



AFRICA OIL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") focuses on significant factors that have affected the Company during the three and nine months ended September 30, 2023, and such factors that may affect its future performance. To better understand this MD&A, it should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023, and 2022, and also should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022, and 2021, and related notes thereto.

The financial information in this MD&A is derived from the Company's unaudited interim condensed 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 November 14, 2023.

Additional information about the Company and its business activities is available on the Company's website at www.africailcorp.com and on SEDAR at www.sedar.com.

PROFILE AND STRATEGY

Africa Oil is a Canadian oil and gas company with producing and development assets in deep-water offshore Nigeria. The Company also has a portfolio of exploration and appraisal assets in west and south of Africa, as well as Guyana. The Company holds its interests through direct ownership interests in concessions and through its shareholdings in investee companies, including: Prime; Impact; Africa Energy; and Eco.

The Company's common shares are listed on the Toronto Stock Exchange in Canada and the Nasdaq Stockholm Exchange in Sweden, under the symbol 'AOI'.

Africa Oil's long-term plan is to deliver sustainable shareholder value through the development and production associated with its existing asset portfolio, acquisition of producing assets, exploration, and monetizing value from its shareholdings in its investee companies. Africa Oil's focus is on its Nigerian assets, Namibian Orange Basin opportunity set (Blocks 2913B and 2912), Block 3B/4B in South Africa's Orange Basin, and Equatorial Guinean exploration blocks (EG-18 and EG-31).

The Company is a unique investment opportunity for its exposure to the Venus light oil and associated gas discovery offshore Namibia, as it is the only publicly-listed independent oil and gas company with an effective economic interest in this field. The Venus discovery, understood to be the largest oil discovery globally in 2022, has de-risked a new petroleum province in the Orange Basin that has significant prospectivity.

Africa Oil's potentially high impact appraisal and exploration catalysts are complemented by its production and cash flowing assets in Nigeria, which it holds through its 50% shareholding in Prime. Prime is a Nigeria-focused company with interests in OML 127 and OML 130 that account for all of AOC's reserves and production. OML 127 and OML 130 assets provide the Company with a long-life cash flowing asset base, to support its business objectives over the long term, including shareholder capital returns.

HIGHLIGHTS AND OUTLOOK

Q3 2023 AND POST PERIOD HIGHLIGHTS

- Successfully completed Venus-1X drill stem testing ("DST") program after flowing oil at positive rates, supporting the Venus commercial development case, and as confirmed by the operator's public statements that there will be an oil development on Venus.
- The Tungsten Explorer drilling rig has spudded the Mangetti-1X exploration well in the northern part of Block 2913B with the results expected by early next year.
- AOC participated in a \$40.0 million equity placement by Impact after the period end, investing \$13.0 million with the proceeds to fund Impact's continuing activities for the remainder of 2023.
- Prime distributed a dividend of \$125.0 million, \$62.5 million net to the Company's 50% shareholding.
- In Q3 2023 OML 127 was voluntarily converted to operate under the new Petroleum Industry Act from March 1, 2023, and is now subject to 30% Corporate Income Tax regime compared to the previous 50% Petroleum Profit Tax regime.
- OML 130 drilling campaign continues with two water injection wells and one production well on the Egina oil field having been successfully completed and put online.
- Q3 2023 average daily WI production rate of 20,300 boepd was approximately 4% higher than Q2 2023 average of 19,500 boepd.
- Achieved an average realized oil sales price of \$84.5/bbl compared to the average Bloomberg Dated Brent price of \$81.5/bbl for the offtake dates in July and August.
- Prime's cash position of \$118.9 million and debt balance of \$375.0 million resulting in a Prime net debt position of \$256.1 million, in each case net to the Company's 50% shareholding at September 30, 2023.
- AOC's cash and cash equivalents at September 30, 2023, of \$201.5 million.

FINANCIAL SUMMARY ⁽¹⁾

	Unit	Three months ended		Nine months ended		Year ended
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
AOC highlights						
Net income/ (loss)	\$'m	47.1	70.5	175.9	121.8	(60.3)
Net income/ (loss) per share - basic	\$/ share	0.10	0.15	0.38	0.26	(0.13)
Cash position	\$'m	201.5	207.3	201.5	207.3	199.7
Prime highlights, net to AOC's 50% shareholding						
WI production	boepd	20,300	22,100	20,200	24,200	23,500
Economic entitlement production	boepd	23,000	25,200	22,800	26,500	25,600
Cash flow from operations ⁽²⁾	\$'m	76.7	100.7	236.3	213.8	279.4
EBITDAX	\$'m	117.5	227.4	348.0	476.7	617.4
Free Cash Flow	\$'m	84.8	65.1	132.4	316.7	299.8
Net debt	\$'m	256.1	165.1	256.1	165.1	225.3

(1) The table includes non-GAAP measures. Definitions and reconciliations to these non-GAAP measures are provided on pages 10, 11, 12, 13.

(2) Cash flow from operations before working capital adjustments and interest payments.

OUTLOOK**Namibia Orange Basin Appraisal and Exploration Campaign**

The Company believes that its most impactful catalysts for the remainder of 2023 are the appraisal and exploration results from Block 2913B (PEL 56), located offshore Namibia and operated by TotalEnergies. These include flow test results from the Venus-1A appraisal well and the outcome of the Mangetti-1X exploration well.

At the date of this report, AOC has an interest in this program through its 31.1% shareholding in Impact, which in turn has a 20.0% WI in PEL 56, giving Africa Oil effective interest of 6.2% in the license.

During Q3 2023, Deepsea Mira rig performed the drill stem testing ("DST") program for Venus-1X well with positive results achieved, which support the case for a commercial development of the Venus field as confirmed by the operator's public statements that there will be an oil development on Venus. The results for Venus-1X are being incorporated in the development studies and are expected to be confirmed by the Venus-1A DST program, currently being carried out by Deepsea Mira.

During Q3 2023, the Tungsten Explorer rig drilled the Nara-1X exploration well in Block 2912, approximately 30km to the northwest of Venus-1X. The formation was encountered on prognosis and a thick interval was drilled with oil and gas shows. This outcome confirms the presence of a working petroleum system at the Nara-1X location, a considerable distance from Venus-1X and Venus-1A locations. A full wireline logging program was completed, and a core taken; however the well was not flow tested as the interval drilled was deemed non-commercial and was plugged and abandoned. The Joint Venture is continuing to evaluate the results of Nara-1X.

Impact closed a private placement with certain existing shareholders on October 31, 2023, to raise \$40.0 million. The proceeds from this placement, together with existing cash reserves, is intended to fund Impact's participating share of costs for the remainder of 2023, which include the on-going appraisal of the Venus discovery, drilling of the Mangetti-1X exploration well and further 3D seismic acquisition for the southern part of Block 2913B to cover the Damara and South Damara structures that have been identified on 2D seismic.

HIGHLIGHTS AND OUTLOOK - CONTINUED

Nigeria

The OML 130 drilling campaign that commenced on February 22, 2023, continues with the 3 wells, two water injectors and one production well, successfully drilled and completed on Egina. The drilling rig is currently drilling the first of 3 wells on Akpo West field. The wells will be tied into the Akpo FPSO. The multi-well program is planned for up to 9 wells on Egina and Akpo in the license area during 2023 and 2024.

Acquisition of 4D monitor seismic surveys are planned for Akpo, Egina and Agbami during late 2023 through early 2024. The acquisition plan also includes a baseline 4D seismic survey of the Preowei field. The surveys will support future drilling decisions across both OML 127 and OML 130.

Full year 2023 production outlook remains within management guidance for both working interest and economic entitlement after Q3 2023 production results. Beyond the aforementioned drilling campaign on Egina and Akpo, which will offset production decline, there is a planned maintenance shutdown for the Akpo field taking place during Q1 2024, this was previously planned for Q4 2023.

Following the 20-year renewal of the OML 130 license on May 28, 2023, FEED studies are expected to take place through the second half of 2023, which could facilitate the final investment decision for the Preowei oil discovery development project. Preowei oil field is to the north of Egina FPSO and is a development opportunity via a satellite subsea tie-back project to the Egina FPSO.

2023 MANAGEMENT GUIDANCE

The 2023 Management Guidance is unchanged and a summary is presented below, including significant assumptions in the footnotes, for completeness:

	Full-Year 2023 Guidance	Nine months ended September 30, 2023 Actuals
Prime, net to AOC's 50% shareholding:		
WI production (boepd) ^(1,2)	18,500 - 21,500	20,200
Economic entitlement production (boepd) ^(2,3)	20,500 - 23,500	22,800
Cash flow from operations ^(4,5) (million)	\$250.0 - \$330.0	\$236.3
Capital investment (million)	\$80.0 - \$100.0	\$35.0

(1) The Company's 2023 production will be contributed solely by its 50% shareholding in Prime.

(2) Approximately, 82% expected to be light and medium crude oil and 18% conventional natural gas.

(3) Net entitlement production estimate is based on a 2023 average Brent price of \$80.9/bbl being the average of the Brent forward curves between November 15, 2022, and January 15, 2023. 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.

(4) Cash flow from operations before working capital adjustments and interest payments.

(5) Prime does not pay dividends to its shareholders, including the Company, on a fixed pre-determined schedule. Previous number of dividends and their amounts should not be taken as a guide for future dividends to be received by the Company. Any dividends received by the Company from Prime's operating cash flows will be subject to Prime's capital investment and financing cashflows, including payments of Prime's RBL principal amortization, which are subject to semi-annual RBL redeterminations, and Prime's minimum cash on hand requirements.

Block 3B/4B, South Africa

The Company and its JV partners are progressing plans to conduct a two-well campaign on Block 3B/4B and are in discussions with various potential partners to farm out up to a 55% gross working interest in the Block. The JV Partners have selected a leading South African environmental consulting firm to conduct a comprehensive Environmental and Social Impact Assessment ("ESIA") process in preparation for permitting and drilling activity on the Block.

On July 11, 2023, the Company announced an agreement to acquire an additional 6.25% in Block 3B/4B from Azinam Limited ("Azinam"), a wholly owned subsidiary of Eco. The Company will hold an operated WI of 26.25% subject to and, on receipt of the government's approval for the transfer.

Equatorial Guinea

The Company is continuing its farm-out work for Blocks EG-18 and EG-31. Subsurface studies conducted during Q3 2023 have further defined multiple prospects on both blocks. Seismic reprocessing and subsurface studies will continue over the coming months to further refine and rank the identified prospects, identify any further prospects and prioritize a potential drilling target on the shallow water EG-31 Block, for drilling in 2025.

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 ⁽¹⁾	Prime	8%
			Chevron Corporation	32%
			Famfa Oil	60% (carried)
	OML 130 - PSA ⁽²⁾	May 24, 2043 ⁽¹⁾	Prime	16%
			TotalEnergies	24%
			SAPETRO	10% (carried)

Africa Oil's Direct Working Interests ⁽³⁾

Country	Concession	License renewal	Working Interests	
SOUTH AFRICA	Block 3B/4B	October 26, 2024	AOC (Operator)	26.25% ⁽⁴⁾
			Azinam	20%
			Ricocure (Pty) Ltd	53.75%
EQUATORIAL GUINEA	EG-18	March 1, 2025	AOC (Operator)	80%
	EG-31		GEPetrol	20%

(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 its obligations under the lease. A renewal of OML 130 was obtained on May 28, 2023, earlier than its original renewal deadline of February 28, 2025.

(2) Renewal of the rights under OML 130 resulted in the award of three new production leases and one prospecting license. These cover some of the areas previously covered by OML 130, with some of the areas also relinquished. These are PML 2 (Akpo field), PML 3 (Egina), PML 4 (Preowei) and PPL 261 (South Egina). 50% of the production (currently from PMLs 2 and 3, future production from PML 4 and potential future production from PPL 261) is covered by a PSA framework, in which Prime owns a 32% WI. Prime's net WI in these licenses is therefore 16%. OML 130 has been used throughout the MDA to assist the users.

(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 Company currently holds an operated WI of 20% and will hold an operated WI of 26.25% subject to and on receipt of the government's approval for the transfer.

Information on the Company's equity interests in Africa Energy, Eco and Impact is included in 'Equity Investments in Associates' on page 15.

BUSINESS UPDATE

Macroeconomic conditions

During Q3 2023, Bloomberg Dated Brent averaged \$86.7/bbl. This compares with a H1 2023 average of \$79.7/bbl and Q2 2023 average of \$78.0/bbl. During Q3 2023 the oil price strengthened significantly with a swing of \$21.0/bbl from a low price of \$75.0/bbl at start of July to \$96.0/bbl at the end of September. This positive momentum during Q3 2023 was supported by the continuing oil output cuts by Saudi Arabia and Russia, with market concerns over supply deficits offsetting weaker economic growth and outlook. During Q3 2023, Bloomberg Dated Brent reached almost \$98.0/bbl, the highest level for the year. Post period, a price fall in early October was reversed during the second week of October due to heightening geopolitical tensions in the Middle East, exasperating markets' concerns over supply constraints and risks of supply disruptions. A potential escalation of conflict across the Middle East could result in a further rise to oil prices, although an uncertain global economic outlook coupled with tightening monetary policies by the major economies' central banks continue to present downward pressure to near-term oil prices. The Company expects ongoing oil price volatility in the near term.

Nigeria economic environment

In February 2023, Nigeria elected a new President, Mr. Bola Tinubu, from the All Progressive Congress party. President Tinubu took the office on May 29, 2023, and during his inauguration ceremony he re-iterated his commitment to expand the economy by at least 6% per annum, lower barriers to investment, grow employment rates, remove fuel subsidies and streamline exchange rates. President Tinubu has already made a swift start with his financial overhauls by floating the naira currency and scrapping a decades-old petrol subsidy, receiving positive reception from the investment and business communities domestically and internationally. However, the new government continues to face daunting challenges of record national debt, persistent inflationary pressures, high unemployment and power shortages that continue to hamper the country's economic activity and potential.

During Q3 2023, Nigerian inflation continued to trend upwards with the annual inflation rate rising to an 18-year high of 26.7% year-on-year in September 2023. According to Bloomberg, this is the fastest pace of inflation increase since August 2005 and that price inflations have remained elevated since the removal of fuel subsidy by the government and weakening of the local currency, Naira, against the US Dollar and other major international currencies. However, Prime's business in Nigeria has very limited exposure to these local economic developments with its revenues denominated in US Dollars. Also, considering the location of the producing assets in deepwater, offshore Nigeria, Prime's operations are shielded from the insecurity challenges faced onshore Nigeria.

Overall, the Company views the developments in Nigeria during the first nine months of 2023 as positive for its investment in the country.

SHAREHOLDER RETURNS

The Company distributed the second semi-annual distribution of \$0.025 per share (approximately \$11.6 million).

The Board of Directors view the 2023 annual distribution to be prudent with due consideration for its capital allocation options and the priority of maintaining a strong balance sheet in a range of market scenarios.

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 Interim Condensed Consolidated Statement of Net Income and Comprehensive Income. Dividends received are disclosed as a cash flow from investing activities in the Interim Condensed 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 export associated gas which feeds into the Nigerian liquified natural gas plant, whilst Agbami associated gas is mostly reinjected.

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

BUSINESS UPDATE - CONTINUED**Production and Operations****Production Metrics - rounded**

	Unit	Three months ended		Nine months ended		Year ended
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Total gross field production	boepd	332,000	347,400	322,000	377,400	363,700
Net to AOC's 50% shareholding:						
Average daily WI production	boepd	20,300	22,100	20,200	24,200	23,500
Average daily entitlement production	boepd	23,000	25,200	22,800	26,500	25,600
Oil volumes sold	MMbbl	1.5	2.0	4.5	6.0	7.4
Gas volumes sold	bcf	2.6	2.4	7.1	7.5	10.3
Oil/gas percentage split	%	80%/20%	84%/16%	81%/19%	83%/17%	82%/18%

Q3 2023 production was slightly above the mid-range of the management guidance for WI production (18,500 - 21,500 boepd), and at the upper end of the economic entitlement production guidance range (20,500 - 23,500 boepd). Q3 2023 gross field production was lower than Q3 2022, primarily due to expected natural reservoir decline. Production for the first nine months of 2023 was just above the mid-range of management guidance for both WI production and economic entitlement production. Gross field production for the first nine months of 2023 was lower than the first nine months of 2022, primarily due to expected natural reservoir decline.

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 which is calculated based on field volumes multiplied by Prime's effective WI in each license. The cargoes lifted by Prime and described below represent Prime's share of cost oil, profit oil and part of income tax oil. The remaining part of income tax oil and royalties are either lifted and sold by the operator or paid in cash, to settle the tax and royalty obligations to the Nigerian state. From May 2022, Prime has been lifting its share of tax oil and paying tax 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 Q3 2023, Prime was allocated 3 oil liftings with total sales volume of approximately 2.9 million barrels or 1.5 million barrels net to the Company's 50% shareholding at an average realized oil price of \$84.5/bbl. In Q3 2022, Prime was allocated 4 oil liftings with total sales volume of approximately 4.0 million barrels or 2.0 million barrels net to the Company's 50% shareholding at an average realized oil price of \$101.5/bbl.

In the first nine months of 2023, Prime was allocated 9 oil liftings with total sales volume of approximately 8.9 million barrels or 4.5 million barrels net to the Company's 50% shareholding at an average realized oil price of \$83.7/bbl. In the first nine months of 2022, Prime was allocated 12 oil liftings with a total sales volume of approximately 12.0 million barrels or 6.0 million barrels net to the Company's 50% shareholding at an average realized oil price of \$81.7/bbl.

In 2022, Prime was allocated 15 oil liftings with a total sales volume of approximately 14.9 million barrels or 7.4 million barrels net to the Company's 50% shareholding at an average realized oil price of \$84.5/bbl.

BUSINESS UPDATE - CONTINUED**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 Q3 2023 and the first nine months of 2023, the share of profit from the 50% investment in Prime was \$57.1 million and \$307.3 million respectively (Q3 2022 and first nine months of 2022 - \$78.3 million and \$143.7 million respectively). The main reason for this increase for the first nine months was that Prime released \$346.0 million and \$62.0 million (\$173.0 million and \$31.0 million respectively, net to the Company's 50% shareholding) of deferred income tax liabilities in Q2 2023 and Q3 2023 respectively which has had a positive effect on net income in 2023. Prime renewed the OML 130 license in Q2 2023 and consequently converted to PIA and also voluntarily converted the OML 127 license to operate under the new PIA in Q3 2023. The licenses are now subject to a 30% Corporate Income Tax regime compared to the 50% PPT regime which resulted in the release. As at September 30, 2023, the Company's investment in Prime was \$696.0 million (as at December 31, 2022 - \$513.7 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⁽¹⁾

Net to AOC's 50% shareholding:	Unit	Three months ended		Nine months ended		Year ended
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Total revenues	\$'m	133.6	196.5	407.5	577.3	723.2
Cost of Sales ⁽²⁾	\$'m	58.2	(7.7)	195.9	236.7	278.2
Gross profit	\$'m	75.5	204.2	211.6	340.6	445.0
Opex/boe ^(3,4)	\$/boe	9.7	8.0	8.3	7.6	8.3
Cash flow from operations before working capital adjustments	\$'m	76.7	100.7	236.3	213.8	279.4
Cash flow from operations before working capital adjustments and taxes paid	\$'m	116.4	228.8	349.5	478.7	617.8
Free cash flow	\$'m	84.8	65.1	132.4	316.7	299.8
Free cash flow/boe ⁽⁴⁾	\$/boe	40.4	28.3	21.4	44.0	32.2
Tax	\$'m	2.6	112.0	(128.6)	211.3	259.7
Capex ⁽⁵⁾	\$'m	12.5	12.5	61.6	18.3	28.4
Dividends paid	\$'m	62.5	50.0	125.0	212.5	250.0
Net Debt	\$'m	256.1	165.1	256.1	165.1	225.3
EBITDAX	\$'m	117.5	227.4	348.0	476.7	617.4
Net Debt/EBITDAX ⁽⁶⁾	ratio	0.5	0.3	0.5	0.3	0.4
AOC Net Cash/(Debt) inclusive of 50% Prime Net Debt	\$'m	(54.6)	42.2	(54.6)	42.2	(25.6)

(1) The table includes non-GAAP measures. Definitions and reconciliations to these non-GAAP measures are provided on pages 10, 11, 12, 13.

(2) Given the nature of Prime's operations in terms of oil cargo liftings 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 the corresponding historical period.

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

(4) Boe is calculated on an entitlement basis.

(5) 2023 amounts include the OML 130 license renewal fee which has been capitalized to oil and gas interests in the period.

(6) Calculated on a 12-month rolling basis until September 30, 2023, and September 30, 2022, respectively.

BUSINESS UPDATE - CONTINUED**Total revenues**

	Unit	Three months ended		Nine months ended		Year ended
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Per Prime's financial statements						
Total revenue	\$'m	267.3	393.0	815.0	1,154.5	1,446.3
Net to AOC's 50% shareholding:						
Oil revenue	\$'m	124.6	200.7	374.6	489.0	627.7
Gas revenue	\$'m	1.7	4.9	5.2	15.3	20.3
Tax revenue	\$'m	6.2	(14.5)	19.8	56.2	54.8
Royalty revenue	\$'m	1.1	5.4	7.9	16.8	20.4
Total revenue	\$'m	133.6	196.5	407.5	577.3	723.2
Realized oil prices ⁽¹⁾	\$/bbl	84.5	101.5	83.7	81.7	84.5
Oil volumes sold	MMbbl	1.5	2.0	4.5	6.0	7.4
Realized gas prices	\$/mcf	0.7	2.0	0.7	2.0	2.0
Gas volumes sold	Bcf	2.6	2.4	7.1	7.5	10.3

(1) Realized oil prices might be different to values calculated from the table above due to roundings.

The decrease in oil sales revenue in Q3 2023 was due to lower sales volumes and a lower realized price of \$84.5/bbl in Q3 2023 compared with \$101.5/bbl in Q3 2022.

The decrease in oil sales revenue in the first nine months 2023 was due to lower sales volumes in 2023 partly offset by a slightly higher realized price of \$83.7/bbl in the first nine months of 2023 compared with \$81.7/bbl in the first nine months of 2022.

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 tax revenue in cash for OML 130. For OML 127, the operator was paying the tax oil on behalf of Prime to July 2023 and from August 2023, Prime has been lifting its share of tax oil and paying tax revenue in cash. Therefore oil and tax revenues are already accounted for in the oil volumes sold by Prime in OML 127 and OML 130.

For OML 130 royalties are presented net in cost of sales. Up to the end of July 2023, OML 127 presented royalties gross in both revenue and cost of sales and from August 2023 onwards OML 127 is expected to pay for royalties in cash with the royalties presented net in cost of sales.

Cost of sales

	\$'m	Three months ended		Nine months ended		Year ended
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Per Prime's financial statements						
Total cost of sales		116.3	(15.4)	391.7	473.4	556.3
Net to AOC's 50% shareholding:						
DD&A		45.5	28.5	137.2	96.9	131.4
Production costs		20.4	18.3	51.5	55.0	77.1
Movements on overlift/underlift balances		(15.0)	(73.5)	(19.7)	46.8	23.4
Royalties		7.3	19.0	26.9	38.0	46.3
Total cost of sales		58.2	(7.7)	195.9	236.7	278.2

Cost of sales increased in Q3 2023 compared with Q3 2022. This is mainly due to a lower increase in net underlift position in Q3 2023 compared to Q3 2022. Cost of sales decreased in the first nine months of 2023. This is mainly due to the net underlift position increasing in 2023 compared to 2022 when there was a large movement from an underlift position to an overlift position. The overlift/underlift position represents Prime's excess/ shortfall of liftings over its entitlement share of production.

DD&A charges increased in 2023 compared with 2022 as Prime has changed the method of depletion on its facilities including FPSO from straight line to unit of production, to better reflect the consumption of the reserves' economic benefits.

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		Nine months ended		Year ended
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Per Prime's financial statements						
Production costs	\$'m	40.8	36.6	103.0	110.0	154.1
Net to AOC's 50% shareholding:						
Production costs	\$'m	20.4	18.3	51.5	55.0	77.1
Entitlement production	MMboe	2.1	2.3	6.2	7.2	9.3
Opex/boe	\$/boe	9.7	8.0	8.3	7.6	8.3

Production costs have increased in Q3 2023 and decreased first nine months of 2023 compared to Q3 2022 and the first nine months of 2022 respectively.

Opex/ boe increased in Q3 2023 and the first nine months of 2023 compared to Q3 2022 and the first nine months of 2022 primarily from a decrease in entitlement production.

Entitlement production is used as the denominator as production costs include carry of costs that are recovered through entitlement production.

Cash flow from operations

Cash flow from operations before working capital adjustments and cash flow from operations before working capital adjustments and taxes paid are non-GAAP measures. These measures represent cash generated by removing the impact from working capital and taxes paid from cash generated by operating activities and is a measure commonly used to better understand cash flow from operations across periods on a consistent basis and when viewed in combination with the Company's results provides a more complete understanding of the factors and trends affecting the Company's performance. A reconciliation from cash flow from operations to cash flow from operations before working capital adjustments and cash flow from operations before working capital adjustments and taxes paid is shown below:

	\$'m	Three months ended		Nine months ended		Year ended
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Per Prime's financial statements						
Cash flow from operations ⁽¹⁾		194.6	146.2	388.0	660.9	647.3
Net to AOC's 50% shareholding:						
Cash flow from operations		97.3	73.1	194.0	330.5	323.7
Working capital adjustments included in cash flow from operations						
<i>Changes in trade and other receivables</i>		(54.1)	19.8	(40.0)	(21.3)	(18.7)
<i>Changes in over/underlift balances</i>		14.9	73.5	19.6	(46.8)	(23.4)
<i>Changes in other working capital balances</i>		18.6	(65.7)	62.7	(48.6)	(2.2)
Total change in working capital		(20.6)	27.6	42.3	(116.7)	(44.3)
Cash flow from operations before working capital adjustments		76.7	100.7	236.3	213.8	279.4
Taxes paid		39.7	128.1	113.2	264.9	338.4
Cash flow from operations before working capital adjustments and taxes paid		116.4	228.8	349.5	478.7	617.8

(1) Cash outflow from interest expenses paid has been reclassified from cash flow from operating activities to cash flow from financing activities to better align with industry practice. This reclassification has also been reflected in the comparative periods to ensure comparability and consistency.

BUSINESS UPDATE - CONTINUED

Cash flow from operations before working capital adjustments and taxes paid decreased in Q3 2023 and the first nine months of 2023 compared to Q3 2022 and the first nine months of 2022 primarily from lower revenues and lower other operating income and a change in movements in the underlift/ overlift balances.

Cash flow from operations before working capital adjustment and after tax payments in Q3 2023 is lower than Q3 2022. This is primarily from lower revenues in the period offset by lower tax payments. Cash flow from operations before working capital adjustment and after tax payments in the first nine months of 2023 is higher than the first nine months of 2022 as a result of lower tax payments during 2023 offset against lower revenues.

Cash flow from operations including working capital adjustments and tax payments increased in Q3 2023 compared to Q3 2022 from a release of working capital in Q3 2023 whereas there was a build of working capital in Q3 2022. This decrease in the first nine months of 2023 compared to the first nine months of 2022 was for the opposite reasons.

FCF and FCF/boe

FCF 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		Nine months ended		Year ended
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Per Prime's financial statements						
Total cash flow	\$'m	20.2	(42.0)	(93.9)	101.3	(186.2)
Add back dividends	\$'m	125.0	100.0	250.0	425.0	500.0
Add back debt service costs ⁽¹⁾	\$'m	19.1	72.2	103.4	107.1	285.8
Add back derivatives	\$'m	5.3	-	5.3	-	-
FCF	\$'m	169.6	130.2	264.8	633.4	599.6
Net to AOC's 50% shareholding:						
FCF	\$'m	84.8	65.1	132.4	316.7	299.8
Entitlement production	MMboe	2.1	2.3	6.2	7.2	9.3
FCF/boe	\$/boe	40.4	28.3	21.4	44.0	32.2

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

FCF and FCF/boe has increased in Q3 2023 compared to Q3 2022 as a result of higher cash flow from operations, driven by a positive impact from working capital movements during Q3 2023 compared to a negative impact from working capital movements during Q3 2022.

FCF and FCF/boe has decreased in the first nine months of 2023 compared to the first nine months of 2022 due to a decrease in the cash flow from operations in combination with higher capital expenditure incurred on the ongoing drilling campaign, the OML 130 license renewal fee and costs incurred on the refinancing of its existing credit facilities.

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.

BUSINESS UPDATE - CONTINUED**Tax**

The tax expense is made up of the following items:

\$'m	Three months ended		Nine months ended		Year ended
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Per Prime's financial statements					
Petroleum Profit Tax	15.6	200.8	138.1	446.9	590.0
Deferred tax income	(74.4)	(32.1)	(483.6)	(107.1)	(157.4)
Education tax	3.5	16.6	14.0	39.1	41.7
Corporate income tax	45.4	4.9	59.4	9.9	11.3
Withholding tax on dividends	15.0	33.8	15.0	33.8	33.8
Total	5.1	224.0	(257.1)	422.6	519.4
Net to AOC's 50% shareholding:					
Total	2.6	112.0	(128.6)	211.3	259.7

Deferred income tax credit increased significantly in Q3 2023 and the first nine months of 2023 compared to Q3 2022 and the first nine months of 2022. Prime renewed the OML 130 license during Q2 2023 and consequently converted to PIA and voluntarily converted the OML 127 license during Q3 2023 resulting in both licenses operating under the terms of the new PIA. Under these terms, OML 127 and OML 130 are subject to a 30% Corporate Income Tax regime compared to the previous 50% PPT regime which resulted in the partial release of deferred income tax liabilities during the period.

Petroleum Profits Tax is a tax on the income of companies engaged in upstream petroleum operations in Nigeria. The PPT rate for petroleum operations under production sharing contracts with the Nigerian National Petroleum Corporation (NNPC) is 50%. In 2022, Prime exhausted its unused investment tax credit pool and lower additional credits have since been generated on capital expenditure incurred on qualifying assets. Since operating under the new PSA terms, OML 127 and OML 130 are no longer subject to PPT.

Education tax is imposed on every Nigerian company at a rate of 3.0% of the assessable profit in the period as at September 2023.

Capital expenditure

Capital expenditures in Q3 2023 and the first nine months of 2023 of \$12.5 million and \$61.6 million respectively, net to the Company's 50% shareholding in Prime. The expenditure related to the OML 130 drilling campaign with two water injector wells and one oil producer completed on Egina. The drilling program is ongoing at Akpo West. Capital expenditure in the first nine months also included the share of the OML 130 license renewal fee. Expenditures in Q3 2022 and the first nine months 2022 of \$12.5 million and \$18.3 million, respectively, related to development well planning, testing and pigging operations.

Dividends paid

In Q3 2023, Prime made one dividend payment with a net payment to the Company of \$62.5 million (Q3 2022 - one dividend payment with a net payment to the Company of \$50.0 million). In the first nine months of 2023, Prime made two dividend payments with a net payment to the Company of \$125.0 million (first nine months of 2022 - four dividend payments with a net payment to the Company of \$212.5 million).

Net Debt

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

As at/\$'m	September 30, 2023	September 30, 2022	December 31, 2022
Per Prime's financial statements			
Loans and borrowings	750.0	949.3	782.3
Cash and cash equivalents	(237.8)	(619.2)	(331.7)
Net Debt	512.2	330.1	450.6
Net to AOC's 50% shareholding:			
Net Debt	256.1	165.1	225.3

BUSINESS UPDATE - CONTINUED

Net to AOC's 50% shareholding, Prime has \$118.9 million of cash and \$375.0 million of debt (as at December 31, 2022 - \$165.9 million of cash and \$391.2 million of debt and as at September 30, 2022 - \$309.6 million of cash and \$474.7 million of debt).

The debt available has increased during the first nine months of 2023 following Prime refinancing its existing RBL and PXF facilities during Q2 2023 with the closing of an amended RBL facility.

The gross debt outstanding has decreased during the first nine months of 2023 following repayments of \$782.3 million on its existing RBL and PXF facilities and the subsequent closing of an amended RBL facility of \$1,050.0 million with \$750.0 million of this outstanding at September 30, 2023.

EBITDAX and Net Debt/EBITDAX

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

\$'m	Three months ended		Nine months ended		Twelve months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	December 31, 2022
Per Prime's financial statements						
Total profit	114.2	156.7	614.6	287.4	626.6	299.4
<i>Add back:</i>						
Tax	5.1	224.0	(257.1)	422.6	(160.3)	519.4
Finance costs	24.6	19.1	66.8	51.8	88.6	74.6
Finance income	(0.8)	(2.7)	(4.7)	(4.2)	(7.0)	(6.5)
DD&A and Impairment	91.0	57.1	274.4	193.8	425.6	345.0
Exploration expenses	0.8	0.6	2.0	1.9	2.9	2.8
EBITDAX	234.9	454.8	696.0	953.3	976.4	1,234.7
Net Debt					(512.2)	(450.6)
Net Debt/ EBITDAX					0.5	0.4
Net to AOC's 50% shareholding:						
Net Debt					(256.1)	(225.3)
EBITDAX					488.2	617.4
Net Debt/ EBITDAX					0.5	0.4
AOC Net Cash					201.5	199.7
AOC Net Debt inclusive of 50% Prime Net Debt					(54.6)	(25.6)

At September 30, 2023, Prime has a Net Debt of \$256.1 million, net to the Company's 50% shareholding (as at December 31, 2022 - Net Debt of \$225.3 million net to the Company's 50% shareholding) and a Net Debt/EBITDAX ratio of 0.5x for the twelve months ended September 30, 2023, (0.4x for the twelve months ended December 31, 2022). The strength of this ratio demonstrates the low leverage within Prime compared with industry peers. This strong Net Debt/EBITDAX ratio, combined with no outstanding debt by the Company means the Company and Prime are well placed to raise more debt in the future if required.

BUSINESS UPDATE - CONTINUED**Forward Sales and Revised Crude Oil Marketing**

In considering Prime's cargo liftings, the reader should note that the timing and the frequency of these can vary based on a number of factors such as: 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 where relevant for each field.

Prime continues to use physical forward sales contracts for the marketing and sale of its lifted entitlement production, to manage commodity price risk and ensure stability in cash flows in line with the marketing strategy. Prime does not fix the Dated Brent component of the sales price at the time of entering the contract, instead using a trigger pricing mechanism, whereby Prime gives an irrevocable instruction to an off-taker to fix the Dated Brent component of a cargo, if the forward curve price goes below a certain trigger based on a percentage of the Brent forward curve (at the time the instruction was given) for the month of the expected lifting.

In Q3 2023, Prime purchased an Asian put option for one million barrels of oil. This option protects Prime against price movements below \$80.0/bbl in the period between March 1 and May 31, 2024. If the average spot price in the period between March 1 and May 31, 2024, falls below \$80.0/bbl then Prime is compensated in cash for the difference with the strike price of \$80.0/bbl. If the average spot price in the period is above the strike price the option would expire and Prime benefits from the higher price.

The average cargo lifted is for one million barrels of oil.

Oil sales were comprised of the following:

Oil Sales	Unit	Three months ended		Nine months ended		Twelve months ended
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Number of cargoes lifted		3	4	9	12	15
Of which:						
Sold forward with a fixed Dated Brent price		-	3	-	11	11
Sold forward with the trigger price mechanism activated		-	1	2	1	4
Sold at spot		3	-	7	-	-
		3	4	9	12	15
Gross crude oil sales						
Quantity in Mboe	Mboe	2,949.6	3,955.5	8,948.4	11,971.5	14,859.0
Average sales price	\$/bbl	84.5	101.5	83.7	81.7	84.5
Average Bloomberg Dated Brent for the period ⁽¹⁾	\$/bbl	86.7	99.1	82.1	103.8	99.9

(1) The average Bloomberg Dated Brent price on the three offtake dates in Q3 2023 was \$81.5/bbl.

Post period end, Prime sold two cargoes during October 2023 at Brent spot prices with an average all-in sales price of \$95.5/bbl. Prime is expected to lift two more cargoes before end of 2023 with an average trigger price of \$61.5/bbl. None of these triggers have been reached as of the effective date of this MD&A.

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.

BUSINESS UPDATE - CONTINUED**BLOCK 3B/4B - SOUTH AFRICA**

The Company and its JV partners continued working on the plans to conduct a two-well campaign on Block 3B/4B and the discussions with various potential partners to farm out up to a 55% gross working interest in the Block are continuing.

In the three months ended September 30, 2023, Africa Oil SA Corp. signed a legally binding Assignment and Transfer agreement with Azinam Limited ("Azinam"), a wholly owned subsidiary of Eco, to acquire an additional 6.25% interest in Block 3B/4B for a total cash consideration of up to \$10.5 million, to be paid in tranches on the following milestones:

- \$2.5 million within 30 business days after July 10, 2023;
- \$2.5 million upon the SA government's approval for the transfer of the 6.25% interest to Africa Oil SA Corp. (which remains pending);
- \$4.0 million upon the completion of a farm-out deal to a third party; and
- \$1.5 million upon spudding of the first exploration well on the block.

The Company will hold an operated WI of 26.25% subject to and, on receipt of the government's approval for the transfer, with Azinam holding a 20% WI and Ricocure (Proprietary) Limited holding the remaining 53.75% interest.

BLOCKS EG-18 AND EG-31 - EQUATORIAL GUINEA

The Company has two PSCs with the Republic of Equatorial Guinea for offshore Blocks EG-18 and EG-31. The Company holds an 80% operated interest, subject to back in rights by GEPetrol in both blocks. Work programs on both blocks include re-processing of existing 3D seismic surveys and identification of prospects within the first 2-year period, which has an optional 1-year extension if more time is required to complete the scope of work. At the completion of the first period, a second 2-year period with an optional 1-year extension is available at the election of the Company. The initial period provides a low-cost opportunity in two highly prospective blocks.

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 September 30, 2023:

	Africa Energy	Eco	Impact ⁽¹⁾
Issued and Outstanding	1,407,812,249	365,082,014	1,053,988,547
Shares held by AOC at January 1, 2023	276,982,414	54,941,744	287,565,860
Shares acquired in the period	-	-	39,455,741
Shares held by AOC at September 30, 2023	276,982,414	54,941,744	327,021,601
AOC's holding (%) - September 30, 2023	19.67%	15.05%	31.03%
AOC's holding (%) - December 31, 2022	19.67%	15.02%	30.87%
Share price on September 30, 2023	CAD \$0.11	CAD \$0.20	
Exchange rate to USD on September 30, 2023	0.741	0.741	

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

Impact

Impact is a private UK oil and gas exploration company with assets located offshore Namibia, South Africa and West Africa. Post period, on October 6, 2023, the Company subscribed for 16,524,058 shares in Impact for \$13.0 million, and following the transaction the Company will ultimately hold 31.1% of the enlarged share capital in Impact.

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 the discovery of a good quality, light oil-bearing sandstone reservoir of Lower Cretaceous age, with an estimated 84 meters of net pay. A flow test of this well was completed during Q3 2023 with positive results, which are being interpreted and incorporated into the development studies. The Venus-1X test results are expected to be confirmed by the Venus-1A flow test program that is currently being performed with the results anticipated in Q4 2023.

On September 28, 2023, the Company announced that the Venus-1A appraisal well, located approximately 13km northwest of the Venus-1X discovery well, was successfully drilled to a total depth of 6,146m, cored and logged using the Tungsten Explorer drillship.

The operator is also currently drilling the Mangetti-1X exploration well in the northern part of 2913B with the results expected by early next year. This well has the dual objective of exploring the Mangetti fan, a different structure above the Venus fan system, and to appraise the northern part of the Venus discovery.

A new 3D seismic program on the southern part of Block 2913B is expected to commence by end of 2023 and to cover two targets, Damara and South Damara structures, that have been identified on 2D seismic. If supported by the new 3D seismic data acquisition and interpretation one of these two targets could potentially be drilled in late 2024.

BUSINESS UPDATE - CONTINUED

As part of the 2023 appraisal and exploration program TotalEnergies also drilled the Nara-1X exploration well on Block 2912 (PEL91) to the west of 2913B. This well was located approximately 30km northwest of the Venus-1X well and was drilled to a total depth of 6,181m using the Tungsten Explorer drillship. A full wireline logging program was completed, and a core taken. However, the Nara-1X well was not flow tested as it was deemed non-commercial. The Joint Venture is continuing to evaluate the results of Nara-1X.

The Company has an indirect effective interest of approximately 6.2% in PEL 56 and 5.9% in PEL91 through its shareholding in Impact.

Africa Energy

Africa Energy is a TSX-V and AEC (Stockholm) listed international oil and gas exploration company that holds an effective 9.9% participating interest in the Exploration Right for Block 11B/12B offshore South Africa. The Company's ownership interest is approximately 19.7% at September 30, 2023.

The joint venture submitted an application for a Production Right in September 2022. As part of the application, the joint venture proposed to relinquish the northern portion of the block, reducing the area from 18,734 square kilometers to approximately 12,000 square kilometers. In addition, the joint venture elected to enter a Gas Market Development Period to confirm the economic viability of the project.

Eco

Eco is a TSX-V and AIM-listed oil and gas company that operates and holds WI in four exploration blocks offshore Namibia and operates one exploration block offshore South Africa and is a partner with the Company in Block 3B/4B, offshore South Africa. Eco also has a direct WI and indirect interest in two exploration blocks offshore Guyana, the Orinduik and Canje Blocks which are adjacent to the Exxon's prolific Stabroek block. Joint Venture partners in the offshore Guyana blocks are reviewing prospect inventories for exploratory drilling candidates. The Company's ownership interest is approximately 15.0% at September 30, 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company is committed to being a responsible 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 custodian of its shareholders' capital is to ensure robust governance systems are in place to deliver our sustainability goals.

As part of those governance systems, the Company receives ESG performance data from Prime on a quarterly basis, which allows us to monitor alignment with agreed ESG targets and objectives. Based on the performance year to date, Prime remains on track to meet or exceed its 2023 flaring reduction target (25% lower than 2022 daily average).

Flaring reductions will support Prime's objectives to reduce greenhouse gas (GHG) emissions 20% by 2025 and 30% by 2030 on the pathway to achieving net zero Scope 1 and 2 emissions by 2050. Prime's ESG strategy will support the Company's own climate ambition to achieve carbon neutrality by 2025.

Additionally, Prime has independent Environmental, Social, Health and Safety monitoring reviews conducted annually to support its reserves-based lending facility. The 2023 Monitoring Review was concluded in early July 2023 and found that overall, Prime is managing the ESHS aspects of its business "exceptionally well," with no significant issues that would impact financing.

Africa Oil regularly submits to ESG audits and ratings assessments in support of investor and broader stakeholder engagement, as well as to identify opportunities for improvement internally. These include both customized audit processes and standardized ESG ratings, such as Refinitiv and Sustainalytics. In Q2 2023, Africa Oil received a Silver Medal from Ecovadis, placing the Company in the top 25% of companies assessed. In Q3 2023, the Company also participated in S&P's Corporate Sustainability Assessment (CSA) for the first time, with results expected before year-end.

In order to comply with requirements imposed by IFC, one of the Company's shareholders, independent monitoring reviews are conducted on a regular basis to assess compliance with IFC Performance Standards. The most recent review commenced in October 2023. Once complete, it will be published, along with all other Independent Monitoring Group reports, on Africa Oil's website.

Please see our 2022 Sustainability Report for more information on our performance and strategy.

SUMMARY OF QUARTERLY INFORMATION

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

For the three months ended	30-Sep 2023	30-Jun 2023	31-Mar 2023	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022	31-Dec 2021
Share of profit/ (loss) from equity investments in joint venture and associates	51.3	178.0	32.5	(5.1)	76.5	13.3	53.7	61.8
Net income/ (loss) attributable to common shareholders	47.1	106.9	21.9	(182.2)	70.6	5.7	45.6	54.9
Weighted average shares - Basic '000	462,340	456,229	461,199	475,074	477,311	477,166	475,090	474,192
Weighted average shares - Diluted '000	473,959	467,839	473,846	475,074	491,131	490,562	485,113	479,611
Basic income/ (loss) per share (\$)	0.10	0.23	0.05	(0.39)	0.15	0.01	0.10	0.12
Diluted income/ (loss) per share (\$)	0.10	0.23	0.05	(0.39)	0.14	0.01	0.09	0.12

SUMMARY OF KEY ITEMS OF FINANCIAL PERFORMANCE IN THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023, AND SEPTEMBER 30, 2022

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Total operating income	51.3	76.4	261.8	143.5
General and administrative expenses	(4.2)	(6.2)	(22.9)	(20.1)
Impairment of intangible exploration assets	-	-	(62.2)	-
Net operating income	47.1	70.2	176.7	123.4

Total and net operating income

In Q3 2023 and first nine months of 2023, the Company recognized net operating income amounting to \$47.1 million and \$176.7 million respectively (Q3 2022 and first nine months of 2022 - \$70.2 million and \$123.4 million respectively).

In Q3 2023 and first nine month of 2023, included in the Company's share of income from equity investments is income from its 50% investment in Prime of \$57.1 million and \$307.3 million respectively (Q3 2022 and first nine months of 2022 - \$78.3 million and \$143.7 million respectively).

The figures used in the explanations for movements period on period below are based on Prime's gross balances per the interim condensed consolidated financial statements. Prime revenues decreased by \$125.7 million in Q3 2023 compared to Q3 2022, mainly from a decrease in oil revenue of \$76.1 million driven by lower liftings. Prime also recorded an increase in cost of sales of \$131.7 million, primarily driven by an underlift movement during Q3 2023 of \$29.8 million compared to an underlift movement in Q3 2022 of \$147.0 million. This resulted in a decrease in gross profit to \$151.0 million in Q3 2023 from \$408.4 million in Q3 2022. There was a tax charge in Q3 2023 of \$5.1 million compared to \$224.0 million in Q3 2022. In Q3 2023 Prime voluntary converted the OML 127 license to operate under the new Petroleum Industry Act from March 1, 2023, with all key conditions precedent fulfilled during the three months ended September 30, 2023. Under these terms, OML 127 is subject to a 30% Corporate Income Tax regime compared to the previous 50% PPT regime which resulted in the release of \$62.0 million of deferred income tax liabilities during the period for OML 127. These factors explain the lower profit in the period of \$42.5 million in Q3 2023 compared to Q3 2022.

Prime revenues decreased by \$339.5 million in the first nine months of 2023 compared to the first nine months of 2022, mainly driven by lower liftings despite an increase in the realized oil price and a decrease in PPT revenue of \$36.4 million as Prime exhausted its investment tax credit pool in 2022. Prime also recorded a decrease in cost of sales of \$81.7 million, primarily driven by an underlift movement during the first nine months of 2023 of \$39.3 million compared to an overlift movement in the first nine months of 2022 of \$93.6 million partly offset by an increase in DD&A of \$80.6 million as Prime has changed the method of depletion on its facilities including FPSO from straight line to unit of production, to better reflect the consumption of the reserves' economic benefits. This resulted in gross profit in the first nine months of 2023 to be \$257.8 million lower than the first nine months of 2022. In addition, there was a decrease of \$82.9 million in other operating income, primarily consisting of investment tax credits which can be offset against PPT, and a tax income in the first nine months of 2023 of \$257.1 million compared to a tax charge of \$422.6 million in the first nine months of 2022. Prime renewed the OML 130 license resulting in OML 130 operating under the terms of the new Petroleum Industry Act as from June 1, 2023, and Prime voluntary converted the OML 127 license to operate under the new Petroleum Industry Act from March 1, 2023, with all key conditions precedent fulfilled during the three months ended September 30, 2023. Under these terms, OML 127 and OML 130 are subject to a 30% Corporate Income Tax regime compared to the previous 50% PPT regime which resulted in the release of \$62.0 million and \$346.0 million of deferred income tax liabilities during the period for OML 127 and OML 130 respectively. These factors explain the higher profit in the period of \$327.2 million in the first nine months of 2023 compared to the first nine months of 2022.

SUMMARY OF QUARTERLY INFORMATION - CONTINUED**General and administrative expenses**

General and administrative expenses included share-based compensation charges relating to the LTIP and Stock Option Plan in Q3 2023 and the first nine months of 2023 of \$1.4 million and \$9.4 million respectively (Q3 2022 and first nine months of 2022 - \$2.5 million and \$7.0 million respectively). Share-based compensation charges are impacted by movements in the share price of the Company.

General and administrative expenses excluding share-based compensation charges were broadly in line with the comparative period and amounted in Q3 2023 and the first nine months of 2023 to \$2.8 million and \$13.5 million respectively (Q3 2022 and first nine months of 2022 - \$3.6 million and \$13.0 million respectively).

Impairment of intangible exploration assets

On May 23, 2023, the Company along with TotalEnergies submitted withdrawal notices to the remaining joint venture partner on Blocks 10BB, 13T and 10BA in Kenya, to unconditionally and irrevocably, withdraw from the entirety of the JOAs and PSCs for these concessions.

An impairment of \$62.2 million was recognized in Q2 2023 and the Kenya Development Project has been written down to nil.

SUMMARY OF KEY ITEMS OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2023, AND DECEMBER 31, 2022

As at	September 30, 2023	December 31, 2022
Assets		
Equity investment in joint venture	696.0	513.7
Equity investments in associates	123.2	137.3
Intangible exploration assets	16.3	63.6
Cash	201.5	199.7
Liabilities		
Long-term debt	-	-

Equity investment in joint venture

As at September 30, 2023, the Company's investment in Prime was \$696.0 million compared to \$513.7 million as at December 31, 2022. The carrying value of the investment increased by the Company's share of Prime's profit of \$307.3 million in the first nine months of 2023 offset by dividends received of \$125.0 million.

Equity investments in associates

As at September 30, 2023, the Company's investment in associates was \$123.2 million compared to an investment value of \$137.3 million as at December 31, 2022. The carrying value of the investment decreased from the Company's share of the associate's losses during 2023 and impairments of \$20.1 million and \$6.5 million recognized against the Company's investments in Africa Energy and Eco following the significant decline in market value compared to its carrying value. The Company also subscribed for shares in Impact totalling \$31.4 million.

Intangible exploration assets

The Company's intangible exploration assets relate to its interests in Blocks EG-18 and EG-31 in Equatorial Guinea and Block 3B/4B in South Africa. The Company's interests in Blocks 10BB and 13T in Kenya have been impaired to nil following the decision to exit the licenses.

Kenya

On May 23, 2023, the Company announced that it has submitted withdrawal notices to its joint venture partners on Blocks 10BB, 13T and 10BA in Kenya, to unconditionally and irrevocably, withdraw from the entirety of the joint operating agreements and Production Sharing Contracts for these concessions. Following this decision, the Company has impaired the value of the carrying amount of the Company's intangible exploration assets in Kenya to nil. The Company is waiting for Government consent for the withdrawal and the transfer of rights.

Equatorial Guinea

The Company signed two Production Sharing Contracts with the Republic of Equatorial Guinea for offshore Blocks EG-18 and EG-31 in February 2023. The Company holds an 80% operating interest in these blocks. In the nine months ended September 30, 2023, expenditure of \$10.8 million was incurred following the signing of the PSCs for Blocks EG-18 and EG-31 and mainly related to the acquisition of seismic data and signing bonuses.

SUMMARY OF QUARTERLY INFORMATION - CONTINUED

South Africa

The Company holds a 20% participating interest in the Block 3B/4B Exploration Right. In the first nine months of 2023, the Company incurred expenditure of \$0.4 million. On July 11, 2023, the Company announced that it had entered into an agreement to increase its operated working interest in Block 3B/4B by 6.25% to 26.25%. The Company has signed a legally binding Letter of Intent with Azinam Limited, a wholly owned subsidiary of Eco, to acquire the 6.25% interest for a total cash consideration of \$10.5 million (see note 15). The first tranche of \$2.5 million was paid during the three months period ended September 30, 2023, and has been recognized as a prepayment awaiting government approval.

Cash

As at September 30, 2023, the Company had \$201.5 million cash on hand, compared with a cash balance of \$199.7 million as at December 31, 2022. The Company received dividends from its investment in Prime totalling \$125.0 million. The dividend receipt was offset mainly by shareholder returns of \$29.8 million, settling tax and other JV related disputes of \$25.8 million, capital expenditures incurred in respect of the EG-18 and EG-31 licenses in Equatorial Guinea of \$10.8 million, a cash injection into Impact of \$31.4 million for shares and the Company's general and administrative costs.

Long-term debt

As at September 30, 2023, and December 31, 2022, the Company had no long-term debt following the full repayment of the Corporate Facility in November 2021.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2023, the Company had cash of \$201.5 million and working capital of \$195.7 million. The Company's primary source of liquidity is dividends received from Prime. If Prime experiences operational delays, reduced performance or similar adverse conditions, or reinvest their free cash flow, the dividends received could be reduced in future periods.

Corporate Facility

The Company agreed an increase in its existing Corporate Facility up to \$200.0 million from \$100.0 million on October 20, 2022, which has been amended over time and is currently undrawn. During the three months ended June 30, 2023, the Company satisfied the conditions precedent to the increase. \$200.0 million of the Corporate Facility was available until October 20, 2023, and was not drawn. \$175.0 million is available until April 20, 2024, and has a maturity of October 20, 2025. Commitment fees of 40% of the margin are payable on the undrawn portion of the Corporate Facility. The Corporate Facility carries interest of 1 month-SOFR plus a margin of 6.5% in the first year from signing, 7.0% in the second year and 7.5% in the third year.

The Corporate Facility is subject to financial and liquidity covenants. The Company has been in compliance with the covenants in the three and nine months ended September 30, 2023. The Company has no off-balance sheet arrangements.

Future Funding Outlook

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	462,895,871
Outstanding share purchase options	2,054,616
Outstanding performance share units	6,384,559
Outstanding restricted share units	1,278,178
Full dilution impact on common shares outstanding	472,613,224

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy:

On December 19, 2022, Africa Energy announced that it had secured a \$5.0 million promissory note of which \$2.0 million was provided by the Company and the remaining by other parties. The \$5.0 million note is unsecured and matures on January 31, 2024, when the principal and accrued interest are due in full. The note carried an annual interest rate of 10% until October 31, 2023, at which time the annual interest rate for the outstanding amount increased to 15% retrospectively. The note has no security and is repayable pro rata any time before maturity without penalty. In the three and nine months ended September 30, 2023, interest on the note amounted to \$0.1 million and \$0.2 million respectively (three and nine months ended September 30, 2022 - nil).

The Company has technical and administrative cost sharing agreements with Africa Energy totalling \$0.1 million and \$0.4 million in the three and nine months ended September 30, 2023, respectively (three and nine months ended September 30, 2022 - \$0.1 million and \$0.3 million).

Transactions with Impact:

On April 27, 2023, the Company subscribed for 39,455,741 shares in Impact for \$31.4 million, payable in two tranches, and directly following the transaction the Company held 31.1% of the enlarged share capital in Impact. The first tranche of \$14.9 million was paid on April 27, 2023, and the final tranche of \$16.5 million was paid on July 21, 2023.

Transactions with Eco:

In the three months ended September 30, 2023, Africa Oil SA Corp. signed a legally binding Assignment and Transfer agreement with Azinam Limited ("Azinam"), a wholly owned subsidiary of Eco, to acquire an additional 6.25% interest in Block 3B/4B for a total cash consideration of up to \$10.5 million, to be paid in tranches on the following milestones:

- \$2.5 million within 30 business days after July 10, 2023;
- \$2.5 million upon the SA government's approval for the transfer of the 6.25% interest to Africa Oil SA Corp. (which remains pending);
- \$4.0 million upon the completion of a farm-out deal to a third party; and
- \$1.5 million upon spudding of the first exploration well on the block.

COMMITMENTS AND CONTINGENCIES

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

PRIME OIL & GAS COÖPERATIEF U.A:

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 of the final OML 127 tract participation in the Agbami field. The signing of the Securitization Agreement by Prime in 2021 led the Company to reassess 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.

EQUATORIAL GUINEA LICENSE COMMITMENTS:

The Company signed two PSC's with the Republic of Equatorial Guinea for offshore Blocks EG-18 and EG-31 in February 2023 which were subsequently ratified on March 1, 2023. The Company holds 80% operated interest in each block with the balance to be held by GEPetrol, the national oil company of Equatorial Guinea. GEPetrol's 20% of joint venture costs are carried until approval of a development plan, and it has the option of acquiring an additional 15% participating interest in each block. The Initial Exploration Period of these PSCs is for a period of two years, with the potential for a 1-year extension to complete ongoing work programs, from the date of ratification and includes a total minimum work commitment of \$7.0 million with no drilling commitment and a signing bonus of \$2.0 million. The estimated remaining outstanding license commitments as at the date the Board of Directors of the Company approved these interim condensed consolidated financial statements are less than \$1.0 million.

WITHDRAWAL FROM KENYA:

On May 23, 2023, the Kenya entities along with TotalEnergies submitted withdrawal notices to the remaining joint venture partner on Blocks 10BB, 13T and 10BA in Kenya, to unconditionally and irrevocably, withdraw from the entirety of the JOAs and PSCs for these concessions. The Company concurrently submitted notices to the Ministry of Energy and Petroleum, requesting the government's consent to transfer all of its rights and obligations under the PSCs to its remaining joint venture partner. In accordance with the JOA and PSC the Company retains economic participation for activities prior to June 30, 2023, which might result in additional costs for the Company. The Company is waiting for Government consent for the withdrawal and the transfer of rights.

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 interim condensed 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 interim condensed 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 interim condensed 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 interim condensed 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 Consolidated Financial Statements for the year ended December 31, 2022.

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 Interim Condensed 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 the 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, likelihood of a successful farm out process and subsequent 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 Interim Condensed 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.

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 forward sales 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 joint venture or 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 September 30, 2023, 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 September 30, 2023, 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, Namibia, South Africa and Equatorial Guinea. 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.

The risks noted in the risk factors section comprises those that can materially affect the figures presented and disclosures in the Interim Condensed Consolidated Financial Statements and MD&A. The Company's Annual Information Form contains a more comprehensive list of risks that can affect the Company.

INFLATION RISK

A failure to secure the services and equipment necessary for 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 and capital 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. In addition, with rising inflation levels combined with global cost of living expenses, the Company may be faced with the challenge of how to attract and retain employees.

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 conflict in Ukraine has impacted global markets and may continue to result in increased volatility in financial markets and commodity prices. This could be exasperated by the conflict between Israel and Hamas-controlled Gaza territory and the border skirmishes between Israel and Lebanese group, Hezbollah. There is a risk of a broader conflict in the region that could impact oil production and exports from the Middle East.

The Company does not have a direct exposure to operations in Ukraine, Russia or the Middle East 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.

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

LIQUIDITY AND CASH FLOW

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 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 significantly reduce the amount of the Company's anticipated cash flow and could also expose the Company to financial risk.

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.

PRIME DIVIDENDS

The Company occasionally receives dividends from Prime related to the Company's 50% shareholding in Prime. However, a significant reduction, infrequent distributions, or no payment of Prime's dividends to the Company could have a material or adverse effect on the Company's business, and financial condition. Such results could occur due to, among other things, the following:

- inability to achieve early licence renewal;
- decline in the demand for oil and natural gas;
- changes to the applicable tax and other laws and regulations in Nigeria;
- partner consensus;
- an inability for 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;
- capital or liquidity constraints experienced by Prime, including restrictions imposed by lenders;
- 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; and
- global health emergencies.

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.

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

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 farmout 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.

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.

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 September 30, 2023.

CREDIT RISK

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. Most 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.

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.

DECOMMISSIONING

The Company is responsible for compliance with all applicable laws, regulations and contractual requirements regarding the decommissioning, abandonment and reclamation of the Company's assets at the end of their economic life, the costs of which may be substantial. It is not possible to predict these costs with certainty since they will be a function of requirements at the time of decommissioning, abandonment and reclamation and the actual costs may exceed current estimates. Laws, regulations and contractual requirements with regard to abandonment and decommissioning may be implemented or amended in the future.

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

Oil and gas operations involve many risks, which, even with the combination of experience, knowledge, and careful evaluation may not be able to overcome. The long-term commercial success of Africa Oil 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. It is difficult to project the costs of implementing an exploratory, appraisal or development 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, 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.

Africa Oil's business is subject to all the risks and hazards inherent in businesses involved in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas, many of which cannot be overcome even with a combination of experience and knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment or personal injury, and such damages may not be fully insurable.

RISK FACTORS - CONTINUED

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.

GOVERNMENT REGULATIONS AND TAX RISK

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 a windfall tax, 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.

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 access to information is subject to the contractual provisions of Shareholder Agreements. The Company are reliant on the information provided by investments and may not have the ability to independently verify such information. 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.

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.

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.

RISK FACTORS - CONTINUED

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. Weaknesses in the anti-corruption legal and judicial system of certain countries may undermine the Company's or a host government's capacity to effectively detect, prevent and sanction corruption. 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.

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 or investee company's operations relating to such project.

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.

CLIMATE RISKS

MARKET 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. Reduced demand for oil and gas may result in stranded reserves or resources and negatively impact the Company's valuation and share price. 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. 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, which suggests the current portfolio remains competitive in a low demand environment. We will update the analysis on a regular basis and ahead of new project sanction to minimize the risk of stranded assets. In order to remain resilient in an uncertain and volatile future commodity environment, the Company will work with and through its partners to reduce operational costs as much as possible without sacrificing health and safety or longer-term efficiency and environmental goals. Though Africa Oil does not directly control procurement decisions associated with our assets, the Company will work with our partners to ensure adequate contingency for cost inflation is incorporated into capital and operating budgets and that costs are controlled within budget. Additionally, the Company will maintain a prudent budget and financial strategy, including hedging as appropriate, to manage oil price volatility ensure the business remains resilient in a low oil price environment.

At the same time, markets for new products and services may present opportunities for the Company to expand or diversify the Company's lines of business, helping to grow or at least offset potential losses of revenue associated with our traditional business activities as demand for oil and gas declines or even grow revenue. For instance, we are exploring development of an offset project in Kenya of sufficient scale to help mitigate both our own emissions as well as potentially third-party emissions.

LITIGATION RISKS

Climate-related litigation is a rapidly evolving and increasingly important issue for our industry. The risk 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. Climate-related litigation could result in liabilities or loss of license related to current or historical activities' contribution to global emissions. We do not consider Africa Oil at immediate risk of climate litigation but are monitoring developments closely. Even if the Company is not directly targeted by litigation, operations may be indirectly impacted by outcomes in related cases involving other oil and gas companies in jurisdictions where we operate. The Company will seek legal counsel as required to remain abreast of potential legal action and its implications for our business.

RISK FACTORS - CONTINUED

REGULATORY RISKS

Since the Paris Agreement was signed in 2015, countries have steadily enacted policies to enable the transition to a low carbon future and meet their Nationally Determined Contributions (NDCs). This includes the governments of countries where Africa Oil conducts business. These policies may directly or indirectly increase the cost of doing business in these countries or potentially restrict our ability to operate. Africa Oil regularly monitors the evolving regulatory landscape, both globally and in our countries of operation, to anticipate the impact of new climate-related measures and ensure we remain compliant. Additionally, the Company is developing a comprehensive energy transition strategy, including measures to minimize operational emissions in line with Paris Agreement objectives, which should help to remain aligned with evolving regulatory requirements and minimize negative impacts.

REPUTATIONAL RISK

Increased scrutiny, pressure and action by environmental activists, non-governmental organizations and other stakeholders may result in disruption to operations or loss of license to operate. Such disruption may negatively impact cash flows, returns or the value of our portfolio. Similarly, companies within the sector and our supply chain may make emissions performance and climate risk management explicit in partner or contract decisions. The Company has not been directly targeted by environmental activists but could be targeted in the future. To mitigate this risk, Africa Oil proactively engages with the communities and other stakeholders where the Company operates to keep them informed about the impact of our operations on the environment and their livelihoods. The Company also ensures proper security is in place to minimize the impact of any potential disruptions and prevent harm to staff, bystanders and assets.

In addition to environmental activists, numerous banks and large institutional investors have communicated an intention to divest from or limit future exposure to fossil fuels, including oil and gas. Increasing investor and lender concerns regarding climate resilience could limit access to capital, increase the cost of that capital via higher interest rates or result in direct costs associated with new measures to meet investor expectations. Since 2020, Africa Oil has published public climate disclosures aligned with the Taskforce for Climate-Related Financial Disclosures (TCFD) recommendations to proactively address investor and other stakeholder concerns regarding climate risk exposure. In addition, Africa Oil regularly engages with investors and lenders to understand their climate policies and requirements and to inform them about the steps the Company is taking to manage climate risks. This includes development of a comprehensive energy transition strategy to minimize operational emissions.

TECHNOLOGY RISKS

Evolution and proliferation of clean energy technologies, including renewables, electric vehicles, hydrogen and other clean fuels, and energy management technologies such as the Internet of Things, may reduce oil and gas's share of the energy market in the medium and long term, making our business model unsustainable. The Company will work with and through our partners to reduce operational costs as much as possible without sacrificing health and safety or longer-term efficiency and environmental goals to ensure they remain resilient in a low demand, low oil price environment. Additionally, we may explore diversifying into alternative, lower carbon business lines as part of a comprehensive energy transition strategy.

In addition to new business lines, the evolution of clean energy technologies present opportunities for integration with our operations to lower our own emissions footprint.

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. In 2022, the Company contracted a global climate risk analytics company to perform a quantified assessment of the physical climate risks facing the Company's assets under three IPCC climate scenarios: SSP1-2.6 (consistent with 1.8°C warming), SSP2-4.5 (consistent with 2.7°C warming) and SSP5-8.5 (consistent with 4.4°C warming). That analysis suggests exposure to future changes in physical climate hazards is relatively minimal compared to the historical baseline across all three scenarios. We will continue to monitor our assets' exposure to physical climate risks as our portfolio and the global scientific community's understanding of changing climate patterns evolves.

NATURE-RELATED RISKS

Oil and gas activities may disturb the environments in which the Company operates, and result in direct, indirect and cumulative impacts on biodiversity over the short, medium and long run. Biodiversity is also critical to maintaining numerous ecosystem benefits on which the business and the societies in Africa Oil's countries of operation depend. Indeed, oil and natural gas are themselves environmental assets that provide valuable ecosystem services when they are combusted for heat or power or transformed into other usable products such as chemicals and plastics. Africa Oil takes measures to protect biodiversity and aims to achieve no net loss of biodiversity or, where feasible, a net positive impact. Still, as the physical climate changes and the policy environment evolves to include more stringent protection of biodiversity and the natural environment, Africa Oil may find access to natural resources critical to the business constrained or restricted. Likewise, an environmental incident at one of the Company's sites could negatively impact our license to operate. Banks and other financial institutions may also be less willing to extend financing to the Company due to concerns about the business' impact on biodiversity. At the same time, the increasing need for carbon or biodiversity offsets could create a new market for nature-based solutions. Both of the carbon offset projects identified in Kenya would qualify for additional Climate, Community and Biodiversity benefits, potentially positioning the Company to participate in this emerging market.

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.

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;
- 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 or natural gas prices;
- 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;
- Estimates on a per share basis;
- Future foreign currency exchange rates;
- Future market interest rates;
- Future expenditures and future allowances relating to environmental matters;

RISK FACTORS - CONTINUED

- 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;
- Uncertainty of estimates and projections relating to reserves, resources, production, revenues, costs and expenses;
- Changes in exploration or development project plans or capital expenditures and production costs;
- The Company's ability to explore, develop, produce and transport crude oil and natural gas to markets;
- Uninsured risks;
- Changes in interest rates and foreign-currency exchange rates;
- Regulatory changes and governmental actions including changes to taxes or royalties, and changes in environmental and other laws and regulations;
- 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;
- Incorrect assessments of value when making acquisitions;
- Economic conditions in the countries and regions in which the Company carries on business;
- The Company's treatment under governmental regulatory regimes and tax laws;
- Renegotiations of contracts;
- 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.

GLOSSARY

A	"Africa Energy"	means Africa Energy Corp. an international oil and gas exploration company that holds 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.
	"Applicable law"	means all laws and regulations issued by authorities that have appropriate jurisdiction over the Company.
	"Azinam"	means Azinam Ltd.
B	"Bcf"	means billion cubic feet.
	"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 \$200.0 million facility dated October 20, 2022, with a three-year term.
D	"DD&A"	means Depreciation, Depletion and Amortization.
	"DST"	means Drill Stem Testing.
E	"EPS"	means Early Production System.
	"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.
	"FEED"	means Front End Engineering and Design.
	"FID"	means Final Investment Decision.
	"FPSO"	means Floating Production Storage and Offloading.
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.
J	"JV"	means Joint Venture.
K	"Kenya entities"	means Centric Energy Kenya Limited, Africa Oil Kenya B.V Branch and Africa Oil Turkana Limited.
L	"LTIP"	means Long Term Incentive Plan.

M	"Mcf"	means million cubic feet.
	"MD&A"	means Management's Discussion and Analysis.
	"Mbbbl" and "MMbbbl"	means one thousand and one million barrels, respectively.
	"Mboe" and "MMBoe"	means thousand of barrels of oil equivalent and millions of barrels of oil equivalent, respectively.
N	"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.
	"NUPRC"	means Nigerian Upstream Petroleum Regulatory Commission.
O	"OML"	means Oil Mining Lease.
P	"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.
	"PSA"	means Petroleum Sharing Agreement.
	"PSU"	means Performance Share Unit.
	"PXF Facility"	means Pre-Export Finance Facility.
R	"RBL"	means Reserves Based Lending.
	"RSU"	means Restricted Share Unit.
S	"spud" or "spudded"	means the initial drilling for an oil well.
T	"TotalEnergies"	means TotalEnergies SE and subsidiaries.
	"TSX"	means Toronto Stock Exchange.
	"Tullow"	means Tullow Oil plc.
U	"US"	means United States.
V	"VAT"	means Value-added tax.
W	"WI"	means working interest.
	"WI production"	means production based on the percentage of working interest owned.

