



**AFRICA OIL CORP.**

**INTERIM CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED SEPTEMBER 30, 2023

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# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(Expressed in millions of United States dollars)

As at	Note	September 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	201.5	199.7
Loan to associated company	15	2.2	-
Accounts receivable and prepaid expenses		3.9	1.4
		207.6	201.1
<b>Long-term assets</b>			
Equity investment in joint venture	5	696.0	513.7
Equity investments in associates	6	123.2	137.3
Intangible exploration assets	7	16.3	63.6
Loan to associated company	15	-	2.0
		835.5	716.6
<b>Total assets</b>		<b>1,043.1</b>	<b>917.7</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and liabilities	8	11.9	37.2
Share-based compensation liability		7.4	7.3
		19.3	44.5
<b>Long-term liabilities</b>			
Share-based compensation liability		4.7	5.3
Provision for contingent consideration	12	32.0	32.0
Provision for site restoration	9	5.5	5.3
		42.2	42.6
<b>Total liabilities</b>		<b>61.5</b>	<b>87.1</b>
<b>Equity attributable to common shareholders</b>			
Share capital	11(B)	1,264.2	1,267.7
Contributed surplus		60.9	59.2
Deficit		(343.5)	(496.3)
<b>Total equity attributable to common shareholders</b>		<b>981.6</b>	<b>830.6</b>
<b>Total liabilities and equity attributable to common shareholders</b>		<b>1,043.1</b>	<b>917.7</b>

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

Approved on behalf of the Board

**"ANDREW BARTLETT"**

ANDREW BARTLETT, DIRECTOR

**"ROGER TUCKER"**

ROGER TUCKER, DIRECTOR

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

(Expressed in millions of United States dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Operating income</b>					
Share of profit from investment in joint venture	5	57.1	78.3	307.3	143.7
Share of loss from investments in associates	6	(5.8)	(1.9)	(45.5)	(0.2)
<b>Total operating income</b>		51.3	76.4	261.8	143.5
<b>Operating expenses</b>					
General and administrative expenses		(4.2)	(6.2)	(22.9)	(20.1)
Impairment of intangible exploration assets	7	-	-	(62.2)	-
<b>Total operating expense</b>		(4.2)	(6.2)	(85.1)	(20.1)
<b>Net operating income</b>		47.1	70.2	176.7	123.4
Finance income	13	1.6	1.0	5.1	1.1
Finance expense	13	(1.6)	(0.7)	(5.9)	(2.7)
<b>Net income attributable to common shareholders</b>		47.1	70.5	175.9	121.8
<b>Total comprehensive income</b>		47.1	70.5	175.9	121.8
<b>Net income attributable to common shareholders per share</b>					
Basic	14	0.10	0.15	0.38	0.26
Diluted	14	0.10	0.14	0.37	0.25
<b>Weighted average number of shares outstanding for the purpose of calculating earnings per share</b>					
Basic	14	462,339,774	477,311,406	460,312,930	476,565,100
Diluted	14	473,959,020	491,131,356	471,866,573	490,319,736

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(Expressed in millions of United States dollars)

For the nine months ended	Note	September 30, 2023	September 30, 2022
<b>Share capital:</b>			
Balance, beginning of the period	11(B)	1,267.7	1,309.1
Exercise of Share Options	11	0.3	1.2
Settlement of Restricted Share Units	11	1.1	1.2
Settlement of Performance Share Units	11	3.5	1.9
Weighted average value of shares cancelled	11	(8.4)	(0.3)
<b>Balance, end of the period</b>		<b>1,264.2</b>	<b>1,313.1</b>
<b>Contributed surplus:</b>			
Balance, beginning of the period		59.2	51.1
Share-based compensation		-	0.1
Excess of weighted value of shares cancelled	11	1.7	-
<b>Balance, end of the period</b>		<b>60.9</b>	<b>51.2</b>
<b>Treasury account:</b>			
Balance, beginning of the period		-	-
Shares purchased		-	(3.2)
<b>Balance, end of the period</b>		<b>-</b>	<b>(3.2)</b>
<b>Deficit:</b>			
Balance, beginning of the period		(496.3)	(412.2)
Dividends paid	11	(23.1)	(23.8)
Net income attributable to common shareholders		175.9	121.8
<b>Balance, end of the period</b>		<b>(343.5)</b>	<b>(314.2)</b>
<b>Total equity attributable to common shareholders</b>			
<b>Balance, end of the period</b>		<b>981.6</b>	<b>1,046.9</b>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in millions of United States dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Cash flows generated by/ (used in):					
<b>Operations:</b>					
Net income for the period		47.1	70.5	175.9	121.8
Adjustments for:					
Share of profit from investment in joint venture	5	(57.1)	(78.3)	(307.3)	(143.7)
Share of loss from investments in associates	6	5.8	1.9	45.5	0.2
Share-based compensation		1.4	2.5	9.4	7.0
Impairment of intangible exploration assets		-	-	62.2	-
Other		0.3	0.6	0.3	0.6
Cash used in operating activities before working capital		(2.5)	(2.8)	(14.0)	(14.1)
Changes in working capital		(3.1)	(1.1)	(33.5)	(1.5)
<b>Net cash used in operating activities</b>		<b>(5.6)</b>	<b>(3.9)</b>	<b>(47.5)</b>	<b>(15.6)</b>
<b>Investing:</b>					
Intangible exploration expenditures	7	(2.9)	(1.1)	(14.4)	(2.2)
Equity investment in associates	6	(16.5)	(12.9)	(31.4)	(18.7)
Dividends received from joint venture	5	62.5	50.0	125.0	212.5
<b>Net cash generated by investing activities</b>		<b>43.1</b>	<b>36.0</b>	<b>79.2</b>	<b>191.6</b>
<b>Financing:</b>					
Dividends paid to shareholders	11	(11.6)	(11.9)	(23.1)	(23.8)
Repurchase of own shares	11	-	(4.0)	(6.7)	(4.0)
<b>Net cash used in financing activities</b>		<b>(11.6)</b>	<b>(15.9)</b>	<b>(29.8)</b>	<b>(27.8)</b>
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(0.1)	0.1	(0.1)	0.2
Increase in cash and cash equivalents		25.8	16.3	1.8	148.4
<b>Cash and cash equivalents, beginning of the period</b>	4	<b>175.7</b>	<b>191.0</b>	<b>199.7</b>	<b>58.9</b>
<b>Cash and cash equivalents, end of the period</b>	4	<b>201.5</b>	<b>207.3</b>	<b>201.5</b>	<b>207.3</b>

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2023, and September 30, 2022  
(Expressed in millions of United States dollars unless otherwise indicated)

## 1. Incorporation and nature of business:

Africa Oil Corp. (collectively with its subsidiaries, "AOC" or the "Company") was incorporated on March 29, 1993, under the laws of British Columbia and is an international oil and gas exploration and production company based in Canada with oil and gas interests in Africa. The Company's registered address is 25th Floor, 666 Burrard Street, Vancouver, B.C., Canada, V6C 2X8.

## 2. Basis of preparation:

### A. Statement of compliance:

The Company prepares its interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles for interim periods, specifically International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all the information required for full annual financial statements and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

The policies applied in these interim condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at November 14, 2023, the date the Board of Directors approved the statements.

### B. Basis of measurement:

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

### C. Functional and presentation currency:

These interim condensed consolidated financial statements are presented in United States (US) dollars, which is the Group's presentation and functional currency.

The interim condensed consolidated financial statements are expressed in millions of US dollars unless otherwise indicated.

### D. Use of estimates and judgements:

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Items subject to estimates and judgement have been described in the Company's audited consolidated financial statements for the year ended December 31, 2022.

## 3. Accounting policies:

All significant accounting policies used in the preparation of these interim condensed consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2022.

IFRS 17 Insurance contracts, Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) are effective for annual reporting periods beginning on or after 1 January 2023. These do not affect the Company and therefore did not have any effect on the numbers presented and did not lead to any additional disclosure.

On May 23, 2023, the International Accounting Standards Board (IASB) issued an amendment to IAS 12 Income Taxes in response to International Tax Reform and specifically the Pillar Two Global Anti-Base Erosion Rules ("Pillar Two Rules") published by the Organization for Economic Co-operation and Development ("OECD"). The Amendments introduce:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Company adopted the mandatory temporary exception immediately. The remaining disclosure requirements have no effect on the Company's interim condensed consolidated financial statements.

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

As at	September 30, 2023	December 31, 2022
Cash and cash equivalents	201.2	199.3
Restricted cash	0.3	0.4
	201.5	199.7

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

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

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

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

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

In the nine months ended September 30, 2023, Prime made two dividend payments totaling \$250.0 million gross, with a net payment to the Company of \$125.0 million related to its 50% interest. In the nine months ended September 30, 2022, four dividend payments were made totaling \$425.0 million gross, with a net payment to the Company of \$212.5 million related to its 50% interest. The timing and payment of the dividends is discretionary. There are no restrictions on the ability of Prime to pay dividends to its members subject to distributable reserves being positive and working capital or business requirements.

The following table shows the Company's carrying value of the investment in Prime as at September 30, 2023, and December 31, 2022.

	September 30, 2023	December 31, 2022
Balance, beginning of the period	513.7	617.1
Share of joint venture profit	307.3	146.6
Dividends received from Prime	(125.0)	(250.0)
<b>Balance, end of the period</b>	<b>696.0</b>	<b>513.7</b>

In the three and nine months ended September 30, 2023, the Company recognized income of \$57.1 million and \$307.3 million, respectively, relating to its investment in Prime (three and nine months ended September 30, 2022 - \$78.3 million and \$143.7 million respectively).

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

As at December 31, 2022, the Company determined that there was an indicator of impairment in relation to its investment in Prime arising from an impairment recognized by Prime. The impairment recognized by Prime arose mainly from a reduction in the recoverable reserves for the Egina field and a marginal increase in the discount rate. The Company determined the recoverable amount of its investment in Prime by calculating the value in use derived from the discounted cash flow forecast of the dividend stream to be received from Prime. The results of the impairment test indicated that the recoverable amount was in excess of the carrying value and therefore no impairment was recognized.

As at September 30, 2023, the Company has determined that there are no indicators of impairment.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

The following tables summarize Prime's financial information as at September 30, 2023, and December 31, 2022, and for the three and nine months ended September 30, 2023, and September 30, 2022.

**Prime's Balance Sheet**

As at	September 30, 2023	December 31, 2022
Cash and cash equivalents included in current assets <sup>(1)</sup>	237.8	331.7
Other current assets	276.5	301.7
Non-current assets <sup>(2)</sup>	3,037.5	3,188.9
Loans and borrowings included in current liabilities <sup>(3)</sup>	(43.3)	(421.9)
Other current liabilities	(198.4)	(320.1)
Loans and borrowings included in non-current liabilities <sup>(3)</sup>	(706.7)	(360.4)
Deferred income tax liabilities included in non-current liabilities <sup>(4)</sup>	(571.7)	(1,055.3)
Other non-current liabilities	(639.7)	(637.2)
<b>Net assets of Prime</b>	1,392.0	1,027.4
Percentage ownership	50%	50%
<b>Proportionate share of Prime's net assets</b>	696.0	513.7

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

(2) As at September 30, 2023, the carrying value of non-current assets included a fair value adjustment of \$643.1 million (as at December 31, 2022 - \$643.1 million). These amounts were allocated to goodwill as part of the notional purchase price allocation.

(3) In the nine months ended September 30, 2023, Prime refinanced its existing RBL and PXF facilities with the closing of an amended RBL facility. This amended facility is for a principal amount of \$1,050.0 million and has a 6-year tenor of which \$750.0 million has been drawn as at September 30, 2023.

(4) In the three months ended September 30, 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 this period. In the three months ended June 30, 2023, Prime renewed the OML 130 license resulting in OML 130 operating under the terms of the new Petroleum Industry Act from June 1, 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 of deferred income tax liabilities in the three months ended September 30, 2023, for OML 127 and the release of \$346.0 million of deferred income tax liabilities during the three months ended June 30, 2023, for OML 130.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****Prime's Statement of Net Income and Other Comprehensive Income**

For the three and nine months ended	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue <sup>(1)</sup>	267.3	393.0	815.0	1,154.5
Depreciation, depletion and amortization	(91.0)	(57.1)	(274.4)	(193.8)
Production costs	(40.8)	(36.6)	(103.0)	(110.0)
Movement in underlift/overlift <sup>(2)</sup>	29.8	147.0	39.3	(93.6)
Royalties	(14.3)	(37.9)	(53.6)	(76.0)
Cost of sales	(116.3)	15.4	(391.7)	(473.4)
<b>Gross profit</b>	<b>151.0</b>	<b>408.4</b>	<b>423.3</b>	<b>681.1</b>
Other operating income <sup>(3)</sup>	-	2.2	24.7	107.6
Exploration expenses	(0.8)	(0.6)	(2.0)	(1.9)
Other operating costs <sup>(4,7)</sup>	(7.1)	(12.9)	(26.4)	(29.2)
Finance income	0.8	2.7	4.7	4.2
Finance costs <sup>(5)</sup>	(24.6)	(19.1)	(66.8)	(51.8)
<b>Profit before tax</b>	<b>119.3</b>	<b>380.7</b>	<b>357.5</b>	<b>710.0</b>
Tax <sup>(6,7)</sup>	(5.1)	(224.0)	257.1	(422.6)
<b>Total profit and comprehensive income</b>	<b>114.2</b>	<b>156.7</b>	<b>614.6</b>	<b>287.4</b>
<b>Proportionate share of Prime's net income</b>	<b>57.1</b>	<b>78.3</b>	<b>307.3</b>	<b>143.7</b>

(1) In the three and nine months ended September 30, 2023, royalties paid in kind of \$7.0 million and \$16.0 million, respectively, are included in revenue (three and nine months ended September 30, 2022 - \$11.0 million and \$33.0 million respectively).

(2) As at September 30, 2023, Prime was in a higher net underlift position compared to December 31, 2022. This resulted in an income of \$29.8 million and \$39.3 million in the Statement of Net Income and Comprehensive Income for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - income of \$147.0 million and expense of \$93.6 million respectively).

(3) For some of its qualifying capital expenditure ("QCE"), Prime is entitled to claim an investment tax credit ("ITC") at the rate of 50% of the QCE incurred, either wholly or exclusively or necessarily for the purposes of its petroleum operations. This is a Nigerian government tax credit which can be offset with Petroleum Profit Tax ("PPT") and serves as an incentive for investments in the exploration of oil and gas in the deep offshore waters of Nigeria. Prime recognized investment tax credits of nil and \$24.7 million, respectively, in the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - \$2.2 million and \$107.1 million respectively). During the year ended December 31, 2022, Prime exhausted its investment tax credit pool and additional credits have since been generated on capital expenditure incurred on qualifying assets. ITCs are no longer applicable under the new PIA terms.

(4) Other operating costs include Prime's administrative costs, sales costs and the NDDC Levy, which concerns the Niger Delta Development Commission imposed by a regulatory body in Nigeria to fund the sustainable development of the Niger Delta region.

(5) In the three and nine months ended September 30, 2023, finance costs of \$24.6 million and \$66.8 million, respectively, have been incurred (three and nine months ended September 30, 2022 - \$19.1 million and \$51.8 million respectively). Finance costs are primarily made up of interest expenses incurred on the RBL and PXF facilities and accretion expenses incurred on the decommissioning liability.

(6) In the three months ended September 30, 2023, Prime voluntarily converted the OML 127 license to operate under the new Petroleum Industry Act from March 1, 2023, with all key conditions precedent fulfilled during this period. In the three months ended June 30, 2023, Prime renewed the OML 130 license resulting in OML 130 operating under the terms of the new Petroleum Industry Act from June 1, 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 of deferred income tax liabilities in the three months ended September 30, 2023, for OML 127 and the release of \$346.0 million of deferred income tax liabilities during the three months ended June 30, 2023, for OML 130.

(7) Withholding tax payments on intergroup dividends have been reclassified from other operating costs to tax expenses as per IAS 12. This reclassification has also been reflected in the comparative periods.

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

For the three and nine months ended	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Profit before tax	119.3	380.7	357.5	710.0
<i>Adjustments for:</i>				
Depreciation, depletion and amortization	91.0	57.1	274.4	193.9
Finance costs, net	23.8	16.4	62.1	47.6
Change in provisions	(2.0)	0.7	0.3	1.7
Interest income received	0.7	2.7	4.7	4.1
<b>Cash generated from operating activities before working capital and taxes paid</b>	<b>232.8</b>	<b>457.6</b>	<b>699.0</b>	<b>957.3</b>
Taxes paid	(79.4)	(256.1)	(226.4)	(529.7)
<b>Cash generated from operating activities before working capital</b>	<b>153.4</b>	<b>201.5</b>	<b>472.6</b>	<b>427.6</b>
<i>Changes in working capital</i>				
Changes in trade and other receivables	108.0	(39.7)	79.9	42.5
Changes in over/underlift balances	(29.7)	(147.0)	(39.2)	93.6
Changes in other working capital balances	(37.1)	131.4	(125.3)	97.2
<b>Total changes in working capital</b>	<b>41.2</b>	<b>(55.3)</b>	<b>(84.6)</b>	<b>233.3</b>
<b>Net cash generated from operating activities</b>	<b>194.6</b>	<b>146.2</b>	<b>388.0</b>	<b>660.9</b>
Expenditures on oil and gas properties <sup>(1)</sup>	(25.0)	(16.0)	(123.2)	(27.5)
<b>Net cash used in investing activities</b>	<b>(25.0)</b>	<b>(16.0)</b>	<b>(123.2)</b>	<b>(27.5)</b>
Payment of dividends to members	(125.0)	(100.0)	(250.0)	(425.0)
Interest expense paid <sup>(2)</sup>	(19.1)	(19.5)	(71.1)	(39.6)
Derivatives	(5.3)	-	(5.3)	-
Drawdown of RBL facility	-	-	750.0	-
Repayment of loans and borrowings	-	(52.7)	(782.3)	(217.5)
Drawdown of PXF Facility	-	-	-	150.0
<b>Net cash used in financing activities</b>	<b>(149.4)</b>	<b>(172.2)</b>	<b>(358.7)</b>	<b>(532.1)</b>
Foreign exchange variation on cash and cash equivalents	-	-	-	-
<b>Total cash flow</b>	<b>20.2</b>	<b>(42.0)</b>	<b>(93.9)</b>	<b>101.3</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>217.6</b>	<b>661.2</b>	<b>331.7</b>	<b>517.9</b>
<b>Cash and cash equivalents, end of the period</b>	<b>237.8</b>	<b>619.2</b>	<b>237.8</b>	<b>619.2</b>

(1) Expenditures on oil and gas properties for the nine months ended September 30, 2023, includes the OML 130 license renewal fee.

(2) Cash outflow from interest expenses paid has been reclassified from operating activities to financing activities to better align with industry practice. This includes upfront fees in relation to the refinancing of the PXF and RBL facilities. This reclassification has also been reflected in the comparative periods.

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

The Company holds the following equity investments in associates:

	Africa Energy Corp.	Eco (Atlantic) Oil and Gas Ltd	Impact Oil and Gas Ltd	Total
Shares held at September 30, 2023	276,982,414	54,941,744	327,021,601	
Ownership at September 30, 2023	19.7%	15.0%	31.0%	
At January 1, 2022	50.2	14.4	56.1	<b>120.7</b>
Share of (loss)/ income from equity investments	(3.7)	(6.2)	0.6	<b>(9.3)</b>
Gain on dilution of equity investment	0.1	0.7	0.3	<b>1.1</b>
Additional investment through private placement	-	5.8	19.0	<b>24.8</b>
<b>At December 31, 2022</b>	<b>46.6</b>	<b>14.7</b>	<b>76.0</b>	<b>137.3</b>
Share of loss from equity investments	(1.6)	(0.4)	(17.9)	<b>(19.9)</b>
Gain on dilution of equity investment	-	-	1.0	<b>1.0</b>
Impairment of equity investment	(20.1)	(6.5)	-	<b>(26.6)</b>
Additional investment through private placement	-	-	31.4	<b>31.4</b>
<b>At September 30, 2023</b>	<b>24.9</b>	<b>7.8</b>	<b>90.5</b>	<b>123.2</b>

In the nine months ended September 30, 2023, the Company recognized a total loss of \$45.5 million (nine months ended September 30, 2022 – loss of \$0.2 million).

As at June 30, 2023, the Company determined that there was an indicator of impairment in respect of its investment in Africa Energy following the significant decline in market value compared to its carrying value. The Company subsequently recognized an impairment of \$20.1 million in relation to its investment in Africa Energy. The loss recognized in the Company's investment in Impact is also primarily driven by the significant decline in market value of Africa Energy as a result of Impact's investment in Africa Energy. The Company has determined that there are no indicators of impairment in respect of its investment in Africa Energy as at September 30, 2023.

As at September 30, 2023, the Company determined that there was an indicator of impairment in respect of its investment in Eco (Atlantic) Oil and Gas Ltd following the significant decline in market value compared to its carrying value. The Company recognized an impairment of \$6.5 million resulting in the carrying value at September 30, 2023, to be equal to the Company's share of the market capitalization of Eco (Atlantic) Oil and Gas Ltd at September 30, 2023.

The Company has determined that there are no indicators of impairment for its investment in Impact.

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

Africa Energy is an oil and gas exploration company with an interest in South Africa. As at September 30, 2023, the market value of the Company's investment in Africa Energy was \$22.4 million based on a share price of CAD 0.11 (as at December 31, 2022 - \$37.8 million).

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

Eco is an oil and gas exploration company with interests in Guyana, Namibia and South Africa. As at September 30, 2023, the market value of the Company's investment in Eco was \$7.8 million based on a share price of CAD 0.20 (as at December 31, 2022 - \$12.2 million).

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

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

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.

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

	September 30, 2023	December 31, 2022
Net carrying amount, beginning of the period	63.6	194.3
Intangible exploration expenditures	14.9	39.9
Impairment of intangible exploration assets	(62.2)	(170.6)
<b>Net carrying amount, end of the period</b>	<b>16.3</b>	<b>63.6</b>

**Intangible exploration expenditures and impairments:**

As at September 30, 2023, \$16.3 million of expenditures have been capitalized as intangible exploration assets (as at December 31, 2022 - \$63.6 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proved and probable petroleum reserves.

As at September 30, 2023, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated. Capitalized intangible exploration assets relate to various countries as summarized in the following table:

	September 30, 2023	December 31, 2022
Kenya	-	58.5
Equatorial Guinea	10.8	-
South Africa	5.5	5.1
<b>Net carrying amount, end of the period</b>	<b>16.3</b>	<b>63.6</b>

**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 JOAs and PSCs for these concessions. Following this decision, the Company has impaired the value of the carrying amount of the Company's intangible exploration assets for its 25% interest in the Project Oil Kenya CGU (Block 10BB and 13T) and Block 10BA to nil (as at December 31, 2022 - \$58.5 million). 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.

**Equatorial Guinea:**

As at September 30, 2023, the carrying amount of the Company's intangible exploration assets for its 80% interest in Blocks EG-18 and EG-31, located offshore Equatorial Guinea, was \$10.8 million (as at December 31, 2022 - nil). In the nine months ended September 30, 2023, expenditure of \$10.8 million was incurred following the signing of the Production Sharing Contracts for Blocks EG-18 and EG-31 and mainly related to the acquisition of seismic data and signing bonuses.

**South Africa:**

As at September 30, 2023, the carrying amount of the Company's intangible exploration assets for its 20% participating interest in the Block 3B/4B Exploration Right, located in South Africa, was \$5.5 million (as at December 31, 2022 - \$5.1 million). On July 11, 2023, The Company announced that it had entered 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 up to \$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 prepayment awaiting government approval. Once the government has approved the transfer, this prepayment will be reclassified to intangible exploration assets.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****8. Accounts payable and accrued liabilities:**

As at	September 30, 2023	December 31, 2022
Provision for unresolved joint venture matters	-	10.0
Joint venture and other payables and accruals	11.9	27.2
	11.9	37.2

A provision of \$10.0 million related to unresolved Kenya joint venture matters was recognized in the year ended December 31, 2022. During the reporting period, these matters were resolved.

Joint venture and other payables and accruals reduced by \$15.3 million compared to December 31, 2022, following settlement of a tax dispute with the Kenya Revenue Authority ("KRA"). Joint venture and other payables and accruals mainly relates to liabilities, exit and office close down costs associated with the withdrawal from Kenya. 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.

**9. Provision for site restoration:**

As at	September 30, 2023	December 31, 2022
Balance, beginning of the period	5.3	-
Additions in the year	-	5.3
Unwinding of discount	0.2	-
<b>Balance, end of the period</b>	<b>5.5</b>	<b>5.3</b>

The fair value of the provision for site restoration was based on the estimated future cash flows to decommission the exploration and development properties at the end of their useful life. The discount rate used to determine the net present value of the decommissioning obligation was 3.5% (as at December 31, 2022 - 3.5%) based on a risk-free rate with a similar maturity to that of the timing of the expected cash flows and a long-term inflation rate of 2% (as at December 31, 2022 - 2%).

The undiscounted costs at September 30, 2023, are estimated to be \$7.7 million, net to the Company, and include the costs of physical well abandonment and site remediation. The costs are estimated to be incurred in approximately 25 years. At September 30, 2023, the total provision is \$5.5 million (as at December 31, 2022 - \$5.3 million).

**10. Debt:**

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.

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

The Company provided security in respect of the Corporate Facility mainly in the form of a share pledge over the shares of PetroVida (which holds 50% of Prime), and a charge over the bank account into which the Prime dividends are paid.

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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****11. Share capital:**

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

**B. Issued:**

	September 30, 2023		December 31, 2022	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	462,790,680	1,267.7	474,655,355	1,309.1
Exercise of Share Options	418,000	0.3	3,724,000	3.4
Settlement of Restricted Share Units	540,702	1.1	678,224	1.2
Settlement of Performance Share Units	1,705,672	3.5	1,170,149	1.9
Cancellation of shares repurchased	(3,087,183)	(8.4)	(17,425,190)	(47.9)
Return and cancellation of shares	-	-	(11,858)	-
<b>Balance, end of the period</b>	<b>462,367,871</b>	<b>1,264.2</b>	<b>462,790,680</b>	<b>1,267.7</b>

The Company launched a Normal Course Issuer Bid (share buyback) program on September 27, 2022. In the nine months ended September 30, 2023, a total of 3.1 million Africa Oil common shares have been repurchased and cancelled and a total of 20.5 million Africa Oil common shares have been repurchased and cancelled since the launch of the share buyback program. The balance of share capital has been reduced by determining the average per-share amounts in the share capital account, before cancellation of shares repurchased, and applying this to the numbers of shares cancelled. The difference between the reduction in share capital and the amount paid for shares repurchased has been added to the balance of contributed surplus. The share buyback program ended on September 26, 2023.

In the nine months ended September 30, 2023, the Board of Directors approved two dividends of \$0.025 per share which were declared and paid in March and September 2023 for a total amount of \$23.1 million.

**12. Commitments and contingencies:**

**A. Investment in Prime:**

Under the Prime Sale and Purchase Agreement completed on January 14, 2020, a deferred payment of \$118.0 million, subject to adjustment, may be due to the seller contingent upon the timing of the final OML 127 tract participation in the Agbami field. The signing of the Securitization Agreement by Prime in 2021 led the Company reassessing its view of the likelihood of making a contingent consideration payment to the seller. The signing of the Securitization Agreement by Prime does not constitute a redetermination of the tract participation and therefore does not trigger the payment of a contingent consideration under the Sale and Purchase Agreement but, at the Company's discretion, could trigger discussions with the seller. The outcome of this process is uncertain. In 2021, the Company recorded \$32.0 million as contingent consideration and increased the Company's investment in Prime.

**B. Equatorial Guinea 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.

**C. 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 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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****13. Finance income and expense:**

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Finance income	1.6	1.0	5.1	1.1
Finance expense	(1.6)	(0.7)	(5.9)	(2.7)

Finance income includes interest earned on both cash in bank accounts and short-term deposits.

Finance expense includes interest and fees incurred on the Corporate Facility (see note 10).

**14. Net income per share:**

For the three months ended	September 30, 2023			September 30, 2022		
	Net income	Weighted Average		Net Income	Weighted Average	
		Number of shares	Per share amounts		Number of shares	Per share amounts
<b>Basic earnings per share</b>						
Net income attributable to common shareholders	47.1	462,339,774	0.10	70.5	477,311,406	0.15
Effect of dilutive securities	-	11,619,246	-	-	13,819,950	-
<b>Dilutive income per share</b>	47.1	473,959,020	0.10	70.5	491,131,356	0.14

For the nine months ended	September 30, 2023			September 30, 2022		
	Net income	Weighted Average		Net Income	Weighted Average	
		Number of shares	Per share amounts		Number of shares	Per share amounts
<b>Basic earnings per share</b>						
Net income attributable to common shareholders	175.9	460,312,930	0.38	121.8	476,565,100	0.26
Effect of dilutive securities	-	11,553,643	-	-	13,754,636	-
<b>Dilutive income per share</b>	175.9	471,866,573	0.37	121.8	490,319,736	0.25

In the three and nine months ended September 30, 2023, the Company used an average market price of CAD \$3.06 and CAD \$2.87 per share, respectively, to calculate the dilutive effect of share purchase options (three and nine months ended September 30, 2022 - CAD \$2.38 and CAD \$2.33 per share respectively). Dilutive securities include share purchase options, RSUs and PSUs as the inclusion of these reduces the net income per share. In the three and nine months ended September 30, 2023, 955,961 and 1,061,564 options, respectively, were anti-dilutive and were not included in the calculation of dilutive income per share (three and nine months ended September 30, 2022 - 2,755,087 were anti-dilutive).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 15. Related party transactions:

#### A. Transactions with Africa Energy:

As at September 30, 2023, the Company's ownership interest in Africa Energy is approximately 19.7%.

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).

#### B. 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.

#### C. 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.

### 16. Financial risk management:

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

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

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

#### A. Credit risk:

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's credit exposure relates to amounts due from the Company's joint venture partners and a credit facility with Africa Energy. The risk of the Company's joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash and accounts receivable. At September 30, 2023, the Company held \$1.0 million (as at December 31, 2022 - \$0.9 million) of cash in financial institutions outside of Canada and the UK. At September 30, 2023, the Company also held \$10.3 million in short-term deposits in countries outside of Canada and the UK with lending banks in the Corporate Facility (as at December 31, 2022 - \$30.2 million) with stable credit ratings.

#### B. Liquidity risk:

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

At the date of this report, the Company has \$175.0 million of the Corporate Facility available which improves the Company's access to liquidity to fund operations and acquisitions as required. Any loan repayments are calculated to be protective of the Company's liquidity position and if drawn, the Corporate Facility would be repaid from the proceeds of dividends received from Prime, while ensuring the Company preserves a sufficient minimum cash balance to conduct operations. The Corporate Facility is available up to April 20, 2024, and has a maturity of October 20, 2025.

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

The Company has no maturities of its material contractual financial liabilities in excess of six months as at September 30, 2023 (as at December 31, 2022 - no maturities of its material contractual liabilities in excess of six months).

### C. Market risk:

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

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

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

#### ii. Interest rate risk:

The Corporate Facility has a variable interest rate, that is referenced to SOFR and will expose the Company to interest rate risk over the term of the loan if drawn.

#### iii. Commodity price risk:

The Company has an equity holding in Prime (see note 5), which has three producing fields within OML 127 and OML 130, both with significant levels of production. A change in commodity prices may affect the dividends received from this investment. Prime employs a crude marketing strategy that maintains the 50% - 70% coverage target for the next 12-months' scheduled cargoes. These contracts are with counterparties including oil supermajors. The counterparties are part of groups with investment grade credit ratings.

#### iv. Share price risk:

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

## 17. Subsequent events:

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 November 7, 2023, the promissory note provided by the Company and other parties to Africa Energy was amended. The principle of the note will increase by \$3.3 million with \$1.5 million of the increase to be provided by the Company. The note maturity date was extended to March 31, 2025, and carries an annual interest rate of 15%.

