



Financial Statements – March 31, 2021

CONSOLIDATED BALANCE SHEETS

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

		March 31, 2021	December 31, 2020
	Note		
ASSETS			
Current assets			
Cash and cash equivalents	12	29,435	40,474
Accounts receivable and prepaid expenses		2,223	1,385
		31,658	41,859
Long-term assets			
Equity investment in joint venture	7	597,748	561,302
Equity investments in associates	8	115,327	116,212
Property and equipment		639	730
Intangible exploration assets	6	189,996	190,396
		903,710	868,640
Total assets		935,368	910,499
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	7,780	10,487
Share-based compensation liability		2,529	1,597
Lease obligations		400	451
Short-term debt	9	141,000	-
		151,709	12,535
Long-term liabilities			
Share-based compensation liability		1,234	2,443
Lease obligations		215	234
Long-term debt	9	-	141,000
		1,449	143,677
Total liabilities		153,158	156,212
Equity attributable to common shareholders			
Share capital	10(b)	1,307,749	1,306,476
Contributed surplus		50,937	50,839
Deficit		(571,799)	(610,719)
Accumulated other comprehensive (loss)/income		(4,677)	7,691
Total equity attributable to common shareholders		782,210	754,287
Total liabilities and equity attributable to common shareholders		935,368	910,499
Commitments and contingencies	11		

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

Approved on behalf of the Board:

"ANDREW BARTLETT"

ANDREW BARTLETT, DIRECTOR

"KEITH HILL"

KEITH HILL, DIRECTOR

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

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

For the three months ended		March 31, 2021	March 31, 2020
Operating income	Note		
Share of profit from investment in joint venture	7	48,814	85,585
Share of (loss)/profit from investments in associates	8	(885)	1,470
Total operating income		47,929	87,055
Operating expenses			
Salaries and benefits		(1,299)	(940)
Share-based compensation		(1,106)	315
Office and general		(1,318)	(1,817)
Impairment of intangible exploration assets	6	-	(215,600)
Total operating expenses		(3,723)	(218,042)
Net operating income/(loss)		44,206	(130,987)
Finance income		22	966
Finance expense		(5,308)	(7,861)
Net income/(loss) attributable to common shareholders		38,920	(137,882)
Other comprehensive income/(loss)			
Share of joint venture other comprehensive (loss)/income	7	(12,368)	8,895
Total comprehensive income/(loss)		26,552	(128,987)
Net income/(loss) attributable to common shareholders per share	14		
Basic		0.08	(0.29)
Diluted		0.08	(0.29)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	14		
Basic		472,147,043	471,311,393
Diluted		475,010,525	471,311,393

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

CONSOLIDATED STATEMENTS OF EQUITY

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

		March 31, 2021	March 31, 2020
	Note 10(b)		
Share capital:			
Balance, beginning of the period		1,306,476	1,305,953
Settlement of Performance Share Units		508	88
Settlement of Restricted Share Units		765	415
Balance, end of the period		1,307,749	1,306,456
Contributed surplus:			
Balance, beginning of the period		50,839	51,389
Share-based compensation		98	131
Reclass of Performance Share Units from Equity Settled to Cash Settled		-	(1,255)
Balance, end of the period		50,937	50,265
Deficit:			
Balance, beginning of the period		(610,719)	(590,639)
Net income/(loss) attributable to common shareholders		38,920	(137,882)
Balance, end of the period		(571,799)	(728,521)
Accumulated other comprehensive income/(loss):			
Balance, beginning of the period		7,691	-
Other comprehensive (loss)/income	7	(12,368)	8,895
Balance, end of the period		(4,677)	8,895
Total equity attributable to common shareholders		782,210	637,095

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 three months ended		March 31, 2021	March 31, 2020
Cash flows provided by/(used in):	Note		
Operations:			
Net income/(loss) for the period		38,920	(137,882)
Adjustments for:			
Share-based compensation		1,106	(315)
Depreciation		325	350
Impairment of intangible exploration assets		-	215,600
Interest on lease obligations		11	33
Share of profit from investment in joint venture	7	(48,814)	(85,585)
Share of loss/(profit) from investments in associates	8	885	(1,470)
Interest on term loan	9	5,288	7,760
Unrealized foreign exchange loss		-	57
Changes in non-cash operating working capital	16	(1,041)	2,223
Net cash (used in)/provided by operating activities		(3,320)	771
Investing:			
Property and equipment expenditures		(234)	(25)
Intangible exploration expenditures	6	400	(10,191)
Equity investment in joint venture		-	(516,200)
Equity investment in associates		-	(16,969)
Dividends received from joint venture		-	87,500
Changes in non-cash investing working capital	16	(2,504)	1,880
Net cash used in investing activities		(2,338)	(454,005)
Financing:			
Term Loan relating to acquisition of joint venture		-	250,000
Repayment of Term Loan		-	(52,968)
Payment of interest	9	(5,288)	-
Settlement of Performance and Restricted Share Units		-	(342)
Payment of lease obligations		(81)	(338)
Net cash (used in)/provided by financing activities		(5,369)	196,352
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(12)	(57)
Decrease in cash and cash equivalents		(11,039)	(256,939)
Cash and cash equivalents, beginning of the period		40,474	329,464
Cash and cash equivalents, end of the period		29,435	75,525
Supplementary information:			
Income taxes paid		Nil	Nil

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 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:

During 2020 and the first quarter of 2021, we have witnessed an unprecedented level of market volatility, oil price volatility and a substantial reduction in the world oil demand due to the impact of the COVID-19 pandemic. We have also seen a robust response by international oil producers led by the group of OPEC+ countries to manage supply and address the challenge of demand destruction. The market uncertainties also prompted some financial institutions to reduce their exposure to the oil and gas industry, which affected the ability of small and medium size oil and gas companies to raise funds. The oil producers' response has removed significant supply to the market. Inventories have started to reduce and markets rebalance. However, with the appearance of several virulent variants of COVID-19, there is no certainty as to the time it will take for business activity and travels to return to normal and for oil demand to recover to pre-pandemic levels.

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 benefited from a robust oil price hedging program, and has hedged 95% of its allocated 2021 cargos at an average dated Brent of \$56/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 May 13, 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 included in the notes to the annual financial statements.

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:

All 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:

	March 31, 2021	December 31, 2020
Joint venture payables and other provisions	6,699	9,677
Administrative accruals and other payables	1,081	810
	7,780	10,487

6. Intangible exploration assets:

	Note	March 31, 2021	December 31, 2020
Net carrying amount, beginning of the period		190,396	411,669
Intangible exploration expenditures	A	(400)	20,802
Reversal of oil and gas provisions		-	(26,475)
Impairment of intangible exploration assets	B	-	(215,600)
Net carrying amount, end of the period		189,996	190,396

A. Intangible exploration expenditures:

As at March 31, 2021, \$190.0 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) as at March 31, 2021 was \$185.8 million (December 31, 2020 - \$186.3 million). In the first quarter of 2021, expenditures of \$1.2 million were incurred progressing the field development plan ("FDP"). This was offset by a release of project accruals and provisions no longer expected to fall due.

The carrying amount of Block 10BA in Kenya is nil as at March 31, 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 \$4.2 million as at March 31, 2021 (December 31, 2020 - \$4.1 million). In the first quarter of 2021, expenditures of \$0.1 million were incurred reprocessing the 2D and 3D seismic.

As at March 31, 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 \$0.2 million of general and administrative expenses related to intangible exploration assets (March 31, 2020 - \$1.0 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 2020, an impairment of \$215.6 million was recorded, reflecting the macro economic conditions and market challenges (\$137.8 million related to the Block 10BB and 13T CGU, and \$77.8 million related to Block 10BA).

As at March 31, 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 closed 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.

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. No dividends were paid in the three months to March 31, 2021. The timing and payment of the dividends is discretionary. There are no restrictions on the ability of Prime to pay dividends to its shareholders.

	March 31, 2021	December 31, 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
Dividends from Prime	-	(200,000)
Share of joint venture other comprehensive (loss)/ income	(12,368)	7,691
Share of joint venture profit	48,814	208,981
Balance, end of the period	597,748	561,302

The Company recognized income of \$48.8 million during the three month period ended March 31, 2021, relating to its investment in Prime (March 31, 2020 - \$85.6 million).

The following tables summarizes Prime's financial information for the three months ended March 31, 2021. The information is based on unaudited financial information.

	March 31, 2021	December 31, 2020
Other current assets	214,808	170,152
Cash and cash equivalents included in current assets	330,702	231,355
Non-current assets ⁽¹⁾	3,587,281	3,703,130
Other current liabilities	(128,446)	(100,448)
Loans and borrowings included in current liabilities	(511,926)	(492,343)
Financial liabilities included in current liabilities	(17,764)	(5,349)
Other non-current liabilities	(233,599)	(263,505)
Loans and borrowings included in non-current liabilities	(737,888)	(809,067)
Deferred income tax liabilities included in non-current liabilities	(1,307,672)	(1,311,321)
Net assets of Prime	1,195,496	1,122,604
Percentage ownership	50%	50%
Proportionate share of Prime's net assets	597,748	561,302

For the three months ended	March 31, 2021	March 31, 2020
Revenue	306,624	358,948
Depreciation, depletion and amortization	(79,214)	(129,654)
Other production costs	(44,573)	(45,542)
(Overlift)/underlift	(32,624)	38,673
Cost of sales	(156,411)	(136,523)
Gross profit	150,213	222,425
Other operating income	64,222	54,814
Exploration expenses	(627)	-
Impairment	-	-
Other operating costs	(6,789)	(10,256)
Finance income	61	677
Finance costs	(17,978)	20,432
Profit before tax from continuing operations	189,102	288,092
Tax	(91,474)	(91,263)
Total profit for the period	97,628	196,829
Other comprehensive (loss)/income	(24,737)	19,707
Total comprehensive income	72,891	216,536
Proportionate share of Prime's profit for the period ⁽²⁾	48,814	85,585
Proportionate share of Prime's other comprehensive (loss)/income ⁽²⁾	(12,368)	8,895
Proportionate share of Prime's net income ⁽²⁾	36,446	94,480

⁽¹⁾ The carrying value of non-current assets includes a fair value adjustment of \$551.9 million.

⁽²⁾ In the three months to March 2020, the proportionate share of Prime's net income is prorated from January 14, 2020, the date the acquisition was completed.

The Company has determined that there are no indicators of impairment as at March 31, 2021.

The purchase price was allocated based on the fair values as follows:

Net assets	
Other current assets	363,234
Cash and cash equivalents included in current assets	140,419
Non-current assets	3,779,129
Other current liabilities	(15,137)
Loans and borrowings included in current liabilities	(620,973)
Financial liabilities included in current liabilities	(233,551)
Other non-current liabilities	(261,196)
Loans and borrowings included in non-current liabilities	(1,190,845)
Deferred income tax liabilities included in non-current liabilities	(1,451,515)
Identifiable assets and liabilities acquired	509,565
Notional goodwill	579,435
Total net assets acquired ⁽¹⁾	1,089,000
Percentage ownership	50.0%
Proportionate share of Prime's net assets at fair value	254,782
Proportionate share of notional goodwill acquired	289,718
Total	544,500
Consideration	
Consideration issued	544,500
Total purchase price	544,500

(1) The fair value of the identifiable assets and liabilities of Prime were \$509.6 million on acquisition (January 14, 2020). The total fair value of the net assets acquired of \$1,089.0 million in the above table includes transaction fees of \$25.1 million as well as a fair value allocation adjustment of \$579.4 million which was recorded as notional goodwill. The Company's share of the fair value of net-assets acquired includes \$1,889.6 million related to non-current assets and \$289.7 million related to notional goodwill.

A deferred payment of \$118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field. As the probability of this payment is unlikely, no provision was recorded on acquisition, or as at March 31, 2021.

8. Equity investments in associates:

The Company currently holds the following equity investments in associates:

	March 31, 2021	December 31, 2020
Investment in Eco (Atlantic) Oil and Gas Ltd.	12,908	12,922
Investment in Africa Energy Corp.	45,329	45,801
Investment in Impact Oil and Gas Limited	57,090	57,489
Total Investment	115,327	116,212

During the three months to March 31, 2021, the Company recognized a loss of \$0.9 million (March 31, 2020 - \$1.5 million gain).

The Company has determined that these investments are not impaired.

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

The Company’s ownership interest as at March 31, 2021 in Eco is approximately 18.4%. Eco is an oil and gas exploration company with interests in Guyana and Namibia.

	March 31, 2021	December 31, 2020
Balance, beginning of the period	12,922	12,022
Share of (loss)/income from equity investment	(14)	900
Balance, end of the period	12,908	12,922

During the three months to March 31, 2021, the Company recognized a loss of \$0.01 million relating to its investment in Eco (March 31, 2020 - \$0.7 million gain).

There were no indicators of impairment on the investment as at March 31, 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 as at March 31, 2021 is approximately 19.9%.

	March 31, 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 investment	(472)	(1,285)
Dilution adjustment	-	(2,466)
Gain on dilution of equity investment	-	19,905
Balance, end of the period	45,329	45,801

During the three months ended March 31, 2021, the Company recognized a loss of \$0.5 million relating to its investment in Africa Energy (March 31, 2020 - \$0.7 million loss).

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% as at January 1, 2020 to approximately 19.9% as 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 March 31, 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. As at March 31, 2021 the Company’s ownership interest in Impact is approximately 30.9%

	March 31, 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 investment	(399)	11,861
Balance, end of the period	57,090	57,489

During the three months ended March 31, 2021, the Company recognized a loss of \$0.4 million relating to its investment in Impact (March 31, 2020 - \$1.4 million gain).

There were no indicators of impairment on the investment as at March 31, 2021.

9. Debt:

	March 31, 2021	December 31, 2020
Balance, beginning of the period	141,000	-
Drawdown	-	250,000
Repayment	-	(109,000)
Balance, end of the period	141,000	141,000
Short-Term	141,000	-
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. \$141.0 million is outstanding as at March 31, 2021. The Company has provided security in respect of the Term Loan 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 accounts 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 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. The loan is subject to a fixed interest rate of 15%, accruing monthly, and is not subject to any debt covenants.

If the Company makes a voluntary repayment of the facility prior to July 14, 2021 (unless the repayment is made from a dividend received from Prime), a prepayment fee of 15% of the repayment value, apportioned for the number of days until July 14, 2021, is payable.

Post period end, the Company has signed a new corporate facility for an amount up to \$150.0 million with a three-year term, which can be drawn from the end of July 2021 (“Corporate Facility”). \$130.0 million has been committed and an uncommitted accordion option allows for an additional \$20.0 million. 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. Completion is subject to customary conditions precedent and is expected to occur before the end of July 2021.

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 security provided on the loan will be similar to the Term Loan. 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:

	March 31, 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
Balance, end of the period	473,252,117	1,307,749	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 \$21.6 million, plus interest and penalties. However, the TAT ruled in favour of the KRA with regards to the VAT assessments which amounts to \$25.3 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 quarter 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 preliminary approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period to April 26, 2022, allowing time for the joint venture to include and align the Block 10BA work program with the proposed Field Development Plan for Block 10BB and 13T.

The work commitments remain unchanged and includes an exploratory well. As at March 31, 2021, the Company's working interest in Block 10BA was 25%.

C. Investment in Prime:

A deferred payment of \$118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field. As the probability of this payment is unlikely, no provision was recorded as at March 31, 2021 or December 31, 2020.

12. Cash and cash equivalents:

	March 31, 2021	December 31, 2020
Cash and cash equivalents	29,277	38,736
Restricted cash	158	1,738
	29,435	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 March 31, 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 ⁽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, located offshore South Africa.	96	192	-	-

(1) Expired June 30, 2020

(2) Contract date July 1, 2020

14. Net income/(loss) per share:

For the three months ended	March 31, 2021			March 31, 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	38,920	472,147,043	0.08	(137,882)	471,311,393	(0.29)
Effect of dilutive securities	-	2,863,482	-	-	-	-
Dilutive income/(loss) per share	38,920	475,010,525	0.08	(137,882)	471,311,393	(0.29)

During the period ended March 31, 2021, the Company used an average market price of CAD\$1.22 per share (March 31, 2020 – CAD \$1.22 per share) to calculate the dilutive effect of share purchase options. For the period ended March 31, 2021, 6,689,667 options and 2,431,272 RSUs were dilutive and 2,872,000 options were anti-dilutive and were not included in the calculation of dilutive income per share. For the three months ended March 31, 2020, 9,762,500 options and 3,200,135 RSUs were anti-dilutive and not included in the calculation of dilutive loss per share.

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 March 31, 2021, the Company held \$0.8 million (December 31, 2020 - \$2.6 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.

Post period end, the Company has signed a new Corporate Facility for an amount up to \$150.0 million with a three-year term, which can be drawn from the end of July 2021. The purpose of the loan is to refinance the Term Loan which is due for repayment by January 14, 2022, 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	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 4 years	Total contractual cash flows	Carrying amount
As at March 31, 2021						
Trade payables	7,780	-	-	-	7,780	7,780
Borrowings	10,751	147,228	-	-	157,979	141,000
Lease liabilities	331	128	140	142	741	615
	18,862	147,356	140	142	166,500	149,395
As at December 31, 2020						
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:

As at March 31, 2021, the Company had the Term Loan of which \$141.0 million was outstanding. The loan is subject to a fixed interest rate of 15%.

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 has a robust oil price hedging program and has sold forward or hedged 95% of its 2021 cargoes at an average price of approximately \$56/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:

For the three months ended	March 31, 2021	March 31, 2020
Changes in non-cash working capital		
Accounts receivable and prepaid expenses	(838)	2,436
Accounts payable and accrued liabilities	(2,707)	1,667
	(3,545)	4,103
Relating to:		
Operating activities	(1,041)	2,223
Investing activities	(2,504)	1,880
Changes in non-cash working capital	(3,545)	4,103

17. Subsequent events:

On May 13, 2021, the Company has signed a new Corporate Facility for an amount up to \$150.0 million with a three-year term, which can be drawn from the end of July 2021. \$130.0 million has been committed at signing and an uncommitted accordion feature allows for an additional \$20.0 million. 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. Completion is subject to customary conditions precedent and is expected to occur before mid-July 2021.

The key terms are described in note 9.