



AFRICA OIL CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2023

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(Expressed in millions of United States dollars)

As at	Note	March 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	4	158.2	199.7
Loan to associated company	15	2.1	-
Accounts receivable and prepaid expenses		1.8	1.4
		162.1	201.1
Long-term assets			
Equity investment in joint venture	5	551.2	513.7
Equity investments in associates	6	132.3	137.3
Intangible exploration assets	7	71.5	63.6
Loan to associated company	15	-	2.0
		755.0	716.6
Total assets		917.1	917.7
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and liabilities	8	32.0	37.2
Share-based compensation liability		-	7.3
		32.0	44.5
Long-term liabilities			
Share-based compensation liability		8.6	5.3
Provision for contingent consideration	5	32.0	32.0
Provision for site restoration	9	5.4	5.3
		46.0	42.6
Total liabilities		78.0	87.1
Equity attributable to common shareholders			
Share capital	11(B)	1,264.1	1,267.7
Contributed surplus		60.9	59.2
Deficit		(485.9)	(496.3)
Total equity attributable to common shareholders		839.1	830.6
Total liabilities and equity attributable to common shareholders		917.1	917.7

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

Approved on behalf of the Board:

"ANDREW BARTLETT"

ANDREW BARTLETT, DIRECTOR

"KEITH HILL"

KEITH HILL, DIRECTOR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

(Expressed in millions of United States dollars)

For the three months ended	Note	March 31, 2023	March 31, 2022
Operating income			
Share of profit from investment in joint venture	5	37.5	51.0
Share of (loss)/ income from investments in associates	6	(5.0)	2.7
Total operating income		32.5	53.7
Operating expenses			
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)
Total operating expense		(11.6)	(6.9)
Net operating income		20.9	46.8
Finance income	13	1.6	-
Finance expense	13	(0.6)	(1.2)
Net income attributable to common shareholders		21.9	45.6
Total comprehensive income		21.9	45.6
Net income attributable to common shareholders per share			
Basic	14	0.05	0.10
Diluted	14	0.05	0.09
Weighted average number of shares outstanding for the purpose of calculating earnings per share			
Basic	14	461,199,023	475,090,108
Diluted	14	472,846,477	485,112,592

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(Expressed in millions of United States dollars)

For the three months ended	Note	March 31, 2023	March 31, 2022
Share capital:			
Balance, beginning of the period	11(B)	1,267.7	1,309.1
Exercise of Share Options	11	0.2	0.6
Settlement of Restricted Share Units	11	1.1	1.2
Settlement of Performance Share Units	11	3.5	1.9
Weighted average value of shares cancelled	11	(8.4)	-
Balance, end of the period		1,264.1	1,312.8
Contributed surplus:			
Balance, beginning of the period		59.2	51.1
Excess of weighted value of shares cancelled	11	1.7	-
Balance, end of the period		60.9	51.1
Deficit:			
Balance, beginning of the period		(496.3)	(412.2)
Dividends paid	11	(11.5)	(11.9)
Net income attributable to common shareholders		21.9	45.6
Balance, end of the period		(485.9)	(378.5)
Total equity attributable to common shareholders			
Balance, end of the period		839.1	985.4

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in millions of United States dollars)

For the three months ended	Note	March 31, 2023	March 31, 2022
Cash flows generated by/ (used in):			
Operations:			
Net income for the period		21.9	45.6
Adjustments for:			
Share of profit from investment in joint venture	5	(37.5)	(51.0)
Share of loss/ (income) from investments in associates	6	5.0	(2.7)
Share-based compensation		5.9	3.7
Other		0.4	(0.1)
Cash used in operating activities before working capital		(4.3)	(4.5)
Changes in working capital		(11.9)	(1.0)
Net cash used in operating activities		(16.2)	(5.5)
Investing:			
Intangible exploration expenditures	7	(7.0)	(0.9)
Dividends received from joint venture	5	-	100.0
Net cash (used in)/ generated by investing activities		(7.0)	99.1
Financing:			
Dividends paid to shareholders	11	(11.5)	(11.9)
Repurchase of own shares	11	(6.7)	-
Net cash used in financing activities		(18.2)	(11.9)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(0.1)	-
(Decrease)/ increase in cash and cash equivalents		(41.5)	81.7
Cash and cash equivalents, beginning of the period	4	199.7	58.9
Cash and cash equivalents, end of the period	4	158.2	140.6

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended March 31, 2023, and March 31, 2022
(Expressed in millions of United States dollars unless otherwise indicated)

1. Incorporation and nature of business:

Africa Oil Corp. (collectively with its subsidiaries, "AOC" or the "Company") was incorporated on March 29, 1993, under the laws of British Columbia and is an international oil and gas exploration and production company based in Canada with oil and gas interests in Africa. The Company's registered address is Suite 2000 - 885 West Georgia St. Vancouver, BC, Canada V6C 3E8.

2. Basis of preparation:

A. Statement of compliance:

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

The policies applied in these interim condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at May 12, 2023, the date the Board of Directors approved the statements.

B. Basis of measurement:

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

C. Functional and presentation currency:

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

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

D. Use of estimates and judgements:

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

3. Accounting policies:

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

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

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

As at	March 31, 2023	December 31, 2022
Cash and cash equivalents	157.7	199.3
Restricted cash	0.5	0.4
	158.2	199.7

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

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

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

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

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

In the three months ended March 31, 2023, Prime made no dividend payments. In the three months ended March 31, 2022, one dividend payment was made totaling \$200.0 million gross, with a net payment to the Company of \$100.0 million related to its 50% interest. The timing and payment of the dividends is discretionary. There are no restrictions on the ability of Prime to pay dividends to its members.

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

	March 31, 2023	December 31, 2022
Balance, beginning of the period	513.7	617.1
Share of joint venture profit	37.5	146.6
Dividends received from Prime	-	(250.0)
Balance, end of the period	551.2	513.7

In the three months ended March 31, 2023, the Company recognized income of \$37.5 million relating to its investment in Prime (year ended December 31, 2022 - \$146.6 million).

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

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 has led to the Company reassessing its view of the likelihood of making a contingent consideration payment to the seller. The signing of the Securitization Agreement by Prime does not constitute a redetermination of the tract participation and therefore does not trigger the payment of a contingent consideration under the Sale and Purchase Agreement but, at the Company's discretion, could trigger discussions with the seller. The outcome of this process is uncertain. In 2021, the Company recorded \$32.0 million as contingent consideration and increased the Company's investment in Prime.

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

As at March 31, 2023, the Company has determined that there are no indicators of impairment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- CONTINUED

The following tables summarizes Prime's financial information as at March 31, 2023, and December 31, 2022, and for the three months ended March 31, 2023, and March 31, 2022.

Prime's Balance Sheet

As at	March 31, 2023	December 31, 2022
Cash and cash equivalents included in current assets ⁽¹⁾	396.9	331.7
Other current assets	233.2	301.7
Non-current assets ⁽²⁾	3,118.0	3,188.9
Loans and borrowings included in current liabilities ⁽³⁾	(450.3)	(421.9)
Other current liabilities	(276.1)	(320.1)
Loans and borrowings included in non-current liabilities ⁽³⁾	(270.0)	(360.4)
Deferred income tax liabilities included in non-current liabilities	(1,008.3)	(1,055.3)
Other non-current liabilities	(641.0)	(637.2)
Net assets of Prime	1,102.4	1,027.4
Percentage ownership	50%	50%
Proportionate share of Prime's net assets	551.2	513.7

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

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

(3) In the period ended March 31, 2023, Prime has repaid \$62.0 million of RBL and PXF debt reducing its gross debt to \$720.3 million (year ended December 31, 2022, Prime repaid \$384.5 million of RBL and PXF debt and had drawn \$150.0 million of the PXF Facility, reducing its gross debt to \$782.3 million).

Prime's Statement of Net Income and Comprehensive Income

For the three months ended	March 31, 2023	March 31, 2022
Revenue ⁽¹⁾	274.7	408.8
Depreciation, depletion and amortization	(92.7)	(69.4)
Production costs	(34.9)	(37.4)
Movement in underlift/overlift ⁽²⁾	7.6	(154.7)
Royalties	(14.8)	(19.6)
Cost of sales	(134.8)	(281.1)
Gross profit	139.9	127.7
Other operating income ⁽³⁾	2.2	53.7
Exploration expenses	(0.5)	(0.4)
Other operating costs ⁽⁴⁾	(7.7)	(6.6)
Finance income	1.6	0.1
Finance costs ⁽⁵⁾	(20.4)	12.7
Profit before tax	115.1	187.2
Tax	(40.0)	(85.2)
Total profit for the period	75.1	102.0
Total comprehensive income	75.1	102.0
Total share of Prime's profit for the period	37.5	51.0

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- CONTINUED

- (1) Included in revenue are royalties paid in kind of \$7.1 million in the three months ended March 31, 2023 (three months ended March 31, 2022 - \$11.0 million).
- (2) As at March 31, 2023, Prime was in a larger net underlift position compared to December 31, 2022. This resulted in an income of \$7.6 million in the Statement of Net Income and Comprehensive Income for the three months ended March 31, 2023 (three months ended March 31, 2022 - \$154.7 million).
- (3) For some of its qualifying capital expenditure ("QCE"), Prime is entitled to claim an investment tax credit ("ITC") at the rate of 50% of the QCE incurred, either wholly or exclusively or necessarily for the purposes of its petroleum operations. This is a Nigerian government tax credit which can be offset with Petroleum Profit Tax ("PPT") and serves as an incentive for investments in the exploration of oil and gas in the deep offshore waters of Nigeria. Prime recognized investment tax credits of \$2.2 million in the three months ended March 31, 2023 (three months ended March 31, 2022 - \$53.2 million). During the year ended December 31, 2022, Prime exhausted its investment tax credit pool and additional credits have since been generated on capital expenditure incurred on qualifying assets.
- (4) Other operating costs include Prime's administrative costs, sales costs and the NDDC Levy, which concerns the Niger Delta Development Commission imposed by a regulatory body in Nigeria to fund the sustainable development of the Niger Delta region.
- (5) In the three months ended March 31, 2023, finance costs of \$20.4 million have been incurred (three months ended March 31, 2022 - \$12.7 million negative). Finance costs are primarily made up of interest expenses incurred on the RBL and PXF facilities and accretion expenses incurred on the decommissioning liability.

Supplementary information: Prime's Statement of Cash Flows

For the three months ended	March 31, 2023	March 31, 2022
Profit before tax	115.1	187.2
<i>Adjustments for:</i>		
Depreciation, depletion and amortization	92.7	69.4
Finance costs, net	18.8	(12.8)
Change in provisions	0.5	0.4
Interest income received	1.6	0.1
Interest expense paid	(22.8)	(11.3)
Cash generated from operating activities before working capital and taxes paid	205.9	233.0
Taxes paid	(87.0)	(120.8)
Cash generated from operating activities before working capital	118.9	112.2
<i>Changes in working capital</i>		
Changes in trade and other receivables	75.6	(85.5)
Changes in over/underlift balances	(7.6)	154.7
Changes in other working capital balances	(39.3)	51.8
Total changes in working capital	28.7	121.0
Net cash generated from operating activities	147.6	233.2
Expenditures on oil and gas properties	(20.4)	(5.0)
Net cash used in investing activities	(20.4)	(5.0)
Payment of dividends to shareholders	-	(200.0)
Repayment of loans and borrowings	(62.0)	(164.8)
Drawdown of PXF Facility	-	150.0
Net cash used in financing activities	(62.0)	(214.8)
Foreign exchange variation on cash and cash equivalents	-	-
Total cash flow	65.2	13.4
Cash and cash equivalents, beginning of the period	331.7	517.9
Cash and cash equivalents, end of the period	396.9	531.3

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

The Company holds the following equity investments in associates:

	Africa Energy Corp.	Eco (Atlantic) Oil and Gas Ltd	Impact Oil and Gas Ltd	Total
Shares held at March 31, 2023	276,982,414	54,941,744	287,565,860	
Ownership at March 31, 2023	19.7%	15.0%	30.9%	
At January 1, 2022	50.2	14.4	56.1	120.7
Share of (loss)/ income from equity investments	(3.7)	(6.2)	0.6	(9.3)
Gain on dilution of equity investment	0.1	0.7	0.3	1.1
Additional investment through private placement	-	5.8	19.0	24.8
At December 31, 2022	46.6	14.7	76.0	137.3
Share of loss from equity investments	(0.8)	(0.3)	(3.9)	(5.0)
At March 31, 2023	45.8	14.4	72.1	132.3

In the three months ended March 31, 2023, the Company recognized a total loss of \$5.0 million (three months ended March 31, 2022 - income of \$2.7 million).

As at March 31, 2023, the Company has determined that there are no indicators of impairment for any of its equity investments in associates.

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

Africa Energy is an oil and gas exploration company with interests in South Africa. As at March 31, 2023, the market value of the Company's investment in Africa Energy was \$36.8 million based on a share price of CAD 0.18 (as at December 31, 2022 - \$37.8 million).

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

Eco is an oil and gas exploration company with interests in Guyana, Namibia and South Africa. As at March 31, 2023, the market value of the Company's investment in Eco was \$14.0 million based on a share price of CAD 0.35 (as at December 31, 2022 - \$12.2 million).

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

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

On April 27, 2023, the Company subscribed for 39,455,741 shares in Impact for \$31.4 million, payable in two tranches, and 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 27, 2023, with the final tranche of \$16.4 million to be paid by August 1, 2023.

7. Intangible exploration assets:

	Note	March 31, 2023	December 31, 2022
Net carrying amount, beginning of the period		63.6	194.3
Intangible exploration expenditures	A	7.9	39.9
Impairment of intangible exploration assets	B	-	(170.6)
Net carrying amount, end of the period		71.5	63.6

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- CONTINUED**A. Intangible exploration expenditures:**

As at March 31, 2023, \$71.5 million of expenditures have been capitalized as intangible exploration assets (as at December 31, 2022 - \$63.6 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of 2P petroleum reserves. As at March 31, 2023, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated. Capitalized intangible exploration assets relate to various countries as summarized in the following table:

	March 31, 2023	December 31, 2022
Kenya	58.6	58.5
Equatorial Guinea	7.7	-
South Africa	5.2	5.1
Net carrying amount, end of the year	71.5	63.6

Kenya:

As at March 31, 2023, the carrying amount of the Company's intangible exploration assets for its 25% interest in the Project Oil Kenya CGU (Block 10BB and 13T) was \$58.6 million (as at December 31, 2022 - \$58.5 million).

As at March 31, 2023, the carrying amount of Block 10BA in Kenya is nil (as at December 31, 2021 - nil). Subsequent to the period end, the Company decided not to renew the 10BA license.

Equatorial Guinea:

As at March 31, 2023, the carrying amount of the Company's intangible exploration assets for its 80% interest in Blocks EG-18 and EG-31, located offshore Equatorial Guinea, was \$7.7 million (as at December 31, 2022 - nil). In the three months ended March 31, 2023, expenditure of \$7.7 million was incurred following the signing of the Production Sharing Contracts for Blocks EG-18 and EG-31 during the quarter and mainly related to the acquisition of seismic data.

South Africa:

As at March 31, 2023, the carrying amount of the Company's intangible exploration assets for its 20% participating interest in the Block 3B/4B Exploration Right, located in South Africa, was \$5.2 million (as at December 31, 2022 - \$5.1 million).

B. Impairment of intangible exploration assets:

At December 31, 2022, the Company determined that there was an indicator of impairment for the Project Oil Kenya CGU. The Company and its JV partners are actively seeking strategic partners for the project and it is intended that a strategic partner will be secured ahead of FID. As there were continuing delays and uncertainties to the farm out process, the Company considered this an indicator for impairment.

The Company determined the recoverable amount of the Project Oil Kenya CGU. The recoverable amount of a CGU is the higher of the fair value less costs to dispose and its value in use. The Company calculated the fair value less costs to dispose using a discounted cash flow method (level 3) to determine the recoverable amount of the project.

Significant assumptions developed by management used to determine the recoverable amount of the Project Oil Kenya CGU included estimates for the quantity of contingent resources, future commodity prices, production forecasts, operating expenses, development costs, the likelihood of a successful farm out process, the timing of FID and the discount rate. The estimates for the quantity of contingent resources and production forecasts are prepared by the Company's independent petroleum engineers (management's experts).

The Canadian IQR consensus oil price forecast was used less a quality discount of \$3/bbl. The oil price is inherently uncertain as the price is often influenced by global events that are unlikely to be foreseen ahead of the event. For purposes of determining the fair value, the estimate of discounted cash flows included probability-weighted scenarios and a discount rate of 18% was used, to reflect the time value of money based on the risks associated with the Project Oil Kenya CGU that had not otherwise been incorporated in the cash flow estimates.

The results of the impairment test indicated that the carrying value of the Project Oil Kenya CGU exceeded its recoverable amount and the Company recognized an impairment loss of \$170.6 million.

At December 31, 2022, a 1% change in the discount rate would have resulted in a change of recoverable amount by \$6.0 million. A 5% change in the oil prices used would have resulted in a change of recoverable amount by \$5.0 million. Should the uncertainties around the project be resolved, there might be a reversal of the previously recognized impairment. However, if the uncertainties around the project are not resolved, there will be an additional impairment.

As at March 31, 2023, the Company has determined that there are no indicators of impairment or for the reversal of impairment.

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

As at	March 31, 2023	December 31, 2022
Provision for unresolved joint venture matters	10.0	10.0
Joint venture and other payables and accruals	22.0	27.2
	32.0	37.2

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

Joint venture and other payables and accruals reduced by \$5.2 million compared to December 31, 2022, following settlement of a tax dispute with the Kenya Revenue Authority ("KRA"). On March 1, 2023, AOKBV, the Company's wholly owned subsidiary in Kenya, reached an agreement with the KRA in respect of the ongoing legal dispute regarding CIT and value added tax 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 VAT. AOKBV expects to complete the negotiations with KRA and Treasury during the year in relation to an application for 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.

9. Provision for site restoration:

	March 31, 2023	December 31, 2022
Balance, beginning of the period	5.3	-
Additions in the year	-	5.3
Unwinding of discount	0.1	-
Balance, end of the period	5.4	5.3

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

The undiscounted costs at March 31, 2023, are estimated to be \$7.7 million, net to the Company, and include the costs of physical well abandonment and to remove equipment from local bases. The costs are estimated to be incurred in approximately 25 years. At March 31, 2023, the total provision is \$5.4 million (at December 31, 2022 - \$5.3 million).

10. Debt:

In the second quarter of 2021, the Company agreed a new Corporate Facility to refinance its Prime acquisition facility ("Term Loan") for an amount up to \$160.0 million with a three-year term. On July 30, 2021, \$98.0 million was drawn down under the Corporate Facility to repay the Term Loan in full. By November 2021 the facility was repaid in full with the proceeds from Prime dividends. The Corporate Facility carries interest of 1 month-Libor plus a margin of 6.5% in the first year, 7.0% in the second year and 7.5% in the third year.

On January 28, 2022, the Company agreed a number of amendments to the Corporate Facility with the existing lenders. The available amount increased from \$62.0 million to \$100.0 million, and the availability period was extended to December 31, 2022, from May 13, 2022. The principal amounts, if drawn, may not exceed \$80.0 million by September 30, 2023, and \$50.0 million by February 29, 2024. The maturity date, the loan purpose and interest margins were unchanged. On December 7, 2022, the Company agreed to extend the availability period of the Corporate Facility with existing lenders to May 31, 2023.

On October 20, 2022, the Company agreed amendments to the Corporate Facility which will become effective on licence renewal being received on OML 130 within Prime. The Corporate Facility amount 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.

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

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

The Corporate Facility is subject to financial and liquidity covenants. The Company has been in compliance with the covenants in the three months ended March 31, 2023.

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

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

B. Issued:

	March 31, 2023		December 31, 2022	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	462,790,680	1,267.7	474,655,355	1,309.1
Settlement of Performance Share Units	1,705,672	3.5	1,170,149	1.9
Settlement of Restricted Share Units	540,702	1.1	678,224	1.2
Exercise of Share Options	268,000	0.2	3,724,000	3.4
Return and cancellation of shares	-	-	(11,858)	-
Cancellation of shares repurchased	(3,087,183)	(8.4)	(17,425,190)	(47.9)
Balance, end of the period	462,217,871	1,264.1	462,790,680	1,267.7

The Company launched a Normal Course Issuer Bid (share buyback) program on September 27, 2022. In the three months ended March 31, 2023, a total of 3.1 million Africa Oil common shares have been repurchased and cancelled and a total of 20.5 million Africa Oil common shares have been repurchased and cancelled since the launch of the share buyback program. The balance of share capital has been reduced by determining the average per-share amounts in the share capital account, before cancellation of shares repurchased, and applying this to the numbers of shares cancelled. The difference between the reduction in share capital and the amount paid for shares repurchased has been added to the balance of contributed surplus.

In the three months ended March 31, 2023, the Board of Directors approved a dividend of \$0.025 per share which was declared and paid in March 2023 for a total amount of \$11.5 million.

12. Commitments and contingencies:**A. Investment in Prime:**

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

B. 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.

C. 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 March 31, 2023, the WI in Block 3B/4B was 20%.

D. Equatorial Guinea commitments:

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

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

For the three months ended	March 31, 2023	March 31, 2022
Finance income	1.6	-
Finance expense	(0.6)	(1.2)

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

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

14. Net income per share:

For the three months ended	March 31, 2023			March 31, 2022		
	Net income	Weighted Average		Net income	Weighted Average	
		Number of shares	Per share amounts		Number of shares	Per share amounts
Basic income per share						
Net income attributable to common shareholders	21.9	461,199,023	0.05	45.6	475,090,108	0.10
Effect of dilutive securities	-	11,647,454	-	-	10,022,484	-
Dilutive income per share	21.9	472,846,477	0.05	45.6	485,112,592	0.09

In the three months ended March 31, 2023, the Company used an average market price of CAD \$2.74 per share to calculate the dilutive effect of share purchase options (three months ended March 31, 2022 - CAD \$2.17 per share). Dilutive securities include share purchase options, RSUs and PSUs as the inclusion of these reduces the net income per share. In the three months ended March 31, 2023, 1,167,239 options were anti-dilutive and were not included in the calculation of dilutive loss per share (three months ended March 31, 2022 - 3,374,161 options and 2,410,428 PSUs were anti-dilutive).

15. Related party transactions:**A. 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 the three months ended March 31, 2023 (three months ended March 31, 2022 - \$0.1 million).

B. Transactions with Impact:

On April 27, 2023, the Company subscribed for 39,455,741 shares in Impact for \$31.4 million, payable in two tranches, and 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 27, 2023, with the final tranche of \$16.4 million being paid by August 1, 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- CONTINUED**16. Financial risk management:**

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

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

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

A. Credit risk:

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's credit exposure relates to amounts due from the Company's joint venture partners and a credit facility with Africa Energy. The risk of the Company's joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash and accounts receivable. At March 31, 2023, the Company held \$0.7 million (as at December 31, 2022 - \$0.9 million) of cash in financial institutions outside of Canada and the UK. At March 31, 2023, the Company also held \$107.1 million in short-term deposits in countries outside of Canada and the UK with lending banks in the Corporate Facility (as at December 31, 2022 - \$30.2 million) with stable credit ratings.

B. Liquidity risk:

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

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

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

The Company has \$100.0 million of available debt facility which improve the Company's access to liquidity to fund operations and acquisitions as required. Any loan repayments are calculated to be protective of the Company's liquidity position and if drawn, the Corporate Facility would be repaid from the proceeds of dividends received from Prime, while ensuring the Company preserves a sufficient minimum cash balance to conduct operations. The Company agreed amendments which will become effective on licence renewal being received on OML 130 within Prime. The Corporate Facility amount 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 (see note 10).

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- CONTINUED**C. Market risk:**

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

i. Foreign currency exchange rate risk:

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

ii. Interest rate risk:

The Corporate Facility has a variable interest rate, that is referenced to LIBOR and will expose the Company to interest rate risk over the term of the loan. The Financial Conduct Authority of the United Kingdom has announced that one month USD LIBOR (which the Corporate Facility applies) will cease to be provided by any administrator or no longer be representative after June 30, 2023. The amendment to the Corporate Facility signed on October 20, 2022, includes SOFR as the replacement benchmark from the effective date of the amendment.

iii. Commodity price risk:

The Company has an equity holding in Prime (see note 5), which has three producing fields within OML 127 and OML 130, both with significant levels of production. A change in commodity prices may affect the dividends received from this investment. Prime benefits from a robust oil price forward sales program and the forward sales policy requires forward selling between 50% and 70% of its forecast liftings on a rolling 12-month basis. These contracts are with counterparties including oil supermajors. The counterparties are part of groups with investment grade credit ratings.

iv. Share price risk:

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

17. Subsequent events:

On 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 27, 2023, with the final tranche of \$16.4 million being paid by August 1, 2023.

Subsequent to the period end, the Company decided not to renew the 10BA license in Kenya.

