



## Financial Statements – September 30, 2021

## CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of United States dollars)  
(Unaudited)

		September 30, 2021	December 31, 2020
	<b>Note</b>		
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	12	38,854	40,474
Accounts receivable and prepaid expenses		1,696	1,385
		40,550	41,859
Long-term assets			
Equity investment in joint venture	7	611,074	561,302
Equity investments in associates	8	114,898	116,212
Property and equipment		223	730
Intangible exploration assets	6	192,861	190,396
		919,056	868,640
<b>Total assets</b>		<b>959,606</b>	<b>910,499</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	5	5,388	10,487
Share-based compensation liability		3,404	1,597
Lease obligations		41	451
		8,833	12,535
Long-term liabilities			
Share-based compensation liability		3,324	2,443
Lease obligations		149	234
Provision for contingent consideration	7	32,000	-
Long-term debt	9	23,000	141,000
		58,473	143,677
<b>Total liabilities</b>		<b>67,306</b>	<b>156,212</b>
Equity attributable to common shareholders			
Share capital	10(b)	1,308,353	1,306,476
Contributed surplus		51,071	50,839
Deficit		(467,124)	(610,719)
Accumulated other comprehensive income	7	-	7,691
<b>Total equity attributable to common shareholders</b>		<b>892,300</b>	<b>754,287</b>
<b>Total liabilities and equity attributable to common shareholders</b>		<b>959,606</b>	<b>910,499</b>
Commitments and contingencies	11	-	-

The notes are an integral part of the interim consolidated financial statements.

Approved on behalf of the Board:

\_\_\_\_\_  
ANDREW BARTLETT, DIRECTOR

\_\_\_\_\_  
KEITH HILL, DIRECTOR

## CONSOLIDATED STATEMENTS OF NET INCOME/ (LOSS) AND COMPREHENSIVE INCOME/ (LOSS)

(Expressed in thousands of United States dollars)  
(Unaudited)

		Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Operating income	<b>Note</b>				
Share of profit from investment in joint venture	7	70,953	32,472	168,331	149,788
Share of loss from investments in associates	8	(1,205)	(717)	(3,295)	(660)
Total operating income		69,748	31,755	165,036	149,128
Operating expenses					
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	6	-	-	-	(215,600)
Total operating income/ (expense)		(6,054)	(3,290)	(13,003)	(224,646)
Net operating income/ (loss)		63,694	28,465	152,033	(75,518)
Finance income		47	25	86	1,086
Finance expense		(5,235)	(7,301)	(16,309)	(23,027)
Net income/ (loss) attributable to common shareholders		58,506	21,189	135,810	(97,459)
Other comprehensive income/ (loss)					
Share of joint venture other comprehensive income/ (loss)	7	5,680	5,534	(559)	12,650
Total comprehensive income/ (loss)		64,186	26,723	135,251	(84,809)
Net income/ (loss) attributable to common shareholders per share	14				
Basic		0.12	0.04	0.29	(0.21)
Diluted		0.12	0.04	0.28	(0.21)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	14				
Basic		473,504,780	471,949,806	472,973,349	471,737,778
Diluted		477,799,158	475,149,941	477,267,727	471,737,778

The notes are an integral part of the interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF EQUITY

(Expressed in thousands of United States dollars)  
(Unaudited)

		September 30, 2021	September 30, 2020
	<b>Note</b>		
	10(b)		
<b>Share capital:</b>			
Balance, beginning of the period		1,306,476	1,305,953
Settlement of Performance Share Units		508	88
Settlement of Restricted Share Units		765	427
Settlement of Share Options		604	-
Balance, end of the period		1,308,353	1,306,468
<b>Contributed surplus:</b>			
Balance, beginning of the period		50,839	51,389
Share-based compensation		326	378
Transfer to Deficit		(94)	-
Reclass of Performance Share Units from Equity Settled to Cash Settled		-	(1,255)
Balance, end of the period		51,071	50,512
<b>Deficit:</b>			
Balance, beginning of the period		(610,719)	(590,639)
Net income/ (loss) attributable to common shareholders		135,810	(97,459)
Transfer from Contributed Surplus		94	-
Amounts transferred from other comprehensive income		7,691	-
Balance, end of the period		(467,124)	(688,098)
<b>Accumulated other comprehensive income:</b>			
Balance, beginning of the period		7,691	-
Other comprehensive income	7	(559)	12,650
Amounts transferred to deficit		(7,691)	-
Amounts transferred to statement of net income/ (loss)		559	-
Balance, end of the period		-	12,650
Total equity attributable to common shareholders		892,300	681,532

The notes are an integral part of the interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States dollars)  
(Unaudited)

		Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash flows generated by/ (used in):	<b>Note</b>				
<b>Operations:</b>					
Net income/ (loss) for the period		58,506	21,189	135,810	(97,459)
Adjustments for:					
Share-based compensation		2,873	485	4,888	1,171
Impairment of intangible exploration assets		-	-	-	215,600
Share of profit from investment in joint venture	7	(70,953)	(32,472)	(168,331)	(149,788)
Share of loss/ (income) from investments in associates	8	1,205	717	3,295	660
Finance expense	9	5,235	7,216	16,309	22,367
Other		(455)	411	270	1,242
Changes in non-cash operating working capital	16	(269)	(225)	(10)	2,774
Net cash used in operating activities		(3,858)	(2,679)	(7,769)	(3,433)
<b>Investing:</b>					
Property and equipment expenditures		-	(1)	-	(34)
Intangible exploration expenditures	6	(669)	(3,447)	(2,778)	(18,997)
Equity investment in joint venture	7	-	(48)	-	(544,622)
Equity investment in associates	8	-	(6,765)	-	(23,734)
Dividends received from joint venture	7	112,500	25,000	150,000	137,500
Changes in non-cash investing working capital	16	455	4,205	(6,814)	1,197
Net cash generated by/ (used in) investing activities		112,286	18,944	140,408	(448,690)
<b>Financing:</b>					
Term Loan relating to acquisition of joint venture	9	-	-	-	250,000
Repayment of Term Loan	9	(123,000)	(17,700)	(141,000)	(73,108)
Drawdown of Corporate Facility	9	98,000	-	98,000	-
Repayment of Corporate Facility	9	(75,000)	-	(75,000)	-
Payment of interest and arrangement fees	9	(5,235)	(7,216)	(16,309)	(22,367)
Settlement of Performance and Restricted Share Units		-	-	(427)	(330)
Exercise of Share Options		602	-	602	-
Payment of lease obligations		(15)	(328)	(96)	(1,010)
Net cash (used in)/ generated by financing activities		(104,648)	(25,244)	(134,230)	153,185
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(16)	(53)	(28)	(130)
Increase/ (decrease) in cash and cash equivalents		3,764	(9,032)	(1,620)	(299,068)
Cash and cash equivalents, beginning of the period		35,090	39,428	40,474	329,464
Cash and cash equivalents, end of the period		38,854	30,396	38,854	30,396
<b>Supplementary information:</b>					
Income taxes paid		101	Nil	101	Nil

The notes are an integral part of the interim consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020  
(Expressed in thousands of United States dollars unless otherwise indicated)  
(Unaudited)

### 1. Incorporation and nature of business:

Africa Oil Corp.(collectively with its subsidiaries, "AOC" or the "Company") was incorporated on March 29, 1993 under the laws of British Columbia and is an international oil and gas exploration and production company based in Canada with oil and gas interests in Africa. The Company's registered address is Suite 2000 - 885 West Georgia St. Vancouver, BC, Canada V6C 3E8.

Oil and gas exploration, development and production activities, in these emerging markets, are subject to significant uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, global pandemics, a change in environmental, social and governance policies, the risk of war, terrorism, civil unrest, expropriation, nationalization or other title disputes, 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, a change in taxation policies, the availability of capital, and the imposition of currency controls, in addition to the risks associated with exploration activities. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on AOC's business, prospects, investments, and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, AOC 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 AOC has or may acquire 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 AOC will be able to obtain all necessary licenses and permits when required.

### 2. COVID-19 and market uncertainty

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 oil price (including WTI and Brent) to above \$75/bbl in Q3 2021. The outlook for industry looks significantly better than during the height of the pandemic but there is still 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 Oil and Gas Coöperatief U.A. ("Prime") that has two producing fields in Nigeria. Prime benefits 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.

### 3. Basis of preparation:

---

#### A. Statement of compliance:

The Company prepares its condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles for interim periods, specifically International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all the information required for full annual financial statements and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at November 15, 2021, the date the Board of Directors approved the statements.

#### B. Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

#### C. Functional and presentation currency:

These consolidated financial statements are presented in United States (US) dollars. The functional currencies of the Company's individual entities are US dollars which represents the currency of the primary economic environment in which the entities operate.

#### D. Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

All significant estimates and judgement used in the preparation of these consolidated financial statements are described in the Company's audited consolidated financial statements for the year ended December 31, 2020.

### 4. Significant accounting policies:

---

#### A. 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

All other significant accounting policies used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2020.

## 5. Accounts payable and accrued liabilities:

	September 30, 2021	December 31, 2020
Joint venture payables and other provisions	4,936	9,677
Administrative accruals and other payables	452	810
	5,388	10,487

## 6. Intangible exploration assets:

	Note	September 30, 2021	December 31, 2020
Net carrying amount, beginning of the period		190,396	411,669
Intangible exploration expenditures	A	2,465	20,802
Reversal of oil and gas provisions	A	-	(26,475)
Impairment of intangible exploration assets	B	-	(215,600)
Net carrying amount, end of the period		192,861	190,396

### A. Intangible exploration expenditures:

As at September 30, 2021, \$192.9 million of expenditures have been capitalized as intangible exploration assets (December 31, 2020 - \$190.4 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proven and probable petroleum reserves.

The carrying amount of the Company's intangible exploration assets for its 25% interest in the Kenyan development project CGU (Block 10BB and 13T) at September 30, 2021 was \$188.5 million (December 31, 2020 - \$186.3 million). In the first nine months of 2021, expenditures of \$1.5 million were incurred progressing the field development plan ("FDP") to submit an updated FDP by the end of 2021, net of project accruals and provisions no longer expected to fall due.

The carrying amount of Block 10BA in Kenya is zero at September 30, 2021 (December 31, 2020 - zero).

The carrying amount of the Company's intangible exploration assets for its 20% participating interest in the Block 3B/4B Exploration Right, located in South Africa, was \$4.4 million at September 30, 2021 (December 31, 2020 - \$4.1 million). In the first nine months of 2021, expenditures of \$0.3 million were incurred reprocessing the 2D and 3D seismic.

At September 30, 2021, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated.

The Company capitalized \$1.1 million of general and administrative expenses related to intangible exploration assets in the first nine months of 2021 (Nine months ended September 30, 2020 - \$5.8 million).

#### B. Impairment of intangible exploration assets

The recoverable amount of intangible exploration assets is determined as the fair value less costs of disposal using a discounted cash flow method and is assessed at the CGU level.

In the first quarter of 2020, an impairment of \$215.6 million was recorded, reflecting the macro-economic conditions and market challenges. \$137.9 million related to the Block 10BB and 13T CGU, and \$77.8 million related to Block 10BA.

As at September 30, 2021, the Company's intangible exploration assets had no indicators of impairment.

### 7. Equity investment in joint venture:

#### Prime Oil and Gas Coöperatief U.A. ("Prime"):

On January 14, 2020, the Company completed the acquisition of a 50% ownership interest in Prime. BTG Pactual E&P B.V. ("BTG") continues to own the remaining 50% of Prime. The Company has accounted for the acquisition as a joint venture as there is joint control.

Prime is incorporated in the Netherlands and its principal place of business is Nigeria. The primary 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 cover part of the producing Agbami Field. OML 130 is operated by affiliates of Total S.A. and contains the producing Akpo and Egina Fields.

In the three months to September 30, 2021 two dividends totaling \$225.0 million gross, with a net payment to Africa Oil of \$112.5 million related to its 50% interest was paid. In the nine months to September 30, 2021 three dividends totaling \$300.0 million gross, with a net payment to Africa Oil of \$150.0 million related to its 50% interest was paid. During the year ended December 31, 2020, Prime distributed six dividend payments totaling \$400.0 million gross, with a net payment to Africa Oil of \$200.0 million related to its 50% interest. The timing and payment of the dividends is discretionary. There are no restrictions on the ability of Prime to pay dividends to its shareholders.

	September 30, 2021	December 30, 2020
Balance, beginning of the period	561,302	-
Acquisition of common shares	-	519,500
Transaction and related fees associated with the acquisition of shares	-	25,130
Revaluation of contingent consideration	32,000	-
Dividends received from Prime	(150,000)	(200,000)
Share of joint venture other comprehensive income/loss	(559)	7,691
Share of joint venture profit	168,331	208,981
Balance, end of the period	611,074	561,302

The Company recognized income of \$168.3 million during the nine-month period ended September 30, 2021, relating to its investment in Prime.

The Company recognized other comprehensive income relating to its share of movements of the fair value of hedge instruments recognized in Prime. These instruments have been settled in full as at September 30, 2021.

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 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 increased the Company's investment in Prime.

The following tables summarizes Prime's financial information for the three and nine months ended September 30, 2021. The information is based on unaudited financial information.

	<b>September 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Other current assets	278,817	170,152
Cash and cash equivalents included in current assets	489,706	231,355
Non-current assets <sup>(1)</sup>	3,498,882	3,703,130
Other current liabilities	(222,425)	(100,448)
Loans and borrowings included in current liabilities	(569,686)	(492,343)
Financial liabilities included in current liabilities	-	(5,349)
Other non-current liabilities	(549,386)	(263,505)
Loans and borrowings included in non-current liabilities	(459,798)	(809,067)
Deferred income tax liabilities included in non-current liabilities	(1,258,525)	(1,311,321)
Net assets of Prime	1,207,585	1,122,604
Percentage ownership	50%	50%
Proportionate share of Prime's net assets	603,792	561,302
Adjustments to share of net assets of investment <sup>(3)</sup>	7,282	-
Total share of Prime's net assets	611,074	561,302

	Three months ended	Three months ended	Nine months ended	Nine months ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	328,262	424,901	890,000	1,102,480
Depreciation, depletion and amortization	(71,812)	(98,855)	(228,806)	(339,908)
Production costs	(36,623)	(30,769)	(119,126)	(109,401)
Movement in underlift/overlift	29,748	(129,217)	22,224	(37,225)
Royalties	(66,584)	-	(66,584)	-
Cost of sales	(145,271)	(258,841)	(392,292)	(486,534)
Gross profit	182,991	166,060	497,708	615,946
Other operating income	136,344	(59,458)	275,980	49,620
Exploration expenses	(1,106)	(1,059)	(2,559)	(3,149)
Impairment	-	-	-	(289,482)
Other operating costs	(7,008)	(5,880)	(20,395)	(21,173)
Finance income	41	200	144	1,361
Finance costs	(28,759)	(22,567)	(83,568)	(41,503)
Profit/(loss) before tax from continuing operations	282,503	77,296	667,310	311,620
Tax	(155,162)	(12,353)	(345,212)	13,614
Total profit for the period	127,341	64,943	322,098	325,234
Other comprehensive income/(loss)	11,360	11,069	(1,118)	27,217
Total comprehensive income	138,701	76,012	320,980	352,450
Proportionate share of Prime's profit for the period <sup>(2)</sup>	63,671	32,472	161,049	149,788
Adjustments to share of Prime's profit for the period <sup>(3)</sup>	7,282	-	7,282	-
Total share of Prime's profit for the period	70,953	32,472	168,331	149,788
Proportionate share of Prime's other comprehensive income <sup>(2)</sup>	5,680	5,534	(559)	12,650
Proportionate share of Prime's net income <sup>(2)</sup>	76,633	38,006	167,772	162,438

<sup>(1)</sup> At September 30, 2021 and December 31, 2020, the carrying value of non-current assets included a fair value adjustment of \$613.9 million and \$551.9 million respectively.

<sup>(2)</sup> The nine months ended September 30, 2020 includes the proportionate share of Prime's net income, prorated from January 14, 2020, the date the acquisition was completed.

<sup>(3)</sup> Adjustment relating to the fair value of hedges included in the investment value of Prime acquisition and have now been fully settled.

The Company has determined that there are no indicators of impairment at September 30, 2021.

## 8. Equity investments in associates:

The Company currently holds the following equity investments in associates:

	Investment in Eco (Atlantic) Oil and Gas Ltd	Investment in Africa Energy Corp.	Investment in Impact Oil and Gas Limited	Total
Ownership	19.9%	19.9%	30.9%	
At January 1, 2020	12,022	17,882	33,659	<b>63,563</b>
Share of income/ (loss) from equity investments	900	(1,285)	11,861	<b>11,476</b>
Additional investment through private placements and subscription agreements	-	11,765	11,969	<b>23,734</b>
Prior year adjustment <sup>(1)</sup>	-	(2,466)	-	<b>(2,466)</b>
Gain on dilution of equity investment	-	19,905	-	<b>19,905</b>
At December 31, 2020	12,922	45,801	57,489	<b>116,212</b>
Share of loss from equity investments	(764)	(739)	(1,790)	<b>(3,295)</b>
Additional investment through private placement	1,981	-	-	<b>1,981</b>
At September 30, 2021	14,137	45,062	55,699	<b>114,898</b>

<sup>(1)</sup> This adjustment relates to a 2018 dilution loss.

The Company recognized a total loss of \$3.3 million in the period to September 30, 2021 (\$0.7 million loss for the nine months ended September 30, 2020).

The Company has determined that there are no indicators of impairment for any of its equity investments in associates as at September 30, 2021.

### A. Eco (Atlantic) Oil and Gas Ltd. ("Eco"):

Eco is an oil and gas exploration company with interests in Guyana and Namibia.

The Company recognized a loss of \$0.8 million during the nine months ended September 30, 2021, relating to its investment in Eco (an income \$1.0 million during the nine months ended September 30, 2020).

On July 9, 2021, Eco completed a private placement, in which the Company participated, investing approximately \$ 2.0 million, acquiring 5,945,913 shares in Eco at a price of 0.41 CAD.

### B. Africa Energy Corp. ("Africa Energy"):

Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia.

The Company recognized losses of \$0.7 million during the nine months ended September 30, 2021, related to its investment in Africa Energy (losses of \$2.4 million during the nine months ended September 30 2020).

During 2020, Africa Energy completed two private placements in which the Company participated, investing \$11.8 million. On November 12, 2020, Africa Energy closed the equity issue common shares to Impact Oil & Gas Limited pursuant to the terms of a subscription agreement (the "Subscription

Agreement") between Africa Energy and Impact dated August 24, 2020. The Subscription Agreement decreased the Company's ownership interest in Africa Energy from approximately 34.5% at January 1, 2020 to approximately 19.9% at December 31, 2020. Due to the decrease in the Company's investment in Africa Energy, the Company recognized a dilution gain of \$19.9 million.

### C. Impact Oil and Gas Limited ("Impact"):

On February 14, 2020, Impact completed a private placement, in which the Company participated, investing approximately \$12.0 million, acquiring approximately 45,000,000 shares.

The Company recognized losses of \$1.8 million during the nine months ended September 30, 2021, related to its investment in Impact (an income of \$0.7 million during the nine months ended September 30 2020).

## 9. Debt:

	September 30, 2021	December 31, 2020
Balance, beginning of the period	141,000	-
Drawdown of Term Loan	-	250,000
Repayment of Term Loan	(141,000)	(109,000)
Drawdown of Corporate Facility	98,000	-
Repayment of Corporate Facility	(75,000)	-
Balance, end of the period	23,000	141,000
Short Term	-	-
Long Term	23,000	141,000

The Term Loan was drawn on January 14, 2020 to part fund the acquisition of Prime and has a duration of two years. The loan was subject to a fixed interest rate of 15%, accruing monthly, and was not subject to any debt covenants. On December 31, 2020, the outstanding loan was \$141.0 million. Repayments of \$43.0 million were made during the period reducing the loan to \$98.0 million on July 30, 2021, when the loan was repaid in full with the proceeds of the new Corporate Facility.

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 increased to \$160 million ("Corporate Facility"). Completion occurred on July 16, 2021. On July 30, 2021 \$98.0 million was drawn down under the Corporate Facility to repay the Term Loan, and an additional \$62.0 million can be drawn until May 12, 2022, subject to the satisfaction of certain covenants. The Facility was used to repay the Term Loan, and will also be used for general corporate purposes, and it will be repaid from the proceeds of dividends received from Prime, while ensuring the Company preserves a sufficient minimum cash balance to conduct operations. 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.

The Company has provided security in respect of the Corporate Facility mainly in the form of share pledges, over the shares of Petrovida (which holds 50% of Prime), Eco, Africa Energy and Impact owned by the Company 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. Prior to maturity, 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 cannot exceed \$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 is subject to financial and liquidity covenants.

In September 2021, a \$75.0 million dividend was received from Prime and the Company applied the full amount received to reduce the carrying value of the loan to \$23.0 million.

## 10. Share capital:

A. The Company is authorized to issue an unlimited number of common shares with no par value.

### B. Issued:

	September 30, 2021		December 31, 2020	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	471,960,472	1,306,476	471,214,419	1,305,953
Settlement of Performance Share Units	515,445	508	128,896	88
Settlement of Restricted Share Units	776,200	765	617,157	435
Exercise of Share Options	677,333	604	-	-
Balance, end of the period	473,929,450	1,308,353	471,960,472	1,306,476

## 11. Commitments and contingencies:

### A. 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 and value added tax 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 Q4 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.

### B. Contractual obligations:

#### Kenya:

Under the terms of the Block 10BA PSC, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period

to April 2022. The work commitments remain unchanged and include an exploratory well. The Company obtained a waiver from the requirement to provide an additional bank guarantee but is required to present a plan for drilling in the Block 45 days prior to the deadline for submission of the FDP. At September 30, 2021, the Company's working interest in Block 10BA was 25%.

### C. Investment in Prime:

Refer to note 7.

## 12. Cash and cash equivalents:

	September 30, 2021	December 31, 2020
Cash and cash equivalents	38,407	38,736
Restricted cash	447	1,738
	38,854	40,474

Restricted cash consists of the Company's cash balances that are held in joint venture bank accounts maintained by the Operator.

## 13. Related party transactions:

### A. 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 <sup>(1)</sup>	Africa Energy to AOC	Technical and administrative services relating to project evaluation	-	300
General Technical and Administrative Service Agreement <sup>(2)</sup>	Africa Energy to AOSAC	Technical and administrative services relating to its operating interest in Block 3B/4B, South Africa.	239	192

<sup>(1)</sup> Expired June 30, 2020

<sup>(2)</sup> 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 nil).

## 14. Net income/(loss) per share:

For the three months ended	September 30, 2021			September 30, 2020		
	Weighted Average			Weighted Average		
	Net income	Number of shares	Per share amounts	Net income	Number of shares	Per share amounts
Basic earnings per share						
Net income attributable to common shareholders	58,506	473,504,780	0.12	21,189	471,949,806	0.04
Effect of dilutive securities	-	4,294,378	-	-	3,200,135	-
Dilutive income per share	58,506	477,799,158	0.12	21,189	475,149,941	0.04

For the nine months ended	September 30, 2021			September 30, 2020		
	Weighted Average			Weighted Average		
	Net income	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share						
Net income/(loss) attributable to common shareholders	135,810	472,973,349	0.29	(97,459)	471,737,778	(0.21)
Effect of dilutive securities	-	4,294,378	-	-	-	-
Dilutive income/(loss) per share	135,810	477,267,727	0.28	(97,459)	471,737,778	(0.21)

During the three and nine months ended September 30, 2021, the Company used an average market price of CAD\$1.48 and 1.30 per share respectively (three and nine months ended September 30, 2020 – CAD \$1.08 and CAD \$1.12 per share, respectively) to calculate the dilutive effect of share purchase options. For the three and nine months ended September 30, 2021, 1,255,616 options were anti-dilutive and were not included in the calculation of dilutive income/(loss) per share (three and nine months ended September 30, 2020 9,584,667 options and 3,200,135 RSUs).

PSU's are contingently issuable shares as they have a performance related component, and are not included in the number of dilutive securities.

## 15. Financial risk management:

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, appraisal and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

**A. Credit risk:**

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of our credit exposure relates to amounts due from our joint venture partners. The risk of our 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 and accounts receivable. As at September 30, 2021, the Company held \$1.1 million (December 31, 2020 \$0.8 million) of cash in financial institutions outside of Canada and the UK where there could be increased exposure to credit risk.

**B. Liquidity risk:**

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, during the exploration phase, 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.

The Company will potentially issue equity and debt and enter into farmout agreements with joint venture partners to ensure the Company 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 has provided security in respect of the Term Loan mainly in the form of share pledges, over the shares of Petrovida, Eco, Africa Energy and Impact owned by Africa Oil and a charge over the bank accounts into which the Prime dividends are paid. The loan repayments are calculated to be protective of the Company's liquidity position. The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment.

On July 16, 2021, the Company completed a new Corporate Facility for \$160.0 million with a three-year term, of which \$98.0 million was drawn on July 30, 2021. The facility was used to repay the outstanding balance of the Term Loan in full and will also be used for general corporate purposes. Similar to the existing facility, it will be repaid from the proceeds of dividends received from Prime, while ensuring the Company preserves a sufficient minimum cash balance to conduct operations. In September 2021, a \$75.0 million dividend was received from Prime and the Company applied the full amount received to reduce the carrying value of the loan to \$23.0 million. The loan is subject to financial and liquidity covenants.

The Company will also adjust the pace of its exploration and appraisal activities to manage its liquidity position. The existing cash balance, the undrawn amount of the Corporate Facility and expected dividends from equity method investees, are sufficient to fund the Company's obligations as they become due.

The following table outlines the Company's contractual maturities of financial liabilities:

Contractual maturities of financial liabilities	Between				Total contractual cash flows	Carrying amount
	Less than 6 months	6 - 12 months	1 and 2 years	2 and 4 years		
<b>At September 30, 2021</b>						
Trade payables	5,388	-	-	-	5,388	5,388
Borrowings	758	777	1,650	24,454	27,639	23,000
Lease liabilities	33	33	67	92	225	190
	6,179	810	1,717	24,546	33,252	28,578
<b>At December 31, 2020</b>						
Trade payables	10,487	-	-	-	10,487	10,487
Borrowings	10,575	10,575	141,764	-	162,914	141,000
Lease liabilities	387	96	196	77	756	685
	21,449	10,671	141,960	77	174,157	152,172

### C. Market risk:

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments.

#### i. 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 to foreign currency exchange risk is mitigated by the fact that the Company sources the majority of its capital projects and expenditures in US dollars. The Company has not entered into any instruments to manage foreign exchange risk.

#### ii. Interest rate risk:

The Corporate Facility has a variable interest rate, that is referenced to LIBOR and will expose the Company to interest rate risk over the three-year term of the loan.

#### iii. Commodity price risk:

The Company has an equity holding in Prime (see note 7), which has two producing fields OML127 and OML 130, both with significant levels of production. A change in commodity prices may affect the dividends received from this investment. 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.

## 16. Supplementary information:

The following table reconciles the changes in non-cash working capital as disclosed in the consolidated statement of cash flows:

	Three months ended	Three months ended	Nine months ended	Nine months ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Changes in non-cash working capital				
Accounts receivable and prepaid expenses	2,830	244	(311)	2,054
Accounts payable and accrued liabilities	(2,644)	3,736	(6,513)	1,917
	186	3,980	(6,824)	3,971
Relating to:				
Operating activities	(269)	(225)	(10)	2,774
Investing activities	455	4,205	(6,814)	1,197
Changes in non-cash working capital	186	3,980	(6,824)	3,971