



## Financial Statements – June 30, 2021

## CONSOLIDATED BALANCE SHEETS

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

		June 30, 2021	December 31, 2020
	<b>Note</b>		
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	12	35,090	40,474
Accounts receivable and prepaid expenses		4,526	1,385
		39,616	41,859
Long-term assets			
Equity investment in joint venture	7	646,718	561,302
Equity investments in associates	8	114,120	116,212
Property and equipment		406	730
Intangible exploration assets	6	191,428	190,396
		952,672	868,640
<b>Total assets</b>		<b>992,288</b>	<b>910,499</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	5	6,235	10,487
Share-based compensation liability		2,213	1,597
Lease obligations		41	451
Short-term debt	9	123,000	-
		131,489	12,535
Long-term liabilities			
Share-based compensation liability		1,748	2,443
Lease obligations		337	234
Provision for contingent consideration	7	32,000	
Long-term debt	9	-	141,000
		34,085	143,677
<b>Total liabilities</b>		<b>165,574</b>	<b>156,212</b>
Equity attributable to common shareholders			
Share capital	10(b)	1,307,842	1,306,476
Contributed surplus		50,965	50,839
Deficit		(533,322)	(610,719)
Accumulated other comprehensive income	7	1,229	7,691
<b>Total equity attributable to common shareholders</b>		<b>826,714</b>	<b>754,287</b>
<b>Total liabilities and equity attributable to common shareholders</b>		<b>992,288</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 June 30, 2021	Three months ended June 30, 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
Operating income	<b>Note</b>				
Share of profit from investment in joint venture	7	48,564	31,731	97,378	117,316
Share of (loss)/ profit from investments in associates	8	(1,205)	(1,413)	(2,090)	57
Total operating income		47,359	30,318	95,288	117,373
Operating expenses					
Salaries and benefits		1,182	1,624	2,481	2,564
Share-based compensation		909	1,001	2,015	686
Office and general		1,135	689	2,453	2,506
Impairment of intangible exploration assets	6	-	-	-	215,600
Total operating expenses		3,226	3,314	6,949	221,356
Net operating income/ (loss)		44,133	27,004	88,339	(103,983)
Finance income		17	95	39	1,061
Finance expense		(5,766)	(7,865)	(11,074)	(15,726)
Net income/ (loss) attributable to common shareholders		38,384	19,234	77,304	(118,648)
Other comprehensive income/ (loss)					
Share of joint venture other comprehensive income/ (loss)	7	5,906	(1,779)	(6,462)	7,116
Total comprehensive income/ (loss)		44,290	17,455	70,842	(111,532)
Net income/ (loss) attributable to common shareholders per share	14				
Basic		0.08	0.04	0.16	(0.25)
Diluted		0.08	0.04	0.16	(0.25)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	14				
Basic		473,253,304	471,949,806	472,703,229	471,630,600
Diluted		476,397,774	475,149,941	475,847,699	471,630,600

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

## CONSOLIDATED STATEMENTS OF EQUITY

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

	Note	June 30, 2021	June 30, 2020
<b>Share capital:</b>	<b>10(b)</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		93	-
<u>Balance, end of the period</u>		<u>1,307,842</u>	<u>1,306,468</u>
<b>Contributed surplus:</b>			
Balance, beginning of the period		50,839	51,389
Share-based compensation		219	262
Transfer to Deficit		(93)	-
Reclass of Performance Share Units from Equity Settled to Cash Settled		-	(1,255)
<u>Balance, end of the period</u>		<u>50,965</u>	<u>50,396</u>
<b>Deficit:</b>			
Balance, beginning of the period		(610,719)	(590,639)
Net income/ (loss) attributable to common shareholders		77,304	(118,648)
Transfer from Contributed Surplus		93	-
<u>Balance, end of the period</u>		<u>(533,322)</u>	<u>(709,287)</u>
<b>Accumulated other comprehensive income:</b>			
Balance, beginning of the period		7,691	-
Other comprehensive (loss)/ income	7	(6,462)	7,116
<u>Balance, end of the period</u>		<u>1,229</u>	<u>7,116</u>
<u>Total equity attributable to common shareholders</u>		<u>826,714</u>	<u>654,693</u>

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)

For the periods ended		Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flows provided by/ (used in):	<b>Note</b>				
<b>Operations:</b>					
Net income/ (loss) for the period		38,384	19,234	77,304	(118,648)
Adjustments for:					
Share-based compensation		909	1,001	2,015	686
Depreciation		29	337	74	687
Impairment of intangible exploration assets		-	-	-	215,600
Interest on lease obligations		7	34	18	67
Share of profit from investment in joint venture	7	(48,564)	(31,731)	(97,378)	(117,316)
Share of loss/ (income) from investments in associates	8	1,205	1,413	2,090	(57)
Interest on term loan	9	5,358	7,391	10,646	15,151
Loss on disposal		262	-	262	-
Unrealized foreign exchange loss		370	20	370	77
Changes in non-cash operating working capital	16	(1,025)	776	(2,242)	2,999
<b>Net cash used in operating activities</b>		<b>(3,065)</b>	<b>(1,525)</b>	<b>(6,841)</b>	<b>(754)</b>
<b>Investing:</b>					
Property and equipment expenditures		-	(8)	-	(33)
Intangible exploration expenditures	6	(1,847)	(5,359)	(2,109)	(15,550)
Equity investment in joint venture	8	-	(28,374)	-	(544,574)
Equity investment in associates	8	(1,966)	-	(1,966)	(16,969)
Dividends received from joint venture	8	37,500	25,000	37,500	112,500
Changes in non-cash investing working capital	16	(1,162)	(4,888)	(2,802)	(3,008)
<b>Net cash provided by/ (used in) investing activities</b>		<b>32,525</b>	<b>(13,629)</b>	<b>30,623</b>	<b>(467,634)</b>
<b>Financing:</b>					
Term Loan relating to acquisition of joint venture	9	-	-	-	250,000
Repayment of Term Loan	9	(18,000)	(10,200)	(18,000)	(55,408)
Payment of interest	9	(5,358)	(7,391)	(10,646)	(15,151)
Settlement of Performance and Restricted Share Units		(427)	12	(427)	(330)
Payment of lease obligations		(15)	(344)	(81)	(682)
<b>Net cash (used in)/ provided by financing activities</b>		<b>(23,800)</b>	<b>(17,923)</b>	<b>(29,154)</b>	<b>178,429</b>
<b>Effect of exchange rate changes on cash and</b>					
cash equivalents denominated in foreign currency		(5)	(20)	(12)	(77)
Increase/ (decrease) in cash and cash equivalents		5,655	(33,097)	(5,384)	(290,036)
Cash and cash equivalents, beginning of the period		29,435	72,525	40,474	329,464
Cash and cash equivalents, end of the period		35,090	39,428	35,090	39,428
<b>Supplementary information:</b>					
Income taxes paid		Nil	Nil	Nil	Nil

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 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 \$70/bbl in Q2 2021. In the first half of the year the group of OPEC+ countries have maintained production quotas to reduce supply and address the challenge of demand destruction. OPEC+ have since reached an agreement to add 400,000 of barrels a day from August which includes an increase to Nigeria's production output from 1.554 mb/d to 1.829 mb/d. However 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 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 all of its allocated 2021 cargos. There has 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:

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#### 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 August 12, 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:

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#### 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:

	June 30, 2021	December 31, 2020
Joint venture payables and other provisions	5,333	9,677
Administrative accruals and other payables	902	810
	6,235	10,487

## 6. Intangible exploration assets:

	Note	June 30, 2021	December 31, 2020
Net carrying amount, beginning of the period		190,396	411,669
Intangible exploration expenditures	A	1,032	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		191,428	190,396

### A. Intangible exploration expenditures:

As at June 30, 2021, \$191.4 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 June 30, 2021 was \$187.1 million (December 31, 2020 - \$186.3 million). In the first half of 2021, expenditures of \$1.0 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 June 30, 2021 (December 31, 2020 - \$0.0 million).

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 \$4.3 million at June 30, 2021 (December 31, 2020 - \$4.1 million). In the first half of 2021, expenditures of \$0.2 million were incurred reprocessing the 2D and 3D seismic.

At June 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 \$0.5 million of general and administrative expenses related to intangible exploration assets (Six months ended June 30, 2020 - \$3.0 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 June 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 six months to June 30, 2021 one dividend totaling \$75.0 million gross, with a net payment to Africa Oil of \$37.5 million 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.

	June 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 common shares	-	25,130
Revaluation of contingent consideration	32,000	-
Dividends received from Prime	(37,500)	(200,000)
Share of joint venture other comprehensive income/loss	(6,462)	7,691
Share of joint venture profit	97,378	208,981
Balance, end of the period	646,718	561,302

The Company recognized income of \$97.4 million during the six month period ended June 30, 2021, relating to its investment in Prime.

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Other current assets	217,155	170,152
Cash and cash equivalents included in current assets	585,521	231,355
Non-current assets <sup>(1)</sup>	3,522,093	3,703,130
Other current liabilities	(117,891)	(100,448)
Loans and borrowings included in current liabilities	(469,781)	(492,343)
Financial liabilities included in current liabilities	(6,652)	(5,349)
Other non-current liabilities	(557,893)	(263,505)
Loans and borrowings included in non-current liabilities	(643,971)	(809,067)
Deferred income tax liabilities included in non-current liabilities	(1,299,144)	(1,311,321)
Net assets of Prime	1,229,438	1,122,604
Percentage ownership	50%	50%
Proportionate share of Prime's net assets	614,718	561,302

	Three months ended 30 June 2021	Three months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue	255,115	318,631	561,739	677,579
Depreciation, depletion and amortization	(77,780)	(111,399)	(156,994)	(241,053)
Production costs	(37,930)	(33,090)	(82,503)	(78,632)
Movement in underlift/overlift	25,101	53,318	(7,523)	91,992
Cost of sales	(90,609)	(91,170)	(247,020)	(227,693)
Gross profit	164,506	227,461	314,719	449,886
Other operating income	75,414	54,267	139,636	109,080
Exploration expenses	(826)	(1,774)	(1,453)	(2,090)
Impairment	0	(289,482)	0	(289,484)
Other operating costs	(6,599)	(4,747)	(13,387)	(15,293)
Finance income	40	380	101	1,161
Finance costs	(36,831)	(39,266)	(54,809)	(18,936)
Profit/(loss) before tax from continuing operations	195,704	(53,768)	384,807	234,324
Tax	(98,576)	117,230	(190,051)	25,967
Total profit for the period	97,128	63,462	194,757	260,291
Other comprehensive income/(loss)	12,260	(3,559)	(12,477)	16,148
Total comprehensive income	109,388	59,903	182,279	276,438
Proportionate share of Prime's profit for the period <sup>(2)</sup>	48,564	31,731	97,378	110,200
Proportionate share of Prime's other comprehensive income <sup>(2)</sup>	6,130	(1,779)	(6,239)	7,116
Proportionate share of Prime's net income <sup>(2)</sup>	54,694	29,952	91,140	117,316

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

<sup>(2)</sup> The 6 months ended 30 June 2020 includes the proportionate share of Prime's net income, prorated from January 14, 2020, the date the acquisition was completed..

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

## 8. Equity investments in associates:

The Company currently holds the following equity investments in associates:

	June 30, 2021	December 31, 2020
Investment in Eco (Atlantic) Oil and Gas Ltd.	12,530	12,922
Investment in Africa Energy Corp.	45,196	45,801
Investment in Impact Oil and Gas Limited	56,394	57,489
Total Investment	114,120	116,212

The Company recognized a total loss of \$2.1 million in the period to June 30, 2021 (\$31.1 million gain for the year ended December 31, 2020).

The Company has determined that these investments are not impaired.

**A. Eco (Atlantic) Oil and Gas Ltd. (“Eco”):**

The Company’s ownership interest at June 30, 2021 in Eco is approximately 18.4%. Eco is an oil and gas exploration company with interests in Guyana and Namibia.

	June 30, 2021	December 31, 2020
Balance, beginning of the period	12,922	12,022
Share of (loss)/ income from equity investments	(392)	900
Balance, end of the period	12,530	12,922

The company recognized a loss of \$0.0 million and \$0.4 million during the three and six months ended June 30, 2021, respectively, relating to its investment in Eco (income of \$0.5 million and \$1.2 million during the three and six months ended June 30, 2020).

Subsequent to the quarter end the company made an additional investment into Eco. See note 17 for further details.

There were no indicators of impairment on the investment as at June 30, 2021.

**B. Africa Energy Corp. (“Africa Energy”):**

Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia. The Company’s ownership interest at June 30, 2021 is approximately 19.9%.

	June 30, 2021	December 31, 2020
Balance, beginning of the period	45,801	17,882
Additional investment through private placements	-	11,765
Share of loss from equity investments	(605)	(1,285)
Prior year adjustment <sup>(1)</sup>	-	(2,466)
Gain on dilution of equity investment	-	19,905
Balance, end of the period	45,196	45,801

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

The Company recognized losses of \$0.5 million and \$0.6 million during the three and six months ended June 30, 2021, respectively, related to its investment in Africa Energy (\$1.4 million and \$2.0 million during the three and six months ended June 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.

There were no indicators of impairment on the investment as at June 30, 2021.

**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. At June 30, 2021 the Company's ownership interest in Impact is approximately 30.9%

	June 30, 2021	December 31, 2020
Balance, beginning of the period	57,489	33,659
Additional investment through the Subscription Agreement	-	11,969
Share of (loss)/ income from equity investments	(1,095)	11,861
Balance, end of the period	56,394	57,489

The Company recognized losses of \$0.7 million and \$1.1 million during the three and six months ended June 30, 2021, respectively, related to its investment in Impact (income of \$0.5 million and a loss of \$0.7 million during the three and six months ended June 30 2020).

There were no indicators of impairment on the investment as at June 30, 2021.

## 9. Debt:

	June 30, 2021	December 31, 2020
Balance, beginning of the period	141,000	-
Drawdown	-	250,000
Repayment	(18,000)	(109,000)
Balance, end of the period	123,000	141,000
Short Term	123,000	
Long Term	-	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. On December 31, 2020, the outstanding loan was \$141.0 million. On June 28, a \$37.5m dividend was received from Prime and a repayment of \$18.0 million was made on 30 June 2021. \$123.0 million is outstanding at June 30, 2021.

The loan is subject to a fixed interest rate of 15%, accruing monthly, and is not subject to any debt covenants.

Subsequent to the quarter end, a \$37.5m dividend was received from Prime and a repayment of \$25.0 million was made on 30 July 2021, reducing the loan to \$98.0 million. The Term Loan was prepaid on July 30, 2021 with the proceeds of the new Corporate Facility (see below).

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 million committed at that time. Post signing, the facility amount and commitments have now been 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, and an additional \$62.0 million can be drawn until May 12, 2022, subject to the satisfaction of certain covenants. The purpose of the loan is to refinance the Term Loan, and 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 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. 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 90% 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.

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 is payable at LIBOR+6.5%. The loan will be subject to financial and liquidity covenants.

## 10. Share capital:

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

**B. Issued:**

	June 30, 2021		December 31, 2020	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	471,960,472	1,306,476	470,214,419	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
Settlement of Share Options	108,000	93	-	-
Balance, end of the period	473,360,117	1,307,842	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 \$22.0 million, plus interest and penalties. However, the TAT ruled in favour of the KRA with regards to the VAT assessments which amounts to \$25.8 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 second half of 2021 to provide a date for the appeals to be heard. The Judge will give his judgment at a subsequent date, where the Company expects it is more likely than not that it will be successful in upholding the CIT and defending the VAT assessments.

**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. At June 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:**

	June 30, 2021	December 31, 2020
Cash and cash equivalents	34,819	38,736
Restricted cash	271	1,738
	35,090	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 June 30, 2021, the Company's ownership interest in Africa Energy is approximately 19.9%.

**Services Agreements:**

	Service provider	Service provided	Invoice value 2021	Invoice value 2020	Balance owing 2021	Balance owing 2020
General Management and Service Agreement	AOC to Africa Energy	Administrative services provided to Africa Energy.	21	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.	175	192	-	-

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

<sup>(2)</sup> Contract date July 1, 2020

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

For the three months ended	June 30, 2021			June 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/(loss) attributable to common shareholders	38,384	473,253,304	0.8	19,234	471,949,806	0.04
Effect of dilutive securities		3,144,470	-	-	3,200,135	-
Dilutive income/(loss) per share	38,384	476,397,774	0.8	19,234	475,149,941	0.04

For the six months ended	June 30, 2021			June 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	77,304	472,703,229	0.16	(118,648)	471,630,600	(0.25)
Effect of dilutive securities		3,144,470	-	-	-	-
Dilutive income/(loss) per share	77,304	475,847,699	0.16	(118,648)	471,630,600	(0.25)

During the three and six months ended June 30, 2021, the Company used an average market price of CAD\$1.21 per share (three and six months ended June 30, 2020 – CAD \$1.06 and CAD \$1.14 per share, respectively) to calculate the dilutive effect of share purchase options. For the three and six months ended June 30, 2021, 370,231 options and 2,774,239 RSUs were anti-dilutive and were not included in the calculation of dilutive income/(loss) per share (three and six months ended June 30, 2020 9,672,500 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 June 30, 2021, the Company held \$1.2 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 purpose of the loan is to refinance the Term Loan and 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. The loan will be 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 expected proceeds from debt issuances 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	Carrying amount
	Less than 6 months	6 - 12 months	1 and 2 years	2 and 4 years	contractual cash flows	
<b>At June 30, 2021</b>						
Trade payables	6,235	-	-	-	6,235	6,235
Borrowings	10,764	123,882	-	-	134,646	134,646
Lease liabilities	113	108	66	91	378	378
	17,112	123,990	66	91	141,259	141,259
<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 company repaid the Term loan on 30 July with the proceeds of the Corporate Facility. This 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 sold forward or hedged 100% of its planned 2021 cargoes and 21% of 2022 cargoes at an average dated brent price of \$57/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 Company also has limited exposure to fluctuations in commodity prices from the test oil production in Kenya.

## 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	Six months ended	Six months ended
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Changes in non-cash working capital				
Accounts receivable and prepaid expenses	(2,303)	(626)	(3,141)	1,810
Accounts payable and accrued liabilities	116	(31,786)	(1,903)	(1,819)
	(2,187)	(32,412)	(5,044)	(9)
Relating to:				
Operating activities	(1,025)	776	(2,242)	2,999
Investing activities	(1,162)	(33,188)	(2,802)	(3,008)
Changes in non-cash working capital	(2,187)	(32,412)	(5,044)	(9)

## 17. Subsequent events:

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In June 2021, Eco announced they raised \$4.9m from Africa Oil and Charlestown Energy Partners LLC with the proceeds being used to acquire a 10% interest in JHI Associates Inc which provides exposure to an active drilling program in the Canje block in offshore Guyana. Africa Oil acquired 5,945,913 new common shares in Eco at a price of 0.41 CAD per new common share totalling \$2.0 million. Africa Oil will be granted the same number of warrants to acquire common shares at the Subscription Price with a two-year duration. Regulatory approval for the share issue was received on July 9, 2021 and the Company's interest on that date increased to 19.99%.

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 million committed at that time. Post signing, the facility amount and commitments have now been 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, and an additional \$62.0 million can be drawn until May 12, 2022. The purpose of the loan is to refinance the Term Loan, and 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. The key terms are described in note 9.

On July 26, 2021 a dividend of \$75.0 million gross was paid from Prime, with a net payment to Africa Oil of \$37.5 million.