



**AFRICA OIL CORP.**

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

## TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENTS OF EQUITY	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
Incorporation and nature of business	7
Basis of preparation	7
Significant accounting policies	7
Cash and cash equivalents	8
Equity investment in joint venture	8
Equity investments in associates	12
Intangible exploration assets	13
Accounts payable and liabilities	13
Debt	14
Share capital	14
Commitments and contingencies	15
Net income per share	16
Related party transactions	16
Financial risk management	17
Supplementary information	19
Subsequent events	19



# CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of United States dollars)

As at	Note	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	207,255	58,885
Accounts receivable and prepaid expenses		1,426	658
		208,681	59,543
<b>Long-term assets</b>			
Equity investment in joint venture	5	548,355	617,127
Equity investments in associates	6	139,176	120,688
Intangible exploration assets	7	207,096	194,260
		894,627	932,075
<b>Total assets</b>		<b>1,103,308</b>	<b>991,618</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and liabilities	8	13,485	3,649
Share-based compensation liability		6,660	3,971
		20,145	7,620
<b>Long-term liabilities</b>			
Share-based compensation liability		4,239	3,940
Provision for contingent consideration	5	32,000	32,000
		36,239	35,940
<b>Total liabilities</b>		<b>56,384</b>	<b>43,560</b>
<b>Equity attributable to common shareholders</b>			
Share capital	10(B)	1,313,077	1,309,127
Contributed surplus		51,221	51,143
Treasury account		(3,205)	-
Deficit		(314,169)	(412,212)
<b>Total equity attributable to common shareholders</b>		<b>1,046,924</b>	<b>948,058</b>
<b>Total liabilities and equity attributable to common shareholders</b>		<b>1,103,308</b>	<b>991,618</b>
Commitments and contingencies	11	-	-

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

Approved on behalf of the Board

**"ANDREW BARTLETT"**

ANDREW BARTLETT, DIRECTOR

**"KEITH HILL"**

KEITH HILL, DIRECTOR

# CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Expressed in thousands of United States dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Operating income</b>					
Share of profit from investment in joint venture	5	78,373	70,953	143,728	168,331
Share of loss from investments in associates	6	(1,853)	(1,205)	(174)	(3,295)
<b>Total operating income</b>		<b>76,520</b>	<b>69,748</b>	<b>143,554</b>	<b>165,036</b>
<b>Operating expenses</b>					
Salaries and benefits		(890)	(987)	(3,929)	(3,468)
Share-based compensation		(2,562)	(2,873)	(7,042)	(4,888)
Professional fees and other general and administrative expenses		(2,818)	(2,194)	(9,175)	(4,647)
<b>Total operating expense</b>		<b>(6,270)</b>	<b>(6,054)</b>	<b>(20,146)</b>	<b>(13,003)</b>
<b>Net operating income</b>		<b>70,250</b>	<b>63,694</b>	<b>123,408</b>	<b>152,033</b>
Finance income		1,029	47	1,123	86
Finance expense		(684)	(5,235)	(2,675)	(16,309)
<b>Net income attributable to common shareholders</b>		<b>70,595</b>	<b>58,506</b>	<b>121,856</b>	<b>135,810</b>
<b>Other comprehensive income/ (loss)</b>					
Share of joint venture other comprehensive income/ (loss)	5	-	5,680	-	(559)
<b>Total comprehensive income</b>		<b>70,595</b>	<b>64,186</b>	<b>121,856</b>	<b>135,251</b>
<b>Net income attributable to common shareholders per share</b>					
Basic	12	0.15	0.12	0.26	0.29
Diluted	12	0.14	0.12	0.25	0.28
<b>Weighted average number of shares outstanding for the purpose of calculating earnings per share</b>					
Basic	12	477,311,406	473,504,780	476,565,100	472,973,349
Diluted	12	491,131,356	477,799,158	490,319,736	477,267,727

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

# CONSOLIDATED STATEMENTS OF EQUITY

(Expressed in thousands of United States dollars)

For the nine months ended	Note	September 30, 2022	September 30, 2021
<b>Share capital:</b>			
	10(B)		
Balance, beginning of the period		1,309,127	1,306,476
Exercise of Share Options		1,164	508
Settlement of Restricted Share Units		1,165	765
Settlement of Performance Share Units		1,933	604
Shares cancelled		(312)	-
<b>Balance, end of the period</b>		<b>1,313,077</b>	<b>1,308,353</b>
<b>Contributed surplus:</b>			
Balance, beginning of the period		51,143	50,839
Share-based compensation		78	326
Transfer to deficit		-	(94)
<b>Balance, end of the period</b>		<b>51,221</b>	<b>51,071</b>
<b>Treasury account:</b>			
Balance, beginning of the period		-	-
Shares purchased		(3,205)	-
<b>Balance, end of the period</b>		<b>(3,205)</b>	<b>-</b>
<b>Deficit:</b>			
Balance, beginning of the period		(412,212)	(610,719)
Dividends paid		(23,813)	-
Net income attributable to common shareholders		121,856	135,810
Transfer to Contributed surplus		-	94
Amounts transferred from other comprehensive income		-	7,691
<b>Balance, end of the period</b>		<b>(314,169)</b>	<b>(467,124)</b>
<b>Accumulated other comprehensive income:</b>			
Balance, beginning of the period		-	7,691
Other comprehensive loss	5	-	(559)
Amounts transferred to deficit		-	(7,691)
Amounts transferred to statement of net income		-	559
<b>Balance, end of the period</b>		<b>-</b>	<b>-</b>
<b>Total equity attributable to common shareholders</b>			
<b>Balance, end of the period</b>		<b>1,046,924</b>	<b>892,300</b>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Cash flows generated by/ (used in):					
<b>Operations:</b>					
Net income for the period		70,595	58,506	121,856	135,810
Adjustments for:					
Share-based compensation		2,562	2,873	7,042	4,888
Share of profit from investment in joint venture	5	(78,373)	(70,953)	(143,728)	(168,331)
Share of loss from investments in associates	6	1,853	1,205	174	3,295
Finance income		(1,029)	(47)	(1,123)	(86)
Finance expense		684	5,235	2,675	16,309
Other		(48)	(470)	(352)	173
Changes in non-cash operating working capital	15	186	(269)	(339)	(10)
<b>Net cash used in operating activities</b>		<b>(3,570)</b>	<b>(3,920)</b>	<b>(13,795)</b>	<b>(7,952)</b>
<b>Investing:</b>					
Intangible exploration expenditures	7	(1,038)	(669)	(2,187)	(2,778)
Equity investment in associates	6	(12,862)	-	(18,652)	-
Dividends received from joint venture	5	50,000	112,500	212,500	150,000
Changes in non-cash investing working capital	15	(1,204)	455	(1,113)	(6,814)
<b>Net cash generated by investing activities</b>		<b>34,896</b>	<b>112,286</b>	<b>190,548</b>	<b>140,408</b>
<b>Financing:</b>					
Repayment of term loan		-	(123,000)	-	(141,000)
Drawdown of Corporate Facility		-	98,000	-	98,000
Repayment of Corporate Facility		-	(75,000)	-	(75,000)
Payment of interest, arrangement and other loan fees		(684)	(5,235)	(2,675)	(16,309)
Receipt of interest income		1,029	47	1,123	86
Settlement of Performance and Restricted Share Units		-	-	(337)	(427)
Dividends paid to shareholders		(11,936)	-	(23,813)	-
Repurchase of share capital		(4,000)	-	(4,000)	-
Exercise of Share Options		393	602	1,164	602
<b>Net cash used in financing activities</b>		<b>(15,198)</b>	<b>(104,586)</b>	<b>(28,538)</b>	<b>(134,048)</b>
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		87	(16)	155	(28)
Increase/ (decrease) in cash and cash equivalents		16,215	3,764	148,370	(1,620)
<b>Cash and cash equivalents, beginning of the period</b>		<b>191,040</b>	<b>35,090</b>	<b>58,885</b>	<b>40,474</b>
<b>Cash and cash equivalents, end of the period</b>	4	<b>207,255</b>	<b>38,854</b>	<b>207,255</b>	<b>38,854</b>
<b>Supplementary information:</b>					
Income taxes paid		199	101	199	101

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2022, and September 30, 2021  
(Expressed in thousands of United States dollars unless otherwise indicated)

## 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 2500 Park Place, 666 Burrard St. Vancouver, BC, Canada V6C 2X8.

## 2. 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, 2021.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at November 14, 2022, 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 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 judgements:

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.

#### i. Reversal of impairment of oil and gas production assets in Prime

Oil and gas production assets are assessed if facts and circumstances suggest that an impairment loss recognized in prior periods may no longer exist or may have decreased. An impairment reversal is recognized if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In the three months ended March 31, 2022, and the year ended December 31, 2021, there was a significant increase in the oil price which was an indicator for a reversal of historic impairments to oil and gas production assets recognized in Prime.

Prime estimates its 2P reserves based on information provided by reputable independent petroleum engineers. This information from reputable independent petroleum engineer's concerns, amongst others, the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates.

2P reserves are determined using estimates of oil and gas in place, recovery factors, operating expenses, future development costs and future commodity prices; the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements.

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, 2021.

## 3. Significant accounting policies:

The Company has adopted Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) which is effective for annual reporting periods beginning on or after January 1, 2022. The adoption of this amendment has not had an effect on the numbers presented or led to additional disclosure.

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, 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****4. Cash and cash equivalents:**

As at	September 30, 2022	December 31, 2021
Cash and cash equivalents	206,863	58,512
Restricted cash	392	373
	207,255	58,885

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

Cash equivalents are short term deposits made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at varying rates.

**5. Equity investment in joint venture:****Prime Oil and Gas Coöperatief U.A. ("Prime"):**

On January 14, 2020, the Company acquired a 50% ownership interest in Prime. BTG Pactual Holding S.à.r.l. ("BTG"), a private limited liability company governed and existing under the laws of the Grand Duchy of Luxembourg continues to own the remaining 50% of Prime. The Company account for Prime 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 and covers part of the producing Agbami field. OML 130 is operated by affiliates of TotalEnergies and contains the producing Akpo and Egina fields.

In the nine months ended September 30, 2022, four dividend payments were received totaling \$425.0 million gross, with a net receipt to the Company of \$212.5 million related to its 50% interest. In the nine months ended September 30, 2021, three dividend payments were received totaling \$300.00 million gross with a net receipt to the Company of \$150.0 million related to its 50% interest. During the year ended December 31, 2021, Prime distributed four dividend payments totaling \$400.0 million gross, with a net receipt to the Company 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 members to the extent that the amount of the net assets exceeds the statutory reserves.

The following table shows the Company's carrying value of the investment in Prime as at September 30, 2022, and December 31, 2021.

	September 30, 2022	December 31, 2021
Balance, beginning of the period	617,127	561,302
Revaluation of contingent consideration	-	32,000
Dividends received from Prime	(212,500)	(200,000)
Share of joint venture other comprehensive loss	-	(559)
Share of joint venture profit	143,728	224,384
<b>Balance, end of the period</b>	<b>548,355</b>	<b>617,127</b>

In the three and nine months ended September 30, 2022, the Company recognized income of \$78.4 million and \$143.7 million, respectively, relating to its investment in Prime (three and nine months ended September 30, 2021 - \$71.0 million and \$168.3 million respectively).

On June 25, 2021, Prime signed a Securitization Agreement with Equinor and Chevron, whereby Equinor agreed to pay a security deposit to the two other partners to secure future payments due under that Securitization Agreement, pending a comprehensive resolution being reached among all unit parties in respect of the tract participation in the Agbami field. In accordance with the Securitization Agreement, on June 29, 2021, Prime received from Equinor its portion of the security deposit in the form of a cash payment of \$305.0 million gross. A provision for the full cash payment 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 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 and 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

In 2021, the Company recorded \$32.0 million as contingent consideration and increased the Company's investment in Prime. As at September 30, 2022, this remains the best estimate of the most likely outcome.

As at September 30, 2022, the Company has determined that there are no indicators of impairment nor indicators of a reversal of impairment of its investment in Prime.

The following tables summarizes Prime's financial information as at September 30, 2022, and December 31, 2021, and for the three and nine months ended September 30, 2022, and September 30, 2021.

**Prime's Balance Sheet**

As at	September 30, 2022	December 31, 2021
Cash and cash equivalents included in current assets <sup>(1)</sup>	619,242	517,878
Other current assets	247,384	369,722
Non-current assets <sup>(2)</sup>	3,118,338	3,433,742
Other current liabilities	(402,753)	(291,429)
Loans and borrowings included in current liabilities <sup>(3)</sup>	(519,531)	(523,771)
Other non-current liabilities	(404,529)	(540,150)
Loans and borrowings included in non-current liabilities <sup>(3)</sup>	(429,787)	(493,018)
Deferred income tax liabilities included in non-current liabilities	(1,131,654)	(1,238,721)
<b>Net assets of Prime</b>	1,096,710	1,234,253
Percentage ownership	50%	50%
<b>Proportionate share of Prime's net assets</b>	548,355	617,127

(1) See Prime's Statement of Cash Flows for additional information on movements in cash and cash equivalents.

(2) As at September 30, 2022, the carrying value of non-current assets included a fair value adjustment of \$623.3 million (as at December 31, 2021 - \$623.3 million). These amounts were allocated to goodwill as part of the notional purchase price allocation.

(3) In the nine months ended September 30, 2022, Prime drew an additional \$150.0 million of the PXF Facility and repaid \$217.5 million of RBL and PXF debt, reducing its gross debt to \$949.3 million (year ended December 31, 2021, Prime drew \$150.0 million of the PXF Facility and repaid \$436.0 million of RBL debt, reducing its gross debt to \$1,016.8 million).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

## Prime's Statement of Net Income and Other Comprehensive Income

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue <sup>(1)</sup>	392,973	338,047	1,154,492	912,450
Depreciation, depletion and amortization	(57,102)	(71,812)	(193,816)	(228,806)
Production costs	(36,571)	(36,623)	(110,009)	(119,126)
Movement in underlift/overlift <sup>(2)</sup>	147,026	29,748	(93,596)	22,224
Royalties	(37,856)	(76,369)	(75,951)	(89,034)
Cost of sales	15,497	(155,056)	(473,372)	(414,742)
<b>Gross profit</b>	<b>408,470</b>	<b>182,991</b>	<b>681,120</b>	<b>497,708</b>
Other operating income <sup>(3)</sup>	2,202	136,344	107,606	275,980
Exploration expenses	(671)	(1,106)	(1,919)	(2,559)
Other operating costs <sup>(4)</sup>	(46,701)	(7,008)	(62,973)	(20,395)
Finance income	2,715	41	4,225	144
Finance costs <sup>(5)</sup>	(19,087)	(28,759)	(51,776)	(83,568)
<b>Profit before tax from continuing operations</b>	<b>346,928</b>	<b>282,503</b>	<b>676,283</b>	<b>667,310</b>
Tax	(190,182)	(155,162)	(388,828)	(345,212)
<b>Total profit for the period</b>	<b>156,746</b>	<b>127,341</b>	<b>287,455</b>	<b>322,098</b>
Other comprehensive income/ (loss) <sup>(6)</sup>	-	11,360	-	(1,118)
<b>Total comprehensive income</b>	<b>156,746</b>	<b>138,701</b>	<b>287,455</b>	<b>320,980</b>
<b>Proportionate share of Prime's profit for the period</b>	<b>78,373</b>	<b>63,671</b>	<b>143,728</b>	<b>161,049</b>
<b>Adjustments to share of Prime's profit for the period <sup>(7)</sup></b>	<b>-</b>	<b>7,282</b>	<b>-</b>	<b>7,282</b>
<b>Total share of Prime's profit for the period</b>	<b>78,373</b>	<b>70,953</b>	<b>143,728</b>	<b>168,331</b>
<b>Proportionate share of Prime's other comprehensive income/ (loss)</b>	<b>-</b>	<b>5,680</b>	<b>-</b>	<b>(559)</b>
<b>Proportionate share of Prime's net income</b>	<b>78,373</b>	<b>76,633</b>	<b>143,728</b>	<b>167,772</b>

(1) Revenue for the three and nine months to September 30, 2022, include royalties paid in kind of \$11.0 million and \$33.0 million respectively (three and nine months ended September 30, 2021 - \$7.0 million and \$22.0 million respectively).

(2) There was a net overlift position as at September 30, 2022, and June 30, 2022, compared to a net underlift position at December 31, 2021, with the movement representing Prime's excess of liftings over its entitlement share of production, valued at a higher price compared to the position at September 30, 2021.

(3) For some of its qualifying capital expenditure ("QCE"), Prime is entitled to claim an investment tax credit ("ITC") at the rate of 50% of the QCE incurred, either wholly or exclusively or necessarily for the purposes of its petroleum operations. This is a Nigerian government tax credit which can be offset with Petroleum Profit Tax ("PPT") and serves as an incentive for investments in the exploration of oil and gas in the deep offshore waters of Nigeria. In the three and nine months ended September 30, 2022, Prime utilized investment tax credits of \$2.2 million and \$107.1 million respectively (three and nine months ended September 30, 2021 - \$136.4 million and \$276.0 million respectively). In the three months ended March 31, 2022, Prime exhausted its investment tax credit pool and additional credits have since been generated on capital expenditure incurred on qualifying assets.

(4) Other operating costs include Prime's administrative costs, sales costs and the NDDC Levy, which concerns the Niger Delta Development Commission imposed by a regulatory body in Nigeria to fund the sustainable development of the Niger Delta region. The operating costs in the three months ended September 30, 2022, include a withholding tax payment of \$33.8 million on an intergroup dividend declared.

(5) Finance costs in the three months and nine months ended September 30, 2022, and September 30, 2021, are primarily made up of interest expenses incurred on the RBL and PXF loans and accretion expenses incurred on the decommissioning liability.

(6) The Company recognized other comprehensive losses in 2021 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 December 31, 2021, and therefore no movements have been recognized in the nine months to September 30, 2022.

(7) Adjustment relating to the fair value of hedges included in the investment value of Prime acquisition and has now been fully settled.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

## Supplementary information: Prime's Statement of Cash Flows

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Profit before tax	346,928	282,503	676,283	667,310
<i>Adjustments for:</i>				
Depreciation, depletion and amortization	57,132	71,842	193,906	228,896
Finance costs, net	16,368	28,719	47,548	83,427
Taxes paid	(222,267)	(175,737)	(495,894)	(363,949)
Change in provisions	608	367	1,643	306,629
Interest expense paid	(19,441)	(10,940)	(39,579)	(35,743)
<b>Cash generated in operating activities before working capital</b>				
<i>Changes in working capital</i>				
Changes in trade and other receivables	(39,663)	(19,521)	42,522	(73,749)
Changes in over/underlift balances	(147,026)	(29,748)	93,596	(22,224)
Changes in other working capital balances	131,469	96,853	97,221	102,136
<b>Total changes in working capital</b>	(55,220)	47,584	233,339	6,163
<b>Net cash generated in operating activities</b>	124,108	244,338	617,246	892,733
Expenditures on oil and gas properties	(15,979)	(19,119)	(27,463)	(30,612)
Interest income received	2,658	40	4,053	141
<b>Net cash used in investing activities</b>	(13,321)	(19,079)	(23,410)	(30,471)
Payment of dividends to shareholders	(100,000)	(225,000)	(425,000)	(300,000)
Repayment of third-party borrowings	(52,713)	(84,267)	(217,472)	(273,323)
Drawdown of PXF Facility	-	-	150,000	-
Payment on settlement of derivative financial instrument	-	(11,807)	-	(30,587)
<b>Net cash used in financing activities</b>	(152,713)	(321,074)	(492,472)	(603,910)
<b>Total cash flow</b>	(41,926)	(95,815)	101,364	258,352
<b>Cash and cash equivalents, beginning of the period</b>	661,168	585,521	517,878	231,354
<b>Cash and cash equivalents, end of the period</b>	619,242	489,706	619,242	489,706

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****6. Equity investments in associates:**

The Company currently holds the following equity investments in associates:

	Africa Energy Corp.	Eco (Atlantic) Oil and Gas Ltd	Impact Oil and Gas Ltd	Total
Ownership at September 30, 2022	19.7%	16.0%	30.8%	
Shares held at September 30, 2022	276,982,414	54,941,744	286,614,879	
At January 1, 2021	45,801	12,922	57,489	<b>116,212</b>
Share of income/ (loss) from equity investments	4,389	(520)	(1,374)	<b>2,495</b>
Additional investment through private placement	-	1,981	-	<b>1,981</b>
<b>At December 31, 2021</b>	<b>50,190</b>	<b>14,383</b>	<b>56,115</b>	<b>120,688</b>
Share of (loss)/ income from equity investments	(1,131)	(1,496)	1,119	<b>(1,508)</b>
Gain on dilution of equity investment	90	945	299	<b>1,334</b>
Additional investment through private placement	-	5,800	12,862	<b>18,662</b>
<b>At September 30, 2022</b>	<b>49,149</b>	<b>19,632</b>	<b>70,395</b>	<b>139,176</b>

In the nine months ended September 30, 2022, the Company recognized a net loss of \$0.2 million (nine months ended September 30, 2021 - loss of \$3.3 million).

As at September 30, 2022, the Company has determined that there are no indicators of impairment for any of its equity investments in associates.

**A. Africa Energy Corp. ("Africa Energy"):**

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

**B. Eco (Atlantic) Oil and Gas Ltd. ("Eco"):**

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

In the nine months ended September 30, 2022, there was a net gain on dilution of \$0.9 million (nine months ended September 30, 2021 - nil) due to a share issue by Eco in which the Company did not participate. The Company's ownership interest in Eco decreased from 19.9% to 16.0%.

On April 6, 2022, Eco completed an equity fundraise. A total of 64,885,496 new Common Shares were placed with, or subscribed for, by new and existing institutional investors at a price of £0.30 per Placing Share. The equity fundraise raised gross proceeds of approximately \$25.5 million for Eco before expenses. The Company subscribed for 10,178,116 common shares for a consideration of \$4.0 million and following this the Company held 17.3% of the enlarged share capital in Eco.

On June 27, 2022, Eco signed a farmout agreement in which its wholly owned subsidiary, Azinam Limited, acquired an additional 6.25% participating interest in Block 3B/4B. The aggregate dollar consideration for the transaction was \$10.0 million and was settled substantially in Eco shares. Eco received TSX Venture Exchange approval for the transaction on July 6, 2022. Following the approval of issuance, the Company held 16.1% of the enlarged share capital in Eco.

On June 27, 2022, Eco completed an equity fundraise. A total of 33,406,531 new Common Shares were placed with, or subscribed for, by new and existing institutional investors at a price of £0.30 per Placing Share. The equity fundraise raised gross proceeds of approximately \$12.3 million for Eco before expenses. The Company subscribed for 4,864,865 common shares for a consideration of \$1.8 million and following TSX Venture Exchange approval, the Company held 15.9% of the enlarged share capital in Eco.

In the three months ended September 30, 2022, Eco cancelled a number of shares and following this the Company held 16.0% of the share capital in Eco.

**C. Impact Oil and Gas Ltd ("Impact"):**

Impact is an oil and gas exploration company with interests in Namibia and South Africa.

On July 18, 2022, Impact made an open offer to existing shareholders to raise up to \$60.0 million through the issue of ordinary shares. The Company subscribed for 31,936,373 shares in Impact for \$19.0 million and following the completion of this transaction the Company is expected to hold 30.9% of the enlarged share capital in Impact. In the three months ended September 30, 2022, \$12.9 million had been paid with the remaining balance of \$6.1 million due to be paid in November 2022.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****7. Intangible exploration assets:**

	Note	September 30, 2022	December 31, 2021
Net carrying amount, beginning of the period		194,260	190,396
Intangible exploration expenditures	A	12,836	3,864
<b>Net carrying amount, end of the period</b>		<b>207,096</b>	<b>194,260</b>

**A. Intangible exploration expenditures:**

At September 30, 2022, \$207.1 million of expenditures have been capitalized as intangible exploration assets (at December 31, 2021 - \$194.3 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of 2P petroleum reserves.

At September 30, 2022, the carrying amount of the Company's intangible exploration assets for its 25% interest in the Project Oil Kenya CGU (Block 10BB and 13T) was \$202.2 million (at December 31, 2021 - \$189.8 million). In the three and nine months ended September 30, 2022, expenditures of \$(0.2) million and \$1.6 million, respectively, were incurred on the project (three and nine months ended September 30, 2021 - \$0.8 million and \$1.1 million respectively). The joint venture sold 174,627 bbls from its oil inventory in the three months ended September 30, 2022, for \$13.8 million with a net receivable to the company of \$3.5 million. Proceeds have been offset against intangible exploration expenditures.

A provision of \$10.0 million related to unresolved Kenya joint venture matters has been recognized in intangible exploration assets.

At September 30, 2022, the carrying amount of Block 10BA in Kenya was nil (at December 31, 2021 - nil).

At September 30, 2022, 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 \$4.9 million (at December 31, 2021 - \$4.5 million). In the three and nine months ended September 30, 2022, expenditures of \$0.1 million and \$0.4 million, respectively, were incurred reprocessing the 2D and 3D seismic (three and nine months ended September 30, 2021 - \$0.1 million and \$0.3 million respectively).

At September 30, 2022, 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.

In the three and nine months ended September 30, 2022, the Company capitalized \$0.3 million and \$0.8 million, respectively, of general and administrative expenses related to intangible exploration assets (three and nine months ended September 30, 2021 - \$0.6 million and \$1.1 million respectively).

**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.

As at September 30, 2022, the Company's intangible exploration assets had no indicators of impairment.

**C. Reversal of impairment of intangible exploration assets:**

A reversal of impairment is considered when there is any indication that an impairment loss recognized in prior years for an asset may no longer exist or may have decreased.

As at September 30, 2022, the Company's intangible exploration assets had no indicators for a reversal of impairment.

**8. Accounts payable and liabilities:**

As at	Note	September 30, 2022	December 31, 2021
Joint venture payables and other provisions	7	12,854	2,865
Administrative accruals and other payables		631	784
		<b>13,485</b>	<b>3,649</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****9. Debt:**

As at	September 30, 2022	December 31, 2021
Balance, beginning of the period	-	141,000
Repayment of Term Loan	-	(141,000)
Drawdown of Corporate Facility	-	98,000
Repayment of Corporate Facility	-	(98,000)
<b>Balance, end of the period</b>	<b>-</b>	<b>-</b>

In the second quarter of 2021, the Company agreed a new Corporate Facility to refinance its Prime acquisition facility ("Term Loan") for an amount up to \$160.0 million with a three-year term. On July 30, 2021, \$98.0 million was drawn down under the Corporate Facility to repay the Term Loan in full. By November 2021 the facility was repaid in full with the proceeds from Prime dividends. The Corporate Facility carries interest of 1 month-Libor plus a margin of 6.5% in the first year, 7.0% in the second year and 7.5% in the third year.

On January 28, 2022, the Company agreed a number of amendments to the Corporate Facility with the existing lenders. The available amount increased from \$62.0 million to \$100.0 million, and the availability period was extended to December 31, 2022, from May 13, 2022. The principal amounts, if drawn, may not exceed \$80.0 million by September 30, 2023, and \$50.0 million by February 29, 2024. The maturity date, the loan purpose and interest margins were unchanged.

On October 20, 2022, the Company agreed amendments which will become effective on licence renewal being received on OML 130 within Prime. The Corporate Facility amount will be increased from \$100.0 million to \$200.0 million and can be drawn until October 20, 2023. The maturity date has been extended to October 20, 2025.

Any 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. If drawn, the loan principal would 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 Company 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), Africa Energy, Eco and Impact owned by the Company and a charge over the bank account into which the Prime dividends are paid. The security over the shares in Africa Energy, Eco and Impact were released in the amendment to the Corporate Facility on January 28, 2022.

The Corporate Facility is subject to financial and liquidity covenants. The Company has been in compliance with the covenants in the three months ended September 30, 2022.

**10. Share capital:****A. The Company is authorized to issue an unlimited number of common shares with no par value.****B. Issued:**

	September 30, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	474,655,355	1,309,127	471,960,472	1,306,476
Exercise of Share Options	1,246,333	1,164	515,445	508
Settlement of Restricted Share Units	672,452	1,165	882,104	939
Settlement of Performance Share Units	1,116,492	1,933	1,297,334	1,204
Return and cancellation of shares	(11,858)	-	-	-
Cancellation of shares repurchased	(166,870)	(312)	-	-
<b>Balance, end of the period</b>	<b>477,511,904</b>	<b>1,313,077</b>	<b>474,655,355</b>	<b>1,309,127</b>

The Company launched a Normal Course Issuer Bid (share buyback) program on September 27, 2022. Since that date to September 30, 2022, a total of 1,883,480 Africa Oil common shares have been repurchased and 166,870 shares have been cancelled.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****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 favor of the Company with regards to the CIT assessments, which amounts to \$20.2 million, plus interest and penalties. However, the TAT ruled in favor of the KRA with regards to the VAT assessments which amounts to \$23.6 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 Judge has not communicated a date for the next hearing, at which they are expected to give their judgement. 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 unfavorable decision could have a negative impact on the plan for development of the Company's Kenyan Intangible Exploration Assets.

**B. Investment in Prime:**

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. In 2021, the Company recorded \$32.0 million as contingent consideration representing the best estimate of the most likely outcome and increased the Company's investment in Prime. This remains the best estimate of the most likely outcome.

**C. Kenya license commitments:**

Under the terms of the Block 10BA PSC, the Company received approval from the Ministry of Petroleum and Mining for the Republic of Kenya for an extension to the second additional exploration period to April 26, 2023, allowing time for the joint venture to include and align the Block 10BA work program with the proposed FDP for Blocks 10BB and 13T. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 km<sup>2</sup> of 2D or 45 km<sup>2</sup> of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well. The total minimum gross expenditure obligation for the second additional exploration period is \$19.0 million. The JV partners have not provided any letters of credit or guarantees for this commitment. The Company has presented a plan for exploration and appraisal in Block 10BA in the FDP. This drilling plan was formally submitted in December 2021. At September 30, 2022, the Company's working interest in Block 10BA was 25%.

**D. South Africa license commitments:**

The application to extend the Block 3B/4B license and to move into the first extension period of 2 years was approved on October 27, 2022. The work commitment for this extension period includes the completion of 2,020 square kilometres of 3D seismic reprocessing and integration of well and seismic data. At September 30, 2022, the Company's WI in Block 3B/4B was 20%.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

## 12. Net income per share:

For the three months ended	September 30, 2022			September 30, 2021		
	Net income	Weighted Average		Net Income	Weighted Average	
		Number of shares	Per share amounts		Number of shares	Per share amounts
<b>Basic earnings per share</b>						
Net income attributable to common shareholders	70,595	477,311,406	0.15	58,506	473,504,780	0.12
Effect of dilutive securities	-	13,819,950	-	-	4,294,378	-
<b>Dilutive income per share</b>	70,595	491,131,356	0.14	58,506	477,799,158	0.12

For the nine months ended	September 30, 2022			September 30, 2021		
	Net income	Weighted Average		Net Income	Weighted Average	
		Number of shares	Per share amounts		Number of shares	Per share amounts
<b>Basic earnings per share</b>						
Net income attributable to common shareholders	121,856	476,565,100	0.26	135,810	472,973,349	0.29
Effect of dilutive securities	-	13,754,636	-	-	4,294,378	-
<b>Dilutive income per share</b>	121,856	490,319,736	0.25	135,810	477,267,727	0.28

In the three and nine months ended September 30, 2022, the Company used an average market price of CAD \$2.38 and CAD \$2.33 per share, respectively, to calculate the dilutive effect of share purchase options (three and nine months ended September 30, 2021 - CAD \$1.48 and \$1.30 per share respectively). In the three and nine months ended September 30, 2022, 2,775,087 options were anti-dilutive and were not included in the calculation of dilutive income per share (three and nine months ended September 30, 2021 - 1,255,616 options were anti-dilutive).

## 13. Related party transactions:

## A. Transactions with Africa Energy:

As at September 30, 2022, the Company's ownership interest in Africa Energy is approximately 19.7%.

## Services Agreements:

	Service provider	Service provided	Three months ended		Nine months ended	
			September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
General Management and Service Agreement	AOC to Africa Energy	Administrative services provided to Africa Energy.	11	19	33	54
General Technical and Administrative Service Agreement <sup>(1)</sup>	Africa Energy to AOSAC	Technical and administrative services relating to its operating interest in Block 3B/4B, South Africa.	96	64	288	239

(1) Contract date July 1, 2020

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### B. Transactions with Eco:

On April 6, 2022, the Company subscribed for 10,178,116 common shares for a consideration of \$4.0 million and following this the Company held 17.3% of the enlarged share capital in Eco. See note 6 for further details.

On June 27, 2022, the Company subscribed for 4,864,865 common shares for a consideration of \$1.8 million and the Company held 15.9% of the enlarged share capital in Eco. See note 6 for further details.

### C. Transactions with Impact:

On July 18, 2022, the Company subscribed for 31,936,373 shares in Impact for \$19.0 million and following the completion of this transaction the Company is expected to hold 30.9% of the enlarged share capital in Impact. In the three months ended September 30, 2022, \$12.9 million had been paid with the remaining balance of \$6.1 million due to be paid in November 2022. See note 6 for further details.

## 14. 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 the Company's credit exposure relates to amounts due from our joint venture partners or banks where funds are held. The risk of the Company's joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash and accounts receivable. As at September 30, 2022, the Company held \$11.2 million (as at December 31, 2021 - \$0.9 million) of cash in operating accounts on deposits 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 and development phase, require sufficient cash in order to fulfill their work commitments in accordance with contractual obligations, deliver stated shareholder returns, 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's primary source of cash flow relates to dividends received from Prime. A significant reduction in or infrequent distributions, could have an adverse effect on the Company's ability to meet its commitments. The Company has senior members sitting on Prime's Supervisory Board and Audit Committee, monitoring cash forecasts and setting financial and risk management policies to manage Prime's dividend forecasts.

As described in note 9, the Company has \$100.0 million of available debt facility which improve the Company's access to liquidity to fund operations and acquisitions as required. Any loan repayments are calculated to be protective of the Company's liquidity position and if drawn, the Corporate Facility would be repaid from the proceeds of dividends received from Prime, while ensuring the Company preserves a sufficient minimum cash balance to conduct operations.

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 its Investment in Prime, are sufficient to fund the Company's obligations as they become due.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

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
<b>At September 30, 2022</b>						
Trade payables	13,337	-	-	-	13,337	13,337
Lease liabilities	26	28	60	34	148	148
	13,363	28	60	34	13,485	13,485
<b>At December 31, 2021</b>						
Trade payables	3,481	-	-	-	3,481	3,481
Lease liabilities	33	33	66	76	208	168
	3,514	33	66	76	3,689	3,649

**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 term of the loan. The Financial Conduct Authority of the United Kingdom has announced that one month USD LIBOR (which the Corporate Facility applies) will cease to be provided by any administrator or no longer be representative after June 30, 2023. The amendment to the Corporate Facility signed on October 20, 2022, includes SOFR as the replacement benchmark from the effective date of the amendment.

**iii. Commodity price risk:**

The Company has an equity holding in Prime (see note 5), which has three producing fields within OML127 and OML 130, both with significant levels of production. A change in commodity prices may affect the dividends received from this investment. Prime benefits from a robust oil price hedging program and the hedging policy requires hedging or forward selling between 50% and 70% of its forecast liftings on a rolling 12-month basis. These contracts are with counterparties including oil supermajors. The counterparties are part of groups with investment grade credit ratings.

**iv. Share price risk:**

The Company has shareholdings in Africa Energy and Eco, which are entities listed on Canadian and European Stock Exchanges. The share price of these investments can be volatile and a change in share price may affect the amount that the Company can realize for these investments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****15. 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		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Changes in non-cash working capital</b>				
Accounts receivable and prepaid expenses	(1,110)	2,830	(768)	(311)
Accounts payable and liabilities	92	(2,644)	(684)	(6,513)
	(1,018)	186	(1,452)	(6,824)
<b>Relating to:</b>				
Operating activities	186	(269)	(339)	(10)
Investing activities	(1,204)	455	(1,113)	(6,814)
<b>Changes in non-cash working capital</b>	(1,018)	186	(1,452)	(6,824)

**16. Subsequent events:**

On October 20, 2022, the Company agreed amendments which will become effective on licence renewal being received on OML 130. The Corporate Facility will be increased from \$100.0 million to \$200.0 million and can be drawn until October 20, 2023. The maturity date has been extended to October 20, 2025.

On October 24, 2022, Prime paid a dividend of \$75.0 million, with a net receivable to the Company of \$37.5 million.

On October 27, 2022, the application to extend the Block 3B/4B license and to move into the first extension period of 2 years was approved.

From October 1, 2022 to November 11, 2022, a total of 13.9 million Africa Oil common shares have been repurchased under the Normal Course Issuer Bid, with a value of \$32.2 million and 13.4 million shares have been cancelled.

