



AFRICA OIL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2023

GLOSSARY

	"Africa Energy"	means Africa Energy Corp. an international oil and gas exploration company that holds a 27.5% participating interest in the offshore Exploration Right for Block 2B in South Africa, an effective 14.6% participating interest in offshore PEL 37, and an effective 9.9% participating interest in the Exploration Right for Block 11B/12B offshore South Africa.
A	"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.
	"AVO"	means Amplitude Versus Offset.
	"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 \$150.0 million facility dated May 13, 2021, with a three-year term, amended to a \$160.0 million facility on July 16, 2021, and subsequently amended on January 28, 2022, to increase the available amount under the facility to \$100.0 million from the then unutilized amount of \$62.0 million, and an extension of the availability period to December 31, 2022, from May 13, 2022. On December 7, 2022, the Company agreed to extend the availability period of the Corporate Facility with existing lenders to May 31, 2023.
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.
	"FID"	means Final Investment Decision.
	"FPSO"	means Floating Production Storage and Offloading.
G	"GoK"	means Government of Kenya.
I	"IFRS"	means International Financial Reporting Standards.
	"Impact"	means Impact Oil and Gas Ltd, a privately owned exploration company with a strategic focus on large scale, mid to deep water plays of sufficient materiality to be of interest to major companies. Impact has an asset base across the offshore margins of Southern and West Africa.
J	"JV"	means Joint Venture.
K	"KRA"	means Kenya Revenue Authority.

L	"LTIP"	means Long Term Incentive Plan.
	"Lokichar Development Project"	means the development of the oil resources contained in the South Lokichar Basin (Blocks 10BB and 13T (Kenya)), for export via a pipeline to the coast of Kenya.
M	"Mcf"	means million cubic feet.
	"MD&A"	means Management's Discussion and Analysis.
	"MMbbl"	means one million barrels.
N	"MMBoe"	means millions of barrels of oil equivalent.
	"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.
O	"NUPRC"	means Nigerian Upstream Petroleum Regulatory Commission.
	"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.
	"Project Oil Kenya"	means the Company's Kenya development project incorporating Blocks 10BB and 13T.
	"PSA"	means Petroleum Sharing Agreement.
	"PSU"	means Performance Share Unit.
R	"PXF Facility"	means Pre-Export Finance Facility.
	"RBL"	means Reserves Based Lending.
S	"RSU"	means Restricted Share Unit.
	"spud" or "spudded"	means the initial drilling for an oil well.
T	"TAT"	means Tax Appeals Tribunal.
	"TotalEnergies"	means TotalEnergies SE and subsidiaries.
	"TSX"	means Toronto Stock Exchange.
U	"Tullow"	means Tullow Oil plc.
	"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.

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 months ended March 31, 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 months ended March 31, 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 May 12, 2023.

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

PROFILE AND STRATEGY

Africa Oil is a Canadian upstream oil and gas company with producing and development assets in deep-water Nigeria, and 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 primary focus is on its Nigerian and Namibian Orange Basin assets.

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. The Company instituted a dividend policy in February 2022 and a share buyback program in September 2022.

HIGHLIGHTS AND OUTLOOK - CONTINUED**HIGHLIGHTS AND OUTLOOK****Q1 2023 AND POST PERIOD HIGHLIGHTS**

- The high impact Venus appraisal campaign commenced with the spud of Venus-1A well, located 13km to the north of the discovery well Venus-1X on March 4, 2023. A second drilling rig is expected to join the campaign soon.
- On April 27, 2023, the Company subscribed for 39,455,741 shares in Impact for \$31.4 million, payable in two tranches, and following the transaction the Company will ultimately hold 31.1% of the enlarged share capital in Impact.
- The OML 130 drilling campaign commenced on February 22, 2023, with the spud of the first infill well on the Egina oil field. This is the first well in a multi-well program that is planned for up to 9 wells on Egina and Akpo in the license area during 2023 and 2024.
- Cash position of Prime net to the Company's 50% shareholding of \$198.5 million and debt balance of \$360.2 million at March 31, 2023, resulting in a Prime net debt position of \$161.7 million, which is a further deleveraging of Prime since Q4 2022.
- AOC's cash and cash equivalents at March 31, 2023, of \$158.2 million.
- The Company declared and paid a semi-annual dividend of \$0.025 per share (approximately \$11.5 million) at the end of March 2023. Since end of March 2022, the Company has returned more than \$80.0 million to its shareholders through the share buyback program and the dividend policy.

FINANCIAL SUMMARY⁽¹⁾

	Unit	Three months ended		Year ended
		March 31, 2023	March 31, 2022	December 31, 2022
AOC highlights				
Net income/ (loss)	\$'m	21.9	45.6	(60.3)
Net income/ (loss) per share - basic	\$/ share	0.05	0.10	(0.13)
Cash position	\$'m	158.2	140.6	199.7
Prime highlights, net to AOC's 50% shareholding				
WI production	boepd	20,900	25,400	23,500
Economic entitlement production	boepd	23,200	27,400	25,600
Cash flow from operations ⁽²⁾	\$'m	59.5	56.1	250.5
EBITDAX	\$'m	113.6	122.1	600.5
Free Cash Flow	\$'m	75.0	119.8	299.8
Net debt	\$'m	161.7	235.3	225.3

(1) The table includes non-GAAP measures. Definitions and reconciliations to these non-GAAP measures are provided on pages 14, 15 and 16.

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

HIGHLIGHTS AND OUTLOOK - CONTINUED**OUTLOOK****Namibia Orange Basin Appraisal and Exploration Campaign**

The Company believe that the most impactful catalysts for the Company in 2023 are the Venus appraisal drilling results from Block 2913B (PEL 56) and, the exploration results from the neighboring Block 2912 (PEL 91), both located offshore Namibia and operated by TotalEnergies. A multi-well campaign on these blocks commenced on March 4, 2023. This program is targeting up to four wells (including the re-entry of the Venus-1X discovery well, in Block 2913B), to appraise the Venus discovery and to investigate a potential westerly extension of Venus, the Nara prospect on Block 2912.

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 and a 18.9% WI in PEL 91, giving Africa Oil effective interests of 6.2% and 5.9% in these licenses respectively. The anticipated drilling and flowrate DST timeline is shown below.

Rig	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Tungsten Explorer		Venus 1A Drilling	Nara -1X drilling/DST	Nara -1A drilling/DST
Deepsea Mira			Venus 1A DST	Venus 1X DST

Block 2913B (PEL56)

Block 2912 (PEL91)

Note: This representative operational timeline is sourced from TotalEnergies' 2022 Results & 2023 Objectives investor presentation published in February 2023. This is an approximate timeline guide and is subject to operational performance and should not be taken as a definitive guidance on timing of the catalysts.

Venus-1A, the first appraisal well on the Venus structure, located approximately 13km to the north of the Venus-1X discovery well, is currently being drilled using the Tungsten Explorer drillship. After the well has been completed, the Tungsten Explorer will move to Block 2912 to drill Nara-1X exploration well and, if a discovery is made, perform a DST. Concurrently, the Deepsea Mira semi-submersible drilling rig, currently enroute to Namibia, will be used to conduct a DST of Venus-1A and Venus-1X wells. If Nara-1X is successful, the Tungsten Explorer will drill and DST the Nara-1A appraisal well.

The planned DSTs on all the wells are expected to provide important field data, for determining the dynamic performance of the reservoir(s) and, estimating the flowrates that can be achieved by the production wells in future developments. Although, at this stage there is no guarantee of an economically viable project. Successful Venus-1A and Venus-1X DSTs could also verify the technical work carried out so far, including the laboratory analysis of the core taken from Venus-1X, that support the case for appraisal of the Venus discovery and exploration of the Nara prospect.

Venus-1A, if successful, would further validate the Venus seismic model and structural mapping. This would also firm up the resource estimates for the Venus discovery. Nara-1X exploration well, if successful, could subsequently add significant additional recoverable volumes as it would de-risk a substantial areal extent to the west of Venus.

Impact closed an Open Offer to its shareholders on April 27, 2023, to raise \$95.0 million. The proceeds from the Open Offer, together with Impact's existing cash reserves will be used to fund Impact's share of the 2023 drilling and DST campaign.

Information on Africa Oil's participation in Impact's Open Offer and its updated shareholding is included in 'Equity Investments in Associates' on page 19.

Nigeria

The OML 130 drilling campaign commenced on February 22, 2023, with the spud of the first infill well on the Egina oil field. This is the first well in a multi-well program that 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 Q2 and Q3 2023. The acquisition plan also includes a baseline 4D seismic survey of the Preowei field. The surveys will all 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 Q1 2023 production results. Beyond the aforementioned drilling campaign in OML 130, which will offset production decline, there is a planned maintenance shutdown for the Akpo field taking place during Q4 2023. This is expected to take approximately 35 days.

Prime and its partners are nearing completion of the early renewal of OML 130 license, including conversion to PIA terms. Early renewal of OML 130 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 low-risk development opportunity through a satellite subsea tie-back project to the Egina FPSO.

HIGHLIGHTS AND OUTLOOK - CONTINUED**2023 Management Guidance**

The 2023 Management Guidance is unchanged and a summary is presented below for completeness:

	Full-Year 2023 Guidance	Q1 2023 Actuals
Prime, net to AOC's 50% shareholding:		
WI production (boepd) ⁽¹⁾⁽²⁾	18,500 - 21,500	20,900
Economic entitlement production (boepd) ^(2,3)	20,500 - 23,500	23,200
Cash flow from operations ^(4,5) (million)	\$250.0 - \$330.0	\$70.9
Capital investment (million)	\$80.0 - \$100.0	\$10.2

(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.

Equatorial Guinea

On February 20, 2023, the Company announced that it had signed two PSCs with the Republic of Equatorial Guinea for offshore Blocks EG-18 and EG-31, which were subsequently ratified on March 1, 2023. 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.

The Company has started to evaluate several prospects and commenced seismic reprocessing studies. Multiple prospects and leads have already been identified within EG-31. In the event of a commercial discovery in EG-31, existing nearby gas infrastructure could support a relatively short cycle development timeline.

The Company has also commenced the search for a farm-in partner. Seismic reprocessing will continue over the coming months to further refine the identified prospects and help to identify at least one prospect for potential drilling in 2024.

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⁾	February 28, 2025 ⁽¹⁾	Prime	16%
			TotalEnergies	24%
			SAPETRO	10% (carried)

Africa Oil's Direct Working Interests ⁽³⁾

Country	Concession	License renewal	Working Interests	
KENYA	Block 13T	December 31, 2021 ⁽⁴⁾	AOC	25%
			TotalEnergies	25%
			Tullow (Operator)	50%
	Block 10BB	December 31, 2021 ⁽⁴⁾	AOC	25%
			TotalEnergies	25%
			Tullow (Operator)	50%
Block 10BA	April 22, 2023 ⁽⁵⁾	AOC	25%	
		TotalEnergies	25%	
		Tullow (Operator)	50%	
SOUTH AFRICA	Block 3B/4B	October 26, 2024 ⁽⁶⁾	AOC (Operator)	20%
			Azinam	26.25%
			Ricocure (Pty) Ltd	53.75%
EQUATORIAL GUINEA	EG-18	March 1, 2025 ⁽⁷⁾	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. The Company believes that this will be renewed, in common with other licenses. The PIA includes the provision for leases to be converted earlier than their license renewal date.

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

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

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

(5) Subsequent to the period end, the Company decided not to renew the license.

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

(7) These PSCs were ratified by the Government of Equatorial Guinea on March 1, 2023.

Information on the Company's equity interests in Africa Energy, Eco and Impact is included in 'Equity Investments in Associates' on page 19.

BUSINESS UPDATE

Macroeconomic conditions

During Q1 2023, Bloomberg Dated Brent averaged \$81.4/bbl. This compares with a 2022 average of \$99.9/bbl and Q4 2022 average of \$88.3/bbl. Higher oil prices during H1 2022 caused by the Russian invasion of Ukraine have subsided significantly with markets' focus shifting to global economic outlook. A 16% Brent oil price drop during March 2023 due to concerns around global economic outlook and international banking stability, caused by the collapse of Silicon Valley Bank ("SVB"), underscores the shift of emphasis and near-term price drivers for the oil markets. However, strengthening Chinese economic activity and intervention of OPEC, through a voluntary supply cut, have also provided positive momentum for oil benchmarks, highlighting a volatile and uncertain outlook for the markets. The Company expect ongoing price volatility in the oil markets driven mostly by opposing views around the health of global economy, including Central Bank decisions around interest rates to combat persistent inflationary pressures. However, the Company also continues to hold the view that underinvestment in upstream oil and gas industry and, geopolitical issues could contribute to a tightening supply-demand balance with strengthening momentum for the global oil prices.

Nigeria economic environment

During Q1 2023, Nigerian inflation continued to trend upwards and as of March 2023, it was 22% (year-on-year). This continues to be driven by persistent disruption of energy markets and global supply chains. Persistent inflationary pressures are a considerable strain on the country's treasury as the government continues with its subsidy programs at much higher costs.

As has become customary in Nigeria since 2019, the 2023 annual budget for Nigeria has been accompanied by a proposed Finance Act that supports the revenue needs indicated in the budget. In line with that, in late December 2022, both chambers of Nigeria's National Assembly passed the annual Finance Bill for 2023, which includes proposed changes to several different tax laws, including laws that can affect directly or indirectly the oil and gas industry. It is understood that the Finance Bill, which was passed on to the Presidential Office for its final ascension, has been returned to the National Assembly for further consultation and deliberation. Considering the recent Presidential and National Assembly elections and the transition to a new government, the timing for the final passage of the Finance Bill and its provisions, including changes that could be relevant to the oil and gas industry are uncertain.

Nigeria's general election took place on February 25, 2023 to elect the President and Vice President and members of the Senate and House of Representatives. Bola Tinubu of the ruling All Progressives Congress ("APC") was declared winner of the presidential election with 36.6% of the vote. APC also won the majority of the seats in two chambers of the National Assembly. However, the opposition People's Democratic Party and Labour Party have contested the presidential election results in court, citing irregularities in the process. The Appeals Court has 180 days from the date of appeal to rule on the case. President-Elect Tinubu is scheduled to take office on May 20, 2023. The lingering uncertainty over the election results could have negative consequences for the business and investment climate in Nigeria.

SHAREHOLDER RETURNS

The Company declared and paid a semi-annual dividend of \$0.025 per share (approximately \$11.5 million) at the end of March 2023. The Board of Directors view the 2023 annual distribution to be prudent with due consideration for the acquisition-led business strategy and the priority of maintaining a strong balance sheet in a range of market scenarios.

During Q1 2023, the Company repurchased 3.1 million shares through its Normal Course Issuer Bid share buyback plan on the facilities of Toronto Stock Exchange and Nasdaq OMX, at all-in-cost of \$6.7 million of which 3.1 million shares were cancelled during Q1 2023.

Since end of March 2022, the Company has returned more than \$80.0 million to its shareholders through the share buyback program and the dividend policy.

BUSINESS UPDATE - CONTINUED**EQUITY INVESTMENT IN PRIME - NIGERIA**

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

The main assets of Prime are an indirect 8% WI in OML 127 and an indirect 16% WI in OML 130. OML 127 is operated by affiliates of Chevron and covers part of the producing Agbami field. OML 130 is operated by affiliates of TotalEnergies and contains the producing Akpo and Egina fields. The three fields in these two OMLs are located over 100 km offshore Nigeria. All three fields have high quality reservoirs and produce light to medium sweet crude oil through FPSO facilities. Akpo and Egina also 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.

Production and Operations**Production Metrics - rounded**

	Unit	Three months ended		Year ended
		March 31, 2023	March 31, 2022	December 31, 2022
Total gross field production	boepd	331,500	395,400	363,700
Net to AOC's 50% shareholding:				
Average daily WI production	boepd	20,900	25,400	23,500
Average daily entitlement production	boepd	23,200	27,400	25,600
Oil volumes sold	MMbbl	1.5	2.5	7.4
Gas volumes sold	bcf	2.3	2.4	10.3
Oil/gas percentage split	%	81%/19%	83%/17%	82%/18%

Q1 2023 production was in the upper end of management guidance for both WI production (18,500 - 21,500 boepd) and economic entitlement production (20,500 - 23,500 boepd). Q1 2023 gross field production was lower than Q1 2022, primarily as a result of expected natural reservoir decline. OML 130 gas export was also briefly impacted by a process disruption at Nigeria Liquefied Natural Gas facility during January 2023.

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 in that it 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 PPT in cash for OML 130. Aggregate oil equivalent production data comprises of light and medium crude oil and conventional natural gas production net to Prime's WI in Agbami, Akpo and Egina fields. These production rates only include sold gas volumes and not those volumes used for fuel, reinjected or flared.

In Q1 2023, Prime was allocated 3 oil liftings with total sales volume of approximately 3.0 million barrels or 1.5 million barrels net to the Company's 50% shareholding at an average realized oil price of \$81.5/bbl. In Q1 2022, Prime was allocated 5 oil liftings with total sales volume of approximately 5.0 million barrels or 2.5 million barrels net to the Company's 50% shareholding at an average realized oil price of \$68.8/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 Q1 2023, the share of profit from the 50% investment in Prime was \$37.5 million (Q1 2022 - \$51.0 million). As at March 31, 2023, the Company's investment in Prime was \$551.2 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		Year ended
		March 31, 2023	March 31, 2022	December 31, 2022
Total revenues	\$'m	137.4	204.4	723.2
Cost of Sales ⁽²⁾	\$'m	67.4	140.5	278.2
Gross profit	\$'m	70.0	63.9	445.0
Opex/boe ^(3,4)	\$/boe	8.3	7.5	8.3
Cash flow from operations before working capital adjustments	\$'m	59.5	56.1	250.5
Cash flow from operations before working capital adjustments and taxes paid	\$'m	103.0	116.5	572.0
Free cash flow	\$'m	75.0	119.8	299.8
Free cash flow/boe ⁽⁴⁾	\$/boe	35.7	47.9	32.2
Tax	\$'m	20.0	42.6	242.8
Capex	\$'m	10.2	2.5	28.4
Dividends paid	\$'m	-	100.0	250.0
Net Debt	\$'m	161.7	235.3	225.3
EBITDAX	\$'m	113.6	122.2	600.5
Net Debt/EBITDAX ⁽⁵⁾	ratio	0.3	0.4	0.4
AOC Net Debt inclusive of 50% Prime Net Debt	\$'m	(3.5)	(94.7)	(25.6)

(1) The table includes non-GAAP measures. Definitions and reconciliations to these non-GAAP measures are provided on pages 13, 14, 15 and 16.

(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) Calculated on a 12 month rolling basis until March 31, 2023, and March 31, 2022 respectively.

BUSINESS UPDATE - CONTINUED**Total revenues**

	Unit	Three months ended		Year ended
		March 31, 2023	March 31, 2022	December 31, 2022
Per Prime's financial statements				
Total revenue	\$'m	274.7	408.8	1,446.3
Net to AOC's 50% shareholding:				
Oil revenue	\$'m	122.2	171.4	627.7
Gas revenue	\$'m	1.9	3.9	20.3
PPT revenue	\$'m	9.7	23.6	54.8
Royalty revenue	\$'m	3.6	5.5	20.4
Total revenue	\$'m	137.4	204.4	723.2
Realized oil prices ⁽¹⁾	\$/bbl	81.5	68.8	84.5
Oil volumes sold	MMbbl	1.5	2.5	7.4
Realized gas prices	\$/mcf	0.8	1.6	2.0
Gas volumes sold	Bcf	2.3	2.4	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 Q1 2023 was mainly due to lower sales volumes in Q1 2023 partly offset by a higher realized price of \$81.5/bbl in Q1 2023 compared with \$68.8/bbl in Q1 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 PPT in cash for OML 130, therefore such revenue is already accounted for in the oil volumes sold by Prime.

Agbami royalties are presented gross in both revenue and cost of sales.

Cost of sales

	\$'m	Three months ended		Year ended
		March 31, 2023	March 31, 2022	December 31, 2022
Per Prime's financial statements				
Total cost of sales		134.8	281.1	556.3
Net to AOC's 50% shareholding:				
DD&A		46.4	34.7	131.4
Production costs		17.5	18.7	77.1
Movements on overlift/underlift balances		(3.8)	77.3	23.4
Royalties		7.3	9.9	46.3
Total cost of sales		67.4	140.6	278.2

Cost of sales has decreased in Q1 2023 compared with Q1 2022. This is mainly due to an increase in the net underlift position in Q1 2023 resulting in a credit within cost of sales compared to an increase in the net overlift position in Q1 2022. The overlift/ underlift position represents Prime's excess of liftings over its entitlement share of production. DD&A charges increased in Q1 2023 compared with Q1 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		Year ended
		March 31, 2023	March 31, 2022	December 31, 2022
Per Prime's financial statements				
Production costs	\$'m	34.9	37.4	154.1
Net to AOC's 50% shareholding:				
Production costs	\$'m	17.5	18.7	77.1
Entitlement production	MMboe	2.1	2.5	9.3
Opex/boe	\$/boe	8.3	7.5	8.3

Production costs are largely stable when comparing Q1 2023 and Q1 2022.

The increase in opex/boe in Q1 2023 compared to Q1 2022 is primarily due to 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 are shown below:

\$'m	Three months ended		Year ended
	March 31, 2023	March 31, 2022	December 31, 2022
Per Prime's financial statements			
Cash flow from operations	147.6	233.2	589.5
Net to AOC's 50% shareholding:			
Cash flow from operations	73.8	116.6	294.8
Working capital adjustments included in cash flow from operations			
Changes in trade and other receivables	(37.8)	42.8	(18.7)
Changes in over/underlift balances	3.8	(77.4)	(23.4)
Changes in other working capital balances	19.7	(25.9)	(2.2)
Total change in working capital	(14.3)	(60.5)	(44.3)
Cash flow from operations before working capital adjustments	59.5	56.1	250.5
Taxes paid	43.5	60.4	321.5
Cash flow from operations before working capital adjustments and taxes paid	103.0	116.5	572.0

Cash flow from operations before working capital adjustments and taxes paid decreased slightly in Q1 2023 compared to Q1 2022 impacted by slightly higher interest payments and lower other operating income. Cash flow from operations before working capital adjustment and after tax payments in Q1 2023 is however in line with Q1 2022 as a result of lower tax payments during Q1 2023.

Cash flow from operations including working capital adjustments decreased compared to Q1 2022 as a result of lower cash inflow from changes in working capital during Q1 2023.

BUSINESS UPDATE - CONTINUED**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		Year ended
		March 31, 2023	March 31, 2022	December 31, 2022
Per Prime's financial statements				
Total cash flow	\$'m	65.2	13.4	(186.2)
Add back dividends	\$'m	-	200.0	500.0
Add back debt service costs ⁽¹⁾	\$'m	84.8	26.1	285.8
FCF	\$'m	150.0	239.5	599.6
Net to AOC's 50% shareholding:				
FCF	\$'m	75.0	119.8	299.8
Entitlement production	MMboe	2.1	2.5	9.3
FCF/boe ⁽²⁾	\$/boe	35.7	47.9	32.2

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

(2) The Q1 2022 comparative figures have been revised to ensure comparability and consistency of calculation whereby the working capital adjustments have been removed from the calculation to make FCF/boe in line with common presentation in the sector.

FCF has decreased in Q1 2023 compared with Q1 2022 primarily as a result of working capital movements whereby working capital movements during Q1 2023 resulted in a positive cashflow of \$14.3 million compared to a positive cashflow of \$60.5 million during Q1 2022.

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.

Tax

The tax expense is made up of the following items.

	\$'m	Three months ended		Year ended
		March 31, 2023	March 31, 2022	December 31, 2022
Per Prime's financial statements				
Petroleum Profit Tax		78.5	100.4	590.0
Deferred tax income		(47.0)	(35.6)	(157.4)
Education tax		7.1	17.0	41.7
Corporate income tax		1.4	3.4	11.3
Total		40.0	85.2	485.6
Net to AOC's 50% shareholding:				
Total		20.0	42.6	242.8

BUSINESS UPDATE - CONTINUED

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 Q1 2022, Prime exhausted its unused investment tax credit pool and lower additional credits have since been generated on capital expenditure incurred on qualifying assets.

Education tax is imposed on every Nigerian company at a rate of 2.5% of the assessable profit in the period.

Capital expenditure

Capital expenditures in Q1 2023 of \$10.2 million mainly related to the drilling of the first infill development well of the OML 130 drilling campaign, a water injector on the Egina field. Expenditures in Q1 2022 of \$2.5 million related to testing and pigging operations.

Dividends paid

In Q1 2023, Prime did not distribute any dividends (Q1 2022 - one dividend with a net payment to the Company of \$100.0 million).

Net Debt

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

	Unit	Three months ended		Year ended
		March 31, 2023	March 31, 2022	December 31, 2022
Per Prime's financial statements				
Loans and borrowings	\$'m	720.3	1,002.0	782.3
Cash and cash equivalents	\$'m	(396.9)	(531.4)	(331.7)
Net Debt	\$'m	323.4	470.6	450.6
Net to AOC's 50% shareholding:				
Net Debt	\$'m	161.7	235.3	225.3

Net to AOC's 50% shareholding, Prime has \$198.5 million of cash and \$360.2 million of debt (as at December 31, 2022 - \$165.9 million of cash and \$391.2 million of debt and as at March 31, 2022 - \$265.7 million of cash and \$501.0 million of debt).

The debt outstanding has decreased during Q1 2023 following repayments on the RBL and PXF Facilities of \$62.0 million.

BUSINESS UPDATE - CONTINUED**EBITDAX and Net Debt/EBITDAX**

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

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

\$'m	Three months ended		Twelve months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	December 31, 2022
Per Prime's financial statements				
Total profit	75.1	102.0	272.5	299.4
<i>Add back:</i>				
Tax	40.0	85.2	440.4	485.6
Finance costs	20.4	(12.7)	107.7	74.6
Finance income	(1.6)	(0.1)	(8.0)	(6.5)
DD&A and Impairment	92.7	69.4	368.3	345.0
Exploration expenses	0.5	0.4	2.8	2.8
EBITDAX	227.1	244.2	1,183.7	1,200.9
Net Debt			(323.4)	(450.6)
Net Debt/ EBITDAX			0.3	0.4
Net to AOC's 50% shareholding:				
Net Debt			(161.7)	(225.3)
EBITDAX			591.9	600.5
Net Debt/ EBITDAX			0.3	0.4
AOC Net Cash			158.2	199.7
AOC Net Cash/(Debt) inclusive of 50% Prime Net Debt			(3.5)	(25.6)

At March 31, 2023, Prime has a Net Debt of \$323.4 million (as at December 31, 2022 - Net Debt of \$450.6 million) and a Net Debt/EBITDAX ratio of 0.3x for the twelve months ended March 31, 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.

Forward Sales and Revised Crude Oil Marketing

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

BUSINESS UPDATE - CONTINUED

Prime historically fixed the Dated Brent component of the sales price in its forward sales contracts ahead of the lifting date, based on the forward curve price for the expected lifting date. During Q2 2022, Prime's Supervisory Board approved a revised crude marketing strategy that maintains the 50% - 70% coverage target for the next 12-months' scheduled cargoes but no longer fixes the Dated Brent component for all of the sales ahead of the lifting date, instead uses a trigger price mechanism. Under this new strategy, Prime gives an irrevocable instruction to an offtaker to fix the Dated Brent component of a cargo when the forward curve price goes below a certain trigger based on a percentage of the Brent forward curve (at the time when the instruction was given) for the month of the expected lifting. Otherwise, the cargo is sold on a spot basis. The current percentage used by Prime to set these thresholds is around 80% of the Brent forward curve and it can be altered depending on, among other factors, the shape of the forward curve.

For example, one cargo expected in July 2023 is set with a trigger of \$69.0/bbl. This means that if the forward curve drops below \$69.0/bbl for the month of the forecast cargo, the Dated Brent component of the forward sale price would be locked in. If the forward curve does not drop below \$69.0/bbl up to 31 days before the cargo is lifted, then Prime will sell on a spot basis. This policy allows Prime to retain price upside, while securing a minimum oil price for 50% to 70% of its oil entitlement in a falling oil price environment.

Oil sales were comprised of the following:

Oil Sales	Unit	Q1 2023	Q1 2022	Year 2022
Number of cargoes lifted		3	5	15
Of which:				
Sold forward with a fixed Dated Brent price		-	5	11
Sold forward with the trigger price mechanism activated		2	-	4
Sold at spot		1	-	-
		3	5	15
Gross crude oil sales				
Quantity in Mboe	Mboe	3,001.1	4,984.0	14,859.0
Average sales price	\$/ bbl	81.5	68.8	84.5
Average Bloomberg Dated Brent for the period	\$/ bbl	81.4	99.5	99.9

Post period end, Prime sold two cargoes during April 2023 at Brent spot prices with an average all-in sales price of \$89.0/bbl. Prime is expected to lift another cargo before end of Q2 2023 with a trigger price of \$70.0/bbl, that was not reached as of the effective date of this MDA. Prime has 6-7 cargoes, scheduled during H2 2023, of which 5 are set with trigger prices ranging between \$62.0 - \$70.0/bbl with an average trigger price of \$66.6/bbl. None of these triggers have been reached as of the effective date of this MD&A.

Based on the table above, oil revenue net to AOC's 50% shareholding in Prime amounted to \$122.2 million for Q1 2023 compared to \$171.4 million for Q1 2022.

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

At the end of Q1 2023 the Company had a 25% WI in Blocks 10BB and 13T (before Government's back-in rights) with Tullow Oil plc (50% and Operator) and TotalEnergies (25%) holding the remaining interests.

In December 2021, as per the license extension requirements provided by the GoK in September 2020, the Project Oil Kenya JV Partners submitted a FDP for the 10BB and 13T licenses. The submission of the FDP is followed by a period of review by the GoK, during which time the licenses remain in good standing.

In Q2 2022, the 10BA license was extended to April 22, 2023. Subsequent to the period end, the Company decided not to renew this license.

The additions to intangible exploration assets during Q1 include exploration expenditures incurred directly relating to the projects.

On March 1, 2023, AOKBV, the Company's wholly owned subsidiary in Kenya, reached an agreement with the KRA to settle the ongoing legal dispute regarding CIT and VAT assessments by the KRA.

In line with this agreement, reached pursuant to an Alternative Dispute Resolution process provided for under Kenyan law, AOKBV has paid KES 1,163 bn (approximately \$8.8 million) to the KRA in respect of principal of the VAT assessment. The KRA has agreed to drop the CIT assessment. AOKBV expects to complete the negotiations with the National Treasury of Kenya during the year in relation to a waiver or reduction of the interest and penalties due on such principal, capped at 100% of the principal tax. Both parties have abandoned their respective intended appeals in the Court of Appeal of Kenya.

BLOCK 3B/4B - SOUTH AFRICA

On March 8, 2023, the Company published an independent review of prospective resources in Block 3B/4B by RISC Advisory (UK) Limited ("RISC"). This was prepared in accordance with Canadian National Instrument 51-101 - Standards for Oil and Gas Activities ("NI 51-101"), the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and the Petroleum Resources Management System 2018 ("PRMS"). Please refer to the Company's press release of March 8th, 2023, announcing the publication of this report for more details. The independent review can also be found on the Company's website: <https://africaoilcorp.com/operations/block-3b-4b/>.

RISC reviewed the prospective resources and probability of geological success of an inventory of exploration prospects within Block 3B/4B and reported total unrisks gross P50 prospective resources of approximately 4 billion barrels of oil equivalent. Probability of success ranges from 11% to 39% over the 24 prospects identified.

The prospect inventory evaluated by RISC has been identified following completion of the reprocessing of 3D seismic data and knowledge of the regional geology of play opening discoveries in the Orange Basin, offshore Namibia, including TotalEnergies' Venus discovery and Shell's Graff, La Rona, and Jonker discoveries.

BLOCKS EG-31 AND EG-18 - EQUATORIAL GUINEA

On February 20, 2023, the Company announced that it had signed two PSCs with the Republic of Equatorial Guinea for offshore Blocks EG-18 and EG-31, which were subsequently ratified on March 1, 2023. 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.

In the three months ended March 31, 2023, expenditure of \$7.7 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.

BUSINESS UPDATE - CONTINUED**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 March 31, 2023:

	Africa Energy	Eco	Impact ⁽¹⁾
Issued and Outstanding	1,407,812,249	365,682,014	931,523,968
Shares held by AOC at January 1, 2023	276,982,414	54,941,744	287,565,860
Shares acquired in the period	-	-	-
Shares held by AOC at March 31, 2023	276,982,414	54,941,744	287,565,860
AOC's holding (%) - March 31, 2023	19.67%	15.02%	30.87%
AOC's holding (%) - December 31, 2022	19.67%	15.02%	30.87%
Share price on March 31, 2023	CAD \$0.18	CAD \$0.35	N/A
Exchange rate to USD on March 31, 2023	0.74	0.74	N/A

(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. The Company's ownership interest is approximately 30.9% at March 31, 2023.

On April 27, 2023, the Company subscribed for 39,455,741 shares in Impact for \$31.4 million, payable in two tranches, and following the transaction the Company will ultimately hold 31.1% of the enlarged share capital in Impact. The first tranche of \$15.0 million was paid on April 25, 2023, with the final tranche of \$16.4 million being paid by August 1, 2023.

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. An appraisal program of up to two wells on the Venus is currently underway including a re-entry of Venus-1X. The operator plans to conduct flow tests on both wells. The JV will also drill one exploration well (Nara-1X) on the neighboring Block 2912, to test a possible westerly extension of Venus. This well will be flow tested in case of a discovery. If Nara-1X is successful a contingent appraisal well, Nara-1A, will be drilled and flow tested. A 3D seismic survey over the majority of the Nara prospect was completed in April 2023, an extended 3D seismic of the remainder of the Nara structure could be acquired towards end of 2023 if Nara-1X is successful.

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 a 27.5% participating interest in the offshore Exploration Right for Block 2B in South Africa, and an effective 4.9% participating interest in the Exploration Right for Block 11B/12B offshore South Africa. The Company's ownership interest is approximately 19.7% at March 31, 2023.

The Luiperd and Brulpadda discoveries are located on Block 11B/12B in the Outeniqua Basin approximately 175 kilometers off the southern coast of South Africa. The block covers an area of approximately 19,000 square kilometers with water depths ranging from approximately 200 to 1,800 meters. The success at both the Luiperd-1X well and the Brulpadda-1AX well significantly de-risks the remaining Paddavissie Fairway prospects on Block 11B/12B. The Company and its joint venture partners are contemplating an EPS for a phased development of the Paddavissie Fairway. The EPS would provide first gas and condensate production from the Luiperd discovery and would accelerate the Block 11B/12B development timeline by utilizing existing nearby infrastructure on the adjacent block in order to supply gas to existing customers in Mossel Bay.

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 two exploration blocks offshore South Africa. The Company and Eco are partners in Block 3B/4B. Eco also has a direct WI and indirect interest in two exploration blocks offshore Guyana, adjacent to the Exxon's prolific Stabroek block. The Company's ownership interest is approximately 15.0% at March 31, 2023.

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

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

As part of those governance systems, we receive ESG performance data from Prime on a quarterly basis, which allows us to monitor alignment with agreed ESG targets and objectives. Flaring and asset optimisation have been a particular focus of our engagement. In 2022, flared gas volumes decreased 27% year-over-year, averaging 33.7 mmscf/d. This performance was below the target of 36.6 mmscf/d though above the stretch target of 25.0 mmscf/d. Flaring is now half the rate it was in 2019, before we acquired the assets, and further improvements are expected. For 2023, Prime are targeting a further 25% reduction in flared gas volumes to 25.0 mmscf/d, with a stretch target of 18.0 mmscf/d.

Flaring reductions will support Prime's objective to reduce GHG emissions 20% by 2025 and 30% by 2030 on the pathway to achieving net zero across Scope 1 and 2 emissions by 2050. Emissions declined 8% overall in 2022, putting the company on track to achieve the 2025 interim target.

Prime's ESG strategy will help to support Africa Oil's own climate objectives. In 2021, the Company announced its intention to achieve carbon neutrality by 2025. This past year, the Company progressed development of a comprehensive Energy Transition Strategy including science-based short-, medium- and long-term targets towards net zero across Scope 1 and 2 emissions. The Company expects to be in a position to communicate the new strategy in 2023 subject to further detailed assessment.

Although the Company continues to work with operating partners to realize operational reductions, the Company will largely rely on carbon offsets to meet its carbon neutrality target. The preference is to invest directly in nature-based carbon removal projects to develop a dedicated source of emissions offsets, where the Company has full transparency into and control over the project quality. Towards that end, the Company has started work to identify and develop two high-quality emissions offset projects in Kenya that also deliver social and environmental benefits. Given the early-stage nature of these projects, there is risk they may not progress or deliver the volume of credits required. For that reason, the Company continues to screen the market for further opportunities, as well as secure existing credits over-the-counter.

These highlights are included in our second annual Sustainability Report, which was released on March 31, 2023, and covers the period January 1, 2022, to December 31, 2022. In addition to the reduction in flaring and emissions at Prime and progression of our offsetting programme, another highlight for the year included adoption of a new Diversity, Equity and Inclusion Policy, including aspirational diversity targets at the Board and Management level. As part of our commitment to both enhance disclosures and our own understanding of ESG risks, we piloted the Taskforce for Nature-related Financial Disclosures (TNFD) assessment and disclosure framework to understand the nature-related dependencies, impacts, risks and opportunities in relation to Project Oil Kenya. Additionally, we expanded the ESG performance metrics disclosed to include not only SASB but material GRI metrics.

In order to comply with requirements imposed by IFC, one of the Company's major shareholders, independent monitoring reviews are conducted on a regular basis to assess compliance with IFC Performance Standards. The most recent review was conducted in Q3 2022 and can be found, along with all other Independent Monitoring Group reports, on Africa Oil's website.

SUMMARY OF QUARTERLY INFORMATION

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

For the three months ended	31-Mar 2023	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022	31-Dec 2021	30-Sep 2021	30-Jun 2021
Share of profit/ (loss) from equity investments in joint venture and associates	32.5	(5.1)	76.5	13.3	53.7	61.8	69.7	47.4
Net income/ (loss) attributable to common shareholders	21.9	(182.2)	70.6	5.7	45.6	54.9	58.5	38.4
Weighted average shares - Basic '000	461,199	475,074	477,311	477,166	475,090	474,192	473,505	473,253
Weighted average shares - Diluted '000	473,846	475,074	491,131	490,562	485,113	479,611	477,799	476,398
Basic income/ (loss) per share (\$)	0.05	(0.39)	0.15	0.01	0.10	0.12	0.12	0.08
Diluted income/ (loss) per share (\$)	0.05	(0.39)	0.14	0.01	0.09	0.12	0.12	0.08

SUMMARY OF KEY ITEMS OF FINANCIAL PERFORMANCE IN THE THREE MONTHS ENDED MARCH 31, 2023, AND MARCH 31, 2022

	Three months ended	
	March 31, 2023	March 31, 2022
Total operating income	32.5	53.7
Salaries and benefits	(2.1)	(1.9)
Share-based compensation	(5.9)	(3.7)
Professional fees and other general and administrative expenses	(3.6)	(1.3)
Net operating income	20.9	46.8

Total and net operating income

In Q1 2023, the Company recognized net operating income amounting to \$20.9 million (Q1 2022 - \$46.8 million).

In Q1 2023, included in the Company's share of income from equity investments is income from its 50% investment in Prime of \$37.5 million (Q1 2022 - \$51.0 million).

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 recorded lower revenues of \$134.1 million in Q1 2023 compared to Q1 2022, mainly from lower volumes sold compared to Q1 2022 despite a higher realized price of \$81.5/bbl in Q1 2023 compared with \$68.8/bbl in Q1 2022. Prime also recorded a decrease in cost of sales of \$146.3 million, mainly driven by an underlift movement during Q1 2023 of \$7.6 million compared to a overlift movement in Q1 2022 of \$154.7 million. This resulted in a slightly higher gross profit in Q1 2023 compared to Q1 2022. In addition, there was a decrease of \$51.5 million in other operating income, primarily consisting of investment tax credits which can be offset against PPT, and an increase in finance costs of \$33.1 million, partly offset by lower tax charges of \$45.0 million. These factors explain the lower profit in the period of \$26.9 million in Q1 2023 compared to Q1 2022.

SUMMARY OF QUARTERLY INFORMATION - CONTINUED

Salaries and benefits

Salaries and benefits are consistent in Q1 2023 compared to Q1 2022.

Share based compensation

The share-based compensation charge relates to the LTIP and Stock Option Plan.

Share-based compensation expenses increased in Q1 2023 compared to Q1 2022 as the share price of the Company increased more significantly during Q1 2023 and performance assessments of outstanding PSU's resulted in additional non-cash share-based compensation charges during Q1 2023.

Professional fees and other general and administrative expenses

In Q1 2023, professional fees and other general and administrative expenses were higher compared to Q1 2022 as there was increased expenditure on legal and professional fees relating to corporate development activities.

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

As at	March 31, 2023	December 31, 2022
Assets		
Equity investment in joint venture	551.2	513.7
Equity investments in associates	132.3	137.3
Intangible exploration assets	71.5	63.6
Cash	158.2	199.7
Liabilities		
Long-term debt	-	-

Equity investment in joint venture

As at March 31, 2023, the Company's investment in Prime was \$551.2 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 \$37.5 million in Q1 2023.

Equity investments in associates

As at March 31, 2023, the Company's investment in associates was \$132.3 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 associates losses in Q1 2023.

Intangible exploration assets

The Company's intangible exploration assets relate to its interests in Blocks 10BB and 13T in Kenya, Blocks EG-18 and EG-31 in Equatorial Guinea and Block 3B/4B in South Africa.

Kenya

In Q1 2023, the Company incurred expenditure of \$0.1 million.

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 Q1 2023, expenditure of \$7.7 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.

South Africa

The Company holds a 20% participating interest in the Block 3B/4B Exploration Right. In Q1 2023, the Company incurred expenditure of \$0.1 million.

Cash

As at March 31, 2023, the Company had \$158.2 million cash on hand, compared with a cash balance of \$199.7 million as at December 31, 2022. The decrease is primarily driven by dividend payments to shareholders in Q1 2023 of \$11.5 million, share buybacks in Q1 2023 under the launched Normal Course Issuer Bid amounting to \$6.7 million, settlement of the principal tax in the dispute with the KRA and expenditures incurred in respect of the EG-18 and EG-31 licenses in Equatorial Guinea.

Long-term debt

As at March 31, 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 March 31, 2023, the Company had cash of \$158.2 million and working capital of \$130.1 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 has an undrawn Corporate Facility arranged in May 2021 for three years. The facility amount is \$100.0 million, available until May 2023. The Corporate Facility carries interests of 1 month-LIBOR plus a margin of 6.5% in the first year, 7.0% in the second year and 7.5% in the third year.

The principal amounts, if drawn, may not exceed \$80.0 million by September 30, 2023, and \$50.0 million by February 29, 2024. Any loan repayments are calculated to be protective of the Company's liquidity position. Prior to maturity, repayments under the loan are made in the month a dividend is received from Prime. The Company's loan repayments reduce commensurately with any reduction in dividends from Prime. If drawn, the loan principal would be repaid by the lesser of 100% of the dividends received from Prime, and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment.

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

The Corporate Facility is subject to financial and liquidity covenants. The Company has been in compliance with the covenants in the three months ended March 31, 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	462,320,871
Outstanding share purchase options	2,629,616
Outstanding performance share units	6,429,286
Outstanding restricted share units	1,263,298
Full dilution impact on common shares outstanding	472,643,071

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy:

As at March 31, 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 credit facility of which \$2.0 million was provided by the Company and the remaining by other parties. The \$5.0 million credit facility is unsecured and matures on January 31, 2024, when the principal and accrued interest are due in full. The loan carries an annual interest rate of 10% until October 31, 2023, at which time the annual interest rate for any outstanding amount increases to 15% retrospectively. The facility has no security and is repayable pro rata any time before maturity without penalty. In the three months ended March 31, 2023, interest on the note amounted to \$0.1 million (three months ended March 31, 2022 - nil).

The Company has technical and administrative cost sharing agreements with Africa Energy totalling \$0.1 million in Q1 2023 (Q1 2022 - \$0.1 million).

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 and 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. As at March 31, 2023, this remains the best estimate of the most likely outcome.

KENYA LICENSE COMMITMENTS:

Under the terms of the Block 10BA PSC, the Company received approval from the Ministry of Petroleum and Mining for the Republic of Kenya for an extension to the second additional exploration period to April 26, 2023, allowing time for the joint venture to include and align the Block 10BA work program with the proposed FDP for Blocks 10BB and 13T. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 km² of 2D or 45 km² of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well. The total minimum gross expenditure obligation for the second additional exploration period is \$19.0 million. The JV partners have not provided any letters of credit or guarantees for this commitment. The Company has presented a plan for exploration and appraisal in Block 10BA in the FDP. This drilling plan was formally submitted in December 2021. At March 31, 2023, the Company's working interest in Block 10BA was 25%. Subsequent to the period end, the Company decided not to renew the license.

SOUTH AFRICA LICENSE COMMITMENTS:

The application to extend the Block 3B/4B license and to move into the first extension period of 2 years was approved on October 27, 2022. The work commitment for this extension period includes the completion of 2,020 square kilometers of 3D seismic reprocessing and integration of well and seismic data. The work commitment for Block 3B/4B has been fulfilled. At December 31, 2022, the WI in Block 3B/4B was 20%.

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 outstanding license commitments as at the date the Board of Directors of the Company approved these interim condensed consolidated financial statements, amounted to approximately \$1.0 million.

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.

COMMITMENTS AND CONTINGENCIES - CONTINUED

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 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 Interim Condensed Company's Consolidated Statement of Net Income and Comprehensive Income. Distributions received reduce the carrying amount of the investment.

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

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 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 March 31, 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 March 31, 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, Equatorial Guinea and Kenya. In all instances these references are to light and medium crude oil category in accordance with NI 51-101 and the COGE Handbook.

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

RISK FACTORS

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

The risks noted in the risk factors section comprises those that can materially affect the figures presented and disclosures in the Interim Condensed 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.

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

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
- 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 March 31, 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.

As has become customary in Nigeria since 2019, the 2023 annual budget for Nigeria has been accompanied by a proposed Finance Act that supports the revenue needs that the budgets indicate. In line with that, in late December 2022, both chambers of Nigeria's National Assembly passed the annual Finance Bill for 2023, which includes proposed changes to several different tax laws, including laws that can affect directly or indirectly the oil and gas industry. It is understood that the Finance Bill, which was passed on to the Presidential Office for its final ascension, has been returned to the National Assembly for further consultation and deliberation. Considering the recent Presidential and National Assembly elections and the transition to a new government, the timing for the final passage of the Finance Bill and its provisions, including changes that could be relevant to the oil and gas industry are uncertain. If there are adverse consequences to the oil and gas industry, this could cause further delay to the conversion of OML 127 and early renewal of OML 130.

Nigeria's general election took place on February 25, 2023 to elect the President and Vice President and members of the Senate and House of Representatives.

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.

RISK FACTORS - CONTINUED

DIFFERENT LEGAL SYSTEM AND LITIGATION

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

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

ANTI-BRIBERY AND ANTI-CORRUPTION LAWS

The Company is subject to various anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada) and the Bribery Act 2010 (United Kingdom). Failure to comply with such laws could subject the Company to, among other things, reputational damage, civil and criminal penalties, other remedial measures and legal expenses which could adversely affect the Company's business, results in operations, and financial condition. 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.

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

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

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 minimise 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.

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 minimise operational emissions in line with Paris Agreement objectives, which should help to remain aligned with evolving regulatory requirements and minimise negative impacts.

REPUTATIONAL RISK

Increased scrutiny, pressure and action by environmental activists, non-governmental organisations 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 minimise 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 minimise operational emissions.

CLIMATE RISKS - CONTINUED

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. Specifically, the Field Development Plan for our Kenyan assets includes use of solar power to support administrative loads, and we have explored broader use of renewables to power operations at the facility.

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 and limited to increasing precipitation and risk of drought in Kenya. 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;

FORWARD-LOOKING STATEMENTS - CONTINUED

- Future market interest rates;
- Future expenditures and future allowances relating to environmental matters;
- Dates by which certain areas will be explored or developed or will come on stream or reach expected operating capacity;
- The Company's ability to comply with future legislation or regulations;
- Future staffing level requirements; and
- Changes in any of the foregoing.

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

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

- Market prices for oil and gas;
- 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.

