847,863	9,933,090
Non-controlling interests		**—**	(1,164,227)	—
Total equity		**14,783,981**	5,683,636	9,933,090
Current liabilities				
Trade and other payables		**1,858,246**	1,194,705	1,027,091
Loans and borrowings		**—**	—	15,000
Provisions		**123,524**	123,524	123,524
		1,981,770	1,318,229	1,165,615
Long-term liabilities				
Provisions		**2,488,522**	2,588,822	2,488,522
Total equity and liabilities		**19,254,273**	9,590,687	13,587,227

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018 (unaudited)

	Share capital £	Share premium £	Currency translation reserve £	Retained deficit £	Non-controlling interest £	Total £
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
Changes in equity						
Acquisition of subsidiary	—	—	—	—	1,164,227	1,164,227
Issue of share capital	817,701	3,954,964	—	—	—	4,772,665
Costs of issuing equity instruments	—	(42,610)	—	—	—	(42,610)
Share-based payment charge	—	—	—	138,332	—	138,332
Currency translation	—	—	166,627	—	—	166,627
Total comprehensive expense	—	—	—	(1,949,787)	—	(1,949,787)
Balance at 31 December 2017	7,851,238	12,003,418	372,071	(10,293,637)	—	9,933,090
Changes in equity						
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 charge	**—**	**—**	**—**	**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**

Consolidated Statement of Cash Flows

for the six months ended 30 June 2018 (unaudited)

	Six months ended 30 June 2018 £	Six months ended 30 June 2017 £	Year ended 31 December 2017 (audited) £
Cash flows from operating activities			
Loss for the period	**(2,171,606)**	(1,156,581)	(3,141,069)
Adjustments for:			
Taxation	**—**	(3,196)	—
Depreciation and amortisation	**901**	38,167	86,473
Provision movement	—	16,560	2,488,522
Currency exchange movement	**(41,349)**	48,887	215,514
Share-based payment charge	**153,633**	—	138,332
	(2,058,421)	(1,056,163)	(212,228)
Increase in trade and other receivables	**(1,301,680)**	(493,759)	(160,929)
Increase in prepayments	**(4,090)**	—	(4,215)
Decrease/(increase) in trade and other payables	**831,155**	(587,929)	(2,000)
Cash used in operating activities	**(2,533,036)**	(2,137,851)	(379,372)
Cash flows from investing activities			
Purchase of tangible fixed assets	**(108,747)**	(73,202)	(3,112,816)
Purchase of intangible fixed assets	**(786,532)**	—	(1,051,348)
Recharge/disposal of tangible fixed assets	**338,598**	—	—
Acquisition of subsidiaries net of cash received	**—**	(1,806,813)	(6,563,135)
Cash used in investing activities	**(556,681)**	(1,880,015)	(10,727,299)
Cash flows from financing activities			
Loan repayment	**(15,000)**	(50,000)	(35,000)
Issue of share capital	**7,404,117**	10,200,594	14,973,259
Costs of issuing equity instruments	**(493,904)**	(1,094,145)	(1,136,755)
Cash from financing activities	**6,895,213**	9,056,449	13,801,504
Increase in cash and cash equivalents	**3,805,496**	5,038,583	2,694,833
Cash and cash equivalents at beginning of period	**2,696,911**	2,078	2,078
Cash and cash equivalents at end of period	**6,502,407**	5,040,661	2,696,911

Notes to the Consolidated Financial Statements

for the six months ended 30 June 2018 (unaudited)

1. Reporting entity

The Company is incorporated and domiciled in England and Wales. The registered office address can be found on the Company Information page. The consolidated interim financial statements for the six months ended 30 June 2018 comprise the Company and subsidiaries. The Group will continue to be primarily involved in the extraction 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 year ended 31 December 2017.

A copy of the audited annual report for the year ended 31 December 2017 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 27 September 2018.

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 2017.

4. Operating segments

The Company manages a group primarily involved in the extraction and exploration of natural resources 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 2018 £	**Six months ended 30 June 2017 £**	**Year ended 31 December 2017 £**
Costs associated with fundraising	**133,254**	—	—
Costs associated with admission to AIM	—	287,615	363,869
Directors' remuneration	**378,083**	245,860	509,705

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 2018 is based on the comprehensive loss for the period attributable to ordinary shareholders of £2,212,955 divided by a weighted average number of ordinary shares in issue of 81,776,582 (December 2017 – £2,925,555/50,901,726).

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 2018 £	Six months ended 30 June 2017 £	Year ended 31 December 2017 £
Cost			
At start of period	**4,263,055**	1,150,239	1,150,239
Assets acquired as part of a business combination	**—**	192,103	—
Additions	**108,747**	128,425	3,112,816
Recharges/disposals	**(338,598)**	(55,223)	—
At end of period	**4,033,204**	1,415,544	4,263,055
Depreciation			
At start of period	**1,214,237**	1,150,239	1,150,239
Depreciation	**901**	38,167	63,998
Impairment	**—**	—	—
At end of period	**1,215,138**	1,188,406	1,214,237
Carrying amounts			
At end of period	**2,818,066**	227,138	3,048,818

8. Intangible assets

	Six months ended 30 June 2018 £	Six months ended 30 June 2017 £	Year ended 31 December 2017 £
Cost			
At start of period	**8,768,335**	1,153,852	1,153,852
Additions	**786,532**	3,208,148	7,614,483
At end of period	**9,554,867**	4,362,000	8,768,335
Amortisation			
At start of period	**1,176,327**	1,153,852	1,153,852
Depreciation	**—**	—	22,475
Impairment	**—**	—	—
At end of period	**1,176,327**	1,153,852	1,176,327
Carrying amounts			
At end of period	**8,378,540**	3,208,148	7,592,008

Notes to the Consolidated Financial Statements
(continued)

9. Share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30 June 2018 £	30 June 2017 £	31 December 2017 £
162,056,024	Ordinary	£0.05	8,102,802	2,657,528	3,475,229
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 5 June 2018, the Company issued 92,551,459 ordinary shares at a premium of three pence per share, raising £7,404,117 (US$10 million) (£6,763,740 net of costs).

10. Provisions

	30 June 2018 £	30 June 2017 £	31 December 2017 £
Provision for rehabilitation of drilling sites	**2,488,522**	2,588,822	2,488,522
Provision for rehabilitation of mining sites	**123,524**	123,524	123,524
At end of period	**2,612,046**	2,712,346	2,612,046

Registered office
27/28 Eastcastle Street
London W1W 8DH