



**AFRICA OIL CORP.**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2022

## GLOSSARY

A	"Africa Energy"	means Africa Energy Corp. an international oil and gas exploration company that holds a 27.5% participating interest in the offshore Exploration Right for Block 2B in South Africa, an effective 14.6% participating interest in offshore PEL 37, and an effective 4.9% participating interest in the Exploration Right for Block 11B/12B offshore South Africa.
	"Africa Oil", "AOC", or the "Company"	means Africa Oil Corp.
	"AGC"	means Senegal Guinea Bissau Joint Development Zone.
	"AGL"	means Azinam Group Ltd.
	"Applicable law"	means all laws and regulations issued by authorities that have appropriate jurisdiction over the Company.
	"Azinam"	means Azinam Ltd.
B	"boepd"	means barrels of oil equivalent per day.
C	"CGU"	means Cash Generating Unit. A Cash Generating Unit is defined as assets that are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.
	"Chevron"	means Chevron Corp.
	"CIT"	means Corporate Income Tax.
	"Concessions", "PSC" or "Production Sharing Contract"	means concessions, production sharing contracts and other similar agreements entered into with a host government providing for petroleum operations in a defined area and the division of petroleum production from the petroleum operations.
	"Corporate Facility"	means a \$150.0 million facility dated May 13, 2021, with a three-year term, amended to a \$160.0 million facility on July 16, 2021, and subsequently amended on January 28, 2022, to increase the available amount under the facility to \$100.0 million from the then unutilized amount of \$62.0 million, and an extension of the availability period to December 31, 2022, from May 13, 2022.
D	"DD&A"	means Depreciation, Depletion and Amortization.
	"DPR"	means Department of Petroleum Resources.
E	"E&A"	means Exploration and Appraisal.
	"EBITDA"	means Earnings Before Interest, Taxes, Depreciation & Impairment, and Amortization.
	"EBITDAX"	means Earnings Before Interest, Taxes, Depreciation & Impairment, Amortization and Exploration Expenses.
	"Eco"	means Eco (Atlantic) Oil & Gas Ltd. An international oil and gas exploration company that holds working interests in four exploration blocks offshore Namibia and one exploration block offshore Guyana.
	"Entitlement production"	means production that is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil.
	"Equinor"	means Equinor ASA.
	"ESG"	means Environmental, Social and Governance.
	"ESIA"	means Environmental and Social Impact Assessment.
F	"FCF"	means Free Cash Flow.
	"FDP"	means Field Development Plan.
	"FID"	means Final Investment Decision.
	"FPSO"	means Floating Production Storage and Offloading.
G	"GoK"	means Government of Kenya.
I	"IFRS"	means International Financial Reporting Standards.
	"Impact"	means Impact Oil and Gas Ltd, a privately owned exploration company with a strategic focus on large scale, mid to deep water plays of sufficient materiality to be of interest to major companies. Impact has an asset base across the offshore margins of Southern and West Africa.

<b>J</b>	"JHI"	means JHI Associates Inc.
	"JV"	means Joint Venture.
<b>K</b>	"KRA"	means Kenya Revenue Authority.
<b>L</b>	"LTIP"	means Long Term Incentive Plan.
	"Lokichar Development Project"	means the development of the oil resources contained in the South Lokichar Basin (Blocks 10BB and 13T (Kenya)), for export via a pipeline to the coast of Kenya.
<b>M</b>	"MD&A"	means Management's Discussion and Analysis.
	"MMbbl"	means one million barrels.
	"MMBoe"	means millions of barrels of oil equivalent.
<b>N</b>	"NI 51-101"	means National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time.
	"NI 52-109"	means National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings and the companion policies and forms thereto, as amended from time to time.
<b>O</b>	"OML"	means Oil Mining Lease.
<b>P</b>	"Petrovida"	means Petrovida Holding B.V.
	"PIA"	means Petroleum Industry Act.
	"PPT"	means Profit Petroleum Tax.
	"Prime" or "Prime Oil & Gas Coöperatief U.A."	means Prime Oil & Gas Coöperatief U.A., previously known as Prime Oil & Gas B.V., a company that holds interests in deepwater Nigeria production and development assets.
	"Project Oil Kenya"	means the Company's Kenya development project incorporating Blocks 10BB and 13T.
	"PSA"	means Petroleum Sharing Agreement.
	"PSU"	means Performance Share Unit.
<b>R</b>	"PXF Facility"	means Pre-Export Finance Facility.
	"RBL"	means Reserves Based Lending.
<b>S</b>	"RSU"	means Restricted Share Unit.
	"spud" or "spudded"	means the initial drilling for an oil well.
<b>T</b>	"TAT"	means Tax Appeals Tribunal.
	"Term Loan"	means a \$250.0 million facility dated January 11, 2020, provided by BTG Pactual S.A for the purpose of funding the acquisition of 50% of Petrobras Oil & Gas B.V. (now Prime Oil & Gas Coöperatief U.A.).
	"TotalEnergies"	means TotalEnergies SE and subsidiaries.
	"TSX"	means Toronto Stock Exchange.
	"Tullow"	means Tullow Oil plc.
<b>U</b>	"US"	means United States.
<b>V</b>	"VAT"	means Value-added tax.
<b>W</b>	"WI"	means working interest.
	"WI production"	means production based on the percentage of working interest owned.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis ("MD&A") focuses on significant factors that have affected the Company during the three and six months ended June 30, 2022, and such factors that may affect its future performance. To better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three and six months ended June 30, 2022, and 2021, and also should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2021, and 2020, and related notes thereto.

The financial information in this MD&A is derived from the Company's unaudited consolidated financial statements which have been prepared in US dollars, in accordance with IFRS as issued by the International Accounting Standards Board.

This MD&A was reviewed and approved by the Board of Directors. The effective date of this MD&A is August 10, 2022.

Additional information about the Company and its business activities is available on the Company's website at [www.africaoilcorp.com](http://www.africaoilcorp.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## PROFILE AND STRATEGY

AOC is a Canadian oil and gas company with producing and development assets in deep-water Nigeria, and development assets in Kenya. The Company also has a portfolio of exploration/ appraisal assets in Guyana, Kenya, Namibia, Nigeria, South Africa and in the AGC. The Company holds its interests through direct ownership interests in concessions and through its shareholdings in investee companies, including Prime, Africa Energy, Eco and Impact.

The Company have instituted a shareholder capital return program in 2022, in the form of payment of semi-annual dividends following consistent positive results for the Company and a strong cash position. On February 28, 2022, the Board of Directors approved an initial aggregate annual dividend of \$0.05 per share (approximately \$24.0 million) to be declared and paid semi-annually commencing from the end of March 2022. During Q1 2022 the Company paid a dividend of \$0.025 per share (approximately \$11.9 million). On August 10, 2022, the Company declared its second dividend of \$0.025 per share (approximately \$12.0 million) in line with the minimum annual dividend target. The Board of Directors view the 2022 annual distribution to be prudent with due consideration for the acquisition-led business strategy and the priority of maintaining a strong balance sheet in a range of market scenarios. The Board of Directors, at their discretion and subject to the necessary approvals, may approve future increases to the dividend distributions and/or may approve the implementation of share buy-backs contingent on favorable business and commodity price outlooks, and the impact of possible acquisitions or divestments.

The Venus-1X exploration well, in which the Company has an indirect effective interest of 6.2% through its investee company Impact, made a significant light oil discovery on Block 2913B, offshore Namibia in February 2022. An appraisal well and a re-entry into Venus-1X is being planned, with spud expected in Q3 2022. The Company has committed to inject an additional \$19.0 million into Impact in Q3 2022 to support the appraisal drilling. Venus, with the recently announced Graff discovery on a neighboring block (the Company has no interest in Graff), has opened a new petroleum province in the Orange Basin with significant upside potential. Venus and Graff discoveries support the exploration case for Block 3B/4B, which is operated by the Company with a 20% WI and Impact's Orange Basin Deep Block, both located in Orange Basin and on trend with Venus and Graff discoveries.

The Company has made numerous oil discoveries in the South Lokichar Basin (Blocks 10BB and 13T) located in the Tertiary Rift trend in Kenya. The Company together with its JV partners are currently running a farm-out process to attract a strategic partner with the goal of sanctioning development of the oil fields in the South Lokichar Basin.

## HIGHLIGHTS AND OUTLOOK

### Q2 2022 Highlights

- The Company received two dividends from its shareholding in Prime, totaling \$62.5 million in Q2 2022 and \$162.5 million in H1 2022; since its acquisition of a 50% shareholding in Prime in 2020, the Company has received an aggregate dividend amount of \$562.5 million, representing 108% of the closing cash payment.
- Cash balance at June 30, 2022, of \$191.0 million (at December 31, 2021 - \$58.9 million), and undrawn facility of \$100.0 million.
- In July 2022, Impact announced an Open Offer to raise up to \$60.0 million to fund their share of the upcoming Venus appraisal program. The Company will invest its pro-rata share of \$19.0 million. An appraisal well and a re-entry into Venus-1X is being planned, with spud expected in Q3 2022. The operator, TotalEnergies, plans to conduct flow tests on both wells.
- An annual dividend of \$0.05 per share was declared in February 2022. The first installment of \$0.025 was paid in March 2022, and the second installment of \$0.025 will be paid at the end of September 2022. This is in line with the minimum annual dividend target. The Board may adapt the shareholder capital returns for any excess cash flow generated by the Company going forward.
- Year to date production performance has been at the higher end of expectation and the full year production outlook remains within the management guidance range for both WI production (22,500 - 25,500 boepd) and economic entitlement production (23,000 - 27,000 boepd).

## HIGHLIGHTS AND OUTLOOK - CONTINUED

### Prime Highlights

- Selected Prime results net to the Company's 50% shareholding:
  - » In Q2 2022, record FCF/boe of \$52.8 (Q2 2021 FCF/boe - \$30.9)<sup>(1)</sup> due to higher oil prices;
  - » Cash position of \$330.6 million and gross debt balance of \$501.0 million at June 30, 2022; Robust Net Debt to EBITDAX for the twelve months ended June 30, 2022, of 0.3x (twelve months ended December 31, 2021 - 0.4x)<sup>(1)</sup>; Combined with AOC cash and zero debt, results in a net cash position of \$20.6m (December 31, 2021 - \$190.6 million net debt);
  - » Average daily WI production of 25,300 boepd and economic entitlement production of 27,350 boepd (82% light and medium crude oil and 18% conventional natural gas) in Q2 2022 (Q2 2021 - 28,000 boepd and 30,300 boepd respectively);
  - » In Q2 2022, EBITDAX of \$127.1 million (Q2 2021 - \$155.6 million)<sup>(1)</sup>;
  - » In Q2 2022, cash generated from operating activities of \$130.0 million (Q2 2021 - \$92.9 million, excluding \$152.5 million relating to the receipt of the Agbami Security deposit)<sup>(1)</sup>;
  - » Historical payments relating to Gas Sales Purchase Agreement of \$112.0m received in H1 2022, and the payments are now regularized.
- Prime has made amendments to its hedging strategy to provide greater scope for retaining price upside, while protecting price downside risk for 50%-70% of its oil entitlement over a 12-month rolling period. Prime has sold its two most recent cargos at an average price of \$103.3/bbl including premiums.

(1) Definitions and reconciliations to the non-GAAP measures are provided on page 13.

### Outlook

The Company's debt-free balance sheet, its share of Prime's cash flows and access to debt funding on competitive terms, supports a range of opportunities for the Company to achieve accretive growth and create shareholder value. The Company's valuation is underpinned by its 50% shareholding in Prime, which accounts for all of the Company's reserves and production interests.

The Company will work to maximize Prime's dividends by distributing its excess cash, whilst maintaining a prudent treasury management policy at Prime. The near-term priority is to extend Prime's debt tenor with the primary objective of refinancing Prime's RBL facility, facilitated by the renewal of Prime's licenses in Nigeria to the new PIA terms. The Company's management will also work with Prime to assess other financing options that could extend Prime's debt maturity profile on competitive costs, such as the PXF Facility that was arranged by Prime in 2021.

Prime and its upstream partners are currently working on the early conversion and renewal of OML 127 and OML 130 licenses. It is expected that OML 130 conversion and renewal, which accounts for most of the reserves, production and value in Prime's portfolio can be delivered by end of 2022, although a successful outcome on this timeline can't be guaranteed. It is further expected that a successful early conversion and renewal of OML 130 could provide the basis for concurrent refinancing of Prime's RBL debt.

Furthermore, a conversion and renewal of OML 130 could facilitate the final investment decision for the Preowei oil discovery. Preowei oil field is to the north of Egina FPSO and is a low-risk development opportunity through a satellite subsea tie-back project to the Egina FPSO.

Fast track processing of the data from the 4D seismic survey completed over Egina in Q4 2021 is now complete and infill drilling targets have been confirmed. Infill drilling was initially expected to commence mid-year 2022, however this has been delayed until late in Q4 2022 due to the late arrival of the rig. First production from the infill drilling campaign is now not expected until Q1 2023. To offset the impact of the delayed drilling campaign, the operator has identified 4 well intervention opportunities in OML130 which are expected to be executed during Q3 2022.

Dividends received from Prime will support the Company's shareholder capital return programs and business development activities that are focused on the acquisition of producing assets.

The Company is committed to a sustainable dividend policy over the future years. The Company has paid a dividend of approximately \$11.9 million at the end of March 2022 and has declared another c. \$12.0 million dividend to be paid in September 2022, meeting the minimum annual dividend of \$0.05 per share. As always, the declaration of dividends is at the discretion of the Board. The Board of Directors will regularly review the shareholder returns program and at their discretion and subject to the necessary approvals, may approve future increases to the dividend distributions and/or the implementation of share buy-backs. Such decision being contingent on favorable business and commodity price outlooks, and the impact of possible acquisitions or divestments.

The Company has been actively working on the acquisition of strategic producing assets that are accretive on per share valuation and cashflow metrics. The Company's focus remains on buying producing assets offshore West Africa and the management will consider both operated and non-operated opportunities as well as oil and natural gas assets. There is no guarantee that the Company can complete such transactions.

Environmental, social and governance considerations will be key in evaluating these and all other strategic options going forward. Emissions will be a particular focus, recognizing the increasing importance our shareholders and other stakeholders place on understanding and managing climate-related risks. The Company is developing a detailed energy transition strategy to achieve its stated objective of reaching net neutrality by 2025, including setting short, medium and long-term emissions targets. Any potential investment decision will be carefully evaluated for alignment with that strategy and objective.

In 2021, the Company and its partners initiated a farm-out process for Project Oil Kenya. Advanced discussions are on-going with the interested parties. A successful farm-out is viewed by the Company as a critical step towards the FID for Project Oil Kenya being achieved over the course of the next year. There is no guarantee that the Company can successfully conclude a farm-out to new strategic partner(s) on favorable terms.

In Q1 2022, the Company's investee company, Impact, made a major light oil discovery with the Venus 1-X exploration well on Block 2913B, offshore Namibia.

## HIGHLIGHTS AND OUTLOOK - CONTINUED

The Venus discovery is a light oil and associated gas field, sitting approximately 290 kms off the Namibian coast. The Venus-1X discovery well was drilled by TotalEnergies on behalf of the joint venture group comprising TotalEnergies (40%), QatarEnergy (30%), Impact (20%) and state owned NAMCOR (10%).

An appraisal well and a re-entry into Venus-1X is being planned, with spud expected in Q3 2022. The operator plans to conduct flow tests on both wells.

Venus, together with the nearby Graff-1 discovery on the adjacent Block 2913A (the Company has no interest in this block), herald the opening of a major petroleum province in the Orange Basin with significant upside potential for the Company. As well as the immediate significance of Venus for the Company, both Venus and Graff discoveries also bode well for the Company's exploration efforts on Block 3B/4B, which it operates with a 20% WI and Impact's Orange Basin Deep Block, both located on trend in the Orange Basin, South Africa.

The Company has filed an application to extend Block 3B/4B license and to move into the first extension period. The Company is also continuing its technical studies on Block 3B/4B with the aim of maturing exploration prospects for possible future drilling. The Company and JV Partners are working together to collectively farmout up to 50% gross WI in Block 3B/4B.

The Company, through its shareholdings in Africa Energy and Eco, has indirect effective interest in the Gazania-1 exploration well on Block 2B, offshore South Africa, which is expected to spud in September 2022. The block has significant contingent and prospective resources in relatively shallow water and contains the A-J1 discovery that flowed light sweet crude oil to surface. Gazania-1 will target two large prospects seven kilometers up-dip from A-J1.

Africa Energy has a 27.5% participating interest in Block 2B offshore South Africa. The block is operated by a subsidiary of Eco Atlantic, which holds a 50% participating interest. Africa Oil has a 19.8% shareholding in Africa Energy and a 16.2% shareholding in Eco and a resulting 13.6% participating interest in Block 2B.

## THE COMPANY'S SHAREHOLDING AND WORKING INTERESTS

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

### Africa Oil's Shareholding in Prime Oil & Gas Coöperatief U.A. (50%)

Country	Concession	License renewal	Working Interests
NIGERIA	OML 127	December 13, 2024 <sup>(1)</sup>	Prime 8% Chevron Corporation 32% Famfa Oil 60% (carried)
	OML 130 - PSA <sup>(2)</sup>	February 28, 2025 <sup>(1)</sup>	Prime 16% TotalEnergies 24% SAPETRO 10% (carried)

### Africa Oil's Direct Working Interests <sup>(3)</sup>

Country	Concession	License renewal	Working Interests
KENYA	Block 13T	December 31, 2021 <sup>(4)</sup>	AOC 25% TotalEnergies 25% Tullow (Operator) 50%
	Block 10BB	December 31, 2021 <sup>(4)</sup>	AOC 25% TotalEnergies 25% Tullow (Operator) 50%
	Block 10BA	April 22, 2023 <sup>(5)</sup>	AOC 25% TotalEnergies 25% Tullow (Operator) 50%
SOUTH AFRICA	Block 3B/4B	March 26, 2022 <sup>(6)</sup>	AOC (Operator) 20% Azinam 20% Ricocure (Pty) Ltd 60%

(1) In accordance with the PIA, renewal shall be granted for 20 years if the lessee has paid all rent and royalties due and has otherwise performed all their obligations under the lease. Management believes that this will be renewed, in common with other licenses. The PIA includes the provision for leases to be converted earlier than their license renewal date.

(2) 50% of the production from OML 130 is covered by a PSA, in which Prime owns a 32% WI. Prime's net WI in OML 130 is therefore 16%.

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

(4) The licenses were extended to December 31, 2021, and required that the JV partners submit an FDP. The FDP was submitted in December 2021 and is now subject to governmental review, during which time the license is retained in full force and effect. The JV partners expect the license to be renewed once the review is complete.

(5) 10BA was included in the E&A plan, submitted as part of the Block 10BB/13T FDP.

(6) The Company together with JV partners has formally submitted a proposal to enter the First Renewal Period. This formal request maintains the Exploration Right in good standing while the proposal is reviewed by the host government.

Information on the Company's equity interests in Africa Energy, Eco and Impact is included in 'Equity Investments in Associates' on page 14.

## BUSINESS UPDATE

The economic environment for oil producers has become more volatile in the first half of 2022 mainly due to the Russian invasion of Ukraine. The Brent oil price has increased significantly in 2022 with the average Brent oil price being approximately \$106.2/bbl in the six months to June 30, 2022, rising from an average of \$70.5/bbl in 2021. The invasion has led to a number of countries placing sanctions on Russian companies and individuals, including oil and gas producers. This has led to concerns about supply in the short term with the expectation that demand will continue to recover towards pre-pandemic levels in the remainder of 2022. However, recent lockdowns in China to manage the rise in number of COVID infections and global cost inflation and economic recession concerns continue to highlight demand side risks that have also contributed to oil volatility.

Prime use forward sales to hedge commodity price risk in order to ensure stability in cash flows and to manage volatility in oil prices.

### EQUITY INVESTMENT IN PRIME - NIGERIA

The Company's 50% equity interest in Prime is accounted for as an investment in joint venture under the equity method on the Balance Sheet. The Company records a 50% share of Prime's net income or loss as well as a 50% share of its other comprehensive income or loss in the period in the Consolidated Statement of Net Income and Other Comprehensive Income. Dividends received are disclosed as a cash flow from investing activities in the Consolidated Statement of Cash Flows.

The main assets of Prime are an indirect 8% WI in OML 127 and an indirect 16% WI 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. The three fields in these two OMLs are located over 100 km offshore Nigeria. All three fields have high quality reservoirs and produce light to medium sweet crude oil through FPSO facilities. Akpo and Egina also produce natural gas that is exported onshore for sale, whilst Agbami gas is reinjected.

All amounts included in the narrative discussions below are net to the Company's 50% shareholding in Prime, unless otherwise noted.

### Production and Operations

#### Production Metrics - rounded

	Unit	Three months ended		Six months ended		Year ended
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	December 31, 2021
Total gross field production	boepd	389,800	435,800	392,500	436,400	427,300
<b>Net to AOC's 50% shareholding:</b>						
Average daily WI production <sup>(1)</sup>	boepd	25,300	28,000	25,300	27,800	27,300
Average daily entitlement production <sup>(1)</sup>	boepd	27,350	30,300	27,350	30,200	29,700
Oil volumes sold	MMbbl	1.5	2.0	4.0	4.5	8.5
Gas volumes sold	bcf	2.7	2.6	5.1	5.2	10.3
Oil/gas percentage split	%	82%/18%	84%/16%	83%/17%	84%/16%	84%/16%

(1) The June 2021 comparative figures have been revised to ensure comparability and consistency of calculation as a result of a change in the conversion factor used in converting gas production in mmscfpd to boepd.

Year to date field performance has been at the higher end of expectation and the full year production outlook remains within the management guidance range for both WI production (22,500 – 25,500 boepd) and economic entitlement production (23,000 – 27,000 boepd). Q2 2022 gross field production was lower than Q2 2021, primarily as a result of expected natural reservoir decline. Planned maintenance activities, well testing and flowline pigging operations were also completed during Q2 2022.

Fast track processing of the data from the 4D seismic survey completed over Egina in Q4 2021 is now complete and infill drilling targets have been confirmed. Infill drilling was initially expected to commence mid-year, however this has been delayed until late in Q4 2022 due to the late arrival of the rig. Between 4 and 6 development wells were initially expected to be drilled in OML 130 during 2022. Accounting for the late arrival of the rig, first production from the infill drilling campaign is now not expected until Q1 2023. To offset the impact of the delayed drilling campaign, the operator has identified 4 well intervention opportunities in OML130 which are expected to be executed during Q3 2022.

Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil. It differs from WI production that is calculated based on field volumes multiplied by Prime's effective WI in each license. The cargoes described below represent Prime's share of cost oil and profit oil and do not include tax oil and royalties, being Prime's share of entitlement production that is sold by the operators to settle its tax and royalty obligation to the Nigerian state. From May 2022, Prime has been lifting its share of tax oil and paying PPT in cash for OML 130. Aggregate oil equivalent production data comprises of light and medium crude oil and conventional natural gas production net to Prime's WI in Agbami, Akpo and Egina fields. These production rates only include sold gas volumes and not those volumes used for fuel, reinjected or flared.

In Q2 2022, Prime was allocated 3 oil liftings with total sales volume of approximately 3.0 million barrels or 1.5 million barrels net to the Company's 50% shareholding. In Q2 2021, Prime was allocated 4 oil liftings with total sales volume of approximately 4.1 million barrels or 2.0 million barrels net to the Company's 50% shareholding.

**BUSINESS UPDATE - CONTINUED**

In H1 2022, Prime was allocated 8 oil liftings with a total sales volume of approximately 8.0 million barrels or 4.0 million barrels net to the Company's 50% shareholding. In H1 2021, Prime was allocated 9 oil liftings with total sales volume of 9.0 million barrels or 4.5 million barrels net to the Company's 50% shareholding.

**Financial**

Prime's financial information is presented in note 5 of the financial statements on a 100% basis, with a reconciliation to the Company's 50% share of Prime's net assets and net income. In Q2 2022 and H1 2022, the share of profit from the 50% investment in Prime was \$14.4 million and \$65.4 million respectively (Q2 2021 and H1 2021 - \$48.6 million and \$97.4 million respectively). As at June 30, 2022, the Company's investment in Prime was \$520.0 million (as at December 31, 2021 - \$617.1 million).

All amounts presented and discussed below are net to AOC's 50% shareholding in Prime (unless otherwise stated) to reflect AOC's 50% shareholding in Prime.

**Financial Metrics**

	Unit	Three months ended		Six months ended		Year ended
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	December 31, 2021
<b>Net to AOC's 50% shareholding:</b>						
Total revenues	\$'m	176.4	125.0	380.8	287.2	610.2
Cost of Sales <sup>(1)</sup>	\$'m	103.9	42.8	244.4	129.8	271.0
Gross profit	\$'m	72.5	82.2	136.4	157.4	339.2
Opex/boe <sup>(2,3)</sup>	\$/boe	7.2	6.8	7.3	7.5	7.6
Cash generated from operating activities	\$'m	130.0	245.4	246.6	324.2	526.7
Free cash flow/boe <sup>(1,3)</sup>	\$/boe	52.8	30.9	50.3	30.7	33.0
Capex	\$'m	3.2	3.1	5.7	5.7	25.3
Dividends paid	\$'m	62.5	37.5	162.5	37.5	200.0
Cash and cash equivalents	\$'m	330.6	292.8	330.6	292.8	258.9
Loans and borrowings	\$'m	501.0	556.9	501.0	556.9	508.4

(1) Given the nature of Prime's operations in terms of oil cargo lifts and the variability in their frequency from one quarter to next, the non-cash accounting treatment of underlift/overlift and the timing between recording revenues and receipts of sales cash, leads to high variability in Prime's quarterly financial metrics. Please refer to the commentary in the rest of this section for the specific details of this period's changes relative to corresponding historical period.

(2) Opex represents production costs presented on Prime's Statement of Net Income and Other Comprehensive Income in note 5 to the financial statements

(3) Boe is calculated on an entitlement basis. Definitions and reconciliations to these non-GAAP measures are provided on pages 10 and 11.

**Revenues**

	Unit	Three months ended		Six months ended		Year ended
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	December 31, 2021
<b>Per Prime's financial statements</b>						
<b>Total revenue</b>	\$'m	352.7	250.0	761.5	574.4	1,220.3
<b>Net to AOC's 50% shareholding:</b>						
Oil revenue	\$'m	116.9	118.3	288.3	261.5	503.5
Gas revenue	\$'m	6.5	-	10.4	-	49.4
PPT revenue	\$'m	47.1	9.2	70.7	19.3	41.9
Royalties	\$'m	5.9	(2.5)	11.4	6.4	15.4
<b>Total revenue</b>	\$'m	176.4	125.0	380.8	287.2	610.2
Realized oil prices	\$/bbl	77.1	58.4	71.9	58.2	59.3
Oil volumes sold	MMbbl	1.5	2.0	4.0	4.5	8.5

**BUSINESS UPDATE - CONTINUED**

The increase in oil sales revenue in Q2 2022 and H1 2022 was mainly due to a higher realized price of \$77.1/bbl and \$71.9/bbl respectively compared with \$58.4/bbl and \$58.2/bbl in Q2 2021 and H1 2021 respectively, offset by lower oil volumes sold in 2022 than in 2021.

Gas sales revenue was recognized for the first time in Q3 2021, due to the signing of the OML 130 Gas Sales and Purchase Agreement in July 2021, which resolved historical gas sales from July 2018. As the terms for sale were only agreed in July 2021, Prime did not have the right to recognize gas revenue until then. Revenue from gas sales in 2021 included an additional \$29.2 million recognized, relating to the period from July 2018 to December 2020. Revenue from gas sales in Q2 and H1 2022 totaled \$11.0 million and \$20.9 million respectively (Q2 and H1 2021 - nil).

PPT revenue is revenue recognized for tax oil, being Prime's share of entitlement production that is sold by the operators to settle its tax obligation to the Nigerian state. As the tax oil lifted by the operator on behalf of Prime is sold to 3rd party customers and proceeds are used to settle Prime's tax liabilities, this share of PPT is considered to be within the scope of IFRS 15, 'Revenue from contracts with customers'. Consequently, this portion of income tax is presented gross in revenue and offset in current income tax expense. From May 2022, Prime has been lifting its share of tax oil and paying PPT in cash for OML 130.

Royalties were previously recognized net in Prime's income statement and are now presented gross in both revenue and cost of sales. Royalties of \$85.4 million relating to Akpo have not yet been paid and a payment plan is currently being negotiated with the DPR. This unpaid amount related to Q4 2021 and H1 2022 and have been included in working capital as current liabilities. The Akpo royalties were not previously accrued due to uncertainties over payment which were resolved when the PIA was enacted on August 16, 2021.

**Cost of sales**

\$'m	Three months ended		Six months ended		Year ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	December 31, 2021
<b>Per Prime's financial statements</b>					
<b>Total cost of sales</b>	207.8	85.5	488.9	259.7	542.1
<b>Net to AOC's 50% shareholding:</b>					
DD&A	33.7	38.9	68.4	78.5	151.7
Production costs	18.0	19.0	36.7	41.3	82.5
Movements on overlift/underlift balances	43.0	(12.6)	120.3	3.7	(16.0)
Royalties - oil and gas	9.2	(2.5)	19.0	6.3	52.8
<b>Total cost of sales</b>	<b>103.9</b>	<b>42.8</b>	<b>244.4</b>	<b>129.8</b>	<b>271.0</b>

Cost of sales has increased in Q2 2022, compared with Q2 2021. This is mainly due to an increase to the net overlift position at Q2 2022, representing Prime's excess of liftings over its entitlement share of production, compared to a movement from a net underlift to net overlift position in Q2 2021 which has been valued at a higher price compared to Q2 2021. Cost of sales has increased in H1 2022, compared with H1 2021 due to a larger net overlift position at H1 2022, representing Prime's excess of liftings over its entitlement share of production, valued at a higher price compared to H1 2021. This was offset by a reduction in the DD&A charge, which was mainly due to a change in the estimates in 2P reserves and economic cut-off dates.

Royalties were first recognized in 2021 on sales made from the Akpo field for the period between November 2019 and December 31, 2021, implemented under the Deepwater Production Act and reaffirmed in the PIA. There are no royalties on sales made from the Egina field as it has been granted a royalty holiday until January 2024, being 5 years after first oil.

**BUSINESS UPDATE - CONTINUED****Opex/boe**

Opex/boe is a non-GAAP measure which represents production costs on a per barrel of oil equivalent basis (using entitlement production). This allows the Company to better analyze performance against prior periods on a comparable basis. The most direct financial statement measure is production costs, disclosed in note 5 to the financial statements. Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil, profit oil and royalties and is different from WI production that is calculated based on project volumes multiplied by Prime's effective WI in each license.

	Unit	Three months ended		Six months ended		Year ended
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	December 31, 2021
<b>Per Prime's financial statements</b>						
Production costs	\$'m	36.0	37.9	73.4	82.5	165.1
<b>Net to AOC's 50% shareholding:</b>						
Production costs	\$'m	18.0	19.0	36.7	41.3	82.5
Entitlement production	MMboe	2.5	2.8	5.0	5.5	10.8
<b>Opex/boe <sup>(1)</sup></b>	<b>\$/boe</b>	<b>7.2</b>	<b>6.8</b>	<b>7.3</b>	<b>7.5</b>	<b>7.6</b>

(1) The Q2 2021 and H1 2021 comparative figures have been revised to ensure comparability and consistency of calculation as a result of a change in the conversion factor used in converting gas production in mmscfd to boepd.

The increase in opex/boe in Q2 2022 compared to Q2 2021 is primarily due to a decrease in entitlement production in Q2 2022 even though production costs decreased slightly. There was a decrease in H1 2022 compared to H1 2021 reflecting the decrease in production costs. The operators have also sought to reduce costs in H1 2022.

Due to the implementation of NI52-112 non-GAAP measures, the comparative figures have been revised to ensure comparability and consistency of calculation. Previously reported opex/boe for Q2 2021 and H1 2021 was \$6.0/boe and \$6.2/boe respectively due to the former methodology using a weighted average cost per field and a broader definition of operation costs.

**Cash generated from operating activities**

	\$'m	Three months ended		Six months ended		Year ended
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	December 31, 2021
<b>Per Prime's financial statements</b>						
Cash generated from operating activities <sup>(1)</sup>		260.1	490.8	493.1	648.3	1,053.4
<b>Net to AOC's 50% shareholding:</b>						
Cash generated from operating activities		130.0	245.4	246.6	324.2	526.7
Working capital adjustments included in cash generated from operating activities						
Changes in trade and other receivables		83.9	(2.0)	41.1	(27.1)	(77.6)
Changes in over/underlift balances		43.0	(12.6)	120.3	3.7	(16.0)
Changes in other working capital balances		(43.0)	8.1	(17.1)	2.6	84.1
<b>Total working capital adjustments</b>		<b>83.9</b>	<b>(6.5)</b>	<b>144.3</b>	<b>(20.8)</b>	<b>(9.5)</b>
Cash generated from operating activities before working capital		46.1	251.9	102.3	345.0	536.2

(1) The Q2 2021 comparative figures have been revised to ensure comparability and consistency of calculation as a result of a change in the classification of items between of cash generated from operating activities, cash used in investing activities and cash used in financing activities.

**BUSINESS UPDATE - CONTINUED**

Cash generated from operating activities has decreased in Q2 2022 from Q2 2021 due to a \$305.0 million one off cash receipt in Q2 2021 from the Securitization Agreement, whereby Prime received from Equinor its portion of the security deposit in the form of a cash payment of \$305.0 million, which is included in cash generated from operating activities in Q2 2021 and H1 2021.

Adjusting for the Securitization Agreement receipt, underlying cash generated from operating activities has increased in Q2 2022 from Q2 2021. However, working capital adjustments have moved to a positive value from a negative value mainly from changes in the over/underlift balances which are further discussed in the cost of sales section.

Trade and other receivables have increased in Q2 2022 and H1 2022 primarily as balances associated with excess cash calls paid over joint venture expenditure incurred have increased.

**FCF and FCF/boe**

FCF before working capital adjustments is a non-GAAP measure. This measure represents cash generated after costs, and is a measure commonly used to assess the Company's profitability. A reconciliation from total cash flow (a GAAP measure) to FCF (a non-GAAP measure) is shown below:

	Unit	Three months ended		Six months ended		Year ended
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	December 31, 2021
<b>Per Prime's financial statements</b>						
Total cash flow	\$'m	129.8	254.8	143.3	354.2	286.5
Add back dividends	\$'m	125.0	75.0	325.0	75.0	400.0
Add back debt service costs <sup>(1)</sup>	\$'m	8.9	148.2	34.9	213.9	330.9
Less security deposit received <sup>(2)</sup>	\$'m	-	(305.0)	-	(305.0)	(305.0)
FCF (excluding working capital adjustment)	\$'m	263.7	173.0	503.2	338.1	712.4
<b>Net to AOC's 50% shareholding:</b>						
FCF (excluding working capital adjustment)	\$'m	131.9	86.5	251.6	169.1	356.2
Entitlement production	MMboe	2.5	2.8	5.0	5.5	10.8
FCF/boe <sup>(3)</sup>	\$/boe	52.8	30.9	50.3	30.7	33.0

(1) Debt service costs comprise interest payments and repayments and drawdowns of third-party borrowings

(2) The receipt of the deposit has been excluded from the calculation of free cash flow as any imbalance payments under the terms of any future agreement among the Agbami parties will be set-off against this security deposit. See Agbami Securitization Agreement on page 12 for further details of this security deposit.

(3) The Q2 2021 and H1 2021 comparative figures have been revised to ensure comparability and consistency of calculation as a result of a change in the conversion factor used in converting gas production in mmscfpd to boepd. The adjustment removing the working capital adjustments has been removed from the calculation to make FCF/boe in line with common presentation in the sector.

FCF has increased in Q2 2022 compared with Q2 2021 primarily as a result of revenues being approximately \$102.7 million higher, as a result of higher realized prices of \$77.1/bbl compared with \$58.4/bbl, despite lower crude liftings. This is offset by an increase in cost of sales and a decrease in other operating income of \$23.8 million in Q2 2022 from Q2 2021.

FCF has increased in H1 2022 compared with H1 2021 primarily as a result of revenues being approximately \$187.1 million higher, as a result of higher realized prices of \$71.9/bbl compared with \$58.2/bbl, despite lower crude liftings. This is offset by an increase in cost of sales and a decrease in other operating income of \$34.2 million in H1 2022 from H1 2021.

FCF/boe is a non-GAAP ratio which represents FCF on a per barrel of oil equivalent basis using entitlement production which allows the Company to better analyze performance against prior periods on a comparable basis. Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil and is different from WI production that is calculated based on project volumes multiplied by Prime's effective WI in each license. The increase in FCF in Q2 2022 and H1 2022 from Q2 2021 and H1 2021 has resulted in an increase in FCF/boe.

## BUSINESS UPDATE - CONTINUED

### Capital expenditure

Capital expenditures in Q2 2022 and H1 2022 of \$3.2 million and \$5.7 million respectively related to development well planning, testing and pigging and expenditures in Q2 2021 and H1 2021 of \$3.1 million and \$5.7 million respectively related to drilling and additions to facilities.

### Dividends paid

In Q2 2022, Prime distributed two dividend payments totaling \$125.0 million with a net payment to the Company of \$62.5 million (Q2 2021 - \$37.5 million). In H1 2022, Prime distributed three dividend payments totaling \$325.0 million with a net payment to the Company of \$162.5 million (H1 2021 - \$37.5 million)

In 2021, Prime distributed four dividend payments totaling \$400.0 million with a net payment to the Company of \$200.0 million. In the period from completion of the Prime acquisition to the date of this MD&A, Prime has distributed thirteen dividend payments totaling \$1,125.0 million gross with a net payment to the Company of \$562.5 million related to its 50% interest, covering 108% of the closing cash payment in two and a half years.

### Cash and Borrowing and Net Debt to EBITDAX

At June 30, 2022, Prime had a gross cash balance of \$661.2 million and debt of \$1,002.0 million (as at December 31, 2021 - \$517.9m of cash and debt of \$1,016.8 million). Net to AOC's 50% shareholding, Prime has \$330.6 million of cash and debt of \$501.0 million (as at December 31, 2021 - \$258.9 million of cash and debt of \$508.4 million).

The debt outstanding has decreased slightly following gross repayments on the RBL Facility of \$164.8 million offset by a drawdown on the PXF Facility of \$150.0 million. Net to AOC's 50% shareholding, the overall debt reduced by \$7.4 million during H1 2022. The next repayment under the RBL facility is in September 2022. The PXF repayments will begin in September 2022.

At June 30, 2022, Prime has a Net Debt of \$340.8 million (as at December 31, 2021 - Net Debt of \$498.9 million) and a Net Debt/EBITDAX of 0.3x for the twelve months ended June 30, 2022, (0.4x for the twelve months ended December 31, 2021) as Net Debt and EBITDAX remained similar. The strength of this ratio demonstrates the low leverage within Prime compared with industry peers. This strong Net Debt/EBITDAX ratio, combined with the full repayment of the Company's Corporate Facility in 2021 means the Company and Prime are well placed to raise more debt in the future if required. Net Debt/EBITDAX is a non-GAAP measure and a reconciliation is performed on page 13.

### Hedges

Prime continues to hedge its oil production via fixed price forward sales contracts to hedge commodity price risk in order to ensure stability in cash flows and to manage volatility in oil prices. Prime's hedging policy was to hedge between 50% and 70% of its forecast cargoes for a rolling 12 months. The average cargo lifted is for 1 million barrels of oil.

Year to date, Prime has lifted 10 cargoes with an average realized price of \$78.2/bbl including premiums.

Prime's Supervisory Board have approved a new hedging strategy with a 50% - 70% coverage target for the next 12-month scheduled cargoes on a rolling basis. Under this new strategy, Prime gives an irrevocable instruction to an offtaker to fix the Dated Brent component of a cargo when the forward curve price goes below a trigger of circa 80% of the Brent forward curve (at the time when the instruction was given) for the month of the expected lifting. Otherwise, the cargo is sold on a spot basis. For instance, the most recent forward sale (in Aug-22) was set with a trigger of \$85.0/bbl. This means that if the forward curve drops to \$85.0/bbl for the month of the forecast cargo, the forward sale price would be locked in. If the forward curve does not drop to \$85.0/bbl up to 31 days before the cargo is lifted, then Prime would sell on a spot basis. This policy allows Prime to retain price upside, while securing a minimum oil price for 50% to 70% of its oil entitlement.

The cargoes that are allocated for lifting to Prime, account for Prime's cost oil and profit oil shares and exclude its tax oil and royalty barrels, which are sold by the operator on behalf of Prime in order to settle Prime's tax and royalty obligations. From May 2022, Prime has been lifting its share of tax oil and paying PPT in cash for OML 130. The timing and number of cargo liftings can vary based on a number of factors including reservoir performance, actual realized oil price, capex, opex, underlift/overlift positions and marine logistics. The revenue numbers reported for Prime include cost oil, profit oil, tax oil and royalty contributions.

### Agbami Securitization Agreement

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

### Petroleum Industry Act

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

**BUSINESS UPDATE - CONTINUED****Other non-GAAP measures related to Prime**

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

**Reconciliation of Prime's EBITDAX and Net Debt/EBITDAX**

EBITDAX (non-GAAP measure): This is used as a performance measure to understand the financial performance from Prime's business operations without including the effects of the capital structure, tax rates, DD&A, impairment and exploration expenses. A reconciliation from total profit (a GAAP measure) to EBITDAX (a non-GAAP measure) is shown below.

Net Debt (non-GAAP measure): Net Debt is calculated as loans and borrowings less cash and cash equivalents.

Net Debt/EBITDAX (non-GAAP ratio): Net Debt divided by EBITDAX and is a measure of the leverage.

\$'m	Three months ended		Six months ended		Twelve months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	December 31, 2021
<b>Per Prime's financial statements</b>						
Total profit	28.7	97.1	130.7	194.8	377.5	441.6
<i>Add back:</i>						
Tax	113.4	98.6	198.6	190.1	468.5	460.0
Finance costs	45.4	36.8	32.7	54.8	78.3	100.4
Finance income	(1.4)	-	(1.5)	(0.1)	(1.8)	(0.4)
DD&A and Impairment	67.3	77.8	136.7	157.0	283.1	303.4
Exploration expenses	0.8	0.8	1.2	1.5	3.6	3.9
<b>EBITDAX</b>	<b>254.2</b>	<b>311.1</b>	<b>498.4</b>	<b>598.1</b>	<b>1,209.2</b>	<b>1,308.9</b>
Loans and borrowings					(1,002.0)	(1,016.8)
Cash and cash equivalents					661.2	517.9
Net Debt					(340.8)	(498.9)
<b>Net Debt/ EBITDAX</b>					<b>0.3</b>	<b>0.4</b>
<b>Net to AOC's 50% shareholding:</b>						
EBITDAX					604.6	654.5
Net Debt/ EBITDAX					0.3	0.4

**THE SOUTH LOKICHAR DEVELOPMENT PROJECT (BLOCKS 10BB AND 13T)**

The Company has a 25% WI in Blocks 10BB and 13T (before Government's back-in rights) with Tullow Oil plc (50% and Operator) and TotalEnergies (25%) holding the remaining interests.

In Q2 2022 and H1 2022, the Company incurred \$1.3 million and \$1.8 million, respectively, of capital expenditure directly associated with Blocks 10BB and 13T (Q2 2021 and H1 2021 - \$1.0 million and \$0.3 million respectively). In December 2021, as per the license extension obligations provided by the GoK in September 2020, the Project Oil Kenya JV Partners submitted a FDP for the 10BB and 13T licenses, including the additional E&A opportunities within the 10BB and 13T licenses. The revised development plan is a more economically beneficial and sustainable development plan. The submission of the FDP is followed by a period of review by the GoK, during which time the licenses remain in good standing.

The Company and its JV Partners are actively seeking strategic partners for the project. It is intended that a strategic partner will be secured ahead of the FID.

**BUSINESS UPDATE - CONTINUED****EXPLORATION BLOCK 10BA - KENYA**

The Company has a 25% WI in Block 10BA (subject to the Government's back-in rights) with Tullow Oil plc (50% and Operator) and TotalEnergies (25%) holding the remaining interests.

During the second quarter the license was extended to April 26, 2023, allowing time for the joint venture to include and align the Block 10BA work program with an approved FDP for Blocks 10BB and 13T, which was submitted in December 2021. The work commitments remain unchanged and include an exploratory well. No letters of credit or guarantees have been provided by the JV. The license has a carrying value of nil at June 30, 2022.

**BLOCK 3B/4B - SOUTH AFRICA**

The Company farmed in to Block 3B/4B, offshore South Africa, in July 2019. The Company holds a 20% participating interest and operatorship. The initial results from the Venus discovery, along with the Graff discovery, has opened a new petroleum province in the Orange Basin with significant upside potential. These discoveries support the exploration case for Block 3B/4B.

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

The Initial 3-year exploration period for Block 3B/4B expired on March 26, 2022. As per the procedures outlined in the Exploration Right for Block 3B/4B, the Company has filed an application with the host government to enter the First Renewal Period, which allows for an additional 2-years to perform exploration activities under the terms granted by the Exploration Right. The licenses are in good standing while this occurs, and the Company consider the risk of non-renewal to be low. The work commitments during this Initial Period for Block 3B/4B were completed and consisted of regional subsurface evaluation and mapping, petrophysical analysis of nearby wells, basin modelling, prospect maturation and prospect ranking, leading to recommendations on future investments.

**EQUITY INVESTMENTS IN ASSOCIATES**

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

The Company held the following equity investments in associates as of June 30, 2022:

	Africa Energy	Eco	Impact <sup>(1)</sup>
Issued and Outstanding	1,400,309,706	308,574,605	828,318,799
Shares held by AOC at January 1, 2022	276,982,414	39,898,763	255,629,487
Shares acquired in the period	-	10,178,116	-
Shares held by AOC at June 30, 2022	276,982,414	50,076,879	255,629,487
AOC's holding (%) - June 30, 2022	19.78%	16.23%	30.86%
AOC's holding (%) - December 31, 2021	19.80%	19.96%	30.88%
Share price on June 30, 2022	CAD \$0.26	CAD \$0.47	-
Exchange rate to USD on June 30, 2022	0.78	0.78	-

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

**Africa Energy**

Africa Energy is an international oil and gas exploration company that holds a 27.5% participating interest in the offshore Exploration Right for Block 2B in South Africa, an effective 14.6% participating interest in offshore PEL 37 in Namibia, and an effective 4.9% participating interest in the Exploration Right for Block 11B/12B offshore South Africa. The Company's ownership interest is approximately 19.8% at June 30, 2022.

The Block 11B/12B joint venture is proceeding with development studies and engaging with authorities on gas commercialization due to the success of the Brulpadda and Luiperd gas condensate discoveries. The development of Block 11B/12B will have positive implications for the South African economy and will be critical in facilitating the country's energy transition away from coal with a domestic natural gas supply.

Africa Energy held a 90% participating interest in Block 2B. On April 20, 2021, Africa Energy closed a farmout transaction with Azinam to transfer operatorship and an aggregate 62.5% participating interest in the Exploration Right for Block 2B in consideration for a carry through the next exploration well, Gazania-1. On March 3, 2022, Africa Energy contracted the Island Innovator semi-submersible rig to drill the well by October 2022 before the license expires in November 2022. Africa Energy retains a 27.5% participating interest in Block 2B.

## BUSINESS UPDATE - CONTINUED

### Eco

Eco holds WI in four exploration blocks offshore Namibia and one exploration block offshore Guyana. The Company's ownership interest is approximately 16.2% at June 30, 2022.

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

On January 19, 2022, Eco purchased an additional 800,000 shares in JHI in return for 1,200,000 new common shares in Eco, increasing its shareholding in JHI to 5,800,000 shares, representing approximately 7.35% of the issued common shares in JHI. Eco also retained a warrant to subscribe for a further 9,155,471 new common shares in JHI at an exercise price of \$2.0 per share for a period of eighteen months. JHI has a 17.5% WI in the ExxonMobil-operated Canje Block, which is located offshore and north of Eco's Orinduik Block.

On February 8, 2022, Eco signed a Sales and Purchase Agreement to acquire 100% of AGL, in return for a 16.5% equity stake in Eco on completion of the acquisition. Eco will issue 40,170,474 shares to Azinam in total, reducing the Company's share in Eco from 19.7% to approximately 16.3%. Key assets acquired are a 50% WI and Operatorship in Block 2B, where Africa Energy and Panoro Energy ASA are partners, and a 20% WI in Block 3B/4B where the Company is the Operator and 20% WI partner. Eco and Azinam completed all conditions required for the acquisition on March 11, 2022. On March 28, 2022, Eco received final approval from the TSX Venture Exchange for the transaction and issued 22,296,300 shares to Azinam representing 9.9% of the enlarged share.

On March 14, 2022, Eco signed a commercially binding term sheet to acquire 100% of JHI including the 17.5% WI in the Canje Block. The proposed cashless acquisition would have a value of approximately \$52.0 million at the share price on the date of signing of the term sheet. The consideration in the form of new common shares issued to JHI's shareholders would lead to them holding approximately 34.0% of Eco's share capital post acquisition. On June 14, 2022, Eco and JHI mutually agreed that Eco will no longer proceed with the proposed acquisition of the balance of the share capital not currently held by Eco as previously announced on March 14, 2022.

On April 6, 2022, Eco completed an equity fundraise. A total of 64,885,496 new common shares were conditionally 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 May 11, 2022, Eco received clearance from the TSX Venture Exchange for the second tranche of shares and issued 17,874,174 shares to Azinam following the acquisition of AGL. In addition, Azinam have been issued 40,000,000 warrants over common shares, exercisable only in the case of a producible commercial discovery on Block 2B or Block 3B/4B, as follows: 20,000,000 warrants exercisable at a price of CAD\$1.00 per common share for a period of two years and 20,000,000 warrants exercisable at a price of CAD\$1.50 per common share for a period of three years. This has reduced the Company's share in Eco to 16.3% before the exercise of any warrants.

On June 22, 2022, Eco announced it plans to spud the Gazania-1 well in September 2022. The well will take approximately 25 days to drill. The well is being drilled 25km offshore in 150 meters of water and will be drilled to a depth of approximately 2,800 meters to target a stacked pay section up dip of the AJ-1 discovery and in the proven oil horizon.

On June 27, 2022, Eco signed a farmout agreement in which its wholly owned subsidiary Azinam Limited will acquire an additional 6.25% participating interest in Block 3B/4B. The aggregate dollar consideration for the transaction is \$10.0 million and will be 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 conditionally 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 will hold 15.9% of the enlarged share capital in Eco.

### Impact

Impact is a private UK oil and gas exploration company with assets located offshore Namibia, South Africa and West Africa. The Company's ownership interest is approximately 30.9% at June 30, 2022.

On February 24, 2022, Impact announced that the Venus-1X exploration well in Block 2913B, offshore Namibia was drilled to a total depth of 6,296 meters by the operator TotalEnergies. The operator reported discovery of a good quality, light oil-bearing sandstone reservoir of Lower Cretaceous age, with an estimated 84 meters of net pay. An appraisal well and a re-entry into Venus-1X is being planned, with spud expected in Q3 2022. The operator plans to conduct flow tests on both wells. The JV will also continue to progress its exploration activities on Blocks 2913B and neighboring Block 2912, including the acquisition of a 3D seismic survey.

The Company has an indirect effective interest of approximately 6.2% in this block through its shareholding in Impact.

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 has subscribed for 31,936,373 shares in Impact (approximately \$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.

Impact has an indirect interest in Block 11B/12B, South Africa.

**BUSINESS UPDATE - CONTINUED****ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

The Company is committed to being a full-cycle E&P company that integrates sustainability considerations throughout its decision-making and operational management. As a non-operating investor in exploration and production assets, the Company is focused on the effective identification and management of risk. The Company selects its operating partners in part on their ability and commitment to manage ESG risks effectively. The Company monitors operator performance and works with operators where possible and necessary to improve performance. The Company's role as the custodians of its shareholders' capital is to ensure robust governance systems are in place to deliver our sustainability goals.

Despite these efforts, a serious incident occurred on May 30, 2022, in Kenya at the site of the Company's Upstream assets and associated facilities. During an operation to dispose of expired explosives, an uncontrolled explosion occurred, resulting in injury to two persons involved in the exercise. One of those people later died from his wounds. The other injured party was evacuated to Nairobi for medical treatment and is expected to make a full recovery. Africa Oil has cooperated with both the operator's and police investigations into the incident. All non-routine activities at the project site have been put on hold until corrective actions have been taken to address the factors that contributed to this event.

In order to comply with requirements imposed by IFC, one of the Company's major shareholders, independent monitoring reviews are conducted on a regular basis to assess compliance with IFC Performance Standards. The next review of Company performance is scheduled for Q3 2022 and will include a review of the fatal incident. All Independent Monitoring Group reports can be found on Africa Oil's website.

In Nigeria, Prime received the results of an independently conducted Environmental Social Health and Safety Assessment, which confirmed the robustness of Prime's approach to the management of Environmental, Social, Health and Safety (ESHS) issues. Additionally, Prime finalized and adopted an ESG strategy aligned with Africa Oil's ESG governance approach and strategic goals. Most notably, the ESG strategy commits Prime to achieve net zero emissions across Scopes 1 and 2 by 2050, with tentative interim targets for a 20% reduction by 2025 and 30% reduction by 2030. The interim targets will be confirmed following additional detailed technical assessments by and in cooperation with the operators of OML 127 and OML 130. Prime is providing ESG performance data to the Company on a quarterly basis and full-year data is presented in the 2021 Sustainability Report, available on the Company's website. In addition to providing transparency to the Company's stakeholders, this data will enable better engagement with the operating partners around performance and opportunities for improvement.

Prime's ESG strategy will help to support Africa Oil's stated intention to achieve carbon neutrality by 2025. In 2022, the Company is working to develop a comprehensive Energy Transition Strategy to meet this goal. This strategy will set out the steps the Company will undertake over the short, medium and long-term to minimize Scope 1 and Scope 2 operational emissions. Though some operational reductions might be achieved by 2025, the Company will largely rely on carbon offsets in order to meet our carbon neutrality target. The preference is to invest directly in nature-based carbon removal projects to develop a dedicated source of emissions offsets, where the Company has full transparency into and control over the project quality.

Towards that end, work has already started to identify and progress high-quality emissions offset projects that also deliver social and environmental benefits within the Company's areas of operation and influence. Since Q3 2021, the Company has identified three potential offset project sites in Kenya. One of these sites is prospective for soil carbon sequestration using a proven methodology for rangeland management, while the other two have potential to reduce emissions from deforestation and forest degradation, and contribute to broader forest conservation, management and enhancement (REDD+). Initial feasibility studies for the soil carbon project were conducted in Q4 2021, with additional technical studies conducted in Q2 2022. Similarly, a feasibility study was completed for one of the REDD+ project sites over Q1-Q2 2022. A pre-feasibility study over the second prospective REDD+ site is planned for Q4 2022. In the meantime, the Company continues to engage the relevant stakeholders to determine appropriate commercial and legal arrangements, with the view to taking an investment decision on at least one project by year-end 2022 or early 2023. Given the early-stage nature of these projects, there is risk they may not progress or deliver the volume of credits required. For that reason, the Company continues to screen the market for further potential opportunities.

## SUMMARY OF QUARTERLY INFORMATION

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

For the three months ended	30-June 2022	31-Mar 2022	31-Dec 2021	30-Sep 2021	30-Jun 2021	31-Mar 2021	31-Dec 2020	30-Sep 2020
Share of profit from equity investments in joint venture and associates (\$)	13,296	53,738	61,843	69,748	47,359	47,929	91,234 <sup>(1)</sup>	31,755
Net income attributable to common shareholders (\$)	5,653	45,608	54,912	58,506	38,384	38,920	79,845	21,189
Weighted average shares - Basic	477,166	475,090	474,192	473,505	473,253	472,147	471,954	471,950
Weighted average shares - Diluted	490,562	485,113	479,611	477,799	476,398	475,011	475,144	475,150
Basic income per share (\$)	0.01	0.10	0.12	0.12	0.08	0.08	0.17	0.04
Diluted income per share (\$)	0.01	0.09	0.12	0.12	0.08	0.08	0.17	0.04

(1) The share of profit from equity investments in joint ventures and associates in Q4 2020 contains a gain on dilution of the equity investment in Africa Energy of \$19.9 million and a share of income from the investment in Impact of \$11.9 million.

## SUMMARY OF KEY ITEMS OF FINANCIAL PERFORMANCE IN THE THREE AND SIX MONTHS ENDED JUNE 30, 2022, AND JUNE 30, 2021

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Total operating income	13,296	47,359	67,034	95,288
Salaries and benefits	(1,129)	(1,182)	(3,039)	(2,481)
Share-based compensation	(786)	(909)	(4,480)	(2,015)
Professional fees and other general and administrative expenses	(5,012)	(1,135)	(6,357)	(2,453)
Net operating income	6,369	44,133	53,158	88,339
Finance expense	759	5,766	1,991	11,074

### Total and net operating income

In Q2 2022 and H1 2022, the Company recognized net operating income amounting to \$6.4 million and \$53.2 million respectively (Q2 2021 and H1 2021 - \$44.1 million and \$88.3 million respectively).

In Q2 2022 and H1 2022, included in the Company's share of profit from equity investments is profit from its 50% investment in Prime of \$14.4 million and \$65.4 million (Q2 2021 and H1 2021 - \$48.6 million and \$97.4 million respectively).

Prime recorded an increase in revenues of \$102.7 million in Q2 2022 compared to Q2 2021, due to higher realized prices of \$77.1/bbl compared with \$58.4/bbl, despite lower crude liftings, with this being offset by an increase in cost of sales of \$122.3 million due to increases in the net overlift position. This resulted in a lower gross profit. There was a decrease in other operating income of \$23.8 million and an increase to the tax expense of \$14.9 million. Other operating income primarily consists of investment tax credits which can be offset against PPT. Therefore a decrease in tax credits has also resulted in an increase in PPT. There has also been an increase in finance costs of \$8.6 million due to an increase in the accretion expense on the asset retirement obligation liability. This has resulted in Prime's profit in Q2 2022 decreasing by \$68.4 million compared to Q2 2021.

Prime recorded an increase in revenues of \$187.1 million in H1 2022 compared to H1 2021, due to higher realized prices of \$71.9/bbl compared with \$58.2/bbl, despite lower crude liftings, with this being offset by an increase in cost of sales of \$229.2 million due to increases in the net overlift position. This resulted in a lower gross profit. There was a decrease in other operating income of \$34.2 million and an increase to the tax expense of \$8.6 million, partly due to investment tax credits decreasing and also there was an increase in taxable income in H1 2022. There has also been a decrease in finance costs of \$22.1 million as in H1 2021 there was a loss on derivative financial instruments of \$18.8 million which Prime did not have in H1 2022. This has resulted in Prime's profit in H1 2022 decreasing by \$64.0 million compared to H1 2021.

**SUMMARY OF QUARTERLY INFORMATION - CONTINUED****Salaries and benefits**

In Q2 2022, salaries and benefits are approximately the same as Q2 2021, despite higher employee numbers in 2022, due to payments of tax on gains on exercise of share-based units realized in Q1 2022 rather than Q2 2022. In 2021, these gains were realized in Q2 2021 rather than Q1 2021.

In H1 2022, salaries and benefits are higher compared to H1 2021, due to taxes on gains on exercise of share-based units by expatriate employees in H1 2022 being higher than in H1 2021.

**Share based compensation**

The share-based compensation charge relates to the LTIP and Stock Option Plan. In Q2 2022 and H1 2022, the differences compared with Q2 2021 and H1 2021, is due to the relative share price movement in the periods in 2022 compared with the periods in 2021, which affects the PSU and RSU valuation.

**Professional fees and other general and administrative expenses**

In Q2 2022 and H1 2022, the professional fees and other general and administrative expenses were higher compared to Q2 2021 and H1 2021 as there was increased expenditure on legal and professional fees relating to corporate development activities.

**Finance expense**

In Q2 2022 and H1 2022, the Company recognized finance expenses of \$0.8 million and \$2.0 million respectively (Q2 2021 - \$5.8 million and \$11.1 million respectively). In Q2 2022 and H1 2022, the finance expense is primarily made up of commitment fees and in Q2 2021 and H1 2021 the expense was made up of interest payable on the Term Loan, which totaled \$141.0 million at the start of 2021 and \$123.0 million at June 30, 2021.

**SUMMARY OF KEY ITEMS OF FINANCIAL POSITION AS AT JUNE 30, 2022, AND DECEMBER 31, 2021**

As at	June 30, 2022	December 31, 2021
<b>Assets</b>		
Equity investment in joint venture	519,982	617,127
Equity investments in associates	128,167	120,688
Intangible exploration assets	196,690	194,051
Cash	191,040	58,885
<b>Liabilities</b>		
Long-term debt	-	-

**Equity investment in joint venture**

As at June 30, 2022, the Company's investment in Prime was \$520.0 million compared to \$617.1 million as at December 31, 2021. The carrying value of the investment increased from the share of Prime's profit of \$65.4 million in H1 2022, offset by dividends received of \$162.5 million in H1 2022.

**Equity investments in associates**

As at June 30, 2022, the Company's investment in associates was \$128.2 million compared to an investment value of \$120.7 million as at December 31, 2021. The increase in the investment is primarily because of the share of the income from investments in associates of \$1.7 million in H1 2022 and additional investments in Eco of \$5.8 million.

**Intangible exploration assets**

The Company's intangible exploration assets relate to its interests in Blocks 10BB and 13T in Kenya, and Block 3B/4B in South Africa.

**Kenya**

In Q2 2022 and H1 2022, the expenditure on projects in Kenya was \$1.3 million and \$1.8 million respectively (Q2 2021 and H1 2021 - \$1.0 million and \$0.3 million respectively). In December 2021, the Company and its JV Partners submitted an FDP to the GoK in accordance with the terms of the license extension. The Partners are currently in discussions with the GoK to agree on the final terms of the FDP.

At June 30, 2022, there have been no indicators of impairment or impairment reversal identified relating to the Company's intangible exploration assets.

## SUMMARY OF QUARTERLY INFORMATION - CONTINUED

### South Africa

The Company holds a 20% participating interest in the Block 3B/4B Exploration Right. In Q2 2022 and H1 2022, the Company incurred \$0.1 million and \$0.3 million respectively, on Block 3B/4B reevaluating 2D and 3D seismic data previously acquired (Q2 2021 and H1 2021 - \$0.1 million and \$0.2 million respectively), and its expenditure to date is \$4.8 million.

### Cash

As at June 30, 2022, the Company had cash of \$191.0 million compared to cash of \$58.9 million as at December 31, 2021. The increase to cash is due to dividends received from Prime in H1 totaling \$162.5 million offset by the dividend payment to shareholders in Q1 2022 totalling approximately \$11.9 million and other corporate costs including additional equity injections into Eco.

### Long-term debt

As at June 30, 2022, and December 31, 2021, the Company had no long-term debt following the full repayment of the Corporate Facility in November 2021.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2022, the Company had cash of \$191.0 million and working capital of \$181.1 million.

The Company's primary source of liquidity is dividends received from Prime. In H1 2022, Prime distributed three dividends payment totaling \$325.0 million with a net dividend to the Company of \$162.5 million related to its 50% interest. In H1 2021, Prime distributed one dividend payment totaling \$75.0 million with a net dividend to the Company of \$37.5 million.

### Corporate Facility

On May 13, 2021, the Company agreed a new Corporate Facility for an amount up to \$150.0 million with a three-year term. Post signing, the facility amount and commitments increased to \$160.0 million. Completion occurred on July 16, 2021, and on July 30, 2021, \$98.0 million was drawn down under the Corporate Facility to repay the Term Loan in full. An additional \$62.0 million could be drawn until May 13, 2022, subject to the satisfaction of certain covenants. The Corporate Facility was used to repay the Term Loan and is also available for general corporate purposes. This facility carries interests 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.

In September and November 2021, two dividends were received totaling \$125.0 million from Prime and the Company applied the amounts received to repay the facility in full.

On January 28, 2022, the Company agreed a number of amendments to the Corporate Facility with the existing lenders. The available amount increased to \$100.0 million from \$62.0 million, and the availability period has been extended to December 31, 2022, from May 13, 2022. The principal amounts, if drawn, may not exceed \$80.0 million by June 30, 2023, and \$50.0 million by February 29, 2024. The maturity date, the loan purpose and interest margins are unchanged. The lenders also waived certain conditions in support of the Company's plans to implement a shareholder returns program, which was executed in Q1 2022.

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 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 June 30, 2022.

The Company has no off-balance sheet arrangements.

### Future Funding Outlook

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

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

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

## OUTSTANDING SHARE DATA

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

Common shares outstanding	477,280,773
Outstanding share purchase options	6,029,616
Outstanding performance share units	7,623,477
Outstanding restricted share units	2,001,979
Full dilution impact on common shares outstanding	492,935,845

## RELATED PARTY TRANSACTIONS

### Transactions with Africa Energy:

As at June 30, 2022, the Company's ownership interest in Africa Energy is approximately 19.8%.

#### Services Agreements:

	Service provider	Service provided	Three months ended		Six months ended	
			June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
General Management and Service Agreement	AOC to Africa Energy	Administrative services provided to Africa Energy.	11	14	22	35
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	79	192	175

(1) Contract date July 1, 2020

### Transactions with Eco:

On April 6, 2022, Eco completed an equity fundraise. A total of 64,885,496 new common shares were conditionally 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 completed an equity fundraise. A total of 33,406,531 new common shares were conditionally 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 will hold 15.9% of the enlarged share capital in Eco.

## COMMITMENTS AND CONTINGENCIES

The following commitments and contingencies are representative of AOC's net obligations at the effective date of the MD&A.

### KENYA REVENUE AUTHORITY

The Company's Kenyan Branch of its wholly owned subsidiary, Africa Oil Kenya B.V., has been assessed for CIT and VAT by the KRA relating to farmout transactions completed during the period 2012 to 2017.

The Kenyan 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 material negative impact on the value of the Company's Kenyan Intangible Exploration Assets.

### PRIME OIL AND GAS COÖPERATIEF U.A:

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

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

### KENYA LICENSE COMMITMENTS:

Blocks 10BB and 13T are in the second additional exploration periods for both PSCs, which expired on December 31, 2021. In December 2021, as per the license extension obligations provided by the GoK in September 2020, the Project Oil Kenya JV Partners submitted an FDP for the 10BB and 13T licenses. This included the additional E&A opportunities within the 10BB and 13T licenses and holds the licenses in good standing while the GoK reviews the FDP submissions.

The Company expects the two licenses to be renewed once the GoK has completed its review of the FDP submission.

Block 10BA is currently in an extension period of the second additional exploration period that expires on April 26, 2023. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including 500 kilometers of 2D. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. 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 E&A plan for Block 10BA includes a proposal to align drilling of the remaining commitment well to drilling activities associated with the FDP for Block 10BB and 13T. At June 30, 2022, the Company's WI in Block 10BA was 25%.

### SOUTH AFRICA LICENSE COMMITMENTS:

Block 3B/4B is currently in the Initial Period, having a term of three years that was set to expire in March 2022. Prior to expiration and following the procedures provided in the Exploration Right, the Company filed an application to enter into the first extension period. The licenses are in good standing while this application is reviewed and the Company considers the risk of non-renewal to be low. The work commitments during this Initial Period for Block 3B/4B were fully completed and consisted of regional subsurface evaluation and mapping, petrophysical analysis of nearby wells, basin modelling, prospect maturation and prospect ranking, leading to recommendations on future investments. The total minimum gross expenditure obligation for the Initial Period (of approximately \$0.7 million), has been satisfied. At June 30, 2022, the Company's WI in Block 3B/4B was 20%.

## CRITICAL ACCOUNTING ESTIMATES

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

### USE OF ESTIMATES

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

The Company's significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2021.

### INTANGIBLE EXPLORATION ASSETS

The Company capitalizes costs related to the acquisition of a license interest, directly attributable general and administrative costs, expenditures incurred in the process of determining oil and gas exploration targets, and exploration drilling costs. All exploration expenditures that related to properties with common geological structures and with shared infrastructure are accumulated together within intangible exploration assets. Costs are held un-depleted until such time as the exploration phases on the license area are complete or commercially viable reserves have been discovered and extraction of those reserves is determined to be technically feasible. The determination that a discovery is commercially viable, and extraction is technically feasible requires judgement.

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

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

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

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

The changing worldwide demand for energy and the global advancement of alternative sources of energy could result in a change in the assumptions used to determine the recoverable amount and could affect estimating the future cash flows which could impact carrying amount of the Company's intangible exploration assets. The timing of when global energy markets transition from carbon-based sources to alternative energy sources is highly uncertain. Environmental considerations are built into our estimates through the use of key assumptions in estimating fair value including future commodity prices and discount rates. The energy transition could impact the future prices of commodities and discount rates used to appraise oil and gas projects. Pricing assumptions used in the determination of recoverable amounts incorporate markets expectations and the evolving worldwide demand for energy.

### EQUITY METHOD

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

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

## CRITICAL ACCOUNTING ESTIMATES - CONTINUED

### IMPAIRMENT OF JOINT VENTURES AND ASSOCIATES

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

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

### CONTINGENT CONSIDERATION

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

Subsequent to acquisition, contingent consideration can be treated using two acceptable methods, the cost-based approach and the fair value-based approach. The Company have determined the cost-based approach to give the best estimate of the value of the contingent consideration. Any revisions to the contingent consideration estimates, after the date of acquisition, are accounted for as changes in estimates in accordance with IAS 8, to be accounted for on a prospective basis. The change in the liability, as a result of the revised cash flows, would be adjusted to the cost of the investment and, in accordance with paragraph 37 of IAS 8, recognized as part of the investment's carrying amount rather than in profit or loss.

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

## INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

### DISCLOSURE CONTROLS AND PROCEDURES

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of June 30, 2022, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

### INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As at June 30, 2022, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed. Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## ADVISORY REGARDING OIL AND GAS INFORMATION

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

In this report, references are made to historical and potential future oil production in Nigeria and Kenya. In all instances these references are to light and medium crude oil category in accordance with NI 51-101 and the COGE Handbook.

Reserves are estimated remaining quantities of petroleum anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be sub-classified based on development and production status. Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations. Probable Reserves are those additional quantities of petroleum that are less certain to be recovered than Proved Reserves, but which, together with Proved Reserves, are as likely as not to be recovered. Possible Reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

## RISK FACTORS

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

### CONFLICT IN UKRAINE

The conflict in Ukraine has impacted global markets and may continue to result in increased volatility in financial markets and commodity prices and disruption in supply chains.

The Company does not have a direct exposure to operations in Ukraine or Russia and does not have any business relationships with any sanctioned entities or people. The Company will continue to review all its engagements with new stakeholders to ensure this remains the case.

### GLOBAL HEALTH EMERGENCY

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

The Company's business, financial condition and results of operations could be materially and adversely affected by the COVID-19 pandemic, as well as any other epidemic, pandemic or other public health crisis. The degree to which the COVID-19 pandemic impacts our results will depend on future developments, which are uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus and its variants or treat their impact, the efficiency of vaccination campaigns against the virus and all its variants, and how quickly and to what extent the worldwide economic activity can recover to pre-crisis levels.

### CLIMATE CHANGE AND ENVIRONMENTAL COMPLIANCE

#### Litigation Risks

Climate-related litigation is a rapidly evolving and increasingly important issue for our industry. The Company is monitoring developments closely, realizing that the possibility of legal challenges could rise as the costs of climate change mitigation and adaptation increase, and as more climate laws and agreements are put in place. While the majority of cases continue to be brought in developed economies, the number of climate litigation cases in developing countries is growing, with at least 58 cases recorded in developing country jurisdictions in the Southern Hemisphere. These include cases relevant to the oil and gas industry in Guyana and South Africa, as well as before the East African Court of Justice. While these cases do not directly concern the Company's assets and licenses, their outcomes could have indirect implications for the Company's exploration and development activities.

## RISK FACTORS - CONTINUED

### Regulatory Risks

Global commitment to addressing the causes and impacts of anthropogenic climate change have steadily increased since the Paris Agreement was signed in 2015. Efforts have focused on reducing emissions of greenhouse gases, particularly carbon dioxide and methane.

The upstream oil and natural gas industry is a significant producer of greenhouse gases due to the energy intensive nature of its operations; in addition, carbon dioxide and methane are released as a by-product of natural gas production and handling. The oil and gas produced then generates indirect emissions when converted into end-use products, such as gasoline and diesel, and ultimately burned as fuel in combustion engines, generators or turbines.

As a result, the industry is subject to increasingly stringent regulations regarding energy and emissions management. Climate change policy is quickly evolving at local, national, regional and international levels. In the run-up to the 26th Conference of the Parties (COP26) to the UN Convention on Climate Change, which took place in Glasgow in November 2021, 155 countries submitted updates to their Nationally Determined Contributions to the Paris Agreement. These included four out of the five countries in which the Company owns assets, either directly or indirectly through joint ventures or equity affiliates. COP26 also saw the announcement of a number of multilateral initiatives with implications for the oil and gas industry and the Company. Most notably, more than 100 countries—including Nigeria—committed to reduce global methane emissions by 20% by 2030. Additionally, 34 countries and five public finance institutions committed to end direct support for unabated fossil fuels by the end of 2022.

As countries implement laws to meet these commitments, the Company is likely to face new or increased regulations restricting oil and gas activities, limiting emissions from operations or imposing additional costs, including direct costs on emissions. The Company may also find access to select markets or financial capital restricted. These measures could have a material impact on the operations and financial condition of the Company. Political and economic events may significantly affect the scope and timing of the measures that are ultimately put in place. Costs of compliance with existing emissions regulations in the Company's countries of operation have been immaterial to date. Various climate change scenarios suggest these could increase significantly in the medium and long-term, particularly in scenarios consistent with the Paris Agreement objectives to limit global warming to "well below" 2 degrees Celsius this century. Scenario analysis conducted by the Company suggests our assets would remain economic even if carbon costs were to increase to the levels assumed under these scenarios.

### Physical Risks

Climate change has already resulted in significant shifts in global weather patterns, including an increase in the number and severity of heat waves, cold spells, droughts and storms, including hurricanes and tropical cyclones. Longer term, climate change may also result in rising sea levels due to melting polar ice caps.

The physical effects of climate change have the potential to directly impact the Company's assets and operations. With the exception of Kenya, the Company's assets are located offshore, where they are subject to disruption and damage from more frequent and severe storms and sea level rises. In Kenya, increased temperatures and changes in precipitation levels could alternately lead to flooding and erosion impacting the future project site, facilities and infrastructure, or shortages of water for operations as a result of drought.

The exact nature, magnitude and timing of physical climate impacts is difficult to predict. The Company will continue to develop its understanding of long-term weather patterns in order to anticipate the need for additional adaptation measures to protect associated infrastructure.

### Reputational Risk

Concerns about climate change have resulted in increasing environmental activism aimed at the oil and gas industry. The Company has not been directly targeted by environmental activists. However, the Company could be targeted in the future. Moreover, activism aimed at other companies or the industry more broadly could indirectly impact the Company's assets or license to operate.

In addition to environmental activists, numerous banks and large institutional investors have communicated an intention to divest from select fossil fuels, particularly coal and unconventional oil and gas activities, such as oil sands and shale oil and gas. Conventional oil and gas activities are increasingly coming under similar pressure, and the Company may find access to capital limited, more expensive or made contingent upon environmental performance standards.

### Business Model Risks

Changing consumer preferences for low carbon sources of energy, transport and products and services may erode demand for oil and gas as clean alternatives come to market and gain scale. In addition to limiting the Company's ability to sell into the market, these trends could lead to lower commodity prices in the medium and long-term, putting further pressure on revenues. In the short-term, unbalanced investment in traditional vs. new energy technologies and sources, combined with uncertain demand dynamics, may lead to commodity price volatility, as we have witnessed already in late 2021 and early 2022. Supply chains may also become constrained, as suppliers adjust their strategies and product mix in response to the energy transition, resulting in increasing costs for some goods and services. The Company has conducted scenario analysis that suggests its assets are resilient to the types of changes in oil and gas price levels that might be expected under a low-carbon future.

At the same time, markets for new products and services may present new opportunities for the Company to expand or diversify the Company's lines of business. For instance, the Company is exploring development of two offset projects in Kenya of sufficient scale to help reduce both the Company's own emissions as well as potential third-party emissions. Likewise, clean energy technologies, such as renewables, hydrogen and carbon capture and storage (CCS), present opportunities for integration with the Company's operations to lower the Company's own emissions footprint. Specifically, the FDP for the Company's Kenyan assets includes use of solar power to support administrative loads related to the midstream component, and the Company has explored broader use of renewables to power operations at the facility. Though deemed uneconomic at this time, the Company will continue to consider ways to expand integration of renewable or low carbon technologies to reduce its operational footprint.

## RISK FACTORS - CONTINUED

See the Company's 2021 Sustainability Report for a thorough discussion of climate-related risks and opportunities in accordance with guidelines issued by the Task Force on Climate-related Financial Disclosures. The Sustainability Report is available on the Company's website.

### Other Environmental Risks

The regulatory frameworks in the Company's countries of operation extend beyond emissions to include broader areas of environmental concern, including water management, waste handling, soil pollution and biodiversity protection. These regulations typically include environmental licensing and permitting subject to the conduct of Environmental and Social Impact Assessments prior to any new development phase, as well as ongoing monitoring and reporting.

Non-compliance with these environmental regulations can result in fines or permits being revoked, both of which could materially impact the Company's financial position or license to operate. Breaches could also lead to civil or criminal litigation, particularly in cases resulting in significant environmental damage.

The Company is committed to minimizing the broader environmental impact of our oil and gas activities. The Company acts in compliance with the applicable environmental laws and regulations of its countries of operation and manages activities according to international industry best practice. This includes taking a rigorous approach to operational planning, including identifying potential environmental or ecological risks and impacts of operations, and obtaining and maintaining all necessary permits and licenses. The Company also consults with stakeholders on environmental issues that may affect them, investigates any environmental incidents, and maintains emergency response procedures for protection of the operating environment.

In particular, the Company strives to minimize water consumption, mitigate impact upon water sources and monitor and safely dispose of waste streams. The Company assesses and puts measures in place to minimize impact on biodiversity and ecosystems in line with the mitigation hierarchy and, where appropriate, undertakes offsetting measures to ensure that activities lead to no net loss of important biodiversity and habitats.

Where the Company does not operate, it monitors and manages environmental risks via regular reports from project partners and operators and participation in quarterly operating and technical committee meetings.

In some cases, damage cannot be avoided, and in those cases, the Company works quickly to contain and mitigate the risk and restore any affected areas.

Though the Company endeavors to engage all relevant stakeholders proactively and early in the planning process, environmental activism is increasing, and in some cases has resulted in delays or disruptions to activities, including delays to permitting where activists have challenged permits in courts. Africa Oil has not to date suffered impacts to operations due to environmental activism. However, such delays could affect project economics by incurring additional costs or delaying forecast production and revenues.

The Company does not currently face any environmental fines or charges and rates the risk of future fines or charges as low. However, accidents can occur; the unexpected nature of these events makes the timing and scope challenging to quantify with respect to financial impacts.

## PRICES, MARKETS AND MARKETING OF CRUDE OIL AND NATURAL GAS

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

The Company may undertake hedging activities when efficient to do so, however, they may not fully mitigate, in whole or in part, the risk and effect of lower oil prices.

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

## RISK FACTORS - CONTINUED

### PRIME DIVIDENDS

The Company periodically receives dividends from Prime related to the Company's 50% shareholding in Prime, the amount and timing of which the Company does not control. However, a significant reduction, infrequent distributions, or no payment of Prime's dividends to the Company could have a material adverse effect on the Company's business and financial condition. Such result could occur due to, among other things, the following:

- global health emergencies
- an inability of Prime to hedge the production of future assets
- Prime's off-takers defaulting on forward sale agreements or banks defaulting on hedging agreements
- significant or extended declines in oil and natural gas prices
- decline in the demand for oil and natural gas
- changes to the applicable tax and other laws and regulations in Nigeria and the Netherlands
- capital or liquidity constraints experienced by Prime, including restrictions imposed by lenders
- the license renewal not occurring
- accounting delays or adjustments for prior periods
- shortages of, or delays in obtaining skilled personnel or equipment, including drilling rigs
- delays in the sale or delivery of products
- title defects

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

### LIQUIDITY

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

The Company will potentially issue debt or equity, extend its debt maturities and enter into farmout agreements to ensure it has sufficient available funds to meet current and foreseeable financial requirements. Concerns around climate change have resulted in some lenders and investors moving away from financing oil and gas activities, and the Company may find access to capital limited, more expensive or made contingent upon environmental performance standards.

The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support these financial obligations and the Company's capital programs. The Company will also adjust the pace of its activities to manage its liquidity position. Notwithstanding any mitigation efforts, the Company remains exposed to erosion of its balance sheet and revenues and may have difficulty in securing necessary funding, which may lead to insufficient liquidity.

### GOVERNMENT, LOCAL REGULATIONS AND TAX

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

General elections are scheduled to be held in Kenya on August 9, 2022, and in Nigeria between February 25, 2023, and March 11, 2023. The Company is currently awaiting the approval of the FDP for Blocks 10BB and 13T, submitted in December 2021, and Prime are considering the early conversion of its licenses in Nigeria to the new PIA terms.

The election could delay the approval for the FDP due the formation of a new government. The application for the license renewal in Nigeria could be delayed if made near the time in which the election is being conducted.

### INVESTMENTS IN ASSOCIATES AND INVESTMENTS IN JOINT VENTURES

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

## RISK FACTORS - CONTINUED

### RISKS INHERENT IN OIL AND GAS EXPLORATION, DEVELOPMENT, AND PRODUCTION

Oil and gas operations involve many risks, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that expenditures made on future exploration by the Company will result in discoveries of oil or natural gas in commercial quantities or that commercial quantities of oil and natural gas will be discovered or acquired by the Company. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Without the continual addition of new reserves, any existing reserves associated with the Company's oil and gas assets at any particular time, and the production therefrom, could decline over time as such existing reserves are exploited. There is a risk that additional commercial quantities of oil and natural gas may not be discovered or acquired by the Company. Production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect revenue and cash flow levels to varying degrees. There is no certainty that any discovered resources will be commercially viable to produce. There is no certainty that any portion of undiscovered resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

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

### HEALTH & SAFETY RISKS

The oil and gas industry involves inherent health and safety risks, including harsh and remote environments, heavy equipment, hazardous materials, high temperatures and high pressure equipment. Africa Oil is committed to operating in a safe and responsible manner, in alignment with the laws and regulations of the countries where we operate and international industry best practice. The Company maintains a Health & Safety policy, which is reviewed annually and outlines its commitments, including the governance processes and management systems used to ensure compliance with this policy. Where Africa Oil does not operate, the Company engages with its partners and operators on health and safety practices and monitors performance via quarterly ESG reporting.

These efforts can help to reduce but not fully eliminate the risks associated with oil and gas operations, including fire, explosion, blowouts, gas releases, ruptures and personnel accidents. Should they occur, each of these hazards could result in substantial personal injury to employees, contractors or other bystanders, as well as damage to oil and natural gas wells, production facilities and other property. In this case, the Company could be exposed to fines, penalties and other legal liabilities, as well as reputational damage, including loss of license to operate, and such damages may not be fully insurable.

### INTERNATIONAL OPERATIONS

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

## RISK FACTORS - CONTINUED

### DIFFERENT LEGAL SYSTEM AND LITIGATION

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

The Company's operations are, to a large extent, subject to various complex laws and regulations as well as detailed provisions in concessions, licenses and agreements that often involve several parties. If the Company was to become involved in legal disputes in order to defend or enforce any of its rights or obligations under such concessions, licenses, and agreements or otherwise, such disputes or related litigation could be costly, time consuming and the outcome would be highly uncertain. Even if the Company ultimately prevailed, such disputes and litigation may still have a substantially negative effect on the Company's business, assets, financial conditions, and its operations.

### ANTI-BRIBERY AND ANTI-CORRUPTION LAWS

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

### HUMAN RIGHTS

The Company is committed to operating in a socially responsible and transparent manner and values the human rights of its workers, contractors and external stakeholders, including the local communities where it operates. The company complies with the applicable laws and regulations of the countries in which it operates, including local labor regulations, and additionally manages its activities according to international human rights standards as defined by the United Nations Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights and the International Labour Organization Fundamental Conventions, amongst others. Where national law and international human rights standards differ, the Company will follow the most stringent standard, and where they are in conflict, will adhere to national law, while seeking ways to respect international human rights to the greatest extent possible.

The Company maintains a Human Rights Policy outlining its human rights commitments and the measures taken to ensure human rights are respected and upheld across all business activities, whether operated or non-operated. These measures include preventative due diligence of contractors and business development opportunities, environmental and social impact assessments ahead of any new development and a grievance mechanism to encourage prompt reporting of any suspected violation.

Despite these measures, Africa Oil may inadvertently find itself complicit in human rights violations through the actions of contractors or suppliers, or government managed processes, such as security or resettlement. In this case, the Company could be exposed to immeasurable reputational damage and legal action, including loss of license to operate.

### CREDIT FACILITIES

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

### FINANCIAL STATEMENTS PREPARED ON A GOING CONCERN BASIS

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

## RISK FACTORS - CONTINUED

### SHARED OWNERSHIP AND DEPENDENCY ON PARTNERS

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

### UNCERTAINTY OF TITLE

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

### RISKS RELATING TO CONCESSIONS, LICENSES AND CONTRACTS

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

### RISKS RELATING TO AUDITS AND COST-RECOVERY OIL (KENYA)

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

### RELIANCE ON THIRD-PARTY INFRASTRUCTURE

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

### RISKS ASSOCIATED WITH DISCOVERING OIL

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

### RISKS ASSOCIATED WITH ESTIMATES

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

## RISK FACTORS - CONTINUED

### WELL-FLOW TEST RESULTS

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

### SUBSTANTIAL CAPITAL REQUIREMENTS

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

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

### AVAILABILITY OF EQUIPMENT AND STAFF

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

### RELIANCE ON KEY PERSONNEL

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

### RESERVES AND RESOURCES VOLUMES

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

### RISKS RELATING TO INFRASTRUCTURE

The Company is dependent on available and functioning infrastructure relating to the properties on which it operates, such as roads, power and water supplies, pipelines and gathering systems. If any infrastructure or systems failures occur or do not meet the requirements of the Company, its operations may be significantly hampered. Currently there is limited local infrastructure for the production and distribution of oil and gas in the countries in which the Company operates. Export infrastructure to enable other markets to be accessed has not yet been developed and is contingent on numerous factors including, but not limited to, sufficient reserves being discovered to reach a commercial threshold to justify the construction of export pipelines and agreement amongst various government agencies regulating the transportation and sale of oil and gas. The Company is working with its joint venture partners and government authorities to evaluate the commercial potential and technical feasibility of discoveries made to date and potential future discoveries.

### CURRENT GLOBAL FINANCIAL CONDITIONS

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

## RISK FACTORS - CONTINUED

### INFLATION RISK

A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows. The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

### FOREIGN CURRENCY EXCHANGE RATE RISK

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. The Company had no forward exchange contracts in place as at June 30, 2022.

### CREDIT RISK

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

### CYBERSECURITY

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

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

The Company applies technical and process controls and security measures in line with industry-accepted standards to protect information, assets and systems. However, these controls and measures on which the Company relies may not be adequate due to the increasing volume, sophistication and rapidly evolving nature of cyber threats. The Company's information technology and infrastructure, including process control systems, may be vulnerable to attached by malicious persons or entities or breached due to employee error, malfeasance or other disruptions, including natural disasters and acts of war. There is no assurance that the Company will not suffer losses associated with cyber-security attacks, breaches, access, disclosure or loss of information in the future and may be required to expend significant additional resources to investigate, mitigate and remediate any potential vulnerabilities or could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruptions to the Company's operations, decreased performance and production, increased costs and damage to the Company's reputation or other negative consequences to the Company, which could have a material adverse effect on the Company's business, financial condition and results of operations.

### CONFLICT OF INTERESTS

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

### LIMITATION OF LEGAL REMEDIES

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

## RISK FACTORS - CONTINUED

### SELLING OFF OF SHARES

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

### INDUSTRY REGULATORY RISK

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

## FORWARD-LOOKING STATEMENTS

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

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

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

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

- A change to the shareholder capital return program including the implementation of share buy-backs;
- The Company's plans to prepare an Energy Transition Plan and the steps to be taken by the Company in relation to the Energy Transition Plan;
- Expected closing dates for the completion of proposed transactions;
- Planned exploration, appraisal and development activity including both expected drilling and target drilling dates, and geological and geophysical related activities;
- Potential for an improved economic environment;
- The Company's anticipated timing for the receipt of dividends from Prime
- The Company's plans to prioritize repayment of its long-term debt, utilizing dividends received from Prime
- Proposed development plans;
- Future development costs and the funding thereof;
- Expected finding and development costs;
- Anticipated future financing requirements;
- Future sources of funding for the Company's capital program;
- Future capital expenditures and their allocation to exploration and development activities;
- Ability for the Company to remain within existing financial headroom
- Expected operating costs;
- Future sources of liquidity, ability to fully fund the Company's expenditures from cash flows, and borrowing capacity;
- Availability of potential farmout partners;
- Government or other regulatory consent for exploration, development, farmout, or acquisition activities;
- Future production levels;
- Future crude oil, natural gas or chemical prices;

**FORWARD-LOOKING STATEMENTS - CONTINUED**

- Future earnings;
- Future asset acquisitions or dispositions;
- Future debt levels;
- Availability of committed credit facilities, including existing credit facilities, on terms and timing acceptable to the Company;
- Possible commerciality;
- Development plans or capacity expansions;
- Future ability to execute dispositions of assets or businesses;
- Future drilling of new wells;
- Ultimate recoverability of current and long-term assets;
- Ultimate recoverability of reserves or resources;
- Estimates on a per share basis;
- Future foreign currency exchange rates;
- Future market interest rates;
- Future expenditures and future allowances relating to environmental matters;
- Dates by which certain areas will be explored or developed or will come on stream or reach expected operating capacity;
- The Company's ability to comply with future legislation or regulations;
- Future staffing level requirements; and
- Changes in any of the foregoing.

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

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

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

**FORWARD-LOOKING STATEMENTS - CONTINUED**

- Results of litigation, arbitration or regulatory proceedings;
- Political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; and
- Internal conflicts within states or regions.

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

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

