



**AFRICA OIL CORP.**

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2022

## TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENTS OF EQUITY	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
Incorporation and nature of business	7
Basis of preparation	7
Significant accounting policies	8
Cash and cash equivalents	8
Equity investment in joint venture	8
Equity investments in associates	12
Intangible exploration assets	13
Accounts payable and accrued liabilities	13
Debt	14
Share capital	14
Commitments and contingencies	15
Net income per share	16
Related party transactions	16
Financial risk management	17
Supplementary information	18
Subsequent events	19



# CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of United States dollars)

As at	Note	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	191,040	58,885
Accounts receivable and prepaid expenses		317	658
		191,357	59,543
<b>Long-term assets</b>			
Equity investment in joint venture	5	519,982	617,127
Equity investments in associates	6	128,167	120,688
Property and equipment		163	209
Intangible exploration assets	7	196,690	194,051
		845,002	932,075
<b>Total assets</b>		<b>1,036,359</b>	<b>991,618</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	5,301	3,649
Share-based compensation liability		4,999	3,971
		10,300	7,620
<b>Long-term liabilities</b>			
Share-based compensation liability		2,694	3,940
Provision for contingent consideration	5	32,000	32,000
		34,694	35,940
<b>Total liabilities</b>		<b>44,994</b>	<b>43,560</b>
<b>Equity attributable to common shareholders</b>			
Share capital	10(B)	1,312,996	1,309,127
Contributed surplus		51,196	51,143
Deficit		(372,827)	(412,212)
<b>Total equity attributable to common shareholders</b>		<b>991,365</b>	<b>948,058</b>
<b>Total liabilities and equity attributable to common shareholders</b>		<b>1,036,359</b>	<b>991,618</b>
Commitments and contingencies	11	-	-

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

Approved on behalf of the Board

"ANDREW BARTLETT"

ANDREW BARTLETT, DIRECTOR

"KEITH HILL"

KEITH HILL, DIRECTOR

# CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Expressed in thousands of United States dollars)

	Note	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Operating income</b>					
Share of profit from investment in joint venture	5	14,350	48,564	65,355	97,378
Share of (loss)/ income from investments in associates	6	(1,054)	(1,205)	1,679	(2,090)
<b>Total operating income</b>		13,296	47,359	67,034	95,288
<b>Operating expenses</b>					
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)
<b>Total operating expense</b>		(6,927)	(3,226)	(13,876)	(6,949)
<b>Net operating income</b>		6,369	44,133	53,158	88,339
Finance income		43	17	94	39
Finance expense		(759)	(5,766)	(1,991)	(11,074)
<b>Net income attributable to common shareholders</b>		5,653	38,384	51,261	77,304
<b>Other comprehensive income/ (loss)</b>					
Share of joint venture other comprehensive income/(loss)	5	-	5,906	-	(6,462)
<b>Total comprehensive income</b>		5,653	44,290	51,261	70,842
<b>Net income attributable to common shareholders per share</b>					
Basic	12	0.01	0.08	0.11	0.16
Diluted	12	0.01	0.08	0.10	0.16
<b>Weighted average number of shares outstanding for the purpose of calculating earnings per share</b>					
Basic	12	477,166,195	473,253,304	476,155,150	472,703,229
Diluted	12	490,562,473	476,397,774	489,384,316	475,847,699

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

# CONSOLIDATED STATEMENTS OF EQUITY

(Expressed in thousands of United States dollars)

For the six months ended	Note	June 30, 2022	June 30, 2021
<b>Share capital:</b>			
	10(B)		
Balance, beginning of the period		1,309,127	1,306,476
Exercise of Share Options		771	508
Settlement of Restricted Share Units		1,165	765
Settlement of Performance Share Units		1,933	93
<b>Balance, end of the period</b>		<b>1,312,996</b>	<b>1,307,842</b>
<b>Contributed surplus:</b>			
Balance, beginning of the period		51,143	50,839
Share-based compensation		53	219
Transfer to deficit		-	(93)
<b>Balance, end of the period</b>		<b>51,196</b>	<b>50,965</b>
<b>Deficit:</b>			
Balance, beginning of the period		(412,212)	(610,719)
Dividends paid		(11,876)	-
Net income attributable to common shareholders		51,261	77,304
Transfer to Contributed surplus		-	93
<b>Balance, end of the period</b>		<b>(372,827)</b>	<b>(533,322)</b>
<b>Accumulated other comprehensive income:</b>			
Balance, beginning of the period		-	7,691
Other comprehensive loss	5	-	(6,462)
<b>Balance, end of the period</b>		<b>-</b>	<b>1,229</b>
<b>Total equity attributable to common shareholders</b>			
<b>Balance, end of the period</b>		<b>991,365</b>	<b>826,714</b>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States dollars)

	Note	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cash flows generated by/ (used in):					
<b>Operations:</b>					
Net income for the period		5,653	38,384	51,261	77,304
Adjustments for:					
Share-based compensation		786	909	4,480	2,015
Share of profit from investment in joint venture	5	(14,350)	(48,564)	(65,355)	(97,378)
Share of loss/ (income) from investments in associates	6	1,054	1,205	(1,679)	2,090
Finance expense		759	5,766	1,991	11,074
Other		43	245	(294)	215
Changes in non-cash operating working capital	15	714	(1,025)	(525)	(2,242)
<b>Net cash used in operating activities</b>		<b>(5,341)</b>	<b>(3,080)</b>	<b>(10,121)</b>	<b>(6,922)</b>
<b>Investing:</b>					
Intangible exploration expenditures	7	(234)	(1,847)	(1,149)	(2,109)
Equity investment in associates	6	(5,800)	(1,966)	(5,800)	(1,966)
Dividends received from joint venture	5	62,500	37,500	162,500	37,500
Changes in non-cash investing working capital	15	(157)	(1,162)	90	(2,802)
<b>Net cash generated by investing activities</b>		<b>56,309</b>	<b>32,525</b>	<b>155,641</b>	<b>30,623</b>
<b>Financing:</b>					
Repayment of term loan		-	(18,000)	-	(18,000)
Payment of interest, arrangement and other loan fees		(759)	(5,358)	(1,991)	(10,646)
Settlement of Performance and Restricted Share Units		-	(427)	(337)	(427)
Dividends paid to shareholders		-	-	(11,876)	-
Exercise of Share Options		138	-	771	-
<b>Net cash used in financing activities</b>		<b>(621)</b>	<b>(23,785)</b>	<b>(13,433)</b>	<b>(29,073)</b>
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		86	(5)	68	(12)
Increase/ (decrease) in cash and cash equivalents		50,433	5,655	132,155	(5,384)
<b>Cash and cash equivalents, beginning of the period</b>		<b>140,607</b>	<b>29,435</b>	<b>58,885</b>	<b>40,474</b>
<b>Cash and cash equivalents, end of the period</b>	4	<b>191,040</b>	<b>35,090</b>	<b>191,040</b>	<b>35,090</b>
<b>Supplementary information:</b>					
Income taxes paid		Nil	Nil	Nil	Nil

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 1. Incorporation and nature of business:

Africa Oil Corp. (collectively with its subsidiaries, "AOC" or the "Company") was incorporated on March 29, 1993, under the laws of British Columbia and is an international oil and gas exploration and production company based in Canada with oil and gas interests in Africa. The Company's registered address is 2500 Park Place, 666 Burrard St. Vancouver, BC, Canada V6C 2X8.

## 2. Basis of preparation:

### A. Statement of compliance:

The Company prepares its condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles for interim periods, specifically International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all the information required for full annual financial statements and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at August 10, 2022, the date the Board of Directors approved the statements.

### B. Basis of measurement:

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

### C. Functional and presentation currency:

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

### D. Use of estimates and judgements:

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

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

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

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

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

All significant estimates and judgement used in the preparation of these consolidated financial statements are described in the Company's audited consolidated financial statements for the year ended December 31, 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****3. Significant accounting policies:**

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

All other significant accounting policies used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2021.

**4. Cash and cash equivalents:**

As at	June 30, 2022	December 31, 2021
Cash and cash equivalents	190,630	58,512
Restricted cash	410	373
	191,040	58,885

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

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

On January 14, 2020, the Company completed the acquisition of a 50% ownership interest in Prime. BTG Pactual Holding S.à.r.l. ("BTG"), a private limited liability company governed and existing under the laws of the Grand Duchy of Luxembourg continues to own the remaining 50% of Prime. The Company has accounted for the acquisition as a joint venture as there is joint control.

Prime is incorporated in the Netherlands and its principal place of business is Nigeria. The primary assets of Prime are an indirect 8% interest in Oil Mining Lease ("OML") 127 and an indirect 16% interest in OML 130. OML 127 is operated by affiliates of Chevron and covers part of the producing Agbami field. OML 130 is operated by affiliates of TotalEnergies and contains the producing Akpo and Egina fields.

In the six months ended June 30, 2022, three dividend payments were made totaling \$325.0 million gross, with a net payment to the Company of \$162.5 million related to its 50% interest. In the six months ended June 30, 2021, one dividend payment was made totaling \$75.0 million gross with a net payment to the Company of \$37.5 million related to its 50% interest. During the year ended December 31, 2021, Prime distributed four dividend payments totaling \$400.0 million gross, with a net payment to the Company of \$200.0 million related to its 50% interest. The timing and payment of the dividends is discretionary. There are no restrictions on the ability of Prime to pay dividends to its members to the extent that the amount of the net assets exceeds the statutory reserves.

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

	June 30, 2022	December 31, 2021
Balance, beginning of the period	617,127	561,302
Revaluation of contingent consideration	-	32,000
Dividends received from Prime	(162,500)	(200,000)
Share of joint venture other comprehensive loss	-	(559)
Share of joint venture profit	65,355	224,384
<b>Balance, end of the period</b>	<b>519,982</b>	<b>617,127</b>

In the three and six months ended June 30, 2022, the Company recognized income of \$14.4 million and \$65.4 million, respectively, relating to its investment in Prime (three and six months ended June 30, 2021 - \$48.6 million and \$97.4 million respectively).

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

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 and therefore does not trigger the payment of a contingent consideration under the Sale and Purchase Agreement but, at the Company's discretion, could trigger discussions with the seller. The outcome of this process is uncertain. In 2021, the Company recorded \$32.0 million as contingent consideration and increased the Company's investment in Prime. As at June 30, 2022, this remains the best estimate of the most likely outcome.

As at June 30, 2022, the Company has determined that there are no indicators of impairment nor indicators of a reversal of impairment.

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

**Prime's Balance Sheet**

As at	June 30, 2022	December 31, 2021
Cash and cash equivalents included in current assets <sup>(1)</sup>	661,167	517,878
Other current assets	252,455	369,722
Non-current assets <sup>(2)</sup>	3,173,203	3,433,742
Other current liabilities	(466,903)	(291,429)
Loans and borrowings included in current liabilities <sup>(3)</sup>	(489,180)	(523,771)
Other non-current liabilities	(414,188)	(540,150)
Loans and borrowings included in non-current liabilities <sup>(3)</sup>	(512,851)	(493,018)
Deferred income tax liabilities included in non-current liabilities	(1,163,740)	(1,238,721)
<b>Net assets of Prime</b>	<b>1,039,963</b>	<b>1,234,253</b>
Percentage ownership	50%	50%
<b>Proportionate share of Prime's net assets</b>	<b>519,982</b>	<b>617,127</b>

1. See Prime's Statement of Cash Flows for additional information on movements in cash and cash equivalents.
2. As at June 30, 2022, the carrying value of non-current assets included a fair value adjustment of \$623.3 million (as at December 31, 2021 - \$623.3 million). These amounts were allocated to goodwill as part of the notional purchase price allocation.
3. In the six months ended June 30, 2022, Prime has repaid \$164.8 million of RBL debt and drawn \$150.0 million of the PXF Facility, reducing its gross debt to \$1,002.0 million (year ended December 31, 2021, Prime repaid \$436.0 million of debt and drawn \$150.0 of the PXF Facility, reducing its gross debt to \$1,016.8 million).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue <sup>(1)</sup>	352,726	250,033	761,519	574,404
Depreciation, depletion and amortization	(67,341)	(77,780)	(136,714)	(156,994)
Production costs	(36,003)	(37,930)	(73,438)	(82,503)
Movement in underlift/overlift <sup>(2)</sup>	(85,971)	25,101	(240,622)	(7,523)
Royalties	(18,515)	5,082	(38,095)	(12,665)
Cost of sales	(207,830)	(85,527)	(488,869)	(259,685)
<b>Gross profit</b>	<b>144,896</b>	<b>164,506</b>	<b>272,650</b>	<b>314,719</b>
Other operating income <sup>(3)</sup>	51,656	75,414	105,404	139,636
Exploration expenses	(795)	(826)	(1,248)	(1,453)
Other operating costs <sup>(4)</sup>	(9,614)	(6,599)	(16,272)	(13,387)
Finance income	1,383	40	1,510	101
Finance costs <sup>(5)</sup>	(45,393)	(36,831)	(32,689)	(54,809)
<b>Profit before tax from continuing operations</b>	<b>142,133</b>	<b>195,704</b>	<b>329,355</b>	<b>384,807</b>
Tax	(113,433)	(98,576)	(198,646)	(190,051)
<b>Total profit for the period</b>	<b>28,700</b>	<b>97,128</b>	<b>130,709</b>	<b>194,756</b>
Other comprehensive income/ (loss) <sup>(6)</sup>	-	12,260	-	(12,477)
<b>Total comprehensive income</b>	<b>28,700</b>	<b>109,388</b>	<b>130,709</b>	<b>182,279</b>
<b>Proportionate share of Prime's profit for the period</b>	<b>14,350</b>	<b>48,564</b>	<b>65,355</b>	<b>97,378</b>
<b>Proportionate share of Prime's other comprehensive income/ (loss)</b>	<b>-</b>	<b>6,130</b>	<b>-</b>	<b>(6,239)</b>
<b>Proportionate share of Prime's net income</b>	<b>14,350</b>	<b>54,694</b>	<b>65,355</b>	<b>91,139</b>

- Revenue for the three and six months to June 30, 2022, include royalties paid in kind of \$11.8 million and \$22.8 million respectively (three and six months ended June 30, 2021 - \$(5.1) million and \$12.7 million respectively).
- There was a net overlift position as at both March 31, 2022, and June 30, 2022, respectively, compared to a net underlift position at December 31, 2021, with the movement representing Prime's excess of liftings over its entitlement share of production, valued at a higher price compared to the position at June 30, 2021.
- For some of its qualifying capital expenditure ("QCE"), Prime is entitled to claim an investment tax credit ("ITC") at the rate of 50% of the QCE incurred, either wholly or exclusively or necessarily for the purposes of its petroleum operations. This is a Nigerian government tax credit which can be offset with Petroleum Profit Tax ("PPT") and serves as an incentive for investments in the exploration of oil and gas in the deep offshore waters of Nigeria. In the three and six months ended June 30, 2022, Prime utilized investment tax credits of \$51.7 million and \$104.9 million respectively (three and six months ended June 30, 2021 - \$75.4 million and \$139.6 million respectively).
- Other operating costs include Prime's administrative costs, sales costs and the NDDC Levy, which concerns the Niger Delta Development Commission imposed by a regulatory body in Nigeria to fund the sustainable development of the Niger Delta region.
- Finance costs in the three months and six months ended June 30, 2022, and June 30, 2021 are primarily made up of interest expenses incurred on the RBL and PXF loans and accretion expenses incurred on the decommissioning liability.
- The Company recognized other comprehensive losses in 2021 relating to its share of movements of the fair value of hedge instruments recognized in Prime. These instruments have been settled in full as at December 31, 2021, and therefore no movements have been recognized in the six months to June 30, 2022.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****Supplementary information: Prime's Statement of Cash Flows**

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Profit before tax	142,133	195,704	329,355	384,807
<i>Adjustments for:</i>				
Depreciation, depletion and amortization	67,371	77,810	136,774	157,054
Finance costs, net	44,010	36,791	31,179	54,708
Taxes paid	(152,857)	(100,103)	(273,627)	(188,212)
Change in provisions	607	305,760	1,035	306,262
Interest expense paid	(8,874)	(12,176)	(20,138)	(24,803)
<b>Cash generated in operating activities before working capital</b>	<b>92,390</b>	<b>503,786</b>	<b>204,578</b>	<b>689,816</b>
<i>Changes in working capital</i>				
Changes in trade and other receivables	167,719	(3,980)	82,185	(54,228)
Changes in over/underlift balances	85,971	(25,101)	240,622	7,523
Changes in other working capital balances	(86,024)	16,104	(34,248)	5,215
<b>Total changes in working capital</b>	<b>167,666</b>	<b>(12,977)</b>	<b>288,559</b>	<b>(41,490)</b>
<b>Net cash generated in operating activities</b>	<b>260,056</b>	<b>490,809</b>	<b>493,137</b>	<b>648,326</b>
Expenditures on oil and gas properties	(6,508)	(6,210)	(11,484)	(11,493)
Interest income received	1,267	40	1,395	101
<b>Net cash used in investing activities</b>	<b>(5,241)</b>	<b>(6,170)</b>	<b>(10,089)</b>	<b>(11,392)</b>
Payment of dividends to shareholders	(125,000)	(75,000)	(325,000)	(75,000)
Repayment of third-party borrowings	-	(136,062)	(164,759)	(189,055)
Drawdown of PXF Facility	-	-	150,000	-
Payment on settlement of derivative financial instrument and proceeds from staff loans	-	(18,758)	-	(18,713)
<b>Net cash used in financing activities</b>	<b>(125,000)</b>	<b>(229,820)</b>	<b>(339,759)</b>	<b>(282,768)</b>
<b>Total cash flow</b>	<b>129,815</b>	<b>254,819</b>	<b>143,289</b>	<b>354,166</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>531,352</b>	<b>330,702</b>	<b>517,878</b>	<b>231,355</b>
<b>Cash and cash equivalents, end of the period</b>	<b>661,167</b>	<b>585,521</b>	<b>661,167</b>	<b>585,521</b>

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

The Company currently holds the following equity investments in associates:

	Africa Energy Corp.	Eco (Atlantic) Oil and Gas Ltd	Impact Oil and Gas Ltd	Total
Ownership at June 30, 2022	19.8%	16.23%	30.9%	
Shares held at June 30, 2022	276,982,414	50,076,879	255,629,487	
At January 1, 2021	45,801	12,922	57,489	<b>116,212</b>
Share of income/ (loss) from equity investments	4,389	(520)	(1,374)	<b>2,495</b>
Additional investment through private placement	-	1,981	-	<b>1,981</b>
<b>At December 31, 2021</b>	<b>50,190</b>	<b>14,383</b>	<b>56,115</b>	<b>120,688</b>
Share of (loss)/ income from equity investments	(1,068)	133	1,580	<b>645</b>
Gain on dilution of equity investment	10	945	79	<b>1,034</b>
Additional investment through private placement	-	5,800	-	<b>5,800</b>
<b>At June 30, 2022</b>	<b>49,132</b>	<b>21,261</b>	<b>57,774</b>	<b>128,167</b>

In the six months ended June 30, 2022, the Company recognized an income of \$1.7 million (six months ended June 30, 2021 - loss of \$2.1 million).

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

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

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

In the six months ended June 30, 2022, the Company recognized its share of a loss of \$1.1 million, related to its investment in Africa Energy (six months ended June 30, 2021 - loss of \$0.6 million).

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

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

In the six months ended June 30, 2022, the Company recognized an income of \$0.1 million relating to its investment in Eco (six months ended June 30, 2021 - loss of \$0.4 million). In the six months ended June 30, 2022, there was a gain on dilution of \$0.9 million (six months ended June 30, 2021 - nil) where shares were issued by Eco and the Company did not participate.

In the six months ended June 30, 2022, the Company's ownership interest in Eco decreased from 19.9% to 16.2%.

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

On June 27, 2022, Eco signed a farmout agreement in which its wholly owned subsidiary, Azinam Limited, 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 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.

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

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

On July 18, 2022, Impact made an open offer to existing shareholders to raise up to \$60.0 million through the issue of ordinary shares. The Company 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.

In the six months ended June 30, 2022, the Company recognized an income of \$1.6 million related to its investment in Impact (six months ended June 30, 2021 - loss of \$1.1 million).

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

	Note	June 30, 2022	December 31, 2021
Net carrying amount, beginning of the period		194,051	190,396
Intangible exploration expenditures	A	2,639	3,655
<b>Net carrying amount, end of the period</b>		<b>196,690</b>	<b>194,051</b>

**A. Intangible exploration expenditures:**

At June 30, 2022, \$196.7 million of expenditures have been capitalized as intangible exploration assets (at December 31, 2021 - \$194.1 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of 2P petroleum reserves.

At June 30, 2022, the carrying amount of the Company's intangible exploration assets for its 25% interest in the Project Oil Kenya CGU (Block 10BB and 13T) was \$191.9 million (at December 31, 2021 - \$189.6 million). In the three and six months ended June 30, 2022, expenditures of \$1.3 million and \$1.8 million, respectively, were incurred on the project (three and six months ended June 30, 2021 - \$1.0 million and \$0.3 million respectively).

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

At June 30, 2022, the carrying amount of the Company's intangible exploration assets for its 20% participating interest in the Block 3B/4B Exploration Right, located in South Africa, was \$4.8 million (at December 31, 2021 - \$4.5 million). In the three and six months ended June 30, 2022, expenditures of \$0.1 million and \$0.3 million, respectively, were incurred reprocessing the 2D and 3D seismic (three and six months ended June 30, 2021 - \$0.1 million and \$0.2 million respectively).

At June 30, 2022, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated.

In the three and six months ended June 30, 2022, the Company capitalized \$0.3 million and \$0.5 million, respectively, of general and administrative expenses related to intangible exploration assets (three and six months ended June 30, 2021 - \$0.3 million and \$0.5 million respectively).

**B. Impairment of intangible exploration assets:**

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

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

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

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

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

**8. Accounts payable and accrued liabilities:**

As at	June 30, 2022	December 31, 2021
Joint venture payables and other provisions	3,933	2,865
Administrative accruals and other payables	1,368	784
	<b>5,301</b>	<b>3,649</b>

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

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

The \$250.0 million Term Loan was drawn on January 14, 2020, to part fund the acquisition of Prime and had a duration of two years.

On May 13, 2021, the Company agreed a new Corporate Facility for an amount up to \$150.0 million with a three-year term, with \$130.0 million committed at that time. Post signing, the facility amount and commitments increased to \$160.0 million ("Corporate Facility"). 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. 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. The Corporate Facility was used to repay the Term Loan and is also available for general corporate purposes. The Corporate 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.

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 and released their security over the Company's shares in Africa Energy, Eco and Impact.

Any loan repayments are calculated to be protective of the Company's liquidity position. Prior to maturity, repayments under the loan are made in the month a dividend is received from Prime. The Company's loan repayments reduce commensurately with any reduction in dividends from Prime. If drawn, the loan principal would be repaid by the lesser of 100% of the dividends received from Prime, and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment.

The Company provided security in respect of the Corporate Facility mainly in the form of share pledges, over the shares of Petrovida (which holds 50% of Prime), Africa Energy, Eco and Impact owned by the Company and a charge over the bank account into which the Prime dividends are paid. The security over the shares in Africa Energy, Eco and Impact were released in the amendment to the Corporate Facility on January 28, 2022.

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

**10. Share capital:**

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

**B. Issued:**

	June 30, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	474,655,355	1,309,127	471,960,472	1,306,476
Exercise of Share Options	848,333	771	515,445	508
Settlement of Restricted Share Units	672,451	1,165	882,104	939
Settlement of Performance Share Units	1,116,492	1,933	1,297,334	1,204
Return of shares	(11,858)	-	-	-
<b>Balance, end of the period</b>	<b>477,280,773</b>	<b>1,312,996</b>	<b>474,655,355</b>	<b>1,309,127</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****11. Commitments and contingencies:****A. Kenya Revenue Authority:**

The Company's Kenyan Branch, of its wholly owned subsidiary, Africa Oil Kenya B.V., has been assessed for corporate income tax and value added tax by the Kenya Revenue Authority ("KRA") relating to farmout transactions completed during the period 2012 to 2017.

The Kenyan Tax Appeals Tribunal ("TAT") has ruled in favor of the Company with regards to the CIT assessments, which amounts to \$20.2 million, plus interest and penalties. However, the TAT ruled in favor of the KRA with regards to the VAT assessments which amounts to \$23.6 million plus interest. The Company maintains its position that the VAT assessment is without merit and has duly filed an appeal with Kenya's High Court to challenge the position. The KRA appealed the CIT assessment. The Judge has not communicated a date for the next hearing, at which they are expected to give their judgement. The Company expects it is more likely than not that it will be successful in upholding the CIT and defending the VAT assessments and therefore no liability has been recognized in the financial statements. If the High Court rules against the Company, the Company will consider the option to appeal, factoring in the amount of any financial security required as part of the appeals process. An unfavorable decision could have a negative impact on the plan for development of the Company's Kenyan Intangible Exploration Assets.

**B. Investment in Prime:**

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

**C. Kenya license commitments:**

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

**D. South Africa license commitments:**

Block 3B/4B is currently in the Initial Period, having a term of three years which expired on March 26, 2022. The Company has filed an application to move into the first extension period. 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 consist 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 met. At June 30, 2022, the Company's WI in Block 3B/4B was 20%.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

## 12. Net income per share:

For the three months ended	June 30, 2022			June 30, 2021		
	Net income	Weighted Average		Net Income	Weighted Average	
		Number of shares	Per share amounts		Number of shares	Per share amounts
<b>Basic earnings per share</b>						
Net income attributable to common shareholders	5,653	477,166,195	0.01	38,384	473,253,304	0.08
Effect of dilutive securities	-	13,396,278	-	-	3,144,470	-
<b>Dilutive income per share</b>	5,653	490,562,473	0.01	38,384	476,397,774	0.08

For the six months ended	June 30, 2022			June 30, 2021		
	Net income	Weighted Average		Net Income	Weighted Average	
		Number of shares	Per share amounts		Number of shares	Per share amounts
<b>Basic earnings per share</b>						
Net income attributable to common shareholders	51,261	476,155,150	0.11	77,304	472,703,229	0.16
Effect of dilutive securities	-	13,299,166	-	-	3,144,470	-
<b>Dilutive income per share</b>	51,261	489,384,316	0.10	77,304	475,847,699	0.16

In the three and six months ended June 30, 2022, the Company used an average market price of CAD \$2.43 and CAD \$2.30 per share, respectively, to calculate the dilutive effect of share purchase options (three and six months ended June 30, 2021 - CAD \$1.21 per share). In the three and six months ended June 30, 2022, 2,935,825 and 3,102,937 options, respectively, were anti-dilutive and were not included in the calculation of dilutive income per share (three and six months ended June 30, 2021 - 370,231 options and 2,774,239 RSUs were anti-dilutive).

## 13. Related party transactions:

## A. 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### B. 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.

## 14. Financial risk management:

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

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

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

### A. Credit risk:

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's credit exposure relates to amounts due from our joint venture partners. The risk of the Company's joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash and accounts receivable. As at June 30, 2022, the Company held \$1.1 million (as at December 31, 2021 - \$0.9 million) of cash in financial institutions outside of Canada and the UK where there could be increased exposure to credit risk.

### B. Liquidity risk:

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

The Company will potentially issue equity and debt and enter into farmout agreements with joint venture partners to ensure the Company has sufficient available funds to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support these financial obligations and the Company's capital programs.

The Company's primary source of cash flow relates to dividends received from Prime. A significant reduction in or infrequent distributions, could have an adverse effect on the Company's ability to meet its commitments. The Company has senior members sitting on Prime's Supervisory Board and Audit Committee, monitoring cash forecasts and setting financial and risk management policies to manage Prime's dividend forecasts.

On July 16, 2021, the Company completed a new Corporate Facility for \$160.0 million with a three-year term, of which \$98.0 million was drawn on July 30, 2021, to repay its Term Loan, as described in note 9. The loan was fully repaid by November 30, 2021, and in January 2022, the Company agreed a number of amendments to the Corporate Facility, including increasing the available amount to \$100.0 million. These amendments improve the Company's access to liquidity to fund operations and acquisitions as required. The loan repayments are calculated to be protective of the Company's liquidity position and if drawn, the Corporate Facility would be repaid from the proceeds of dividends received from Prime, while ensuring the Company preserves a sufficient minimum cash balance to conduct operations.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

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

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 4 years	Total contractual cash flows	Carrying amount
<b>At June 30, 2022</b>						
Trade payables	5,150	-	-	-	5,150	5,150
Lease liabilities	25	27	57	45	154	151
	5,175	27	57	45	5,304	5,301
<b>At December 31, 2021</b>						
Trade payables	3,481	-	-	-	3,481	3,481
Lease liabilities	33	33	66	76	208	168
	3,514	33	66	76	3,689	3,649

**C. Market risk:**

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

**i. Foreign currency exchange rate risk:**

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure to foreign currency exchange risk is mitigated by the fact that the Company sources the majority of its capital projects and expenditures in US dollars. The Company has not entered into any instruments to manage foreign exchange risk.

**ii. Interest rate risk:**

The Corporate Facility has a variable interest rate, that is referenced to LIBOR and will expose the Company to interest rate risk over the term of the loan. The Financial Conduct Authority of the United Kingdom has announced that one month USD LIBOR (which the Corporate Facility applies) will cease to be provided by any administrator or no longer be representative after 30 June 2023. The Corporate Facility includes a provision to, among other things, negotiate in good faith with a view to agreeing a replacement benchmark in place of USD LIBOR from and including a date no later than 1 November 2022.

**iii. Commodity price risk:**

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

**iv. Share price risk:**

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

**15. Supplementary information:**

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

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Changes in non-cash working capital</b>				
Accounts receivable and prepaid expenses	1,744	(2,303)	341	(3,141)
Accounts payable and accrued liabilities	(1,187)	116	(776)	(1,903)
	557	(2,187)	(435)	(5,044)
<b>Relating to:</b>				
Operating activities	714	(1,025)	(525)	(2,242)
Investing activities	(157)	(1,162)	90	(2,802)
<b>Changes in non-cash working capital</b>	557	(2,187)	(435)	(5,044)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****16. Subsequent events:**

On July 6, 2022, Eco received TSX Venture Exchange approval for its acquisition of an additional 6.25% interest in Block 3B/4B and has resulted in the issuance of 2,702,702 shares. Following this the Company's interest was diluted from 16.2% to 16.1%.

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.

