



Management's Discussion and Analysis – September 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Oil Corp. and its subsidiaries (the "Company" or "AOC") during the three and nine months to September 30, 2021 and such factors that may affect its future performance. To better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2021 and 2020 and should also be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2020 and 2019 and related notes thereto.

The financial information in this MD&A is derived from the Company's unaudited consolidated financial statements which have been prepared in United States ("U.S.") dollars, in accordance with International Financial Reporting Standard as issued by the International Accounting Standards Board.

The effective date of this MD&A is November 15, 2021.

Additional information about the Company and its business activities is available on the Company's website at www.africaoilcorp.com and on SEDAR at www.sedar.com.

PROFILE AND STRATEGY

AOC is a Canadian oil and gas company with producing and development assets in deep-water offshore Nigeria, and development assets in Kenya and South Africa. The Company also has a portfolio of exploration and appraisal assets in Guyana, Kenya, Namibia, Nigeria, South Africa and in the Senegal Guinea Bissau Joint Development Zone ("AGC"). The Company holds its interests through direct ownership interests in concessions and through its shareholdings in investee companies, including Prime Oil & Gas Coöperatief U.A. ("Prime"), Africa Energy Corp. ("Africa Energy"), Eco (Atlantic) Oil & Gas Ltd. ("Eco") and Impact Oil and Gas Ltd ("Impact").

The Company has actively explored on multiple onshore exploration blocks in various under explored geological settings in East Africa and has made numerous oil discoveries in the South Lokichar Basin (Blocks 10BB and 13T) located in the Tertiary Rift trend in Kenya. Activities are ongoing with the goal of sanctioning development of the oil fields in the South Lokichar Basin.

AOC's long-term plan is to increase shareholder value through the acquisition, exploration, development, and production associated with oil and gas assets. The Company has delivered on its stated objective of acquiring high quality and free cash flowing producing assets and continues to consider acquisition and merger opportunities, focusing on Africa.

REFINANCING

On May 13, 2021 the Company signed the Corporate Facility, with an amount up to \$150.0 million and a three-year term, with \$130.0 million committed at that time. Post signing, the facility amount and commitments were increased to \$160.0 million ("Corporate Facility"). Completion occurred on July 16, 2021. On July 30, 2021 \$98.0 million was drawn down under the Corporate Facility in order to repay the existing Term Loan in full, and an additional \$62.0 million can be drawn until May 12, 2022, subject to the satisfaction of customary covenants. The undrawn amount can be used for general corporate purposes, including acquisitions, while ensuring the Company preserves a sufficient minimum cash balance to conduct operations.

In September 2021, Prime distributed a \$150.0 million dividend with a net payment to Africa Oil of \$75.0 million related to its 50% shareholding. The Company applied the full amount of \$75.0 million received, to reduce the outstanding balance of its Corporate Facility to \$23.0 million.

This loan has an interest rate of LIBOR plus a margin of 6.5% in the first year, 7% in the second year and 7.5% in the third year. The Corporate Facility has significantly reduced the Company's cost of capital and improved its liquidity position.

The Company has provided security in respect of the Corporate Facility mainly in the form of share pledges over the shares of Petrovida Holding B.V. (which holds 50% of Prime), Eco, Africa Energy and Impact owned by Africa Oil and a charge over the bank account into which the Prime dividends are paid.

The loan repayments are calculated to be protective of the Company's liquidity position and repayments under the loan are made in the month a dividend is received from Prime. The Company's loan repayments reduce commensurately with any reduction in dividends from Prime. The loan principal will be repaid by the lesser of 100% of the dividends received from Prime, and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment.

The principal amount of the Corporate Facility must be less than \$75.0 million on December 31, 2022, \$60.0 million by June 30, 2023 and \$50.0 million by December 31, 2023. If the Company makes a prepayment of the Corporate Facility prior to May 12, 2022 (unless the repayment is made from a dividend received from Prime), a make whole premium on the amount prepaid is payable at LIBOR+6.5%. The loan will be subject to financial and liquidity covenants.

AFRICA OIL'S SHAREHOLDING AND WORKING INTERESTS

The Company's material interests, and material exploration partnership interests are summarized in the following table:

Africa Oil's Shareholding in Prime Oil & Gas Coöperatief U.A. (50%)				
Country	Concession	Working Interests		
Nigeria	OML 127	Prime	8%	
		Chevron Corporation	32%	
		Famfa Oil	60% (carried)	
	OML 130 – PSA ¹	Prime	16%	
		Total	24%	
		SAPETRO	10% (carried)	
Africa Oil's Direct Working Interests ²				
Country	Concession	Gross Acreage (km ²)	Working Interests	
Kenya	10BA	11,760	AOC	25%
			Total	25%
			Tullow (Operator)	50%
Kenya	10BB	8,835	AOC	25%
			Total	25%
			Tullow (Operator)	50%
Kenya	13T	6,296	AOC	25%
			Total	25%
			Tullow (Operator)	50%
South Africa	3B/4B	17,581	AOC (Operator)	20%
			Azinam	20%
			Ricocure (Pty) Ltd	60%

(1) 50% of the production from OML 130 is covered by a PSA, in which Prime owns a 32% Working Interest. Prime's net Working Interest in OML 130 is therefore 16%.

(2) Net working interests are subject to back-in rights or carried working interests, if any, of the respective governments or national oil companies of the host governments.

Information on the Company's equity interests in Africa Energy, Eco and Impact is included in 'Equity Investments in Associates' on page 9.

PANDEMICS

2021 has still seen significant uncertainty and market volatility due to the impact of the COVID-19 pandemic, but the demand for oil has increased which has led to a steady increase in the Brent oil price to above \$75/bbl in the third quarter of 2021. The outlook for industry looks significantly better than during the height of the pandemic but there is still considerable uncertainty as to the time it will take for business activity and travel to return to normal and for oil demand to recover to the pre-pandemic level.

The impact of COVID-19 on the Company is largely related to the potential impact on dividends received from its investment in Prime that has three producing fields in Nigeria. Prime has benefited from a robust oil price hedging program, and has hedged or sold forward all of its allocated 2021 cargos at an average dated Brent price of \$62/bbl and six of its cargos in 2022 at an average dated Brent price of \$69/bbl. There have been no significant disruptions to operations due to the strict mitigation strategies the operators of Prime's Nigerian assets, Total S.A. ("Total") and Chevron Corporation ("Chevron") have implemented to minimize the risk of COVID-19.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE UPDATE

Africa Oil is committed to be a full-cycle E&P company that integrates sustainability considerations throughout its decision-making and operational management. The Company presented its vision, sustainability goals and select environmental, social and governance ("ESG") performance metrics in its inaugural ESG Review published in March 2021. The Company has since continued its ESG reporting and assurance activities in accordance with the requirements of its ESG Policies and Standards of Operation. The Company is also working with its operating partners to define and agree appropriate ESG monitoring and reporting frameworks, with a view to increasing both the breadth and depth of reported metrics. These expansions will support enhanced reporting, more aligned with recent updates to guidelines by the Taskforce for Climate-related Financial Disclosures (TCFD). The Canadian Securities Administrators (CSA) have also issued a proposed rule that would make TCFD aligned climate risk disclosures mandatory for Canadian listed companies. The rule is currently open for feedback until 17th January 2022 and could come into law as early as year-end 2022.

In Nigeria, the Company has continued to work with Prime, to develop appropriate and timely ESG performance monitoring and reporting procedures. ESG performance data is being provided to the Company on a quarterly basis and full-year data will be set out in the 2021 ESG Performance Review and available on the Company's website. In addition to providing transparency to the Company's stakeholders, this data will enable better engagement with the operating partners around performance and opportunities for improvement.

In Kenya, the Company has continued working with its joint venture partners on Block 10BB and Block 13T to develop an updated Field Development Plan, with a draft version of the document submitted in September 2021, with submission of the final document to the Government of Kenya planned for the fourth quarter of 2021. The project design is being revised to minimize production-related greenhouse gas emissions, a key focus and objective for the Company. In support of this, the Environmental and Social Impact Assessment ("ESIA") has been updated to reflect the revised project configuration. The ESIA was submitted for regulatory approval, and publicly disclosed, in September 2021.

As part of equity investment by the International Finance Corporation ("IFC") in the Company independent monitoring of compliance with IFC Performance Standards is undertaken on a regular basis. A review of Company performance, including a review of the ESIA for the Upstream project in Kenya, was undertaken in the third quarter of 2021 with no material adverse findings reported.

Responding to, and anticipating, the questions raised by increased shareholder and broader stakeholder focus on issues related to climate change risk and greenhouse gas emissions, the Company is working to develop an Energy Transition Plan. In the third quarter of 2021, the Company hired a Vice President of ESG to manage and continue to develop the Company's ESG strategy, with the Energy Transition Plan the first priority. This Plan, to be finalized in the first quarter of 2022, will set out the steps the Company will undertake over the short, medium and long-term to minimise Scope 1 and Scope 2 remaining operational emissions through effective design and operational management, and the steps taken to offset future emissions arising from oil production activities. The 2020 ESG Performance Review was prepared to align with the recommendations of the Task Force on Climate-Related Disclosures ("TCFD") and the Company is seeking to align further the planning and manage its activities in line with the guidelines as part of the 2021 ESG Performance Review.

EQUITY INVESTMENT IN PRIME AND OPERATIONS UPDATE

Prime - Nigeria

On January 14, 2020, the Company acquired a 50% ownership interest in Prime for \$519.5 million. BTG Pactual SARL B.V. ("BTG") continues to own the remaining 50% of Prime. The Company's 50% equity interest in Prime is accounted for as an Investment in Joint Venture under the equity method on the Balance Sheet. The Company records a 50% share of Prime's net income or loss in the period in the Statement of Net Income/Loss, as well as a 50% share of their Other Comprehensive Income/Loss. Dividends received are disclosed as a cash flow from investing activities in the Cash Flow Statement.

The main assets of Prime are an indirect 8% interest in Oil Mining Lease ("OML") 127 and an indirect 16% interest in OML 130. OML 127 is operated by affiliates of Chevron Corporation and covers part of the producing Agbami Field. OML 130 is operated by affiliates of Total S.A. and contains the producing Akpo and Egina Fields. The three fields in these two OMLs are located over 100 km offshore Nigeria. All three fields have high quality reservoirs and produce light to medium sweet crude oil through Floating Production and Storage ("FPSO") facilities. Akpo and Egina also produce natural gas that is exported onshore for sale. The Company accounts for its interest in Prime under the equity method.

Production Metrics – Barrels of oil equivalent per day ("boepd"):

	Unit	Three months to September 30, 2021	Nine months to September 30, 2021	Three months to September 30, 2020	Nine months to September 30, 2020	Year to December 31, 2020
Total gross field production	boepd	428,000	433,500	432,000	470,000	457,000
Net to AOC's 50% shareholding:						
Average daily working interest production	boepd	27,500	27,800	26,900	29,500	28,700
Average daily entitlement production	boepd	30,100	30,300	27,800	35,300	33,900
Oil/gas percentage split	%	84%/16%	84%/16%	88%/12%	85%/15%	85%/15%

Financial Metrics

	Unit	Three months to September 30, 2021	Nine months to September 30, 2021	Three months to September 30, 2020	Nine months to September 30, 2020	Year to December 31, 2020
Opex/boe ⁽¹⁾	\$/boe	5.2	5.6	4.4	4.9	5.2
Free cash flow/boe ⁽¹⁾	\$/boe	34.9	36.7	44.6	79.3	49.2
Net to AOC's 50% shareholding:						
Capex	\$'m	9.6	15.3	4.1	9.7	15.0
Dividends paid	\$'m	112.5	150.0	25.0	137.5	200.0

(1) BOE is calculated on a working interest basis. Definitions and reconciliations to these non-GAAP measures are provided on page 17

In July 2021, OPEC+ members announced they would be gradually increasing the crude production quotas by 400,000 barrels per month from August 2021 to September 2022. Quotas impacting Egina field were relaxed in June 2021, enabling all assets to produce without restrictions during the third quarter of 2021. Overall production performance for the third quarter of 2021 fell within the top quartile of the 2021 management guidance and reservoir performance remains broadly in line with expectation. With the recovery in oil prices, there is now greater attention to project activities to support production levels from Prime's assets. During the third quarter of 2021 drilling activities on the one Akpo infill well reached total depth during the quarter, completion and hook up activities are ongoing.

During the third quarter of 2021, Prime was allocated four oil liftings with total sales volume of approximately 4.0 million barrels or 2.0 million barrels net to Africa Oil's 50% shareholding. During the third quarter of 2020, Prime was allocated seven oil liftings with total sales volume of approximately 6.7 million barrels or 3.3 million barrels net to Africa Oil's 50% shareholding.

In the first nine months of 2021, Prime lifted and sold thirteen cargos representing a sales volume of 13.0 million barrels or 6.5 million barrels net to Africa Oil's shareholding. In the first nine months of 2020, Prime lifted and sold seventeen cargos representing a sales volume of 16.2 million barrels or 8.1 million barrels net to Africa Oil's shareholding.

During the three and nine months ended September 30, 2021, Prime generated sales revenue of \$164.1 million and \$445.0 million respectively net to AOC's shareholding (\$212.5 million and \$551.3 million respectively in the three and nine months ended September 30, 2020). Production of the Egina field was affected by the imposition of OPEC+ quotas in April and May of the second quarter of 2021. Sales revenue have reduced due to lower volumes of oil sold in the three and nine month periods to September 30 2021 compared to the respective periods in 2020. In July 2021, the OML 130 Gas Sales and Purchase Agreement was signed by all parties, resolving historical gas sales from July 2018.

Prime continues its hedging program in 2021 and has hedged or sold forward all of its allocated 2021 cargos at an average dated Brent price of \$62/bbl and six of its cargos in 2022 at an average dated Brent price of \$69/bbl. These contracts are with counterparties including oil supermajors and commodity trading houses. The counterparties are part of groups with investment grade credit ratings.

The average operating costs in the three and nine months ended September 30, 2021 were \$5.2 and \$5.6 per boe respectively, compared with an average operating cost of \$4.4 and \$4.9 per boe for the corresponding periods in 2020. The increase is due to well interventions in all fields and the average working interest production reducing in 2021 compared to 2020.

Capital expenditure during the three and nine months to September 30, 2021, net to the Company's shareholding was \$9.6 million and \$15.3 million respectively (three and nine months to September 30, 2020 was \$4.1 million and \$9.7 million net to the Company's shareholding). The increase was primarily due to drilling activities on Akpo field which remain ongoing. Production from the infill well is expected to commence in the fourth quarter of 2021.

On August 16, 2021, the Nigerian President signed the Petroleum Industry Bill into law as the Petroleum Industry Act, 2021 ("PIA"). The PIA will change the terms that are applied to Prime's licenses on renewal, or on voluntary conversion and renewal. A number of amendments to fiscal terms have been made and analysis is ongoing but are expected to be positive overall.

Net to AOC's shareholding, Prime generated net cash from operating activities of \$128.4 million (after working capital adjustment of \$24.0 million) and \$466.6 million (after working capital adjustment of \$4.2 million) for the three and nine months to September 30, 2021 respectively with the corresponding amounts in 2020 being cash generated of \$105.7 million (after working capital adjustment of \$15.4 million) and cash generated of \$436.2 million (after working capital adjustment of \$5.7 million) for the three and nine months respectively. Free cash flow amounted to approximately \$88.3 million and \$278.0 million net to AOC's shareholding for the three and nine months to September 30, 2021 respectively with the corresponding amounts in 2020 being \$109.3 million and \$423.3 million. Prime has repaid \$273.3 million of RBL debt over the first nine months of 2021 reducing its gross debt to \$1,029.5 million and at September 30, 2021 had \$489.7 million of cash which results in a net debt of \$539.8 million.

Prime distributed two dividend payments totaling \$225.0 million gross in the three-month period to September 30, 2021, with a net payment to the Company of \$112.5 million related to its 50% interest. Prime distributed one dividend payment totaling \$50.0 million gross in the three-month period to September 30, 2020 with a net payment to the Company of \$25.0 million. Prime distributed 3 dividend payments totaling \$300.0 million in the nine-month period to September 30, 2021 with a net payment to the Company of \$150.0 million. Prime distributed four dividend payments totaling \$275.0 million in the period from acquisition to September 30, 2020 with a net payment to the Company of \$137.5 million. In the period from completion of the Prime acquisition to the date of this MD&A, Prime has distributed nine dividend payments totaling \$700.0 million gross with a net payment to the Company of \$350.0 million related to its 50% interest.

On June 25, 2021, Prime signed a Securitization Agreement with Equinor and Chevron, whereby Equinor agreed to pay a security deposit to the two other partners to secure future payments due under that Securitization Agreement, pending a comprehensive resolution being reached among all unit parties in respect of the tract participation in the Agbami field. In accordance with the Securitization Agreement, on June 29, 2021 Prime received from Equinor its portion of the security deposit in the form of a cash payment of \$305.0 million. A provision has been recorded within Prime to reflect the mechanism pursuant to which any such imbalance payments due from Equinor to Prime under the terms of any future agreement among the Agbami parties will be set-off against this security deposit. The parties will continue ongoing discussions in an attempt to seek final resolution of the formal redetermination of the Agbami tract participation.

Under the Prime Sale and Purchase Agreement completed on January 14, 2020, a deferred payment of \$118.0 million, subject to adjustment, may be due to the seller contingent upon the timing and ultimate OML 127 tract participation in the Agbami field. The signing of the Securitization Agreement by Prime has led to the Company reassessing its view of the likelihood of making a contingent consideration payment to the seller. The signing of the Securitization Agreement by Prime does not constitute a redetermination of the tract participation, therefore does not trigger the payment of a contingent consideration under the Sale and Purchase Agreement but, at the Company's discretion, could trigger discussions with the seller. The outcome of this process is uncertain. The Company has therefore recorded \$32.0 million as contingent consideration as the best estimate of the most likely outcome and increases the Company's investment in Prime.

The South Lokichar Development Project (Blocks 10BB and 13T)

Africa Oil Corp. has a 25% working interest in Blocks 10BB and 13T (before Government's back-in rights) with Tullow Oil plc (50% and Operator) and Total S.A. (25%) holding the remaining interests.

The Company has submitted a draft field development plan to the Government of Kenya and is working closely with the Government of Kenya and its Joint Venture partners to submit the final Field Development Plan ("FDP") in the fourth quarter of 2021. The revised development plan is expected to result in a more economically beneficial and sustainable development plan. These licenses have been extended to the end of December 2021. The Company have incurred \$ 2.2 million of capital expenditure directly associated with Blocks 10BB and 13T in the nine months to September 30, 2021.

Africa Oil and its JV Partners are actively seeking strategic partners for the project. It is intended that a strategic partner will be secured ahead of the Final Investment Decision ("FID").

Exploration Block 10BA - Kenya

Africa Oil Corp. has a 25% working interest in Block 10BA (subject to the Government's back-in rights) with Tullow Oil plc (50% and Operator) and Total S.A. (25%) holding the remaining interests.

The license has been extended to April 26th, 2022 allowing time for the joint venture to include and align the Block 10BA work program with the proposed FDP for Blocks 10BB and 13T. The work commitments remain unchanged and include an exploratory well. The Company is required to present a plan for drilling in the Block prior to the deadline for submission of the FDP.

Block 3B/4B - South Africa

Africa Oil Corp. farmed in to Block 3B/4B, offshore South Africa, in July 2019. The Company holds a 20% participating interest and operatorship.

The 2D and 3D seismic data previously acquired in the Block is being evaluated by the JV partners and will form the basis for the initial period work program along with other regional and technical studies. The joint venture is reprocessing 3D seismic data in the areas of interest.

Tertiary Rift – Ethiopia

The Company has exited Ethiopia and has completed all work commitments.

EQUITY INVESTMENTS IN ASSOCIATES

The Company holds equity participations in three oil and gas companies, which provides exposure to several high-impact exploration drilling prospects in South Africa, Namibia, and Guyana.

The Company held the following equity investments in associates as of September 30, 2021:

	Africa Energy	Eco	Impact ⁽¹⁾
Issued and Outstanding	1,395,333,039	199,643,636	827,391,238
Shares held by AOC at January 1, 2021	276,982,414	33,952,850	255,629,487
Shares acquired in the period	-	5,945,913	-
Shares held by AOC at September 30, 2021	276,982,414	39,898,763	255,629,487
AOC's holding (%) – September 30, 2021	19.9%	19.9%	30.9%
AOC's holding (%) – December 31, 2020	19.9%	18.4%	30.9%
Share price on September 30, 2021	CAD \$0.31	CAD \$0.47	-
Exchange rate to USD on September 30, 2021	0.79	0.79	-

⁽¹⁾ Impact is a privately held UK company and no share price is available.

Impact Oil and Gas Limited ("Impact")

Impact is a private UK oil and gas exploration company with assets located offshore Namibia, South Africa and West Africa. The Company's ownership interest is approximately 30.9% at September 30, 2021.

Impact has an indirect interest in Block 11B/12B, South Africa. In 2020 Africa Energy and Impact announced a consolidation of their indirect interest in the Block 11B/12B exploration right. Following completion, Impact holds 36.5% of the Common Shares in Africa Energy.

Impact, with partners Total and Qatar Petroleum, have plans to spud the Venus-1 deep water exploration well in Block 2913B, offshore Namibia by year-end. The well will test a laterally extensive basin-floor fan prospect with large resource potential if successful.

On May 17, 2021 Impact announced it had completed a farm-in transaction between its subsidiary, Impact Africa Limited and Silver Wave Energy Pte Ltd for the acquisition of a 90% working interest and operatorship of Area 2, offshore South Africa.

On August 31, 2021 Impact announced it had completed a farm-out transaction between its subsidiary, Impact Africa Limited and BG International Limited for a 50% working interest and operatorship in the Transkei and Algoa explorations rights, offshore South Africa with the Government granting a second renewal period of the license expiring in August 2023.

Africa Energy Corp. ("Africa Energy")

Africa Energy is an international oil and gas exploration company that holds a 27.5% participating interest in the offshore Exploration Right for Block 2B in South Africa, an effective 10% participating interest in offshore Petroleum License 37 in Namibia ("PEL 37"), and an effective 10% participating interest in the Exploration Right for Block 11B/12B offshore South Africa. The Company's ownership interest is approximately 19.9% at September 30, 2021.

The Block 11B/12B joint venture is proceeding with development studies and engaging with authorities on gas commercialization due to the success of the Brulpadda and Luiperd gas condensate discoveries. Africa Energy and its joint venture partners are contemplating an early production system ("EPS") for a phased development of Block 11B/12B. The joint venture is currently performing development studies and preparing a field development plan and an environmental application with the intention of agreeing gas terms and submitting an application for a Production Right before the Exploration Right expires in September 2022. The EPS would provide first gas and condensate production from the Luiperd discovery and would accelerate the Block 11B/12B development timeline by utilizing existing nearby infrastructure in the adjacent block in order to supply gas to existing customers in Mossel Bay. The development of Block 11B/12B will have positive implications for the South African economy and will be critical in facilitating the country's energy transition away from coal with a domestic natural gas supply.

Africa Energy held a 90% participating interest in Block 2B. On April 20, 2021, Africa Energy closed a farmout transaction to transfer operatorship and an aggregate 62.5% participating interest in the Exploration Right for Block 2B in consideration for a carry through the next exploration well, Gazania-1, which has been delayed until 2022. Africa Energy retains a 27.5% participating interest in Block 2B.

Eco (Atlantic) Oil and Gas Ltd. ("Eco")

Eco holds working interests in four exploration blocks offshore Namibia and one exploration block offshore Guyana. The Company's ownership interest is approximately 19.9% at September 30, 2021. On January 26, 2021, the Company announced the formation of a new joint venture company, Solear Limited, to source, acquire and develop an exclusive pipeline of potential high yield solar projects

Eco and its partners are currently studying the feasibility of monetizing two heavy oil discoveries in the Orinduik block offshore Guyana and are reprocessing 3D seismic data to help high grade deeper prospects in the block that could have a higher chance of encountering lighter oil.

On June 28, 2021 Eco announced that it had acquired a 10% interest in JHI Associates Inc. which provides Eco with immediate exposure to an active drilling programme in the Canje Block offshore Guyana. On the same date, Eco announced that it had completed a private placement to raise approximately CAD \$6.1 million from two partners including Africa Oil and this was subsequently approved by the TSX Venture Exchange on July 9, 2021. The Company has subscribed for 5,945,913 new common shares at a price of CAD\$0.41 per new common share totaling \$2.0 million and was granted the same number of warrants to acquire common shares at the same price over a two-year period. This increased the Company's interest in Eco from 18.4% to 19.9%.

On July 5, 2021 Eco announced that the Jabillo-1 well in the Canje Block reached its planned target depth and was evaluated but did not show evidence of commercial hydrocarbons. This will now be plugged and abandoned.

On August 31, 2021 Eco announced that the Sapote-1 well on the Canje block had been spudded and on November 1, 2021 Eco announced that the well recorded hydrocarbon shows while drilling, and in the logging sequence, in a deeper interval than anticipated, but had no shows in the upper primary objective horizon.

RECENT DEVELOPMENTS

Kenya Revenue Authority

The Company's Kenyan Branch of its wholly owned subsidiary, Africa Oil Kenya B.V., has been assessed for corporate income tax ("CIT") and value added tax ("VAT") by the Kenya Revenue Authority ("KRA") relating to farmout transactions completed during the period 2012 to 2017.

The Kenyan Tax Appeals Tribunal ("TAT") has ruled in favour of the Company with regards to the CIT assessments, which amounts to \$22.2 million, plus interest and penalties. However, the TAT ruled in favour of the KRA with regards to the VAT assessments which amounts to \$26.0 million plus interest. The Company maintains its position that the VAT assessment is without merit and has duly filed an appeal with Kenya's High Court to challenge the position. The KRA appealed the CIT assessment. The Court is expected to meet in the fourth quarter of 2021 where the Judge is expected to give his judgment. The Company expects it is more likely than not that it will be successful in upholding the CIT and defending the VAT assessments and therefore no liability has been recognized in the financial statements. If the High Court rules against the Company, the Company will consider the option to appeal, factoring in the amount of any financial security required as part of the appeals process. An unfavourable decision could have a material negative impact on the value of the Company's Kenyan Intangible Exploration Assets.

SUMMARY OF QUARTERLY INFORMATION

Summarized quarterly results for the past eight quarters are as follows:

Three months ended (Thousands, except per share amounts)	30-Sep 2021	30-Jun 2021	31-Mar 2021	31-Dec 2020	30-Sep 2020	30-Jun 2020	31-Mar 2020	31-Dec 2019
Share of profit/(loss) from equity investments (\$)	69,748	47,359	47,929	91,234	31,755	30,318	87,055	(3,446)
Net income/(loss) attributable to common shareholders (\$)	58,506	38,384	38,920	79,845	21,189	19,234	(137,882)	(146,198)
Weighted average shares - Basic	473,505	473,253	472,147	471,954	471,950	471,950	471,311	471,214
Weighted average shares - Diluted	477,799	476,398	475,011	475,144	475,150	475,150	471,311	471,214
Basic income/(loss) per share (\$)	0.12	0.08	0.08	0.17	0.04	0.04	(0.29)	(0.31)
Diluted income/(loss) per share (\$)	0.12	0.08	0.08	0.17	0.04	0.04	(0.29)	(0.31)

With the acquisition of Prime completed on January 14, 2020, the last seven quarters have included the Company's 50% share of Prime's results in income/(loss) from equity investments.

The Company recognized impairments in December 31, 2019 and March 31, 2020 relating to its Kenyan intangible exploration and evaluation assets, which contributed to the net loss in those quarters.

RESULTS OF OPERATIONS

(thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Share of profit from equity investments	69,748	31,755	165,036	149,128
Salaries and benefits	(987)	(900)	(3,468)	(3,464)
Share-based compensation	(2,873)	(485)	(4,888)	(1,171)
Office and general	(2,194)	(1,905)	(4,647)	(4,411)
Impairment of intangible exploration assets	-	-	-	(215,600)
Net operating income/(loss)	63,694	28,465	152,033	(75,518)

The Company recognized net operating income amounting to \$63.7 million and \$152.0 million during the three and nine months ended September 30, 2021 compared with a net operating income of \$28.5 million and loss of \$75.5 million during the same period in 2020. Included in the Company's share of profit from equity investments is profit from its 50% investment in Prime of \$70.6 million in the third quarter of 2021 compared with \$32.5 million during the third quarter of 2020 and \$168.3 million in the nine months to September 30, 2021 compared with \$149.8 million in the comparative period in 2020.

The operating loss in the nine months to September 30, 2020 was primarily due to the recognition of a \$215.6 million impairment of intangible exploration assets relating to the valuation of the Kenyan development project and Block 10BA. The share of profit from the Company's investment in Prime in which the Company recognized \$149.1 million during the first nine months of 2020, included impairment recognized in the Egina field.

Salaries and benefits are slightly higher during the third quarter of 2021 compared to the same quarter in 2020, due to new hires in the third quarter of 2021, offset by lower time writing in the third quarter of 2021. Salaries and benefits were similar when comparing the 9 months to September 30, 2021 with the respective period in 2020 due to the increased head count in the third quarter of 2021 being offset off by the impact of the severance payments in the nine months to September 30, 2020.

The share-based compensation charge relates to the Long Term Incentive Plan ("LTIP") and Stock Option Plan. The higher charge in the third quarter of 2021 and nine months ending September 30, 2021 compared with the third quarter of 2020 and nine months ending September 30, 2020 is due to the increase in the share price affecting the PSU and RSU valuation.

Operating expenses relating to corporate overheads were higher by \$0.3 million during the three and nine months ended September 30, 2021 compared to the respective period in 2020 primarily due to increased travel costs and the write off of local working capital balances in Ethiopia as the Group continues to move forward with exiting the country.

FINANCE EXPENSE

(thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Interest expense	2,351	7,301	13,425	23,027
Fees associated with Corporate Facility	2,884	-	2,884	-
Finance expense	5,235	7,301	16,309	23,027

The Company recognized a finance expense of \$5.2 million and \$16.3 million for the three and nine months ended September 30, 2021 with the corresponding amounts in 2020 being \$7.3 million and \$23.0 million.

The interest expense has reduced by \$5.0 million in three-month periods to September 30 as the Corporate Facility that was drawn on July 30, 2021 has a lower interest rate than the Term Loan. The carrying balance of the outstanding loan payables were significantly lower at September 30, 2021 compared to September 30, 2020 reducing from \$176.9 million to \$23.0 million. The fees associated with the signing of the Corporate Facility were recorded as an asset at June 30, 2021 and have been released proportionally to the loan repayment. There were no fees incurred in 2020.

The interest expense has reduced by \$9.6 million in the nine-month periods to September 30. This is partly as a result of the lower interest rate on the Corporate Facility compared to the Term Loan and the lower carrying value of the outstanding loan payables in 2021 compared to 2020.

INTANGIBLE EXPLORATION ASSETS

(thousands)	September 30, 2021	December 31, 2020
Intangible exploration assets	192,861	190,396

During the nine months to September 30, 2021 the Company and its joint venture partners in Kenya progressed the revised FDP for submission in the fourth quarter of 2021. The expenditure on projects in Kenya in the three and nine months to September 30, 2021 was \$1.4 million and \$2.2 million, including the release of project accruals and provisions no longer expected to fall due (\$19.0 million and \$3.4 million in the three and nine months to 30 September 2020). The Company incurred \$0.1 million and \$0.3 million on Block 3B/4B reevaluating 2D and 3D seismic data previously acquired in the three and nine month period to September 30, 2021 compared to \$(0.6) and \$4.0 in corresponding periods in 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2021, the Company had cash of \$38.9 million and positive working capital of \$31.7 million. At December 31, 2020 the comparative was a cash position of \$40.5 million and working capital of \$29.3 million.

Prime distributed two dividends totaling \$225.0 million to its shareholders in the third quarter of 2021 with a net payment to Africa Oil of \$112.5 million related to its 50% interest. Prime distributed 3 dividend payments totaling \$300.0 million in the nine-month period to September 30, 2021 with a net payment to the Company of \$150.0 million related to its 50% interest. During the year ended December 31, 2020, Prime distributed six dividend payments totaling of \$400.0 million to its shareholders, with a net payment to Africa Oil of \$200.0 million.

Term Loan

At December 31, 2020 the balance outstanding under the Term Loan was \$141.0 million. After repayments from Prime dividends received in 2021, the Term Loan balance prior to final repayment was \$98.0 million. This was repaid on July 30, 2021 with the proceeds from the Corporate Facility, described below.

Corporate Facility and Future Funding Outlook

On May 13, 2021 the Company agreed a new Corporate Facility for an amount up to \$150.0 million with a three-year term, with \$130.0 million committed at that time. Post signing, the facility amount and commitments were increased to \$160.0 million ("Corporate Facility"). Completion occurred on July 16, 2021. On July 30, 2021, \$98.0 million was drawn down under the Corporate Facility in order to repay the Term Loan in full. An additional \$62.0 million can be drawn until May 12, 2022, subject to the satisfaction of certain covenants. The purpose of the loan was to repay the Term Loan in full, and for general corporate purposes.

In September 2021, Prime distributed a \$150.0 million dividend with a net payment to Africa Oil of \$75.0 million related to its 50% shareholding. The Company applied the full amount of \$75 million received, to reduce the outstanding balance of its Corporate Facility to \$23.0 million.

This loan carries interests of 1 month-Libor plus a margin of 6.5% in the first year, 7% in the second year and 7.5% in the third year. If the Company makes a prepayment of the facility prior to May 12, 2022 (unless the repayment is made from a dividend received from Prime), a make whole premium on the amount prepaid is payable at LIBOR+6.5%. The security provided on the loan is similar to the Term Loan. The loan is subject to financial and liquidity covenants.

The loan repayments are calculated to be protective of the Company's liquidity position and repayments under the loan are made in the month a dividend is received from Prime. The loan principal will be repaid by 100% of the dividends received from Prime, and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment. Any amounts of the Corporate Facility available after the repayment of the existing Term Loan would be used for general corporate purposes.

Regarding the South Lokichar Basin development, the Company will continue to minimize capital investment until a field development and financial plan is approved. The Company's current working capital position may not provide it with sufficient capital resources to complete development activities being considered in the South Lokichar Basin (Kenya) or to settle its ongoing tax disputes with the KRA.

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to the Company.

The Company believes that its existing cash balances combined with anticipated funds flow from Prime dividends will provide sufficient liquidity for the Company to meet its financing, operating and capex commitments as they fall due.

OUTLOOK

The Company, with the acquisition of 50% of Prime, is a full-cycle E&P company with material reserves and production, strong operating netbacks, and free cash flow generation that is supported by an active oil price hedging program at the Prime level. Prime has continued to optimize its balance sheet in 2021, repaying \$273m of RBL debt by the end of September 2021, and signing and drawing down a \$150.0 million Pre Export Finance Facility ("PXF Facility") in October 2021, extending the duration of Prime's debt profile on very competitive cost terms that are comparable to its RBL facility. The PXF Facility can be increased to an amount up to \$300.0 million, subject to the PXF Lenders' approval. The Company will continue to repay its debt from the dividends distributed from Prime.

In July 2021, the OML 130 Gas Sales and Purchase Agreement was signed by all parties, resolving historical gas sales from July 2018. The signing of the PIA in August 2021 provided clarity on the future fiscal regime under which the fields can continue to be operated and developed, including confirmation of a 5 year royalty holiday commencing from first oil on the Egina field (ending January 2024).

The completion of the \$160.0 million Corporate Facility, of which \$98.0 million was drawn at the end of July 2021 has secured a significantly lower margin and extended the maturity of the debt. \$23.0 million remains outstanding at September 30, 2021, and the remaining undrawn amount of \$62.0 million makes available, subject to certain customary conditions, additional funds to be used for general corporate purposes. The margin will be 6.5% in the first year, 7% in the second year and 7.5% in the third year compared with the existing Term Loan margin of 15%. The loan is a three-year facility and there are no debt repayments (other than from dividends received from Prime) due in the near term.

In parallel, the Company is continuing to review acquisition opportunities in Africa that would be cash flow and value accretive. The focus of the Company is on producing assets.

In Kenya, the JV partners are designing a field development plan for the South Lokichar development in collaboration with the Government of Kenya in order to optimize the economics of a more sustainable project and secure a long-term extension of the licenses, while minimizing expenditures in the short term.

Africa Oil and its JV Partners are actively seeking strategic partners for the project. It is intended that a strategic partner will be secured ahead of the Final Investment Decision ("FID").

Through its 30.9% shareholding in Impact Oil & Gas, the Company has exposure to the Venus-1 exploration well in Block 2913B, offshore Namibia which is expected to spud by year-end. Venus-1 will target a large basin floor fan system with significant undiscovered petroleum initially in place that has been identified using 3D seismic data. The well will be operated by a subsidiary of Total S.A. (40%) with partners Qatar Petroleum (30%), Impact (20%) and NAMCOR (10%). Africa Oil has a net 6% indirect economic stake in the license through its shareholding in Impact.

Venus-1 is a potential basin-opening well in Namibia's Orange Basin and could be an impactful catalyst for the Company's other interests in the area. A successful Venus-1 well would demonstrate the presence of an active regional petroleum system and would increase the prospectivity of adjacent blocks including Block 3B/4B, where Africa Oil holds a 20% operated working interest.

Through its shareholding in Africa Energy, the Company has exposure to the Gazania-1 exploration well that will be drilled in Block 2B offshore South Africa in 2022. The Gazania-1 well will test a prospect in the A-J rift basin that is near and updip of the A-J1 oil discovery (1988) that flowed 36° API oil to surface. A success at Gazania-1 would de-risk a large inventory of prospects in the block that have been identified from 3D seismic data. Africa Oil has an indirect 5.5% economic interest in Block 2B through its 19.9% shareholding of Africa Energy. Africa Energy holds a carried 27.5% working interest in Block 2B with partners Azinam (Operator, 50% WI), Panoro Energy (12.5% W.I.) and Crown Energy (10% W.I.).

Over 31st October to 12th November 2021, the 26th Conference of the Parties (COP26) to the United National Conventional on Climate Change took place in Glasgow, UK. Delegates to COP26 met to finalise outstanding rules related to the Paris Agreement, including those related to international trading of carbon credits, and to submit new targets under the next phase of the agreement for meeting the objective to limit global warming to no more than two degrees Celsius. Participants made several significant commitments, including a commitment to reduce global methane emissions by at least 30% by 2030. This agreement and others made at the conference have potential to impact Africa Oil's operations going forward, including through additional regulatory requirements and restricted access to capital.

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy:

On February 5, 2020, Africa Energy completed a private placement, in which the Company participated, investing \$5.0 million, acquiring 20,930,000 shares of a total of 104,652,174 shares issued. Africa Energy completed an additional private placement on September 30, 2020 in which the Company participated, investing \$6.8 million, acquiring 20,000,000 shares, of a total of 88,667,000 shares issued. As at September 30, 2021, the Company's ownership interest in Africa Energy is approximately 19.9%.

Services Agreements:

	Service provider	Service provided	9 months to September 30	
			2021	2020
General Management and Service Agreement	AOC to Africa Energy	Administrative services provided to Africa Energy.	54	102
Consulting Services Agreement ⁽¹⁾	Africa Energy to AOC	Technical and administrative services relating to project evaluation	-	300
General Technical and Administrative Service Agreement ⁽²⁾	Africa Energy to AOSAC	Technical and administrative services relating to its operating interest in Block 3B/4B, South Africa.	239	192

⁽¹⁾ Expired June 30, 2020

⁽²⁾ Contract date July 1, 2020

At September 30, 2021 Africa Energy owed the Company \$0.026 million (At December 31, 2020 the amount owed was zero).

Transactions with Eco (Atlantic) Oil and Gas Ltd.

On June 28, 2021 Eco announced that it had acquired a 10% interest in JHI Associates Inc. which provides Eco with immediate exposure to an active drilling programme in the Canje Block offshore Guyana. On the same date, Eco announced that it had completed a private placement to raise approximately CAD \$6.1 million from two partners including Africa Oil and this was subsequently approved by the TSX Venture Exchange on July 9, 2021. The Company has subscribed for 5,945,913 new common shares at a price of CAD\$0.41 per new common share totaling \$2.0 million and was granted the same number of warrants to acquire common shares at the same price over a two-year period. This increased the Company's interest in Eco from 18.4% to 19.9%.

COMMITMENTS AND CONTINGENCIES

There are no substantive changes to the commitments and contingencies that are representative of AOC's net obligations at the effective date of the MD&A, compared with the MD&A for the year ending December 31, 2020.

OUTSTANDING SHARE DATA

The following table outlines the maximum potential impact of share dilution upon full execution of outstanding convertible instruments as at the effective date of the MD&A.

Common shares outstanding	473,929,451
Outstanding share purchase options	8,730,949
Outstanding performance share units	7,795,512
Outstanding restricted share units	2,774,239
Full dilution impact on common shares outstanding	493,230,151

NON-GAAP MEASURES

This MD&A includes non-GAAP measures, non-GAAP ratios and supplementary financial measures as further described herein. These non-GAAP figures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures by other companies. The Company believes that the presentation of these non-GAAP figures provides useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

Free cash flow (non-GAAP measure): calculated from total cash flow, adding back adjustments for working capital movements, dividends received and debt service costs less the one-off security deposit received from Equinor. This measure represents cash generated after costs, and is a measure commonly used to assess the Company's profitability. The receipt of the deposit has been excluded as any imbalance payments under the terms of any future agreement among the Agbami parties will be set-off against this security deposit. Discussions are ongoing in an attempt to seek final resolution of the formal redetermination of the Agbami tract participation and a provision against the deposit has been recognized in Prime. A reconciliation from total cash flow (a GAAP measure) to free cash flow (a non-GAAP measure) is shown below.

Reconciliation from Prime's total cash flow to free cash flow:

\$'m	Three months ended September 30, 2021	Nine months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2020	Year to 31 December 2020
Total cash flow	(95.8)	258.4	(261.7)	(51.7)	90.9
Add back working capital adjustment	(48.0)	(8.3)	30.8	11.3	(86.9)
Add back dividends	225.0	300.0	50.0	275.0	400.0
Add back debt service	95.3	310.8	399.4	612.0	626.1
Less Security Deposit received	-	(305.0)	-	-	-
Free cash flow	176.5	555.9	218.5	846.6	1,030.1

Free cash flow/ boe (non-GAAP ratio): represents free cash flow on a per barrel of oil equivalent basis which allows the Company to better analyze performance against prior periods on a comparable basis.

Opex/boe (supplementary financial measure): represents production costs on a per barrel of oil equivalent basis which allows the Company to better analyze performance against prior periods on a comparable basis. The most direct financial

statement measure is cost of sales less depreciation, depletion and amortization and movements on balances associated with overlifts and underlifts. Production costs are disclosed in the notes in Prime's financial statements.

Aggregate oil equivalent production data comprised of light and medium crude oil and conventional natural gas production net to Prime's W.I. in Agbami, Akpo and Egina fields. These production rates only include sold gas volumes and not those volumes used for fuel, reinjected or flared.

Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil and is different from working interest production that is calculated based on project volumes multiplied by Prime's effective working interest in each license.

Presentation of Prime:

The Company's 50% equity interest in Prime is accounted for as an Investment in Joint Venture under the equity method on the Balance Sheet. Where metrics have been disclosed relating to Prime's production, operational performance, or financial information this is to provide useful information to the user, to understand the performance in the period. The Company records a 50% share of Prime's net income or loss in the period in the Statement of Net Income/Loss, as well as a 50% share of their Other Comprehensive Income/Loss. Dividends received are disclosed as a cash flow from investing activities in the Cash Flow Statement. No other line items in the Financial Statements of the Company relate to Prime.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates include unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from these estimated amounts as future confirming events occur. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, recovery of exploration costs capitalized in accordance with IFRS, stock-based compensation, valuation and impairment of equity investments and income taxes.

The Company's significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2020.

Intangible Exploration Assets

The Company capitalizes costs related to the acquisition of a license interest, directly attributable general and administrative costs, expenditures incurred in the process of determining oil and gas exploration targets, and exploration drilling costs. All exploration expenditures that related to properties with common geological structures and with shared infrastructure are accumulated together within intangible exploration assets. Costs are held un-

depleted until such time as the exploration phases on the license area are complete or commercially viable reserves have been discovered and extraction of those reserves is determined to be technically feasible. The determination that a discovery is commercially viable, and extraction is technically feasible requires judgment.

Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are recognized in the statement of net income/loss. If commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalized intangible exploration costs are transferred into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU") within intangible exploration assets. The allocation of the Company's assets into CGUs requires judgment.

Intangible exploration assets are assessed for impairment when they are reclassified to property and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

The key assumptions the Company uses for estimating future cash flows are contingent resources, future commodity prices, expected production volumes and future operating and development costs, among others. The estimated useful life of the CGU, the timing of future cash flows and discount rates are also important assumptions made by management.

Equity Based Compensation

The Company has two stock-based compensation plans.

- 1) **Stock Option Plan:** The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing stock options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period as share-based compensation expense. The recognized costs are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model, which is based on significant assumptions such as volatility, dividend yield and expected term.
- 2) **Long-Term Incentive Plan** comprising of PSUs and RSUs:
 - **PSUs:** The estimated fair value of the PSUs is initially determined at the time of grant and is based on non-market performance conditions. The estimated fair value of the PSUs is assessed for revaluation at the end of every reporting period. The estimated fair value is recognized over the applicable vesting period as share-based compensation expense.
 - **RSUs:** The estimated fair value of the RSUs is initially determined at the time of grant and is revalued on a quarterly basis, recorded as a liability in the balance sheet and expensed evenly throughout the applicable vesting period as share-based compensation expense.
 - From March 2021 onwards the long-term incentive plan for the Executives will be comprised solely of PSUs. RSU's will only be awarded to the Non-Executive Directors. From March 2021, the Board decided to cease awarding stock options to all Company employees and will instead award PSUs to employees.

Equity Method

Investments in joint ventures and investments in associates are accounted for using the equity method. Investments of this nature are recorded at original cost. Investments in joint ventures or associates which arise from a loss in control of a subsidiary are recorded at fair value on the date of the loss of control. The investment is adjusted periodically for the Company's share of the profit or loss of the investment after the date of acquisition. The investor's share of the profit or loss of the investee is also recognized in the Company's profit or loss. Distributions received reduce the carrying amount of the investment.

Additionally, estimates associated with investments in joint ventures include the determination of amounts allocated to non-current assets as well as any negative goodwill associated with the acquisition.

Impairment of Joint Ventures and Associates

The amounts for investments in joint ventures and associates represent the Company's equity interest in other entities, where there is either joint control or significant influence. The Company assesses investments in joint ventures and associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable. The process of determining whether there is an indicator for impairment or calculating the recoverable amount requires judgement.

The most material area in which the Company has applied judgement in the period is in relation to the investment in Prime. In assessing whether there are any indicators of impairment the Company has considered any effects of Prime's hedging arrangements, the loan facility, and any operational and contractual implications on the future dividend stream when assessing for impairment indicators. When any impairment indicators are identified, the entire carrying amount of the investment in the associate is compared to recoverable amount, which is the higher of value in use or fair value less costs of disposal. The Company has determined the recoverability of its investment will be in the form of dividends, and therefore has assessed the impact of current conditions on the recoverability of the dividends relative to the investment carrying value. The key assumptions the Company uses for estimating dividends include future commodity prices, operational scenarios provided by Prime, the timing of future cash flows and discount rates.

Income Tax

The Company follows the balance sheet method of accounting for income taxes whereby future income taxes are recognized based on the differences between the carrying values of assets and liabilities reported in the Annual Financial Statements and their respective tax basis. Future income tax assets and liabilities are recognized at the tax rates at which Management expects the temporary differences to reverse. Management bases this expectation on future earnings, which require estimates for reserves, timing of production, crude oil price, operating cost estimates and foreign exchange rates. Management assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and future income tax assets are recognized to the extent that it is more than likely that future income tax assets will be realized. As a result, future earnings are subject to significant Management judgment.

Contingencies relating to income tax are subject to measurement uncertainty as the related financial impact will only be confirmed by the outcome of a future event. The assessment of income tax contingencies requires the application of judgements and estimates including the determination of whether a present obligation exists, and the reliable estimation of the timing and amount of cash flows required to settle the contingency.

Contingent Consideration

Contingent consideration formed part of the overall consideration for the acquisition of Prime. At the date of acquisition, an estimate of the contingent consideration is determined and included as part of the cost of the acquisition.

Subsequent to acquisition, contingent consideration can be treated using two acceptable methods, the cost-based approach and the fair value based approach. The Company have determined the cost-based approach to give the best estimate of the value of the contingent consideration. Any revisions to the contingent consideration estimates,

after the date of acquisition, are accounted for as changes in estimates in accordance with IAS 8, to be accounted for on a prospective basis. The change in the liability, as a result of the revised cash flows, would be adjusted to the cost of the investment and, in accordance with paragraph 37 of IAS 8, recognized as part of the investment's carrying amount rather than in profit or loss.

The estimates involved in assessing the value of the contingent consideration include the expected timing of payments, the expected settlement value, the likelihood of settlement and the probability of the assessed outcomes occurring. There is significant judgement used in the determination of these estimates

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of September 30, 2021, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of September 30, 2021, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed. Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ADVISORY REGARDING OIL AND GAS INFORMATION

The terms boe (barrel of oil equivalent) and MMboe (millions of barrels of oil equivalent) are used throughout MD&A. Such terms may be misleading, particularly if used in isolation. Year-end 2020 reserves estimates are based on a conversion ratio of six thousand cubic feet per barrel of oil equivalent (6 Mcf: 1 boe), which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

RISK FACTORS

The Company proactively manages the identification, assessment and mitigation of risks, many of which are common to operations in the oil and gas industry as a whole, whilst others are unique to the Company. The realization of any of the risks listed below could have a material adverse effect on the Company's business, financial condition, reserves and results of operations, such list being non-exhaustive.

Global Health Emergency

The on-going COVID-19 pandemic, and the actions that have been taken by governmental authorities in response to it have resulted, and may continue to result in, increased volatility in financial markets and commodity prices, disruption in supply chains, labour shortages, temporary operational restrictions and restrictions on gatherings and travel, as well as quarantine orders and business closures. In particular, the COVID-19 pandemic has resulted and may continue to result in, a reduction in demand for, and prices of, crude oil.

The Company's business, financial condition and results of operations could be materially and adversely affected by the COVID-19 pandemic, as well as any other epidemic, pandemic or other public health crisis. 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 and its variants or treat their impact, the efficiency of vaccination campaigns against the virus and all its variants, and how quickly and to what extent the worldwide economic activity can recover to pre-crisis levels.

Climate Change and Environmental Compliance

Governments around the world have become increasingly focused on addressing the impacts of anthropogenic global climate change, particularly in the reduction of emissions with the potential to contribute to greenhouse gas levels in the atmosphere. The oil and natural gas industry is subject to increasingly stringent environmental regulations, particularly in relation to the reduction of emissions or emissions intensity, and there is a risk that any such programs, laws or regulations, if proposed and enacted, will contain emission reduction targets which the Company may not be able to meet, and financial penalties or charges could be incurred as a result of the failure to meet such targets. A failure to manage the impact of climate change or a breach of applicable legislation within any of the Company's countries of operation may result in the loss of license to operate, limited access to and/or increased cost of capital, as well as the imposition of fines against the Company or the issuance of clean up orders in respect of its oil and gas assets, some of which may be material. These regulatory and financial risks are likely to increase as a result of new public and private sector initiatives and agreements reached at COP26 in Glasgow, UK, in November 2021.

Climate change policy is emerging and quickly evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. Implementation of strategies by any level of government within the countries in which the Company operates, and whether to meet international agreed limits, or as otherwise determined, for reducing greenhouse gases could have a material impact on the operations and financial condition of the Company. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on

the Company and its operations and financial condition. It is also not possible at this time to predict the extent of proposed or future legislation relating to climate change and any such regulations could potentially result in operating restrictions or material compliance costs.

There is an increasing societal opinion and pressure on the oil and gas industry due to the industry's perceived role in the contribution to global GHG emissions. Reputational risks may arise from this increasing opinion and pressure, as negative public opinions of the oil and gas industry can lead to delays in obtaining regulatory approvals, reduced availability of financing and insurance, challenges recruiting qualified employees, a significant decrease in the Company's share price, reduced shareholder confidence, and potential shareholder activism. This opinion has also led some investors and lenders to demand more transparency on climate change impacts and risks. The fossil fuel industry may see less interest from investors and lenders and available investments may potentially decrease if companies do not make efforts towards decarbonization.

The Company has made efforts to maintain a positive reputation in the eyes of stakeholders and the general public. In 2021, Company published an inaugural Environmental, Social and Governance Review for the Year Ended December 31 2020, which provides transparency and details how the Company managed its direct and indirect ESG risks and opportunities during the year. In addition, the Company is aligning its reporting activities with the recommendations of the Task Force on Climate-related Financial Disclosures to provide an adequate framework to assess and disclose climate resilience. There is no guarantee that that the TCFD framework will adequately assess the risks of climate change on the Company's business or that the Company's efforts to mitigate such risks will be adequate.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could have an adverse effect on the Company's business and prospects. The Company may be required by Government authorities to limit production due to OPEC+ quotas from time to time.

The Company may partake in hedging activities when efficient to do so, however, that may not fully mitigate the risk of lower oil prices.

The Company or its investee company's ability to market its oil and natural gas may depend upon its ability to acquire space on vessels or pipelines that deliver oil and natural gas to commercial markets. The Company could also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational issues affecting such pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Prime Dividends

The Company occasionally receives dividends from Prime related to the Company's 50% shareholding in Prime. However, a significant reduction, infrequent distributions, or no payment of Prime's dividends to the Company could have a material or adverse effect on the Company's business, and financial condition. Such results could occur due to, among other things, the following:

- global health emergencies
- an inability for Prime to hedge the production of future assets
- Prime's off-takers defaulting on forward sale agreements or banks defaulting on hedging agreements
- significant or extended declines in oil and natural gas prices
- decline in the demand for oil and natural gas
- changes to the applicable tax and other laws and regulations in Nigeria
- capital or liquidity constraints experienced by Prime, including restrictions imposed by lenders
- accounting delays or adjustments for prior periods
- shortages of, or delays in obtaining skilled personnel or equipment, including drilling rigs
- delays in the sale or delivery of products

- title defects

A significant reduction or no payment of Prime's dividends to the Company could significantly reduce the amount of the Company's anticipated cash flow and could also expose the Company to financial risk.

Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity describes a company's ability to access cash. Companies operating in the upstream oil and gas industry require sufficient cash in order to fulfill their work commitments in accordance with contractual obligations, and to be able to potentially acquire strategic oil and gas assets and face potentially unexpected liabilities.

The Company will potentially issue debt or equity, extend its debt maturities and enter into farmout agreements to ensure it has sufficient available funds to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support these financial obligations and the Company's capital programs. The Company will also adjust the pace of its activities to manage its liquidity position. Notwithstanding any mitigation efforts, the Company remains exposed to erosion of its balance sheet and revenues and may have difficulty in securing necessary funding, which may lead to insufficient liquidity.

Government Regulations and Tax

The Company is subject to various laws and regulations issued by authorities that have appropriate jurisdiction over it ("Applicable Law"). The Company may be adversely affected by changes to Applicable Laws to which it is subject and its host Governments may implement new Applicable Laws, modify existing ones, or interpret them in a manner that is detrimental to the Company. Such changes to the Applicable Law to which the Company is subject could, amongst other things, result in an increase in existing tax rates or the imposition of new ones or the Company may be subject to tax assessments, all of which on their own or taken together could have a material adverse effect on the Company's business, financial condition, results of operations and prospects of the Company's oil and gas assets. In Nigeria, the fiscal regime to which Prime is subject has recently been affected by the passing of the Petroleum Industry Act, 2021. The impact on the Company is being assessed.

Investments in Associates and Investments in Joint Ventures

The Company has invested in other frontier oil and gas exploration companies that are similar to it, and that face similar risks and uncertainties, which could have a material adverse effect on their businesses, prospects and results of operations. Such risks include, without limitation, equity risk, liquidity risk, commodity price risk, credit risk, currency risk, foreign investment risk, and changes in environmental regulations, economic, political or market conditions, or the regulatory environment in the countries in which they operate. The associates or joint ventures are entities in which the Company has influence but, given its equal interest or minority interest, no or limited control over their decisions, including, without limitation, financial and operational policies, and has no or limited control over financial outcomes and performances. The Company's investments are not diversified over different types of investments and industries, rather, they are concentrated in one type of investment. If an associated company or jointly controlled entity in which the Company has invested fails, liquidates, or becomes bankrupt, it could face the potential risk of loss of some, or all, of its investments, and the Company may be unable to recover its initial investment amount, or any amount, from its various investments in other frontier oil and gas exploration companies.

Risks Inherent in Oil and Gas Exploration, and Development, and Production

Oil and gas operations involve many risks, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that expenditures made on future exploration by the Company will result in discoveries of oil or natural gas in commercial quantities or that commercial quantities of oil and natural gas will be discovered or acquired by the Company. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Without the continual addition of new

reserves, any existing reserves associated with the Company's oil and gas assets at any particular time, and the production therefrom, could decline over time as such existing reserves are exploited. There is a risk that additional commercial quantities of oil and natural gas may not be discovered or acquired by the Company. Production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect revenue and cash flow levels to varying degrees. There is no certainty that any discovered resources will be commercially viable to produce. There is no certainty that any portion of undiscovered resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The Company's business is subject to all of the risks and hazards inherent in businesses involved in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas, many of which cannot be overcome even with a combination of experience and knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment or personal injury, and such damages may not be fully insurable.

International Operations

The Company participates in oil and gas projects located in emerging markets, primarily in Africa. Oil and gas exploration, development and production activities in these emerging markets are subject to significant political, economic, and other uncertainties that may adversely affect the Company's operations. The Company could be adversely affected by changes in applicable laws and policies in the countries where Africa Oil has interests. Additional uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, civil unrest, nationalization, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, changes to taxation laws and policies, assessments and audits (including income tax) against the Company by regulatory authorities, difficulty or delays in obtaining necessary regulatory approvals, risks associated with potential future legal proceedings, and the imposition of currency controls. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on the Company's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by Africa Oil, the Company could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which the Company acquires an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits when required.

Different Legal System and Litigation

The Company's exploration, development and production activities are located in countries with legal systems that in various degrees differ from that of Canada. Rules, regulations and legal principles may differ in respect of matters of substantive law and of such matters as court procedure and enforcement. Almost all material exploration and production rights and related contracts of the Company are subject to the national or local laws and jurisdiction of the respective countries in which the operations are carried out. This means that the Company's ability to exercise or enforce its rights and obligations may differ between different countries and also from what would have been the case if such rights and obligations were subject to Canadian law and jurisdiction.

The Company's operations are, to a large extent, subject to various complex laws and regulations as well as detailed provisions in concessions, licenses and agreements that often involve several parties. If the Company was to become

involved in legal disputes in order to defend or enforce any of its rights or obligations under such concessions, licenses, and agreements or otherwise, such disputes or related litigation could be costly, time consuming and the outcome would be highly uncertain. Even if the Company ultimately prevailed, such disputes and litigation may still have a substantially negative effect on the Company's business, assets, financial conditions, and its operations.

Anti-Bribery and Anti-Corruption Laws

The Company is subject to various anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada) and the Bribery Act 2010 (United Kingdom). Failure to comply with such laws could subject the Company to, among other things, reputational damage, civil and criminal penalties, other remedial measures and legal expenses which could adversely affect the Company's business, results in operations, and financial condition. To mitigate this risk, the Company has implemented an anti-corruption compliance and onboarding program for anyone that does business with the Company, anti-corruption training initiatives for its personnel and consultants, and an anti-corruption policy for its personnel, and consultants. However, the Company cannot guarantee that its personnel, contractors, or business partners have not in the past or will not in the future engage in conduct undetected by the onboarding processes and procedures adopted by the Company, and it is possible that the Company, its personnel or contractors, could be subject to investigations or charges related to bribery or corruption as a result of actions of its personnel or contractors.

Credit Facilities

The Company is party to credit facilities. The terms of the facility contain covenants and restrictions on the ability of the Company to, among other things, incur or lend additional debt, pay dividends and make restricted payments, and encumber its assets. The failure of the Company to comply with the covenants contained in the facility or to repay or refinance the facility by its maturity date could result in an event of default, which could, through acceleration of debt, enforcement of security or otherwise, materially and adversely affect the operating results and financial condition of the Company.

Financial Statements Prepared on a Going Concern Basis

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's operations to date have been primarily financed by equity financing, dividends received from equity investments, debt financing and the completion of working interest farmout agreements. The Company's future operations may be dependent upon the identification and successful completion of additional equity or debt financing, the achievement of profitable operations (and profitable operations within equity investments) or other transactions. There can be no assurances that the Company will be successful in completing additional financings, achieving profitability or completing future transactions. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should Africa Oil be unable to continue as a going concern.

Shared Ownership and Dependency on Partners

The Company's operations are primarily conducted together with one or more joint venture partners through contractual arrangements, including unincorporated associations. In such instances, the Company may be dependent on, or affected by, the due performance and financial strength of its partners. If a partner fails to perform or becomes insolvent, the Company may, among other things, risk losing rights or revenues or incur additional obligations or costs, experience delays, or be required to perform such obligations in place of its partners. The Company and its partners may also, from time to time, have different opinions on how to conduct certain operations or on what their respective rights and obligations are under a certain agreement. If a dispute were to arise with one or more partners relating to a project, such dispute may have material adverse effect on Africa Oil's operations relating to such project.

Uncertainty of Title

Although the Company conducts title reviews prior to acquiring an interest in a concession, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question the Company's interest in the concession. Any uncertainty with respect to one or more of the Company's concession interests could have a material adverse effect on the Company's business, prospects and results of operations.

Risks Relating to Concessions, Licenses and Contracts

The Company's operations are based on a relatively limited number of concession agreements, licenses and contracts. The rights and obligations under such concessions, licenses and contracts may be subject to interpretation and could also be affected by, among other things, matters outside the control of the Company. In case of a dispute, it cannot be certain that the view of the Company would prevail or that the Company otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on it. Also, if the Company or any of its partners were found to have failed to comply with their obligations or liabilities under a concession, license or contract, including record-keeping, budgeting, and time scheduling requirements under production sharing contracts, the Company's or partner's rights under such concession, license or contract may be terminated or otherwise relinquished in whole or in part. The Company cannot guarantee that requirements are adequately met by its joint venture partners, which could bring an increased risk of impairment and reduced future cash flow.

Risks Relating to Cost-Recovery Oil (Kenya)

Under the terms of the Company's Block 10BA, Block 10BB, and Block 13T production sharing contracts, up to a stated maximum percentage of net available oil is available for cost-recovery by the respective joint venture partners. Costs subject to cost recovery include all costs and expenditures incurred by the joint venture partners for exploration, development, production, and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with such activities. Such costs may be subject to audits which could identify amounts claimed by the joint venture partners as being disallowed expenditures, which could negatively impact the joint ventures' ability to recover and develop projects, as planned. The Company cannot guarantee that cost-recovery record-keeping, budgeting, and time scheduling requirements are adequately met by its joint venture partners, which could bring an increased risk of impairment and reduced future cash flow.

Reliance on Third-Party Infrastructure

The amount of oil and natural gas that the Company and its joint venture partners are able to produce, and sell is subject to the accessibility, availability, proximity and capacity of gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems, and in particular the processing facilities could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Company's business financial condition, results of operations, cash flows and future prospects.

Risks Associated with Discovering Oil

While the Company has made discoveries, there is no certainty that any additional resources will be discovered. Once discovered, there is no certainty that the discovery will be commercially viable to produce any portion of the resources. The portion of the Company's portfolio which include discoveries require additional data to fully define their potential and significant changes to the resource estimates will occur with the incorporation of additional data and information.

Risks Associated with Estimates

In the event of a discovery, basic reservoir parameters, such as porosity, net hydrocarbon pay thickness, fluid composition and water saturation, may vary from those assumed by the Company's independent third-party resource evaluator affecting the volume of hydrocarbon estimated to be present. Other factors such as the reservoir pressure, density and viscosity of the oil and solution gas/oil ratio will affect the volume of oil that can be recovered. Additional reservoir parameters such as permeability, the presence or absence of water drive and the specific mineralogy of the reservoir rock may affect the efficiency of the recovery process. Recovery of the resources may also be affected by well performance, reliability of production and process facilities, the availability and quality of source water for enhanced recovery processes and availability of fuel gas. There is no certainty that certain interests are not affected by ownership considerations that have not yet come to light.

Well-flow Test Results

Drill stem tests are commonly based on flow periods of 1 to 5 days and build up periods of 1 to 3 days. Pressure transient analysis has not been carried out on all well tests and the results should therefore be considered as preliminary. Well test results are not necessarily indicative of long-term performance or of ultimate recovery.

Substantial Capital Requirements

The Company expects to make substantial capital expenditures for exploration, development and production of oil and gas reserves in the future. The Company's ability to access the equity or debt markets may be affected by any prolonged market instability. The inability to access the equity or debt markets for sufficient capital, at acceptable terms and within required time frames, could have a material adverse effect on the Company's financial condition, results of operations and prospects.

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including from the issuance of new shares, issuance of debt or execution of working interest farm-out agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of the Company may be diluted. If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities which may ultimately lead to the Company's inability to fulfill the minimum work obligations under the terms of its various concessions. Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

Availability of Equipment and Staff

The Company's oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and qualified staff in the particular areas where such activities are or will be conducted. The Company currently leases all the drilling rigs used for its exploration and development activities. Shortages of such equipment or staff may affect the availability of such equipment to the Company and may delay Africa Oil's exploration and development activities and result in lower production.

Reliance on Key Personnel

The loss of the services of key personnel could have a material adverse effect on the Company's business, prospects and results of operations. The Company has not obtained key person insurance in respect of the lives of any key personnel. In addition, competition for qualified personnel in the oil and gas industry is considerable and there can be no assurance that the Company will be able to attract and retain the skilled personnel necessary for operation and development of its business. Success of the Company is largely dependent upon the performance of its management and key employees.

Reserves and Resources Volumes

There are many uncertainties inherent in estimating quantities of oil and natural gas reserves and resources (contingent and prospective) and the future cash flows attributed to such reserves and resources. The actual production, revenues, taxes and development and operating expenditures with respect to the reserves and resources associated with the Company's assets will vary from estimates thereof and such variations could be material. Estimates of reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Risks Relating to Infrastructure

The Company is dependent on available and functioning infrastructure relating to the properties on which it operates, such as roads, power and water supplies, pipelines and gathering systems. If any infrastructure or systems failures occur or do not meet the requirements of the Company, its operations may be significantly hampered. Currently there is limited local infrastructure for the production and distribution of oil and gas in the countries in which the Company operates. Export infrastructure to enable other markets to be accessed has not yet been developed and

is contingent on numerous factors including, but not limited to, sufficient reserves being discovered to reach a commercial threshold to justify the construction of export pipelines and agreement amongst various government agencies regulating the transportation and sale of oil and gas. The Company is working with its joint venture partners and government authorities to evaluate the commercial potential and technical feasibility of discoveries made to date and potential future discoveries.

Current Global Financial Conditions

Global financial conditions have always been subject to volatility. These factors may impact the ability of the Company to obtain equity or debt financing in the future, and, if obtained, on terms favorable to the Company. Increased levels of volatility and market turmoil can adversely impact the Company's operations and the value, and the price of the common shares could be adversely affected.

Foreign Currency Exchange Rate Risk

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. The Company had no forward exchange contracts in place as at September 30, 2021.

Credit Risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's credit exposure relates to amounts due from its joint venture partners. The risk of the Company's joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash, restricted cash, and accounts receivable. A portion of the Company's cash is held by banks in foreign jurisdictions where there could be increased exposure to credit risk.

Cybersecurity

The Company has become increasingly dependent upon the availability, capacity, reliability and security of its information technology ("IT") infrastructure, and its ability to expand and continually update this infrastructure, to conduct daily operations. It depends on various IT systems to estimate resources and reserve quantities, process and record financial and operating data, analyze seismic and drilling information, and communicate with employees and third-party partners. The Company's IT systems are increasingly integrated in terms of geography, number of systems, and key resources supporting the delivery of IT systems. The performance of key suppliers is critical to ensure appropriate delivery of key services. Any failure to manage, expand and update the IT infrastructure, any failure in the extension or operation of this infrastructure, or any failure by key resources or service providers in the performance of their services could materially and adversely affect the Company's business, financial condition and results of operations.

The ability of the IT function to support the Company's business in the event of a disaster such as fire, flood or loss of any of the office locations and the ability to recover key systems from unexpected interruptions cannot be fully tested. There is a risk that, if such an event actually occurs, the Company's continuity plan may not be adequate to immediately address all repercussions of the disaster. In the event of a disaster affecting a data centre or key office location, key systems may be unavailable for a number of days, leading to inability to perform some business processes in a timely manner.

The Company applies technical and process controls and security measures in line with industry-accepted standards to protect information, assets and systems. However, these controls and measures on which the Company relies may not be adequate due to the increasing volume, sophistication and rapidly evolving nature of cyber threats. The Company's information technology and infrastructure, including process control systems, may be vulnerable to attached by malicious persons or entities or breached due to employee error, malfeasance or other disruptions, including natural disasters and acts of war. There is no assurance that the Company will not suffer losses associated with cyber-security attacks, breaches, access, disclosure or loss of information in the future and may be required to expend significant additional resources to investigate, mitigate and remediate any potential vulnerabilities or could

result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruptions to the Company's operations, decreased performance and production, increased costs and damage to the Company's reputation or other negative consequences to the Company, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Conflict of Interests

Certain directors of the Company are also directors or officers of other companies, including oil and gas companies, the interests of which may, in certain circumstances, come into conflict with those of the Company. If and when a conflict arises with respect to a particular transaction, the Company requires that its affected directors and officers must disclose the conflict, recuse themselves, and abstain from voting with respect to matters relating to the transaction. All conflicts of interest will be addressed in accordance with the provisions of the BC BCA and other applicable laws.

Limitation of Legal Remedies

Securities legislation in certain of the provinces and territories of Canada provides purchasers with various rights and remedies when a reporting issuer's continuous disclosure contains a misrepresentation and ongoing rights to bring actions for civil liability for secondary market disclosure. Under the legislation, the directors would be liable for a misrepresentation. It may be difficult for investors to collect from the directors who are resident outside Canada on judgments obtained in courts in Canada predicated on the purchaser's statutory rights and on other civil liability provisions of Canadian securities legislation.

Selling Off of Shares

The market price for the Company's common shares may be volatile, and subject to some fluctuations. To the extent that any issued and outstanding common shares of the Company are sold into the market, there may be an oversupply of common shares and an undersupply of purchasers. If this occurs the market price for the common shares of the Company may decline significantly and investors may be unable to sell their common shares at a profit, or at all.

Industry Regulatory Risk

Existing regulations in the oil industry, and changes to such regulations, may present regulatory and economic barriers to the purchase and use of certain products, which may significantly reduce the Company's revenues.

FORWARD LOOKING STATEMENTS

Certain statements in this document may constitute forward-looking information or forward-looking statements under applicable Canadian securities law (collectively "forward-looking statements"). Forward-looking statements are statements that relate to future events, including the Company's future performance, opportunities or business prospects. Any statements that express or involve discussions with respect to expectations, forecasts, assumptions, objectives, beliefs, projections, plans, guidance, predictions, future events or performance (often, but not always, identified by words such as "believes", "seeks", "anticipates", "expects", "continues", "may", "projects", "estimates", "forecasts", "pending", "intends", "plans", "could", "might", "should", "will", "would have" or similar words suggesting future outcomes) are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements. Undue reliance should not be placed on these forward-looking statements because the Company cannot assure that the forward-looking statements will prove to be correct. As forward-looking information address future conditions and events, they could involve risks and uncertainties including, but are not limited to, risk with respect to general economic conditions, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

COVID-19 has had a significant impact on the oil and gas industry, including a substantial reduction in oil demand worldwide, market volatility and oil price weakness. There has been a robust response by international oil producers led by the group of OPEC+ countries to reduce supply and address the challenge of demand destruction. The group have started to relax the quotas they have imposed but the Company cannot assure that the oil producers' response can remove significant supply to address the demand destruction, flatten the curve of inventory builds and set a course to rebalance markets, nor can the Company predict the time it will take for oil demand to recover to the pre-pandemic level. Such adverse effects may continue and could affect the Company and the Company's share price.

Forward-looking statements include, but are not limited to, statements concerning:

- The Company's plans to prepare an Energy Transition Plan and the steps to be taken by the Company in relation to the Energy Transition Plan;
- Expected closing dates for the completion of proposed transactions;
- Planned exploration, appraisal and development activity including both expected drilling and target drilling dates, and geological and geophysical related activities;
- Potential for an improved economic environment;
- The Company's anticipated timing for the receipt of dividends from Prime
- The Company's plans to prioritize repayment of its long-term debt, utilizing dividends received from Prime
- Proposed development plans;
- Future development costs and the funding thereof;
- Expected finding and development costs;
- Anticipated future financing requirements;
- Future sources of funding for the Company's capital program;
- Future capital expenditures and their allocation to exploration and development activities;
- Ability for the Company to remain within existing financial headroom
- Expected operating costs;
- Future sources of liquidity, ability to fully fund the Company's expenditures from cash flows, and borrowing capacity;
- Availability of potential farmout partners;
- Government or other regulatory consent for exploration, development, farmout, or acquisition activities;
- Future production levels;
- Future crude oil, natural gas or chemical prices;
- Future earnings;
- Future asset acquisitions or dispositions;
- Future debt levels;
- Availability of committed credit facilities, including existing credit facilities, on terms and timing acceptable to the Company;
- Anticipating timing for the repayment of the Corporate Facility;
- Possible commerciality;
- Development plans or capacity expansions;
- Future ability to execute dispositions of assets or businesses;
- Future drilling of new wells;
- Ultimate recoverability of current and long-term assets;
- Ultimate recoverability of reserves or resources;
- Estimates on a per share basis;
- Future foreign currency exchange rates;
- Future market interest rates;
- Future expenditures and future allowances relating to environmental matters;
- Dates by which certain areas will be explored or developed or will come on stream or reach expected operating capacity;
- The Company's ability to comply with future legislation or regulations;
- Future staffing level requirements; and
- Changes in any of the foregoing.

Statements relating to "reserves" or "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

These forward-looking statements are subject to known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others:

- Market prices for oil and gas and chemical products;
- Uncertainty of estimates and projections relating to reserves, resources, production , revenues, costs and expenses;
- Changes in exploration or development project plans or capital expenditures;
- The Company’s ability to explore, develop, produce and transport crude oil and natural gas to markets;
- Production and development costs and capital expenditures;
- The imprecise nature of reserve estimates and estimates of recoverable quantities of oil, natural gas and liquids;
- Changes in oil prices;
- Availability of financing;
- Uninsured risks;
- Changes in interest rates and exchange rates
- Regulatory changes;
- Changes in the social climate in the regions in which the Company operates;
- Health, safety and environmental risks;
- Climate change legislation and regulation changes;
- Defects in title;
- Availability of materials and equipment;
- Timelines of government or other regulatory approvals;
- Ultimate effectiveness of design or design modification to facilities;
- The results of exploration, appraisal and development drilling and related activities;
- Short-term well test results on exploration and appraisal wells do not necessarily indicate the long-term performance or ultimate recovery that may be expected from a well;
- Pipeline or delivery constraints;
- Volatility in energy trading markets;
- Incorrect assessments of value when making acquisitions;
- Foreign-currency exchange rates;
- Economic conditions in the countries and regions in which the Company carries on business;
- Governmental actions including changes to taxes or royalties, and changes in environmental and other laws and regulations;
- The Company’s treatment under governmental regulatory regimes and tax laws;
- Renegotiations of contracts;
- Results of litigation, arbitration or regulatory proceedings;
- Political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; and
- Internal conflicts within states or regions.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management’s future course of action would depend on its assessment of all available information at that time. Although management believes that the expectations conveyed by the forward-looking statements are reasonable based on the information available to it on the date such forward-looking statements were made, no assurances can be given that such expectations will prove to be correct, and such forward-looking statements included in this document should not be unduly relied upon.

The forward-looking statements are made as of the date hereof or as of the date specified in this document, as the case may be, and except as required by law, the Company undertakes no obligation to update publicly, re-issue, or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This cautionary statement expressly qualifies the forward-looking statements contained herein.