

## **AFRICA OIL CORP.**

### **BUSINESS ACQUISITION REPORT**

#### **ITEM 1 – IDENTITY OF COMPANY**

##### **1.1 Name and Address of Company**

Africa Oil Corp. (“AOC” or the “Company”)  
Suite 2000 – 885 West Georgia Street  
Vancouver, BC  
Canada V6C 3E8

##### **1.2 Executive Officer**

Pascal Nicodeme  
Chief Financial Officer  
Africa Oil Corp.  
+44 (0)203 982 6800

#### **ITEM 2 – DETAILS OF ACQUISITION**

##### **2.1 Nature of Business Acquired**

The primary assets of Prime Oil and Gas B.V. (“Prime”, previously known as Petrobras Oil and Gas B.V.) are an indirect 8% interest in Oil Mining Lease (“OML”) 127, which contains the producing Agbami Field, operated by affiliates of Chevron Corporation, and an indirect 16% interest in OML 130, operated by affiliates of Total S.A., which contains the producing Akpo and Egina Fields. The Egina Field commenced production in December 2018 and production is currently ramping up. Both OMLs are located in deep water offshore Nigeria.

The three fields in these two OMLs are all located over 100 km offshore Nigeria. Aggregate gross field production from these assets averaged approximately 442,000 barrels of oil per day (“bopd”) between January 1, 2019 and December 31, 2019. The fields all have high quality reservoirs and produce light sweet crude oil with Floating Production, Storage and Offloading (“FPSO”) facilities

Prime is a private company based in the Netherlands.

##### **2.2 Acquisition Date**

The acquisition closed on January 14, 2020.

### **2.3 Consideration**

The Company acquired 851 shares (a 50% ownership) in Prime. The total cash payment by AOC to close the Acquisition, including the Nigerian Government's consent fee, amounted to \$519.5 million. This included a deferred payment of \$24.8 million which is due by the end of June 2020. This was funded partly in cash, and partly through a \$250.0 million two-year term facility with BTG Pactual S.A.

There is also a potential deferred consideration of \$118.0 million depending on the finalization of the Agbami redetermination. The likelihood of this redetermination concluding and finding in favour of the partners is considered remote. There is an AOC guarantee in place for this payment.

### **2.4 Effect on Financial Position**

AOC, through its wholly owned subsidiary PetroVida, acquired a 50% ownership in Prime. AOC will recognize its interest in Prime as an investment in a joint venture and will be accounting for the investment as an equity investment. Under the equity method, the investment in Prime is initially recognized at cost.

Subsequent to the date of acquisition, the carrying amount of the investment is increased or decreased to recognize the Company's share of the profit or loss of Prime. Distributions received from Prime will reduce the carrying amount of the investment. If the investment has been reduced to nil, distributions from POGBV will be recognized as dividend income in the statement of profit and loss. Adjustments to the carrying amount may also be necessary for changes in Prime's other comprehensive income. The Company's share of those changes is recognized in the Company's other comprehensive income.

The financial statements of Prime are prepared using the same reporting periods as the Company. At each reporting date, the Company determines whether there is objective evidence that the investment in Prime is impaired. If there is such evidence, the Company calculates the amount of impairment—the difference between the recoverable amount of the investment and its carrying value—then recognizes the loss in the consolidated statements of loss and comprehensive loss.

There are no plans or proposals for any material changes in the Company's business affairs, or the affairs of the business of Prime, which may have a significant effect on the financial performance and financial position of the Company, including any proposal to liquidate the business of the Company or Prime, to sell, lease or exchange all or a substantial part of its assets, to amalgamate the business or to make any other material changes to the business of the Company or Prime.

The current novel coronavirus (COVID-19) global health pandemic is significantly impacting the global economy and financial and commodity markets. The full extent and impact of the COVID-19 pandemic is unknown and to date has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices, extended shutdowns of numerous business activities and supply chain disruptions worldwide and has raised the prospect of an extended global recession. As well, as efforts are undertaken to slow the spread of the COVID-19 pandemic, the operation and development of the assets which the Company acquired an interest in may be impacted. Although the full impact of the COVID-19 pandemic on the global economy and its duration remains uncertain, disruptions caused by

COVID-19 or any other outbreak or public health emergency may adversely affect the performance of the Company. The degree to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume.

Prime has modest capital expenditure for this year and significantly, most of 2020 and Q1-2021 production has been hedged at average oil sales prices of respectively US\$66 per barrel and US\$60 per barrel.. These hedged positions are through physical forward sales and swaps with off-takers that are part of parent groups with investment grade credit ratings. There are no financial covenants or other factors relating to the term loan that would have a detrimental effect on the Company's liquidity, and the Company has sufficient financial strength to navigate through these difficult times until a possible recovery next year.

## **2.5 Prior Valuations**

Not applicable.

## **2.6 Parties to Transaction**

There are no informed parties involved in the acquisition of Prime.

## **2.7 Date of Report**

April 9, 2020

## **ITEM 3 – FINANCIAL STATEMENTS**

The following financial information required by Part 8 of National Instrument 51-102 - Continuous Disclosure Obligations is included in this report:

The Company accounts for its interest in Prime using the equity method. The financial disclosure in this Item 3 is derived from the audited Prime financial statements for the year ended December 31, 2019 which have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

<b>Statement of financial position</b>	<b>December 31,</b>	<b>December 31,</b>
(Expressed in thousands of US Dollars)	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Total current assets	503,653	559,588
Total long-term assets	3,779,129	3,934,354
<b>Total assets</b>	<b>\$ 4,282,782</b>	<b>\$ 4,493,942</b>
<b>LIABILITIES AND EQUITY</b>		
Total current liabilities	869,661	289,677
Total long-term liabilities	2,903,556	3,136,388
Total equity	509,565	1,067,877
<b>Total liabilities and equity</b>	<b>\$ 4,282,782</b>	<b>\$ 4,493,942</b>
<b>Statement of comprehensive loss for the years ended</b>		
(Expressed in thousands of US Dollars)	<b>December 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
Revenue	1,719,712	919,123
Profit for the year	522,345	133,442

Taking the acquisition into account, the Company has a 50% interest in Prime. To the best of its knowledge, the Company is not aware of any contingent issuance of securities by Prime that might significantly affect the Company's share of Prime's profit or loss.