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NEWS RELEASE

Africa Oil Announces 2020 Fourth Quarter Results and 2021 Management Guidance

Vancouver, BC – Feb. 26, 2021 (AOI:TSX) (AOI:Nasdaq Stockholm) Africa Oil Corp. ("Africa Oil", "AOC" or the "Company") is pleased to announce its operating and consolidated financial results for the three months and the year ended December 31, 2020. The Company is also releasing today, its 2021 Management Guidance including guidance related to its 50% equity investee, Prime Oil & Gas Coöperatief U.A ("Prime").

Highlights

- Africa Oil fourth quarter net income of $79.8 million and full-year net income of $198.0 million, excluding a $215.6 million non-cash impairment of Kenya exploration assets posted in the first quarter 2020.
- Strong quarterly profit contribution by Prime to AOC's net income amounting to $59.2 million.
- During 2020, Africa Oil repaid $109 million of its $250 million corporate term loan facility and has commenced the refinancing process for the balance with closing expected in July 2021.
- Year-end 2020 cash balance of $40.5 million and working capital of $29.3 million.
- Selected Prime's fourth quarter 2020 results net to Africa Oil's 50% shareholding*:
    - quarterly average daily working interest ("W.I") production of 26,200 barrels of oil equivalent per day ("boepd) and economic entitlement production of 30,100 boepd (83% light and medium crude oil and 17% conventional natural gas)[2,3];
    - full-year W.I. production of 28,700 boepd and economic entitlement production of 33,900 boepd (85% light and medium crude oil and 15% conventional natural gas) are in line with Third Quarter 2020 Management Guidance[2,3]; and
    - EBITDA of $128.8 million (full-year period: $619.5 million)[4].
- 2021 Management Guidance (refer to page 3 for more details):
    - average daily W.I. production range of 24,000-28,000 boepd and net entitlement production range of 26,000-30,000 boepd net to AOC's 50% shareholding in Prime, with approximately 85% expected to be light and medium crude oil and 15% conventional natural gas; and
    - Prime's cash flow from operations[5] of $310-$440 million net to AOC's 50% shareholding.

Africa Oil President and CEO Keith Hill commented: "I am pleased to report strong full-year results for the Company, despite one of the most challenging years for our industry. Our investment in Prime has performed exceptionally well with its strong production and free cash flows that enabled significant deleveraging, both at the Prime and Africa Oil corporate levels. Prime reduced its RBL debt by $522 million or 29% of the principal amount at the start of 2020. Africa Oil reduced its corporate term loan by $109 million or 44% of the original amount of $250 million that was drawn in January 2020. We are in a strong position to continue this strong performance and also plan to pursue new business development opportunities with a focus on the acquisition of producing assets, offshore West Africa. We can also look forward to exciting catalysts through our other portfolio investment companies. These include further progress in the development of Block 11B/12B discoveries, offshore South Africa, the drilling of the Venus exploration well in Block 2913B, offshore Namibia and the drilling of the Gazania

* Important information: Africa Oil's interest in Prime is accounted for as an investment in joint venture. Refer to Note 1 on page 5 for further details. Please also refer to other notes on page 5 for important information on the material presented.

exploration well in Block 2B, South Africa. We also continue to work closely with the Government of Kenya and our JV partners to progress the South Lokichar development project. I am confident that we can realize the significant potential in this project supported by a recovery in the commodity markets and a return to a normal business climate with the COVID-19 recovery gathering momentum."

2020 Fourth Quarter Financial Results
(Thousands United States Dollars, except Per Share and Share Amounts)

	December 31, 2020	December 31, 2019
Cash and cash equivalents	40,474	329,464
Total assets	910,499	812,305
Long-term debt	141,000	-
Total liabilities	156,212	45,602
Total equity attributable to common shareholders	754,287	766,703
Working capital	29,324	290,749

	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Share of profit from investment in joint venture	59,193	-	208,981	-
Share of profit/(loss) from investments in associates	32,041	(3,446)	31,381	(13,664)
Total operating income	91,234	(3,446)	240,362	(13,664)
Net operating income/(expense)	86,151	(147,692)	10,633	(165,006)
Net income/(loss)	79,845	(146,198)	(17,614)	(156,769)
Net income/(loss) per share - basic and diluted	0.17	(0.31)	(0.04)	(0.33)
Weighted average number of shares outstanding - basic ('000s)	471,954	471,214	471,792	471,076
Weighted average number of shares outstanding - diluted ('000s)	475,144	471,214	471,792	471,076
Number of shares outstanding ('000s)	471,960	471,214	471,960	471,214
Cash flows provided by / (used in) operations	(1,916)	(4,633)	(5,348)	(4,484)
Cash flows provided / (used in) investing	54,418	4,142	(394,272)	(35,125)
Cash flows provided by / (used in) financing	(42,541)	(334)	110,644	(1,222)
Total change in cash and cash equivalents	10,078	(845)	(288,990)	(40,873)
Total change in equity	73,531	(145,797)	(12,416)	(155,377)

The financial information in this table was selected from the Company's audited consolidated financial statements for the year ended December 31, 2020. The Company's consolidated financial statements, notes to the financial statements, management's discussion and analysis for the year ended December 31, 2020 and 2019 have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.africaoilcorp.com).

FINANCIAL POSITION AND EARNINGS

The Company recognized a total operating income of $91.2 million and net income of $79.8 million during the fourth quarter of 2020. The operating income primarily relates to the Company's share of profit from its investments in Prime amounting to $59.2 million and in Impact Oil and Gas Ltd. ("Impact") amounting to $11.1 million. For the full year, the Company recognized a net loss of $17.6 million with a total operating income of $240.4 million being offset by $229.7 million in operating expenses, that primarily relates to the recognition of a $215.6 million non-cash impairment of intangible exploration assets, relating to the valuation of the Kenyan development project and Kenyan Block 10BA.

In addition, the Company recognized a dilution gain of $21.1 million during the three months ended December 31, 2020 relating to Africa Energy Corp's Subscription Agreement with Impact.

The Company ended 2020 fourth quarter with cash of $40.5 million and working capital of $29.3 million in comparison to cash of $329.5 million and working capital of $290.7 million at the end of 2019. The reduction in the Company's cash position of $289.0 million is primarily attributed to its acquisition of a 50% shareholding in Prime for a purchase price of $519.5 million. This acquisition was funded with a cash payment of $269.5 million and a term loan facility of $250.0 million.

During the 2020 fourth quarter, Prime paid two dividends[6] for a total of $125.0 million with net payment to Africa Oil of $62.5 million related to its 50% shareholding interest. The Company applied $35.9 million of the amount received to reduce its term loan, which at the period end stood at $141.0 million. For the twelve-month period ended December 2020, Africa Oil received six dividend payments from Prime for aggregate amount of $200.0 million net to its 50% shareholding.

The Company will continue to repay its term loan from the dividends distributed from Prime and started the refinancing process of the term loan, with completion expected in July 2021.

PRIME'S FOURTH QUARTER 2020 PERFORMANCE

Prime's fourth quarter 2020 average daily W.I. production was 26,200 boepd and economic entitlement production was 30,100 boepd (83% light and medium crude oil and 17% conventional natural gas), net to Africa Oil's 50% shareholding in Prime. Its full-year average working Interest production was 28,700 boepd and economic entitlement production was 33,900 boepd (85% light and medium crude oil and 15% conventional natural gas), net to Africa Oil's 50% shareholding in Prime.

During the fourth quarter, Prime was allocated three oil liftings with total sales volume of approximately 2.9 million barrels or 1.4 million barrels net to Africa Oil's 50% shareholding. For the full year, Prime was allocated 20 oil liftings with total sales volume of approximately 19.0 million barrels or 9.5 million barrels net to Africa Oil's 50% shareholding.

Prime benefited from a robust oil price hedging program in 2020, achieving an average sale price of $64/bbl for a total of 20 cargoes (19 mmbbl) via financial hedges and forward sales contracts.

Prime is continuing its hedging program to 2021 and as of 22 February 2021, has sold forward or hedged 100% of its H1-2021 cargoes at an average price of approximately $57 per barrel and 56% of its H2-2021 cargoes at an average price of approximately $55 per barrel. These contracts are with counterparties including oil supermajors and commodity trading houses with investment grade credit ratings.

Fourth quarter 2020 average operating cost of $5.9 per boe and full-year average operating cost of $5.2 per boe. No leasing costs are payable for Prime's Floating Production, Storage and Offloading ("FPSO") platforms because they are fully owned by the joint venture partners.

Prime achieved fourth quarter 2020 sales revenue of $82.3 million (full-year period: $633.5 million); EBITDA of $128.8 million (full-year period: $619.5 million) and cash flow generated from operating activities of $146.4 million (full-year period: $582.5 million), in each case net to Africa Oil's 50% shareholding.

Prime's total 2020 capital expenditure of $30 million is 33% lower than the Third Quarter 2020 Management Guidance of $45 million and 67% lower than initial budget of $91 million. The reduction includes deferral of infill drilling and activities related to the Preowei field development project due to COVID-19 and the oil price crash. These activities are expected to resume in 2021 and 2022 as economic conditions improve, subject to partners' consent.

2021 MANAGEMENT GUIDANCE

Africa Oil's 2021 production will be contributed by its 50% shareholding in Prime. Prime's assets include 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 Corporation ("Chevron") and contains the producing Agbami Field. OML 130 is operated by affiliates of TOTAL S.A. ("TOTAL") and contains the producing Akpo and Egina Fields.

The three fields in these two licenses are all giant deep-water fields, located over 100 km offshore Nigeria, and are some of the largest and highest quality in Africa. All three fields have high quality conventional reservoirs and produce light and medium, sweet crude oil.

Africa Oil Management Guidance for 2021 includes W.I. production guidance range of 24,000-28,000 boepd and net entitlement production range of 26,000-30,000 boepd, net to AOI's 50% shareholding in Prime, with approximately 85% expected to be light and medium crude oil and 15% conventional natural gas.

Net entitlement production estimate is based on an average Brent price of $55 per barrel. It is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil and is different from W.I. production that is calculated based on project volumes multiplied by Prime's effective working interest.

Based on the above production ranges and Prime's current 2021 hedging program, Africa Oil management estimate Prime to generate cash flow from operations[5] of approximately $310-$440 million net to Africa Oil's 50% shareholding.

Any dividends[6] received by Africa Oil from Prime's operating cash flows and cash on hand will be subject to Prime's capital investment and financing cashflows, including Prime's RBL interest payments and principal amortization. Prime's 2021 capital investment is expected to be in the range of $35-$50 million and its net debt repayment in the range $210-$280 million, in each case net to Africa Oil's 50% shareholding in Prime. Prime had a cash and cash equivalents balance of $115.7 million net to Africa Oil's 50% shareholding at year-end 2020.

At present, considering the uncertainties including changes to OPEC+ quotas and the next RBL re-determination, the management expect the next Prime dividend to be distributed post first quarter 2021.

Africa Oil's 2021 corporate budget is estimated to be approximately $18-$20 million and includes pre-FID budget for Kenya, G&A and exploration activities. Africa Oil management do not expect incremental investments in the Company's equity portfolio companies in 2021.

2021 Management Guidance Summary

Guidance for Prime, net to AOC's 50% shareholding:	
W.I. production (boepd)	24,000-28,000
Economic entitlement production (boepd)	26,000-30,000
Cash flow from operations[5] (million)	$310-$440
Capital investment (million)	$35-$50
Net Debt Repayment (million)	$210-$280
Africa Oil's corporate budget (million)	$18-$20

The 2021 Management Guidance ranges presented try to account for uncertainties around number of parameters including: OPEC+ quotas for the Egina oilfield; reservoirs performances; possible fiscal changes, timing of projects and capital investment programs; and semi-annual RBL re-determination.

COVID-19 UPDATE

During fourth quarter 2020 there were no COVID-19 cases on Prime's production facilities. Africa Oil employees mostly continue to work from home and there have been no cases of COVID-19.

2021 EXPLORATION CATALYSTS OUTLOOK

Through its 30.9% shareholding in Impact Oil & Gas, the Company has exposure to the Venus-1 exploration well in Block 2913B, offshore Namibia which is expected to spud in third quarter 2021. Venus-1 will target a large basin floor fan system with significant undiscovered petroleum initially in place that has been identified using 3D seismic data. The well will be operated by a subsidiary of Total S.A. (40%) with partners Qatar Petroleum (30%.), Impact (20%) and NAMCOR (10%). Africa Oil has a net 6% indirect economic stake in the license through its shareholding in Impact.

Venus-1 is a potential basin-opening well and could be an impactful catalyst for the Company's other interests in the area. A successful Venus-1 well would demonstrate the presence of an active regional petroleum system and would increase the prospectivity of adjacent blocks including Block 3B/4B, where Africa Oil holds a 20% operated working interest.

Through its shareholding in Africa Energy, the Company has exposure to the Gazania-1 exploration well that will be drilled in Block 2B offshore South Africa, with a target spud date in late 2021 to early 2022. The Gazania-1 will test a prospect in the A-J rift basin that is near but updip of the A-J1 oil discovery (1988) that flowed 36° API oil to surface. A success at Gazania-1 would de-risk a large inventory of prospects in the block that have been identified from 3D seismic data. Africa Oil has an indirect 5.5% economic interest in Block 2B through its 19.9% shareholding of Africa Energy. Africa Energy holds a carried 27.5% working interest in Block 2B with partners Azinam (Operator, 50% WI), Panoro Energy (12.5% W.I.) and Crown Energy (10% W.I.).

NOTES

1. The 50% shareholding in Prime is accounted for using the equity method and presented as an investment in joint venture in the Consolidated Balance Sheet. Africa Oil's 50% share of Prime's net profit or loss will be shown in the Consolidated Statements of Net Income/Loss and Comprehensive Income/Loss. Any dividends received by Africa Oil from Prime are recorded as Cash flow from Investing Activities. The guidance presented here is for information only.
2. Aggregate oil equivalent production data comprised of light and medium crude oil and conventional natural gas production net to Prime's W.I. in Agbami, Akpo and Egina fields. These production rates only include sold gas volumes and not those volumes used for fuel, reinjected or flared.
3. Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil and is different from working interest production that is calculated based on project volumes multiplied by Prime's effective working interest in each license.
4. Earnings Before Interest, Tax, Impairment, Depreciation and Amortization ("EBITDA") is not a generally accepted accounting measure under International Financial Reporting Standards ("IFRS") and does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable with definitions of EBITDA that may be used by other public companies. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.
5. Cash flow from operations before working capital adjustments.
6. Prime does not pay dividends to its shareholders, including Africa Oil, 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 Africa Oil. Any dividends received by Africa Oil from Prime's operating cash flows will be subject to Prime's capital investment and financing cashflows, including payments of Prime's Reserve Based Lending ("RBL") principal amortization, which are subject to semi-annual RBL redeterminations.
7. All dollar amounts are in United States dollars unless otherwise indicated.

About Africa Oil

Africa Oil Corp. is a Canadian oil and gas company with producing and development assets in deepwater Nigeria; development assets in Kenya; and an exploration/appraisal portfolio in Africa and Guyana. The Company is listed on the Toronto Stock Exchange and on Nasdaq Stockholm under the symbol "AOI".

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Additional Information

This information is information that Africa Oil is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 5:30 p.m. ET on February 26, 2021.

Advisory Regarding Oil and Gas Information

The terms boe (barrel of oil equivalent) is used throughout this press release. Such terms may be misleading, particularly if used in isolation. Production data are based on a conversion ratio of five thousand and eight hundred cubic feet per barrel (5.85 Mcf: 1bbl). This conversion ratio 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 natural gas is significantly different from the energy equivalency of 5.85:1, utilizing a conversion on a 5.85:1 basis may be misleading as an indication of value.

Forward Looking Information

Certain statements and information contained herein constitute "forward-looking information" (within the meaning of applicable Canadian securities legislation). Such statements and information (together, "forward looking statements") relate to future events or the Company's future performance, business prospects or opportunities.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect, "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements". Forward-looking statements involve known and unknown risks, ongoing uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including statements pertaining to the 2021 Management Guidance including production, cashflow from operation and capital investment estimates, performance of commodity hedges, the results, schedules and costs of exploratory drilling activity, uninsured risks, regulatory and fiscal changes, availability of materials and equipment, unanticipated environmental impacts on operations, duration of the drilling program, availability of third party service providers and defects in title. No assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. These forward-looking statements involve risks and uncertainties relating to, among other things, changes in macro-economic conditions and their impact on operations, changes in oil prices, reservoir and production facility performance, hedging counterparty contractual performance, OPEC+ quota impact on production, results of exploration and development activities, cost overruns, uninsured risks, regulatory and fiscal changes, defects in title, claims and legal proceedings, availability of materials and equipment, availability of skilled personnel, timeliness of government or other regulatory approvals, actual performance of facilities, joint venture partner underperformance, availability of financing on reasonable terms, availability of third party service providers, equipment and processes relative to specifications and expectations and unanticipated environmental, health and safety impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements.

AfricaOil Corp.

Report to Shareholders

December 31, 2020

A Lundin Group Company | AOI – TSX and Nasdaq Stockholm

www.africaoilcorp.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Oil Corp. and its subsidiaries (the "Company" or "AOC") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019 and related notes thereto.

The financial information in this MD&A is derived from the Company's audited consolidated financial statements which have been prepared in United States ("U.S.") dollars, in accordance with International Financial Reporting Standard as issued by the International Accounting Standards Board.

The effective date of this MD&A is February 26, 2021.

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

PROFILE AND STRATEGY

AOC is a Canadian oil and gas exploration company with producing and development assets in deep-water offshore Nigeria, and development assets in Kenya. The Company also has a portfolio of exploration assets in Guyana, Kenya, Namibia, Nigeria, South Africa and in the Senegal Guinea Bissau Joint Development Zone ("AGC"). The Company holds its interests through direct ownership interests in concessions and through its shareholdings in investee companies including Prime Oil & Gas Coöperatief U.A.("Prime"), Africa Energy Corp., Eco (Atlantic) Oil & Gas Ltd. and Impact Oil and Gas Ltd.

AOC's long-range plan is to increase shareholder value through the acquisition, exploration, development, and production associated with oil and gas assets. On January 14, 2020, the Company closed the acquisition of a 50% ownership interest in Prime (previously known as Petrobras Oil and Gas B.V.). Through its shareholding in Prime, the Company has exposure to some of the best producing assets offshore West Africa. The Company has actively explored on multiple onshore exploration blocks in various under explored geological settings in East Africa and has acquired a participating interest in a block in South Africa (refer to table below). The Company has made numerous oil discoveries in the South Lokichar Basin (Blocks 10BB and 13T) located in the Tertiary Rift trend in Kenya. The Company will continue to consider acquisition and merger opportunities, focusing on Africa.

PRIME SHAREHOLDING AND WORKING INTERESTS

Please see 'Equity Investments' on page 8 for the information on the Company's equity interests in Africa Energy Corp., Eco (Atlantic) Oil & Gas Ltd. and Impact Oil and Gas Ltd. The Company's material interests, and material exploration partnership interests are summarized in the following table:

Africa Oil's Shareholding in Prime Oil & Gas B.V. (50%)			
Country	**Concession**	**Working Interests**	
Nigeria	OML 127	Prime Chevron Corporation Famfa Oil	8% 32% 60% (carried)
	OML 130 – PSA[1]	Prime Total SAPETRO	16% 24% 10% (carried)

Africa Oil's Direct Working Interests[2]				
Country	**Concession**	**Gross Acreage (km²)**	**Working Interests**	
Kenya	10BA	11,760	AOI Total Tullow (Operator)	25% 25% 50%
	10BB	8,835	AOI Total Tullow (Operator)	25% 25% 50%
	13T	6,296	AOI Total Tullow (Operator)	25% 25% 50%
South Africa	3B/4B	17,581	AOI (Operator) Azinam Ricocure (Pty) Ltd	20% 20% 60%

(1) 50% of the production from OML 130 is covered by a PSA, in which Prime owns a 32% Working Interest. Prime's net Working Interest in OML 130 is therefore 16%.

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

COVID-19

During 2020 we have witnessed an unprecedented level of market volatility, oil price weakness and a substantial reduction in the world oil demand due to the impact of COVID-19 pandemic. We have also seen a robust response by international oil producers led by the group of OPEC+ countries to reduce supply and address the challenge of demand destruction. The current market uncertainties have also prompted some financial institutions to reduce their exposure to the oil and gas industry, which affected the ability of small and medium size oil and gas companies to raise funds for their development. The oil producers' response has removed significant supply to the market. Inventories started to reduce and markets to rebalance. However, with the appearance of several virulent variants of Covid-19, there is no certainty as to the time it will take for business activity and travels to return to normal and for oil demand to recover to the pre-pandemic level.

Since the outbreak of the pandemic, Africa Oil has been actively managing its response to the COVID-19 pandemic. Staff have been working from home and non-essential travel has been suspended. The Company have also been engaged with partners to understand the measures being undertaken to protect the staff and ensure that safe operations are maintained where essential.

The impact of COVID-19 on the Company is largely related to the potential impact on dividends received from its investment in Prime Oil and Gas Coöperatief U.A. ("Prime") that has two producing fields in Nigeria. The operators of Prime's Nigerian assets, Total S.A. ("Total") and Chevron Corporation ("Chevron"), have implemented strict mitigation strategies to minimize the risk of COVID-19 impacting both the onshore land office and offshore platforms operations and introduced contingency plans to respond to infection cases. The mitigation measures apply to all personnel, contractors and visitors.

A small number of COVID-19 cases were detected on the Egina and Akpo Floating Production, Storage and Offloading ("FPSO") facilities; however, with the prompt execution of the contingency plans by the operator these were managed proactively with no operational impact on these facilities.

Nigeria, an OPEC member, has directed producers to curtail oil field production in line with the OPEC+ quota agreement made in April 2020. This has impacted Egina's production in 2020 as detailed in the next section of this report, but other fields have not been affected by the directive.

Prime benefited from a robust oil price hedging program in 2020, achieving an average sale price of $64/bbl for a total of 20 cargoes (19 mmbbl) via financial hedges and forward sales contracts. Prime continues to roll over its hedging program to 2021 and has sold forward or hedged 100% of its first half of 2021 cargoes at an average price of approximately $57/bbl and 56% of its second half of 2021 cargoes at an average price of approximately $55/bbl as of February 22, 2021. These contracts are with counterparties including oil supermajors and commodity trading houses. The counterparties are part of groups with investment grade credit ratings.

In these uncertain times, the Company will continue to prioritize repayment of our long-term debt, utilizing dividends received from Prime, as we have done throughout 2020. The Company has also reduced discretionary capital expenditures and G&A costs where possible in 2020 and continues to monitor it cost base. The Company is expected to have sufficient liquidity to meet its commitments through to end of 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE UPDATE

The Company is continuing its ESG journey, and remains focused on improvement, and transparency. As a non-operator and shareholder, the Company is working with its operating partners and investee companies to develop appropriate ESG monitoring and reporting to improve performance and further integrate sustainable business practices.

In Nigeria, the Company is working with Prime, to develop appropriate ESG performance monitoring and reporting procedures. ESG performance data is being provided to the Company on a quarterly basis and full-year data will be set out in the Company's first Environmental, Social and Governance Review. Gas flaring has reduced significantly by 56% during 2020 due to improved operations management and better sustainability practices. The Company will continue to work with the operator to develop performance improvement and for further emissions reductions.

In Kenya, the Company is working with its joint venture partners to extend existing licences, with the objective of submitting an updated Field Development Plan to the Government of Kenya for approval by the end of 2021. In support of this, the draft ESIA is being updated to reflect the revised project configuration, which includes minimizing greenhouse gas emissions.

As part of International Finance Corporation's ("IFC") equity investment in the Company, independent monitoring of compliance with IFC Performance Standards are undertaken on a regular basis. A monitoring report was completed in Q4 2020 and no material adverse findings were reported.

The Company's Board continues to expand its focus and oversight of sustainability matters. The Company implemented the governance recommendations of the Task Force on Climate-Related Disclosures (TCFD), in 2019 when the Board formed the Environmental Social Governance, and Health and Safety Committee (the "ESGHSC") comprised of three independent directors. A senior officer of the Company, acts as an advisor to the ESGHSC in assessing and managing the Company's climate-related risks and opportunities. The ESGHSC and Board meets at least quarterly to receive updates on climate-related issues. At the Committee's recommendation, the Company updated its ESG policies, available on the sustainability page of the Company's website, to strengthen the Company's sustainability governance and practices.

An important component of the Company's climate journey is the development of an energy transition plan. This Plan will set out the steps the Company will undertake to avoid emissions through effective design and operational management, and the steps taken to offset future emissions during oil production activities.

OPERATIONS UPDATE

Prime - Nigeria

The main 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 Corporation and covers part of the producing Agbami Field. OML 130 is operated by affiliates of Total S.A. and contains the producing Akpo and Egina Fields. The three fields in these two OMLs are located over 100 km offshore Nigeria. The Company accounts for its interest in Prime under the equity method.

All three fields have high quality reservoirs and produce light to medium sweet crude oil through FPSO facilities. Akpo and Egina also produce natural gas that is exported onshore for sale.

Production of the Egina field was affected in 2020 by the imposition of Opec+ quotas. These quotas are expected to continue for the near term. These quotas limited production from Egina in 2020 to approximately an average of 154,000 bopd.

Fourth quarter total gross field production averaged approximately 419,000 barrels of oil equivalent per day ("boepd") compared with 434,000 boepd in the third quarter. Total gross field production averaged approximately 457,000 boepd for the year. Fourth quarter average daily working interest production net to Africa Oil's 50% shareholding in Prime was approximately 26,200 boepd compared to 26,900 boepd in the third quarter. Full-year average daily working interest production was approximately 28,700 boepd net to Africa Oil's interest. Fourth quarter average daily entitlement production net to Africa Oil's 50% shareholding in Prime was approximately 30,100 boepd compared to 27,800 in the third quarter, out of which 88% was oil and 12% was gas. Full-year average daily entitlement production was approximately 33,900 boepd net to Africa Oil's interest, out of which 85% was oil and 15% was gas.

During the fourth quarter, Prime was allocated three oil liftings with total sales volume of approximately 2.9 million barrels or 1.4 million barrels net to Africa Oil's 50% shareholding. For the full year, Prime was allocated 20 oil liftings with total sales volume of approximately 19.0 million barrels or 9.5 million barrels net to Africa Oil's 50% shareholding.

Tertiary Rift - Kenya

The South Lokichar Development Project (Blocks 10BB and 13T)

On May 15, 2020 Tullow, the operating partner on Blocks 10BB and 13T in Kenya, submitted notices of Force Majeure to the Kenyan Ministry of Petroleum and Mining on behalf of the joint venture partners in these blocks. These declarations are the result of impact of the COVID-19 pandemic on the operations, including Kenyan government's restrictions on domestic and international travel, and recently introduced tax changes that adversely impact the project economics. These were exacerbated by the unprecedented crash in global crude oil prices in 2020. Declaration of Force Majeure allowed time for an improvement in the operating environment and for the joint venture partners to discuss with the government of Kenya the best way forward for this strategic project. On August 20, 2020, the joint venture partners on Blocks 10BB and 13T in Kenya submitted a letter to the Kenyan Ministry of Petroleum and Mining, to withdraw the notices of Force Majeure.

On May 29, 2020, Tullow informed the Government of Kenya that the Early Oil Production System ("EOPS") operations were to cease. The EOPS had remained suspended due to severe damage to roads caused by adverse weather in the fourth quarter of 2019 and the COVID-19 pandemic in the first quarter of 2020. The EOPS system was first commenced at the end of June 2019 and although it was not intended to be a profitable enterprise, it was a valuable exercise in gathering reservoir performance data, strengthen relationships with local and national stakeholders, secure Kenyan government's investment in local infrastructure including roads and bridges and introduce the South Lokichar crude to international oil markets.

On September 9, 2020, Tullow received notification from the Government of Kenya that the licenses for Blocks 10BB and 13T had been granted a contingent extension. Under the terms of the extension, the Joint Venture partners have the right to extend the second exploration period for the 10BB and 13T license blocks until December 31, 2020, with a further extension until December 31, 2021 contingent, amongst other conditions, on an agreed work program and budgets. Africa Oil intends to use this extended time frame to work closely with its Joint Venture partners on submitting an updated Field Development Plan ("FDP") by end of 2021. The revised development plan being discussed between JV Partners is expected to result in a more economically beneficial development plan.

On December 2, 2020, the Government of Kenya confirmed the obligations had been met for the license extensions on Blocks 10BB and 13T until December 31, 2021.

Africa Oil Corp. has a 25% working interest, before the government's back-in rights, in Blocks 10BB and 13T with Tullow Oil plc (50% and Operator) and Total S.A. (25%) holding the remaining interests.

Exploration Block 10BA - Kenya

In 2019, the Government of Kenya granted an extension to the 10BA Second Additional Exploration Period. This period is due to expire on April 26, 2021 and the partners will shortly be submitting a license extension request to the Government of Kenya. Due to current market challenges and limited activities in the block, a $77.8 million impairment of previously capitalized intangible exploration assets was recorded in the first quarter 2020 related to the Company's operations in Block 10BA.

Block 3B/4B - South Africa

In July 2019, the Company through its wholly-owned subsidiary, Africa Oil SA Corp., entered into a definitive farmout agreement with Azinam Limited to acquire a 20% participating interest and operatorship in the Exploration Right for Block 3B/4B, offshore South Africa. The farmout was fully completed in February 2020 with Africa Oil SA Corp. becoming the Operator for the block.

The 2D and 3D seismic data previously acquired in the block is being evaluated by the JV partners and will form the basis for the initial period work program along with other regional and technical studies. As part of this effort the joint venture plans to reprocess 3D seismic data in the areas of interest starting in 2021.

Tertiary Rift – Ethiopia

The Company continues the process of exiting Ethiopia and has completed all work commitments.

EQUITY INVESTMENT IN JOINT VENTURE

Prime

On January 14, 2020, the Company closed the acquisition of a 50% ownership interest in Prime (previously known as Petrobras Oil and Gas B.V.). BTG Pactual E&P SARL ("BTG") continues to own the remaining 50% of Prime. The total payment by AOC to close the acquisition, including the Nigerian Government's consent fee, amounted to $519.5 million, which included a deferred payment of $24.8 million which was paid during June 2020. The payment of $519.5 million had been funded through a loan facility of $250 million with BTG (the "Term Loan") and a cash payment of $269.5 million. In addition, the Company paid fees amounting to $25.1 million including legal and professional fees incurred in arranging and closing the transaction.

The Term Loan was drawn on January 14, 2020 and has a duration of two years. $141.0 million is outstanding at December 31, 2020. The Company has provided security in respect of the Term Loan mainly in the form of share pledges, over the shares of Petrovida (which holds 50% of shares in Prime), Eco, Africa Energy and Impact owned by Africa Oil and a charge over the bank accounts into which the Prime dividends are paid.

The loan repayments are calculated to be protective of the Company's liquidity position. The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment. The Company's loan repayments reduce commensurately with any reduction in dividends from Prime. $109.0 million has been repaid during the twelve months ended December 31, 2020. The loan is subject to a fixed interest rate of 15% and is not subject to any debt covenants.

A deferred payment of $118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field. As the probability of this payment is unlikely, no provision was recorded on acquisition, or at December 31, 2020.

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 will record 50% share of Prime's net income or loss in the period in the Statement of Net Income/Loss, as well as a 50% share of their Other Comprehensive Income/Loss. Dividends received are disclosed as a cash flow from investing activities in the Cash Flow Statement.

During the year ended December 31, 2020, Prime generated sales revenue of approximately $1,267.0 million or $633.5 million net to AOC's shareholding. Production of the Egina field was affected in 2020 by the imposition of Opec+ quotas. These quotas are expected to continue for the near term. This production curtailment as well as the lower oil price environment led to an impairment in the Egina field being recorded by Prime in the second quarter. The impairment was calculated as $289.5 million which resulted in a reduction in net profit of $144.7 million (post the effect of 50% Petroleum Profits Tax). Net to AOC's shareholding, the effect on profit from share of joint venture was $72.4 million. No impairment was required in the Agbami field. There were no indicators of impairment within Prime at December 31, 2020.

The impairment within Prime in the second quarter was an indicator of impairment of the Company's investment. The Company ran an impairment test at June 30, 2020 of the expected future dividend stream against the investment carrying value. This included an include estimates for the quantity of proved and probable petroleum reserves, future production rates, commodity prices, operating and capital costs as well as discount rates. The proved and probable petroleum reserves are prepared by the Company's independent petroleum engineers (management's experts). The Company used a consensus forward curve, with a long-term oil price of $54/bbl and a discount rate of 10% to assess the dividend stream and no impairment was required.

At December 31, 2020 the Company has considered whether it's equity investment in Prime had any indicators of impairment in accordance with IAS 28. If 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.

Prime benefited from a robust oil price hedging program in 2020, achieving an average sale price of $64/bbl for a total of 20 cargoes (19 mmbbl) via financial hedges and forward sales contracts. Prime continues to roll over its hedging program to 2021 and has sold forward or hedged 100% of its first half of 2021 cargoes at an average price of approximately $57/bbl and 56% of its second half of 2021 cargoes at an average price of approximately $55/bbl as of February 22, 2021. These contracts are with counterparties including oil supermajors and commodity trading houses. The counterparties are part of groups with investment grade credit ratings.

Fourth quarter 2020 average operating cost were $5.9 per boe and full-year average operating cost were $5.2 per boe. No leasing costs are payable for Prime's FPSO platforms because they are fully owned by the joint venture partners.

Prime distributed six dividends payments totaling $400 million gross in the period from completion of the Prime acquisition (January 14, 2020) to December 31, 2020, with a net payment to the Company of $200 million related to its 50% interest.

Prime's cash generating assets, OML 127 and OML 130, which result in the dividend stream to Prime's shareholders are both Production Sharing Arrangements ("PSA"). The PSA mechanism is naturally protective at low oil prices because of Prime's entitlement to recover cost oil (primarily historical capex and opex spend, including a carry for the indigenous partner share of costs). If the oil price decreases, the number of barrels allocated to recover the cost oil will increase and the Contractor recovers more cost oil. This mitigates the effects of any decrease in oil price.

Due to these factors, we do not foresee a significant and prolonged decline in value as the Company still expects to recover the value of the investment through dividend payments, however the Company recognizes that situation is volatile and will continue to monitor these significant judgements.

The Company has determined that there are no further indicators of impairment at December 31, 2020, and no impairment is required.

EQUITY INVESTMENTS IN ASSOCIATES

The Company holds equity participations in three oil & 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 December 31, 2020:

	Africa Oil Ownership	Total Shares Outstanding	December 31, 2020	December 31, 2019
Investment in Eco (Atlantic) Oil and Gas Ltd.	18.4%	184,697,723	12,922	12,022
Investment in Africa Energy Corp.	19.9%	1,395,333,039	45,801	17,882
Investment in Impact Oil and Gas Limited	30.9%	827,391,238	57,489	33,659
Total Investment			116,212	63,563

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

Eco holds working interests in four exploration blocks offshore Namibia and one exploration block offshore Guyana. In late 2019, Eco and partners announced two heavy oil discoveries in the Orinduik block offshore Guyana. Eco and partners are currently studying the feasibility of monetizing these discoveries and are reprocessing 3D seismic data to help highgrade deeper prospects in the block that could have a higher chance of encountering lighter oil. In Namibia, Eco negotiated the reissuance and establishment of a new 10-year life cycle for each of their four offshore blocks. The Company's ownership interest is approximately 18.4% at December 31, 2020.

There were no indicators of impairment on the investment as at December 31, 2020.

Africa Energy Corp. ("Africa Energy")

Africa Energy is an international oil and gas exploration company that holds a 90% participating interest in the offshore Exploration Right for Block 2B in the Republic of South Africa ("Block 2B"), an effective 10% participating interest in offshore Petroleum License 37 in the Republic of Namibia ("PEL 37"), and an effective 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa ("Block 11B/12B").

On February 5, 2020, Africa Energy completed a private placement, in which the Company participated, investing $5.0 million, acquiring 20,930,000 shares of a total of 104,652,174 shares issued. Africa Energy completed an additional private placement on September 30, 2020 in which the Company participated, investing $6.8 million, acquiring 20,000,000 shares of a total of 88,667,000 shares issued. On November 12, 2020, Africa Energy closed the equity issue of 509,092,771 common shares to Impact Oil & Gas Limited pursuant to the terms of a subscription agreement (the "Subscription Agreement") between Africa Energy and Impact dated August 24, 2020. The Subscription Agreement decreased the Company's ownership interest in Africa Energy from approximately 34.5% at December 31, 2019 to approximately 19.9% at December 31, 2020. This increased Africa Energy's effective participating interest in Block 11B/12B from 4.9% to 10%, subject to customary consents and approvals.

On October 28, 2020, Africa Energy announced a significant gas condensate discovery on the Luiperd prospect located on Block 11B/12B offshore South Africa. This discovery follows the adjacent play-opening Brulpadda discovery in 2019, which proved a significant new petroleum province in the region. The well encountered 73 meters of net gas condensate pay over a mid-Cretaceous high-quality reservoir interval and did not encounter the water contact. Following a comprehensive coring and logging program, the Luiperd well was subsequently flow-tested. After several tests at different choke settings, the well reached a maximum constrained flowrate through a 58/64" choke of 33 million cubic feet per day of natural gas ("MMcfpd") and 4,320 barrels of condensate per day ("bcpd"), an aggregate of approximately 9,820 barrels of oil equivalent per day ("boepd").

The Block 11B/12B joint venture is currently preparing for appraisal drilling of the Brulpadda and Luiperd discoveries and evaluating plans for developing these gas and condensate resources.

There were no indicators of impairment on the investment as at December 31, 2020.

Impact Oil and Gas Limited ("Impact")

Impact is a private UK oil and gas exploration company with assets located offshore Namibia, South Africa and West Africa. Impact acquired its first asset, the Tugela South Exploration Right, offshore South Africa in 2011 and has subsequently expanded its asset base across the offshore margins of South and West Africa. It has since partnered with ExxonMobil and Statoil (South Africa), CNOOC (AGC - between Senegal and Guinea Bissau) and Total S.A. (Namibia and South Africa). On February 14, 2020, Impact completed a private placement, in which the Company participated, investing approximately $12.0 million, acquiring 45,000,000 shares, increasing the Company's ownership interest in Impact from approximately 29.9% at December 31, 2019 to approximately 30.9% at December 31, 2020.

Impact, through a 2019 investment in Main Street 1549 (Proprietary) Limited, earned an indirect interest in Block 11B/12B, South Africa. As described above, in 2020 Africa Energy and Impact announced a consolidation of their indirect interest in the Block 11B/12B exploration right. Following completion, Impact holds 36.5% of the Common Shares in Africa Energy.

On November 4,2020 Impact Africa Ltd. farmed out 50% working interest and operatorship in the Transkei & Algoa exploration right, offshore South Africa to BG International Limited, a wholly owned subsidiary of Royal Dutch Shell plc. In the adjacent offshore block Area 2, Impact entered into an agreement with Silver Wave Energy Pte Ltd for the farm-in of a 90% working interest and operatorship.

Impact, with partner Total, have plans to drill the Venus-1 deep water exploration well in Block 2913B, offshore Namibia in the second half of 2021. The well will test a laterally extensive basin-floor fan prospect with large resource potential if successful.

There were no indicators of impairment on the investment as at December 31, 2020.

RECENT DEVELOPMENTS

Kenya Revenue Authority

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

The Kenyan Tax Appeals Tribunal ("TAT") has ruled in favour of the Company with regards to the CIT assessments, which amounts to $21.6 million, plus interest and penalties. However, the TAT ruled in favour of the KRA with regards to the VAT assessments which amounts to $25.3 million plus interest. The Company maintains its position that the VAT assessment is without merit and has duly filed an appeal with Kenya's High Court to challenge the position. The KRA appealed the CIT assessment. The Court will meet on March 10, 2021 to provide a date for the appeals to be heard. The Judge will give his judgment at a subsequent date, where the Company expects it is more likely than not that it will be successful in upholding the CIT and defending the VAT assessments.

Court Proceedings

The Company has, since 2010, been a party to two separate court proceedings in Kenya. Each of the court proceedings was initiated by Interstate Petroleum Ltd. ("IPL"), and certain parties related to IPL, as Applicants. Both proceedings, Judicial Review Number 30 of 2010 and Judicial Review Number 1 of 2012, involved a dispute concerning the administrative process that led to the issuance of exploration permits in respect of, amongst others, Blocks 10BA, 10BB, 12A and 13T. The primary Respondents in the proceedings included the Minister and the Ministry of Energy and Petroleum, Republic of Kenya. The Company and certain of its affiliates were named as Interested Parties.

To date, the Company has ultimately been successful in defending all of these proceedings, and in appealing unfavorable decisions. Recently, in light of the Company's successful appeal of a High Court decision relating to Judicial Review Number 1 of 2012, the Kenyan High Court in Kitale approved the Company's application for the release of certain funds that had been posted as security for costs in respect of that appeal.

In May 2019, the two most recent pending applications made against the Company by IPL and its related parties were dismissed by the High Court of Kenya in Kitale. At the May 2019 hearings in respect of these applications, the Court also directed IPL to not make any further applications in respect of the winding-up proceedings initiated against IPL by the Company without leave of the Court. IPL subsequently filed a Notice of Appeal dated 27 November 2019 challenging the dismissal.

The Company continues to pursue both the awards of costs made in favor of the Company by the Kenyan courts and the winding-up proceedings previously initiated against IPL by the Company.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Dec 2020**	**30-Sep 2020**	**30-Jun 2020**	**31-Mar 2020**	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**
Income/(loss) from equity investments ($)	91,234	31,755	30,318	87,055	(3,446)	141	(9,198)	(1,161)
Net operating income/(loss) ($)	86,151	28,465	27,004	(218,042)	(147,692)	(2,684)	(11,755)	(2,875)
Interest income ($)	16	25	95	966	1,556	2,128	2,301	2,393
Net income/(loss) attributable to common shareholders ($)	79,845	21,189	19,234	(137,882)	(146,198)	(597)	(9,463)	(511)
Weighted average shares - Basic	471,954	471,950	471,950	471,311	471,214	471,214	471,214	470,654
Weighted average shares - Diluted	475,144	475,150	475,150	471,311	471,214	471,214	471,214	470,654
Basic gain/(loss) per share ($)	0.17	0.04	0.04	(0.29)	(0.31)	(0.00)	(0.02)	(0.00)
Diluted gain/(loss) per share ($)	0.17	0.04	0.04	(0.29)	(0.31)	(0.00)	(0.02)	(0.00)
Intangible exploration expenditures ($)	1,805	3,447	5,359	10,191	6,585	10,833	4,801	13,141

Operating results

The Company recognized income of $79.8 million during the fourth quarter of 2020. The operating income primarily relates to the Company's share of profit from its investments in Prime amounting to $59.2 million and in Impact amounting to $11.1 million. In addition, the Company recognized a dilution gain of $21.1 million relating to Africa Energy's Subscription Agreement with Impact.

The Company recognized income of $21.2 million during the third quarter of 2020. The operating income primarily relates to the Company's share of profit from its investment in Prime amounting to $32.5 million.

The Company recognized income of $19.2 million during the second quarter of 2020. The operating income primarily relates to the Company's share of profit from its investment in Prime amounting to $31.7 million.

The Company recognized a loss of $137.9 million during the first quarter of 2020. Operating income of $85.6 million primarily related to the Company's share of profit from its investment in Prime and was offset by $218.0 million in operating expenses which primarily relates to the recognition of a $215.6 million impairment of intangible exploration assets relating to the valuation of the Kenyan development project and Block 10BA.

Share-based compensation

Three months ended (thousands, except per share amounts)	**31-Dec 2020**	**30-Sep 2020**	**30-Jun 2020**	**31-Mar 2020**	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**
Options granted	2,061	-	-	-	2,947	280	-	50
Performance share units granted	-	-	-	3,144	128	-	-	2,655
Restricted share units granted	-	-	-	1,576	32	-	-	1,231
Exercise price per share ($CAD)	1.21	-	-	-	1.16	1.13	-	1.06
Share-based compensation expense ($)	(1,798)	(485)	(1,001)	315	(634)	(433)	(763)	(404)

During the year ended December 31, 2020, the Company recognized $3.0 million in share-based compensation, relating to the Long-Term Incentive Plan ("LTIP") and Stock Option Plan ($2.2 million for the year ended December 31, 2019).

During the first quarter of 2020, 257,792 Performance Share Units ("PSUs") vested in which half were settled for a cash payment of $0.08 million and the other half were settled via the issuance of common shares of the Company. During the first quarter of 2019, 400,800 PSUs vested and were settled via the issuance of an equal number of common shares of the Company.

During the first quarter of 2020, 977,958 Restricted Share Units ("RSUs") vested in which half were settled for a cash payment of $0.3 million and the other half were settled via the issuance of common shares of the Company. During the fourth quarter of 2020, 10,666 RSUs vested and were settled in shares. During the first quarter of 2019, 815,367 RSUs vested and were settled for a cash payment of $0.7 million. Additionally, during the first quarter of 2020, 235,024 RSU's issued to non-executive directors vested (246,000 in first quarter 2019) and were settled via issuance of an equal number of common shares in both periods.

RESULTS OF OPERATIONS

	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Share of profit/(loss) from equity investments	91,234	(3,446)	240,362	(13,664)
Salaries and benefits	(2,203)	(2,097)	(5,667)	(3,481)
Share-based compensation	(1,798)	(634)	(2,969)	(2,234)
Office and general	(1,082)	(2,001)	(5,493)	(6,113)
Impairment of intangible exploration assets	-	(139,514)	(215,600)	(139,514)
Net operating income/(loss)	86,151	(147,692)	10,633	(165,006)

The Company recognized operating income amounting to $86.2 million for the three months ended December 31, 2020 compared to an operating loss amounting to $147.7 million during the same period in 2019. The operating income is primarily due to the Company's share of profit from its investments in Prime amounting to $59.2 million and in Impact amounting to $11.1 million. In addition, the Company recognized a dilution gain of $21.1 million during the three months ended December 31, 2020 relating to Africa Energy's Subscription Agreement with Impact. The operating loss for the three months ended December 31, 2019 is primarily due to the recognition of a $139.5 million impairment of intangible exploration assets relating to the Kenyan development project.

The Company recognized an operating income amounting to $10.6 million during the year ended December 31, 2020 compared to an operating loss of $165.0 million during the same period in 2019. The operating income for the year ended December 31, 2020 is primarily due to the recognition of profit from the Company's investment in Prime in which the Company received $209.0 million during the year as well as $11.9 million in profit from its investment in Impact. In addition, the Company recognized a dilution gain of $19.9 million during the year primarily relating to Africa Energy's Subscription Agreement with Impact. The operating income was offset by the recognition of a $215.6 million impairment of intangible exploration assets relating to the Kenyan development project and Block 10BA. The operating loss for the year ended December 31, 2019 is primarily due to the recognition of a $139.5 million impairment of intangible exploration assets relating to the Kenyan development project.

SELECTED ANNUAL INFORMATION

For the years ended December 31, (thousands, except per share amounts)	2020	2019	2018
Statement of net loss and comprehensive loss			
Net loss and comprehensive loss attributable to common shareholders	(17,614)	(156,769)	(66,714)
Data per Common Share			
Basic loss per share ($/share)	(0.04)	(0.33)	(0.14)
Diluted loss per share ($/share)	(0.04)	(0.33)	(0.14)
Balance Sheet			
Working capital	29,324	290,749	340,744
Total assets	910,499	812,305	953,910
Long term liabilities	143,677	2,620	458

The net loss attributable to common shareholders decreased by $139.2 million compared to the year ended 2019 due to the recognition of profit from the Company's investments in Prime and Impact which was offset by the recognition of a $215.6 million impairment of intangible exploration assets relating to the Kenyan development project and Block 10BA. The net loss attributable to common shareholders increased by $90.1 million in 2019 compared to the year ended 2018 due to an increase in operating expenses, including the recognition of a $139.5 million impairment of intangible exploration assets relating to the Kenyan development project.

A decrease in working capital in 2020 was driven by the change in the cash balance. Cash decreased in 2020 primarily due to the payment for the acquisition of 50% of Prime. Cash decreased in 2019 primarily due to capital expenditures and investments in Eco and Impact.

Long term liabilities increased in 2020 compared to 2019 due to the Term Loan. Long term liabilities increased in 2019 compared to 2018 due to application of IFRS 16 in which the Company's office and residential leases were capitalized.

INTANGIBLE EXPLORATION ASSETS

(thousands)	December 31, 2020	December 31, 2019
Intangible exploration assets	190,396	411,669

The following table breaks down the material components of intangible exploration expenditures incurred:

For the years ended	December 31, 2020			December 31, 2019		
(thousands)	Kenya	South Africa	Total	Kenya	South Africa	Total
Drilling and completion	1,947	-	**1,947**	5,347	-	**5,347**
Development studies	9,938	-	**9,938**	18,685	-	**18,685**
Exploration surveys and studies	-	-	**-**	55	-	**55**
PSA and G&A related	4,776	4,141	**8,917**	11,273	-	**11,273**
Total	16,661	4,141	**20,802**	35,360	-	**35,360**

During the year ended December 31, 2020, the Company incurred $20.8 million of intangible exploration expenditures. These expenditures relate to the completion of the acquisition of a 20% participating interest in the Block 3B/4B Exploration Right as well as the Company's share of costs associated with appraisal stage projects in Kenya which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: development studies (including upstream and midstream Front End Engineering and Design ("FEED"), land acquisition, Environmental and Social Impact Assessment ("ESIA"), water acquisition and subsurface reservoir studies) and general and administrative costs incurred in relation to the Company's Production Sharing Agreements ("PSA") with the respective host governments. PSA and G&A related costs include acquisition costs, personnel and office running costs, local community development expenditures, land surface fees, annual rental fees and other PSA related fees.

Kenya

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

At December 31, 2019, the Company determined that due to a change in project and economic assumptions in the Kenyan development project cash generating unit ("CGU") (Blocks 10BB and 13T), an impairment test was required. The Company used estimated 2C resources with a real $60/bbl Brent price less a discount of $3/bbl for the quality of the crude oil and a post-tax discount rate of 15 percent. A total impairment loss of $139.5 million was recorded.

Due to a reduction in oil price, and the global pandemic in the first quarter of 2020, the Company determined that an impairment test was required for the Kenyan development project CGU (Block 10BB and 13T) as at March 31, 2020. The Company used fair value less costs of disposal to determine the recoverable amount of Block 10BB and 13T. The results of the impairment test indicated that the carrying value of Block 10BB and 13T exceeded the recoverable amount and the Company recognized an impairment loss of $137.8 million. The Company used a market consensus Brent forward curve at March 31, 2020. The post-tax discount rate increased to 17 percent, reflecting current market challenges and risks. As at December 31, 2020, the Company did not note any further indicators of impairment.

As at March 31, 2020, a one percent increase in the assumed discount rate would have resulted in an additional impairment expense of $27.5 million (December 31, 2019 $41.0 million). Using a discount rate of 13 percent at March 31, 2020 (December 31, 2019, 12 percent), no impairment would have been required as the recoverable amount would have exceeded the carrying amount by $5.0 million (December 31, 2019, $15.0 million).

The future development of the Company's other Kenyan block, 10BA, would likely rely on infrastructure of Blocks 10BB and 13T. The impairment in Block 10BB and 13T as at March 31, 2020 was an indicator that Block 10BA may be impaired. The block has considerable exploration potential however the work program was minimal for 2020, and partner support was affected by the global pandemic in the first quarter. The block's economic feasibility in the current environment is significantly reduced and a total impairment loss of $77.8 million was recorded in operating expenses during the first quarter of 2020.

On May 15, 2020 Tullow, the operating partner on Blocks 10BB and 13T in Kenya, submitted notices of Force Majeure to the Kenyan Ministry of Petroleum and Mining on behalf of the joint venture partners in these blocks. These declarations were the result of impact of the COVID-19 pandemic on the operations, including the Kenyan government's restrictions on domestic and international travel, and proposed tax changes that adversely impact the project economics. These were exacerbated by the unprecedented crash in global crude oil prices in 2020. This notice was withdrawn on August 20, 2020.

On September 9, 2020, Tullow received notification from the Government of Kenya that the licenses for Blocks 10BB and 13T had been granted a contingent extension until December 31, 2021.

On December 2, 2020, the Government of Kenya confirmed the obligations had been met for the license extensions on Blocks 10BB and 13T until December 31, 2021. The revised development plan being discussed between JV Partners is expected to result in a more economically beneficial development plan.

As a result of the improving forward curve, and the anticipated revisions to the development plan, Management has concluded that there were no further indicators of impairment on Blocks 10BB and 13T.

The Company's remaining intangible exploration assets have no indicators of impairment.

South Africa

On February 7, 2020, a wholly-owned subsidiary of the Company acquired a 20% participating interest in the Block 3B/4B Exploration Right from Azinam Limited ("Azinam") for a consideration of approximately $3.6 million. The Company has assumed operatorship for the joint venture partners; Azinam will retain a 20% participating interest and Ricocure (Pty) Ltd holds the remaining a 60% participating interest.

Additionally, the Company will be obligated to carry 50% of Ricocure (Pty) Ltd's share of all costs associated with the Government Work Program Commitments and Work Program and Budget for the carry period. The carry period is concluded when the partnership commits to drilling an exploratory well.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020, the Company had cash of $40.5 million and working capital of $29.3 million as compared to cash of $329.5 million and working capital of $290.7 million at December 31, 2019.

In January 2020, the Company closed the acquisition of Prime. The total payment by the Company to close the Acquisition, including the Nigerian Government's consent fee, amounted to $519.5 million. This includes a deferred payment of $24.8 million which was paid in June 2020. The payment of $519.5 million had been funded through the Term Loan and a cash payment of $269.5 million. In addition, the Company paid notary fees amounting to $1.8 million. A deferred payment of $118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field.

There are no plans or proposals for any material changes in the Company's business affairs, or the affairs of the business of Prime, which may have a significant effect on the financial performance and financial position of the Company, including any proposal to liquidate the business of the Company or Prime, to sell, lease or exchange all or a substantial part of its assets, to amalgamate the business or to make any other material changes to the business of the Company or Prime.

There are no financial covenants or other factors relating to the term loan that would have a detrimental effect on the Company's liquidity. The Company has started the process of refinancing the Term Loan, which is expected to complete before July 2021. The Company is expected to have sufficient liquidity to meet its commitments through to the end of 2021.

During the year ended December 31, 2020, Prime distributed six dividend payments totaling of $400 million to its shareholders, with a net payment to Africa Oil of $200 million related to its 50% interest. The dividends earned during 2020 were applied partly to the repayment of the BTG facility. Going forward, the company continue to apply dividends in priority to debt repayment while progressing the refinancing of the Term Loan and continuing to maintain a minimum cash balance.

Regarding the South Lokichar Basin development, the Company will continue to minimize capital investment until a field development and financial plan is approved. The Company's current working capital position may not provide it with sufficient capital resources to complete development activities being considered in the South Lokichar Basin (Kenya).

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 working interest 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.

OUTLOOK

The Company, with the acquisition of 50% of Prime, has now become a full-cycle E&P company with material reserves and production, strong operating netbacks, and free cash flow generation that is supported by an active oil price hedging program at the Prime level. In 2020, Prime has repaid $522 million of principal of its RBL facility to reduce the outstanding debt to $1,303 million and Prime is expected to continue to optimize its balance sheet and the maturity of its debt in 2021. The Company will continue to repay its Term Loan from the dividends distributed from Prime and started the refinancing process of the Term Loan, with completion expected in July 2021.

In parallel, the Company is continuing to review acquisition opportunities in West Africa that would be cash flow accretive.

In Kenya, the extension of licenses of Blocks 10BB and 13T will allow the JV partners to design a field development plan for the South Lokichar development in collaboration with the government of Kenya in 2021 in order to determine the best way forward for this strategic project.

Through its 30.9% shareholding in Impact Oil & Gas, the Company has exposure to the Venus-1 exploration well in Block 2913B, offshore Namibia which is expected to spud in the third quarter of 2021. Venus-1 will target a large basin floor fan system with significant undiscovered petroleum initially in place that has been identified using 3D seismic data. The well will be operated by a subsidiary of Total S.A. (40%) with partners Qatar Petroleum (30%.), Impact (20%) and NAMCOR (10%). Africa Oil has a net 6% indirect economic stake in the license through its shareholding in Impact.

Venus-1 is a potential basin-opening well and could be an impactful catalyst for the Company's other interests in the area. A successful Venus-1 well would demonstrate the presence of an active regional petroleum system and would increase the prospectivity of adjacent blocks including Block 3B/4B, where Africa Oil holds a 20% operated working interest.

Through its shareholding in Africa Energy, the Company has exposure to the Gazania-1 exploration well that will be drilled in Block 2B offshore South Africa, with a target spud date in late 2021 to early 2022. The Gazania-1 will test a prospect in the A-J rift basin that is near and updip of the A-J1 oil discovery (1988) that flowed 36o API oil to surface. A success at Gazania-1 would de-risk a large inventory of prospects in the block that have been identified from 3D seismic data. Africa Oil has an indirect 5.5% economic interest in Block 2B through its 19.9% shareholding of Africa Energy. Africa Energy holds a carried 27.5% working interest in Block 2B with partners Azinam (Operator, 50% WI), Panoro Energy (12.5% W.I.) and Crown Energy (10% W.I.).

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy

On February 5, 2020, Africa Energy completed a private placement, in which the Company participated, investing $5.0 million, acquiring 20,930,000 shares of a total of 104,652,174 shares issued. Africa Energy completed an additional private placement on September 30, 2020 in which the Company participated, investing $6.8 million, acquiring 20,000,000 shares of a total of 88,667,000 shares issued. As at December 31, 2020, the Company's ownership interest in Africa Energy is approximately 19.9%.

Services Agreements:

(thousands)	Service provider	Service provided	Invoice value 2020	Invoice value 2019	Balance owing 2020	Balance owing 2019
General Management and Service Agreement	AOC to Africa Energy	Administrative services provided to Africa Energy.	102	127	-	-
Consulting Services Agreement (1)	Africa Energy to AOC	Technical and administrative services relating to project evaluation	300	500	-	-
General Technical and Administrative Service Agreement (2)	Africa Energy to AOSAC	Technical and administrative services relating to its operating interest in Block 3B/4B, located offshore South Africa.	192	-	-	-

(1) Expired June 30, 2020

(2) Contract date July 1, 2020

Remuneration of Directors and Senior Management

Remuneration of Directors and Senior Management includes all amounts earned and awarded to the Company's Board of Directors and Senior Management. Senior Management includes the Company's President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Vice President of Exploration.

Directors' fees include Board and Committee Chair retainers. Management's short-term wages and benefits include salary, benefits, bonuses and any other cash-based compensation earned or awarded during the year. Share-based compensation includes expenses related to the Company's share purchase option plan as well as the Long-Term Incentive Plan.

For the years ended	December 31, 2020	December 31, 2019
Directors' fees	365	338
Directors' share-based compensation	742	366
Managements' short-term wages and benefits	2,527	1,923
Managements' share-based compensation	844	928
	4,478	3,555

COMMITMENTS AND CONTINGENCIES

Please note that the following commitments and contingencies are representative of AOC's net obligations at the effective date of the MD&A.

Prime Oil and Gas Coöperatief U.A:

A deferred payment of $118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field. As the probability of this payment is unlikely, no provision is recorded at December 31, 2020.

South Africa:

Block 3B/4B is currently in the Initial Period, having a term of three years which will expire in April 2022. The work commitments during this Initial Period for Block 3B/4B consist of regional subsurface evaluation and mapping, petrophysical analysis of nearby wells, basin modelling, prospect maturation and prospect ranking, leading to recommendations on future investments. The total minimum gross expenditure obligation for the Initial Period is 11.4 million Rand (approximately $0.7m). At December 31, 2020, the Company's working interest in Block 3B/4B was 20%.

Kenya:

On September 9, 2020, the Company announced a contingent license extension had been granted by the Government of Kenya on Blocks 10BB and 13T to the second additional exploration periods for both PSCs, which expires on December 31, 2020, with a further extension until December 31, 2021 contingent, amongst other conditions, on an agreed work program and budgets. All commitments for this period have been met. On December 2, 2020, the Government of Kenya confirmed the obligations had been met for the license extensions on Blocks 10BB and 13T until December 31, 2021. At December 31, 2020, the Company's working interest in Blocks 10BB and 13T was 25%.

Under the terms of the Block 10BA PSC, during May 2019, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in April 2021. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 kilometers of 2D seismic or 25 square kilometers of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is $19.0 million. Seismic acquisition commitments have been completed; the well commitment is outstanding. At December 31, 2020, the Company's working interest in Block 10BA was 25% and the carrying value was $nil.

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	471,960,472
Outstanding share purchase options	9,618,000
Outstanding performance share units	7,615,412
Outstanding restricted share units	3,189,469
Full dilution impact on common shares outstanding	492,383,353

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

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 judgments, assumptions and estimates in the application of IFRS. Judgments, 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 judgments, assumptions and estimates may be subject to change. The Company believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. The Company' significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2020.

Use of Estimates

The preparation of the 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates related to unsettled transactions and events as of the date of the 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 consolidated financial statements include, but are not limited to, recovery of exploration costs capitalized in accordance with IFRS, stock-based compensation, valuation and impairment of equity investments and income taxes.

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 judgment.

Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are recognized in the statement of net income/loss. 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 (the "cash-generating unit" or "CGU") within intangible exploration assets. The allocation of the Company's assets into CGUs requires judgment.

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 post-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 contingent resources, future commodity prices, expected production volumes, future operating and development costs, among others. The estimated useful life of the CGU, the timing of future cash flows and discount rates are also important assumptions made by management.

Equity Based Compensation

The Company has three share-based compensation plans.

Share Option Plan: The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing stock options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period as share-based compensation expense. The recognized costs are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model, which is based on significant assumptions such as volatility, dividend yield and expected term.

PSUs: The estimated fair value of the PSUs is initially determined at the time of grant and is based on non-market performance conditions. The estimated fair value of the PSUs is assessed for revaluation at the end of every reporting period. The estimated fair value is recognized over the applicable vesting period as share-based compensation expense.

RSUs: The estimated fair value of the RSUs is initially determined at the time of grant and is revalued on a quarterly basis, recorded as a liability in the balance sheet and expensed evenly throughout the applicable vesting period as share-based compensation expense.

Equity Method

Investments in joint ventures and investments in associates are accounted for using the equity method. Investments of this nature are recorded at original cost. Investments in joint ventures or associates which arise from a loss in control of a subsidiary are recorded at fair value on the date of the loss of control. The investment is adjusted periodically for the Company's share of the profit or loss of the investment after the date of acquisition. The investor's share of the profit or loss of the investee is also recognized in the Company's profit or loss. 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 represents 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 hedging 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.

Income Tax

The Company follows the balance sheet method of accounting for income taxes whereby future income taxes are recognized based on the differences between the carrying values of assets and liabilities reported in the Annual Financial Statements and their respective tax basis. Future income tax assets and liabilities are recognized at the tax rates at which Management expects the temporary differences to reverse. Management bases this expectation on future earnings, which require estimates for reserves, timing of production, crude oil price, operating cost estimates and foreign exchange rates. Management assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and a valuation allowance is provided to the extent that it is more than likely that future income tax assets will not be realized. As a result, future earnings are subject to significant Management judgment.

Contingencies relating to income tax are subject to measurement uncertainty as the related financial impact will only be confirmed by the outcome of a future event. The assessment of income tax contingencies requires the application of judgements and estimates including the determination of whether a present obligation exists and the reliable estimation of the timing and amount of cash flows required to settle the contingency.

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 December 31, 2020, 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 of December 31, 2020, 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.

RISK FACTORS

The Company’s operations are subject to various risks and uncertainties, including, but not limited to, those listed below.

Global Health Emergency

The current novel coronavirus (COVID-19) global health pandemic is significantly impacting the global economy and financial and commodity markets. The full extent and impact of the COVID-19 pandemic is unknown and to date has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices, extended shutdowns of numerous business activities and supply chain disruptions worldwide and has raised the prospect of an extended global recession. As well, as efforts are undertaken to slow the spread of the COVID-19 pandemic, the operation and development of the assets which the Company acquired an interest in may be impacted. Although the full impact of the COVID-19 pandemic on the global economy and its duration remains uncertain, disruptions caused by COVID-19 or any other outbreak or public health emergency may adversely affect the performance of the Company. The degree to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus and its variants or treat their impact, and how quickly and to what extent normal economic and operating conditions can resume.

Climate Change Risk

Governments around the world have become increasingly focused on addressing the impacts of anthropogenic global climate change, particularly in the reduction of gases with the potential to contribute to greenhouse gas levels in the atmosphere. The oil and natural gas industry is subject to stringent environmental regulations. The political climate appears to favour new programs for environmental laws and regulation, particularly in relation to the reduction of emissions or emissions intensity, and there is a risk that any such programs, laws or regulations, if proposed and enacted, will contain emission reduction targets which the Company may not be able to meet, and financial penalties or charges could be incurred as a result of the failure to meet such targets. A breach of applicable legislation within any of the Company's countries of operation may result in the imposition of fines against the Company or the issuance of clean up orders in respect of its oil and gas assets, some of which may be material.

Climate change policy is emerging and quickly evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. Implementation of strategies by any level of government within the countries in which the Company operates, and whether to meet international agreed limits, or as otherwise determined, for reducing greenhouse gases could have a material impact on the operations and financial condition of the Company. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels and in financial institutions reducing their exposure to the Oil & Gas industry. Changes in policies and legislations or in market dynamics are likely to result in a reduction of demand for oil and gas products in the medium or long term and would affect the financial condition of Upstream Oil and Gas companies. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Company and its operations, its access to capital and financial condition. It is also not possible at this time to predict whether any proposed legislations relating to climate change will be adopted, and any such regulations could result in operating restrictions or compliance costs.

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 partake in hedging activities when efficient to do so, however that may not fully mitigate the risk of lower oil prices.

The Company may be required by Government authorities to limit production due to OPEC+ quotas from time to time.

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.

Liquidity Risk

Liquidity describes a company's ability to access cash. Liquidity risk is the risk that the Company will not be able to meet or refinance its financial obligations as they become due. Companies operating in the upstream oil and gas industry during the exploration and appraisal phase 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.

The Company will potentially issue debt or equity 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 will also adjust the pace of its activities to manage its liquidity position.

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 and economic 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, the Company could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which the Company acquires an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits when required.

Different Legal System and Litigation

The Company's oil production and exploration 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 production and exploration 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 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 or criminal penalties, other remedial measures and legal expenses which could adversely affect the Company's business, results in operations, and financial condition. 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.

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 and the completion of working interest 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 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.

Shared Ownership and Dependency on Partners

The Company's operations are, to a significant degree, conducted together with one or more partners through contractual arrangements. In such instances, the Company may be dependent on, or affected by, the due performance of its partners. If a partner fails to perform, the Company may, among other things, risk losing rights or revenues or incur additional obligations or costs, or experience delays, in order to itself perform 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 significant negative effects on the Company's operations relating to such project.

Investments in Joint Ventures and Associates

The Company has invested in other frontier oil and gas exploration companies that are similar to the Company, and that face similar risks and uncertainties faced by the Company, which could have a material adverse effect on their businesses, prospects and results of operations. Such risks include, without exclusion, equity risk, liquidity 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 Company's investments are not diversified over different types of investments and industries, rather, they are concentrated in one type of investment. If the companies in which the Company has invested fails, liquidates, or becomes bankrupt, the Company 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. The Company has minority positions in its investments in associates which does not allow the Company to control these investments or influence all decisions made within these companies.

Uncertainty of Title

Although the Company conducts title reviews prior to acquiring an interest in a concession, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question the Company's interest in the concession. Any uncertainty with respect to one or more of the Company's concession interests could have a material adverse effect on the Company's business, prospects and results of operations.

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 the Company. Also, if the Company or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, the Company's rights under such concessions, licenses or contracts may be relinquished in whole or in part.

Competitive Conditions

The petroleum industry is intensely competitive in all aspects, including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. The Company competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. The Company's competitors include oil companies that have greater financial resources, staff and facilities than those of the Company and its partners. The Company's ability to discover reserves in the future will depend on its ability to successfully explore its present properties, to select and acquire suitable producing properties or prospects on which to conduct future exploration and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas. The Company's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon the development and maintenance of close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. The Company strives to be competitive by maintaining a strong financial balance sheet.

Oil and natural gas producers are also facing increased competition from alternative forms of energy, fuel and related products that could have a material adverse effect on the Company's business, prospects and results of operations.

Risks Inherent in Oil and Gas Exploration and Development

Oil and gas operations involve many risks, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome. The long-term commercial success of the Company 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. There is no assurance that expenditures made on future exploration by the Company will result in discoveries of oil or natural gas in commercial quantities or that commercial quantities of oil and natural gas will be discovered or acquired by the Company. It is difficult to project the costs of implementing an exploratory 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 and 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.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The Company's business is subject to all of 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.

Well-flow Test Results

Drill stem tests are commonly based on flow periods of 1 to 5 days and build up periods of 1 to 3 days. Pressure transient analysis has not been carried out on all well tests and the results should therefore be considered as preliminary. Well test results are not necessarily indicative of long-term performance or of ultimate recovery.

Capital Requirements

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 working interest farm-out 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 PSAs. Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

Government Regulations and Tax Risk

The Company may be affected by changes in taxes, regulations and other laws or policies affecting the oil and gas industry generally. The Company's host governments may implement new regulations or modify existing regulations regarding taxes affecting the oil and natural gas industry. The Company could experience an increase in existing taxes and may be subject to some tax assessments that 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. In Nigeria, the fiscal regime Prime is currently subject to might be affected by the Petroleum Industry Bill ("PIB"), which is currently expected to be passed at the latest in the first half of 2021.

Environmental Protection

Environmental legislation imposes certain restrictions, obligations, and liabilities on companies in the oil and gas industry. Drilling for and production, handling, transporting and disposing of oil and gas and petroleum by-products are subject to extensive regulation under national and local environmental laws, including those of the countries in which the Company currently operates. Environmental regulations may impose, among other things, restrictions, liabilities and obligations in connection with water and air pollution control and permitting requirements and restrictions on operations in environmentally sensitive areas. Environmental regulations may also impose restrictions on the handling of, storing, transporting, and disposing of waste. In addition, the Company could potentially be liable for contamination on properties acquired and it attempts to mitigate the risk of inheriting environmental liabilities by conducting due diligence on acquisition opportunities. The Company also seeks to ensure that, where it is a non-operating shareholder, activities are undertaken in alignment with the Company policies and standards as far as practicable.

Environmental protection requirements have not, to date, had a significant effect on the capital expenditures, results of operations and competitive position of the Company. However, environmental regulations are expected to become more stringent in the future and costs associated with compliance are expected to increase. In addition, as the Company's exploration and operating activities expand, new and more rigorously enforced environmental regulations may come into play, which could impact those activities and the cost of compliance. Any penalties or other sanctions imposed on the Company (or its joint venture partners) for non-compliance with environmental regulations could have a material adverse effect on the Company's business, prospects and results of operations, or could result in restrictions or cessation of operations and the imposition of fines and penalties.

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 December 31, 2020.

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 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 working interests. 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.

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.

COVID-19 has had a significant impact on the oil and gas industry, including a substantial reduction in oil demand worldwide, market volatility and oil price weakness. There has been a robust response by international oil producers led by the group of OPEC+ countries to reduce supply and address the challenge of demand destruction. The Company cannot assure that the oil producers' response can remove significant supply to address the demand destruction, flatten the curve of inventory builds and set a course to rebalance markets, nor can the Company predict the time it will take for oil demand to recover to the pre-pandemic level. Such adverse effects may continue and could affect the Company and the Company's share price.

Forward-looking statements include, but are not limited to, statements concerning:

- 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 geological and geophysical related activities;
- Potential for an improved economic environment;
- The Company's plans to prioritize repayment of its long-term debt, utilizing dividends received 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, natural gas or chemical prices;
- Future earnings;
- Future asset acquisitions or dispositions;
- Future debt levels;
- Availability of committed credit facilities, including existing credit facilities, on terms 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;
- Ultimate recoverability of current and long-term assets;
- Ultimate recoverability of reserves or resources;
- Estimates on a per share basis;
- Future foreign currency exchange rates;
- 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 and chemical products;
- Uncertainty of estimates and projections relating to reserves, resources, production , revenues, costs and expenses;
- Changes in exploration or development project plans or capital expenditures;
- The Company's ability to explore, develop, produce and transport crude oil and natural gas to markets;
- Production and development costs and capital expenditures;
- The imprecise nature of reserve estimates and estimates of recoverable quantities of oil, natural gas and liquids;
- Changes in oil prices;
- Availability of financing;
- Uninsured risks;
- Changes in interest rates and exchange rates
- Regulatory changes;
- 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;
- Volatility in energy trading markets;
- Incorrect assessments of value when making acquisitions;
- Foreign-currency exchange rates;
- Economic conditions in the countries and regions in which the Company carries on business;
- Governmental actions including changes to taxes or royalties, and changes in environmental and other laws and regulations;
- 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.

Independent auditor’s report

To the Shareholders of Africa Oil Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Africa Oil Corp. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company’s consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2020 and 2019;
- the consolidated statements of net loss and comprehensive loss for the years then ended;
- the consolidated statements of equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of intangible exploration assets of the Kenyan development project cash generating unit (CGU) *Refer to note 3 – Basis of preparation, note 4 – Significant accounting policies and note 6 – Intangible exploration assets to the consolidated financial statements.* As at December 31, 2020, the carrying amount of the Company's intangible exploration assets was $190.4 million, of which $186.3 million related to the Kenyan development project cash generating unit (Block 10BB and 13T) (Kenyan development project CGU). Intangible exploration assets are assessed for impairment indicators when facts or circumstances suggest that the carrying amount exceeds the recoverable amount. If impairment indicators exist, the CGU is tested for impairment and a loss is recognized to the extent that the carrying amount of the CGU exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into CGUs. A CGU is the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets. Due to a reduction in oil price and the global pandemic in the first quarter of 2020, the Company determined that an impairment test was required for the Kenyan development project CGU as at March 31, 2020. The recoverable amount of intangible exploration assets of the Kenyan development project CGU was determined using the fair value less costs of disposal. In determining fair value less costs of disposal, the estimated future	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the Kenyan development project CGU, which included the following: – Evaluated the appropriateness of the method used by management. – Tested the data used in determining the recoverable amount. – Evaluated the reasonableness of significant assumptions used in developing the underlying estimates: o Production rates, operating expenses and development costs by considering past performance and whether these assumptions were consistent with evidence obtained in other areas of the audit. o Future commodity prices by comparing those forecasts to third party industry forecasts. o The discount rate, through the assistance of professionals with specialized skill and knowledge in the field of valuation. • The work of management's experts was used in performing the procedures to evaluate the reasonableness of the estimates for the quantity of contingent resources and production rates used to determine the recoverable amount of the Kenyan development project CGU. As a basis for using this work, management's experts' competence, capability and objectivity were evaluated, their work performed was

Key audit matter	How our audit addressed the key audit matter
cash flows of contingent resources were discounted to their present value using a post-tax discount rate. Management applied critical judgment in determining the recoverable amount. Significant assumptions developed by management used to determine the recoverable amount of the Kenyan development project CGU included estimates for the quantity of contingent resources, future commodity prices, production rates, operating expenses and development costs, as well as a discount rate. The estimates for the quantity of contingent resources and production rates were prepared by the Company's independent petroleum engineers (management's experts). The results of the impairment test indicated that the carrying value of the Kenyan development project CGU exceeded its recoverable amount and the Company recognized an impairment loss of $137.8 million. As at December 31, 2020, the Company did not note any further indicators of impairment. We determined that this was a key audit matter due to (i) the critical judgment made by management, including the use of management's experts, when developing the estimated future cash flows to determine the recoverable amount; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation.	understood and the appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions, methods and findings.
Valuation of non-current assets in the notional purchase price allocation related to the investment in joint venture *Refer to note 3 – Basis of preparation and note 7 – Equity investments in joint venture to the*	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the fair value of the non-current assets, which included the following:

Key audit matter	How our audit addressed the key audit matter
consolidated financial statements. On January 14, 2020, the Company closed the acquisition (the Acquisition) of a 50% ownership interest in Prime Oil and Gas Coöperatief U.A. The Company accounted for the acquisition as a joint venture as there was joint control. The total purchase price amounted to $544.5 million. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as notional goodwill, which is included within the carrying amount of the investment. The Company's share of the fair value of net assets acquired included $1,889.6 million related to non-current assets and $289.7 million related to notional goodwill. Management applied critical judgment in determining the fair value of the non-current assets. Significant assumptions developed by management used to determine the fair value of the non-current assets included proved and probable petroleum reserves, future commodity prices, production rates, operating and capital costs as well as discount rate. The proved and probable petroleum reserves were prepared by the Company's independent petroleum engineers (management's experts). We determined that this was a key audit matter due to (i) the critical judgment made by management, including the use of management's experts, when determining the fair value of non-current assets including the proved and probable petroleum reserves; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of	– Evaluated the appropriateness of the method used by management. – Tested the data used in determining the fair value of non-current assets. – Evaluated the reasonableness of significant assumptions used in developing the underlying estimates: o Production rates, operating and capital costs by considering whether these assumptions were consistent with current performance and evidence obtained in other areas of the audit. o Future commodity prices by comparing those forecasts with third party industry forecasts. o The discount rate, through the assistance of professionals with specialized skill and knowledge in the field of valuation. • The work of management's experts was used in performing the procedures to evaluate the reasonableness of proved and probable petroleum reserves used to determine the fair value of the non-current assets in the purchase price allocation. As a basis for using this work, management's experts' competence, capability and objectivity were evaluated, their work performed was understood and the appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions, model and findings. • Evaluated the sufficiency of the disclosures related to the Acquisition in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
valuation.	
Impairment assessment of equity investment in joint venture *Refer to note 3 – Basis of preparation, note 4 – Significant accounting policies and note 7 – Equity investment in joint venture to the consolidated financial statements.* The carrying amount of the Company's equity investment in joint venture amounted to $561.3 million as at December 31, 2020. The Company reviews the carrying amount of the equity investment in joint venture for indicators of impairment at each reporting date. If any impairment indicators are identified, the carrying amount of the equity investment in joint venture is compared to its recoverable amount, which is the higher of value in use or fair value less costs of disposal. In the second quarter of 2020, an indicator of impairment for the equity investment in joint venture was identified due to an impairment recorded by the joint venture. As a result, an impairment test was performed. The recoverability of the investment was determined by using value in use based on the expected future dividend stream of the joint venture. Significant assumptions developed by management used to determine the recoverable amount of the equity investment in joint venture in the second quarter of 2020 included the proved and probable petroleum reserves, future production rates, commodity prices, operating and capital costs as well as discount rates. The proved and probable petroleum reserves were prepared by the Company's independent petroleum engineers. The results of the impairment test indicated that no	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the equity investment in joint venture, which included the following: – Evaluated the appropriateness of the model used by management. – Tested the data used in determining the recoverable amount. – Evaluated the reasonableness of significant assumptions used in developing the underlying estimates: o Future production rates, operating and capital costs by considering past performance and whether these assumptions were consistent with evidence obtained in other areas of the audit. o Future commodity prices by comparing those forecasts with third party industry forecasts. o The discount rates, through the assistance of professionals with specialized skill and knowledge in the field of valuation. • The work of management's experts was used in performing the procedures to evaluate the reasonableness of proved and probable petroleum reserves used to determine the value in use of the equity investment in the joint venture. As a basis for using this work, management's experts' competence, capability and objectivity were evaluated, their work performed was understood and the

Key audit matter	How our audit addressed the key audit matter
impairment was required. As at December 31, 2020, the Company determined that no further indicators of impairment were identified. We determined that this was a key audit matter due to (i) the critical judgment made by management, including the use of management's experts, when determining the value in use of the equity investment in joint venture, including the proved and probable petroleum reserves; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation.	appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions, model and findings.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alisa Sorochan.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 26, 2021

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of United States dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	13	40,474	329,464
Accounts receivable and prepaid expenses		1,385	4,267
		41,859	333,731
Long-term assets			
Equity investment in joint venture	7	561,302	-
Equity investments in associates	8	116,212	63,563
Property and equipment		730	3,342
Intangible exploration assets	6	190,396	411,669
		868,640	478,574
Total assets		910,499	812,305
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	10,487	40,962
Share-based compensation liability	11	1,597	787
Lease obligations		451	1,233
		12,535	42,982
Long-term liabilities			
Share-based compensation liability	11	2,443	587
Lease obligations		234	2,033
Long-term debt	9	141,000	-
		143,677	2,620
Total liabilities		156,212	45,602
Equity attributable to common shareholders			
Share capital	10(b)	1,306,476	1,305,953
Contributed surplus		50,839	51,389
Deficit		(610,719)	(590,639)
Accumulated other comprehensive income	7(a)	7,691	-
Total equity attributable to common shareholders		754,287	766,703
Total liabilities and equity attributable to common shareholders		910,499	812,305
Commitments and contingencies	12		

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

Approved on behalf of the Board:

"ANDREW BARTLETT"

ANDREW BARTLETT, DIRECTOR

"KEITH HILL"

KEITH HILL, DIRECTOR

CONSOLIDATED STATEMENTS OF NET INCOME LOSS AND COMPREHENSIVE LOSS

(Expressed in thousands of United States dollars)

For the years ended	Note	December 31, 2020	December 31, 2019
Operating income			
Share of profit from investment in joint venture	7	208,981	-
Share of profit/(loss) from investments in associates	8	31,381	(13,664)
Total operating income/(loss)		240,362	(13,664)
Operating expenses			
Salaries and benefits		(5,667)	(3,481)
Share-based compensation	11	(2,969)	(2,234)
Office and general		(5,493)	(6,113)
Impairment of intangible exploration assets	6	(215,600)	(139,514)
Total operating expenses		(229,729)	(151,342)
Net operating income/(loss)		10,633	(165,006)
Finance income	15	1,102	8,378
Finance expense	15	(29,349)	(141)
Net loss attributable to common shareholders		(17,614)	(156,769)
Other comprehensive income			
Share of joint venture other comprehensive income	7	7,691	-
Total comprehensive loss		(9,923)	(156,769)
Net loss attributable to common shareholders per share	18		
Basic		(0.04)	(0.33)
Diluted		(0.04)	(0.33)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	18		
Basic		471,792,153	471,076,199
Diluted		471,792,153	471,076,199

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

CONSOLIDATED STATEMENTS OF EQUITY

(Expressed in thousands of United States dollars)

	Note	December 31, 2020	December 31, 2019
Share capital:	10(b)		
Balance, beginning of the year		1,305,953	1,305,129
Settlement of Performance Share Units		88	620
Settlement of Restricted Share Units		435	204
Balance, end of the year		1,306,476	1,305,953
Contributed surplus:			
Balance, beginning of the year		51,389	50,821
Share-based compensation	11	705	1,188
Settlement of Performance Share Units	11	-	(620)
Reclass of Performance Share Units from Equity Settled to Cash Settled	11	(1,255)	-
Balance, end of the year		50,839	51,389
Deficit:			
Balance, beginning of the year		(590,639)	(433,870)
Prior year adjustment		(2,466)	-
Net loss attributable to common shareholders		(17,614)	(156,769)
Balance, end of the year		(610,719)	(590,639)
Accumulated other comprehensive income:			
Balance, beginning of the year		-	-
Other comprehensive income	7	7,691	-
Balance, end of the year		7,691	-
Total equity attributable to common shareholders		754,287	766,703

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States dollars)

For the years ended	Note	December 31, 2020	December 31, 2019
Cash flows provided by (used in):	**Note**		
Operations:			
Net loss for the year		(17,614)	(156,769)
Adjustments for:			
Share-based compensation	11	2,969	2,234
Depreciation		1,292	546
Impairment of intangible exploration assets	6	215,600	139,514
Interest on lease obligations		17	68
Share of profit from investment in joint venture	7	(208,981)	-
Share of profit/(loss) from investments in associates	8	(31,381)	13,664
Interest on term loan	9	28,835	-
Unrealized foreign exchange (gain)/loss		14	42
Changes in non-cash operating working capital	22	3,901	(3,783)
Net cash used in operating activities		(5,348)	(4,484)
Investing:			
Property and equipment expenditures		(87)	(107)
Intangible exploration expenditures	6	(20,802)	(35,360)
Acquisition cost of joint venture	7	(544,630)	-
Equity investment in associates	8	(23,734)	(11,293)
Dividends received from joint venture	7	200,000	-
Changes in non-cash investing working capital	22	(5,019)	11,635
Net cash used in investing activities		(394,272)	(35,125)
Financing:			
Term Loan relating to acquisition of joint venture	9	250,000	-
Repayment of Term Loan	9	(109,000)	-
Payment of interest	9	(28,835)	-
Settlement of Performance and Restricted Share Units	11	(330)	(676)
Payment of lease obligations		(1,191)	(546)
Net cash provided by (used in) financing activities		110,644	(1,222)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(14)	(42)
Decrease in cash and cash equivalents		(288,990)	(40,873)
Cash and cash equivalents, beginning of the year		329,464	370,337
Cash and cash equivalents, end of the year		40,474	329,464
Supplementary information:			
Income taxes paid		Nil	Nil

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

For the years ended December 31, 2020 and 2019
(Expressed in thousands of United States dollars unless otherwise indicated)

1. Incorporation and nature of business:

Africa Oil (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.

Oil and gas exploration, development and production activities, in these emerging markets, are subject to significant uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, global pandemics, a change in environmental, social and governance policies, the risk of war, terrorism, civil unrest, expropriation, nationalization or other title disputes, 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, a change in taxation policies, the availability of capital, and the imposition of currency controls, in addition to the risks associated with exploration activities. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on AOC's business, prospects, investments, and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, AOC 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 AOC has or may acquire 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 AOC will be able to obtain all necessary licenses and permits when required.

2. COVID-19 and market uncertainty

During 2020, we have witnessed an unprecedented level of market volatility, oil price weakness and a substantial reduction in the world oil demand due to the impact of the COVID-19 pandemic. We have also seen a robust response by international oil producers led by the group of OPEC+ countries to reduce supply and address the challenge of demand destruction. The current market uncertainties have also prompted some financial institutions to reduce their exposure to the oil and gas industry, which affected the ability of small and medium size oil and gas companies to raise funds for their development. The oil producers' response has removed significant supply to the market. Inventories started to reduce and markets to rebalance. However, with the appearance of several virulent variants of Covid-19, there is no certainty as to the time it will take for business activity and travels to return to normal and for oil demand to recover to the pre-pandemic level.

The impact of COVID-19 on the Company is largely related to the potential impact on dividends received from its investment in Prime Oil and Gas Coöperatief U.A. ("Prime") that has two producing fields in Nigeria. The operators of Prime's Nigerian assets, Total S.A. ("Total") and Chevron Corporation ("Chevron") (see note 7(a)), have implemented strict mitigation strategies to minimize the risk of COVID-19 impacting both the onshore land office and offshore platforms' operations and introduced contingency plans to respond to infection cases. The mitigation measures apply to all personnel, contractors and visitors.

A small number of COVID-19 cases were detected on the Egina and Akpo Floating Production, Storage and Offloading ("FPSO") facilities; however, with the prompt execution of the contingency plans by the operator these were managed proactively with no operational impact on these facilities.

Nigeria, an OPEC member, has directed producers to curtail oil field production in line with the OPEC+ quota agreement made in April 2020. This has impacted Egina's production in 2020 but, as in the previous quota regimes, Agbami and Akpo fields, which are categorized as condensate fields, have not been affected by the directive.

Prime benefited from a robust oil price hedging program in 2020, achieving an average sale price of $64/bbl for a total of 20 cargoes (19 mmbbl) via financial hedges and forward sales contracts. Prime continues to roll over its hedging program to 2021 and has sold forward or hedged 100% of its first half of 2021 cargoes at an average price of approximately $57/bbl and 56% of its second half of 2021 cargoes at an average price of approximately $55/bbl as of February 22, 2021. These contracts are with counterparties including oil supermajors and commodity trading houses. The counterparties are part of groups with investment grade credit ratings.

The Company has reduced discretionary capital expenditures and G&A costs where possible in 2020 and continues to monitor its cost base. The Company is expected to have sufficient liquidity to meet its commitments through to the end of 2021.

3. Basis of preparation:

A. Statement of compliance:

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at February 26, 2021, the date the Board of Directors approved the statements.

B. Basis of measurement:

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

C. Functional and presentation currency:

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

D. Use of estimates and judgments:

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are noted below with further details of the assumptions contained in the relevant note.

i) Exploration and evaluation costs:

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make significant estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount (see note 6).

The carrying amounts of the Company's exploration and evaluation costs are reviewed at each reporting date to determine whether there is any indication of impairment. Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. An impairment loss is recognized if the carrying amount of the exploration and evaluations assets exceeds its estimated recoverable amount.

Significant assumptions developed by management used to determine the recoverable amount of the CGU include estimates for the quantity of contingent resources, future commodity prices, production rates, operating expenses, development costs, as well as discount rate. The contingent resources and production rates are prepared by the Company's independent petroleum engineers (management's experts).

ii) Share-based compensation:

Charges for share purchase options are based on the fair value at the date of the award. Share purchase options are valued using the Black-Scholes model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding (see note 11).

The estimated fair value of Performance share units ("PSUs") is calculated based on non-market performance conditions set by the Company which are initially determined at the time of grant. The Company assesses the progress of reaching the individual performance conditions during each reporting period. PSUs cliff vest three years from the date of grant, at which time the Board of Directors will assign a performance multiple ranging from nil to two hundred percent to determine the ultimate vested number of PSUs. It is anticipated that PSU settlements will be made by issuing shares from treasury or cash, at the discretion of the Board of Directors (see note 11).

The estimated fair value of the Restricted share units ("RSUs") is initially determined at the time of grant. The awards are revalued every quarter based on the Company's share price (see note 11). RSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

iii) Consolidation of entities:

When assessing control over a subsidiary, the Company is required to consider the nature of its relationship with the subsidiary, and whether strategic and operating decisions made by the subsidiary are made independently without the significant influence or control of the Company. Factors considered when assessing for control include share ownership, board composition and management involvement in the business. The determination of whether strategic and operating decisions made by the Company's subsidiaries are made independently without the significant influence or control of the Company requires judgment (see notes 7, 8 and 17).

iv) Valuation of investments:

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. Investments in associates are initially recorded at cost. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as notional goodwill, which is included within the carrying amount of the investment. Significant assumptions developed by management used to determine the fair value of the non-current assets include estimates for the quantity of proved and probable petroleum reserves, future commodity prices, operating and capital costs as well as discount rates. The proved and probable petroleum reserves are prepared by the Company's independent petroleum engineers (management's experts).

Any revisions to the contingent consideration estimates after the date of acquisition, considered as changes in estimates in accordance with IAS 8, are accounted for on a prospective basis. Any change in the liability as a result of the revised cash flows is adjusted to the cost of the asset and, in accordance with paragraph 37 of IAS 8, recognized as part of the associate or joint venture carrying amount rather than in profit or loss.

v) Impairment of Joint Ventures and Associates:

The amounts for investments in joint ventures and associates represents 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. On acquisition, judgements and estimates were used in determining fair values on acquisition for the purposes of the notional purchase price allocation. Subsequently, in assessing whether there are any indicators of impairment the Company has considered any effects of Prime's hedging arrangements, the loan facility, and any operational and contractual implications on the future dividend stream when assessing for impairment indicators. Details on these judgements can be found in note 7.

vi) Deferred tax asset:

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

vii) Contingencies:

Contingencies are subject to measurement uncertainty as the related financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies requires the application of judgements and estimates including the determination of whether a present obligation exists, and the reliable estimation of the timing and amount of cash flows required to settle the contingencies.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

A. Basis of consolidation:

i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The fair value of property, plant and equipment and intangible exploration assets recognized in a business combination, is based on market values. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of net loss and the statement of comprehensive loss.

ii) Jointly controlled operations and jointly controlled assets:

Many of the Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and liabilities and a proportionate share of the relevant revenue and related costs.

iii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

B. 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 at each reporting date for the Company's share of the profit or loss of the investment after the date of acquisition. The investor's share of the profit or loss of the investee is also recognized in the Company's profit or loss. Distributions received reduce the carrying amount of the investment.

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. If such impairment indicators exist, the carrying amount of the investment is compared to its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs to sell and its value in use. The investment is written down to its recoverable amount when its carrying amount exceeds the recoverable amount.

C. **Long-term debt**

Long-term debt is initially measured at fair value less transaction costs that are directly attributable to the acquisition or issue of the debt. Subsequently, long-term debt is measured at amortized cost using the effective interest method. Long-term debt is classified as current if the liability is due to be settled within twelve months after the reporting date. All other debt is classified as non-current.

D. **Foreign currency:**

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at rates in effect on the date of the transaction. Revenues and expenses are translated at exchange rates at the date of transaction. Exchange gains or losses arising from translation are included in the statement of net loss and comprehensive loss.

E. **Property and equipment and Intangible exploration assets:**

i) Pre-exploration expenditures:

Costs incurred prior to obtaining the legal rights to explore an area are recognized in the statement of net loss and comprehensive loss as incurred.

ii) Exploration expenditures:

Exploration expenditures include costs associated with 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 with common geological structures and shared infrastructure are accumulated together within intangible exploration assets. The Company does not aggregate exploration expenditures above the segment level for the purpose of impairment testing. Costs are not depleted until such time as the exploration phases on the license area are complete, the license area is relinquished, or commercially viable reserves have been discovered and extraction of those reserves is determined to be technically feasible.

If commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalized intangible exploration costs are transferred into a cash-generating unit within "oil and gas interests" subsequent to determining that the assets are not impaired (see "Impairment" below). Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are recognized in the statement of net loss and comprehensive loss.

Net proceeds from any disposal or farmout of an intangible exploration asset are recorded as a reduction in intangible explorations assets.

Net proceeds from the sale of test oil production are offset against intangible exploration expenditures.

ii) Development and production costs:

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalized within "oil and gas interests" on a cash-generating unit basis. Subsequent expenditures are capitalized only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed in the statement of net loss and comprehensive loss.

Net proceeds from any disposal of "oil and gas interests" are recorded as a gain or loss on disposal recognized in the statement of net loss and comprehensive loss to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalized costs of the asset.

F. Depreciation:

For property and equipment, depreciation is recognized in the statement of net loss and comprehensive loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated. The estimated useful lives for other property and equipment, consisting of primarily office and computer equipment, for the current and comparative years are from one to three years.

G. Impairment:

i) Financial assets carried at amortized cost:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of net loss and comprehensive loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of net loss and comprehensive loss.

ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, including the Company's equity investments, other than intangible exploration assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment or reversals of impairment. Intangible exploration assets are assessed for impairment when they are reclassified to property and equipment, as oil and gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use, an impairment test is completed each year.

For the purpose of impairment testing, assets 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 (the "cash-generating unit" or "CGU"). 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 post-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, and a post-tax discount rate is applied. In the absence of such transactions, an appropriate valuation model is used.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of net loss and comprehensive loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

If there is an indicator that a previous impairment may no longer exist or may have decreased, the recoverable amount of the relevant asset or its CGU is calculated and compared against the carrying amount. The impairment is reversed to the extent that the asset or its CGU's recoverable amount does not exceed the carrying amount that would have been determined if no impairment had been recognized. An impairment reversal is recognized in the statement of net loss and comprehensive loss.

H. Share purchase options:

The Company has a stock option plan as described in note 11. The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing share purchase options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period, commencing from the date of employee service, as stock-based compensation expense and an increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. When the share purchase options are exercised, the proceeds received, and the applicable amounts recorded in contributed surplus are credited to share capital.

I. Performance share units ("PSUs"):

The Company has a long-term incentive plan as described in note 11. Eligible plan participants may be granted PSUs. PSUs are accounted for as share-based awards. The estimated fair value of the awards is calculated based on non-market performance conditions set by the Company which are initially determined at the time of grant. The Company assesses the progress of reaching the individual performance conditions during each reporting period. PSUs cliff vest three years from the date of grant and the estimated fair value of the grant will be expensed evenly throughout the remaining vesting period. PSUs are expected to be settled in equity or cash. 50% were settled in cash in 2020.

J. Restricted share units ("RSUs"):

The Company has a long-term incentive plan as described in note 11. Eligible plan participants may be granted RSUs. RSUs are accounted for as cash-based awards and recorded as a liability. The estimated fair value of the awards is initially determined at the time of grant. The awards are revalued every quarter based on the Company's share price and the change is recorded as share-based compensation in the statement of operations. RSUs granted to Non-Executive Directors cliff vest three years from the date of grant. RSUs granted to all other eligible plan participants vest over three years (1/3 on the first, second and third anniversary of grant). The estimated fair value of RSUs are expensed evenly throughout the remaining vesting period. RSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

K. Finance income and expenses:

Interest income is recognized as it accrues in the statement of net loss and comprehensive loss, using the effective interest method.

L. Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of net loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

M. Earnings per share:

Basic earnings per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the net loss and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and warrants outstanding. The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price.

N. Financial instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i) **Financial assets and liabilities at fair value through profit or loss:**

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of net loss and comprehensive loss. Gains and losses arising from changes in fair value are presented in the statement of net loss and comprehensive loss within financing income or expense in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current. The Company does not have any financial instruments in this category.

ii) **Available-for-sale investments:**

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not have any financial instruments in this category.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of net loss and comprehensive loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of net loss and comprehensive loss when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statement of net loss and comprehensive loss.

iv) **Financial liabilities at amortized cost:**

Financial liabilities at amortized cost include accounts payables and debt and are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payables are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

O. Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations:

The Company's activities may give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

There are no decommissioning obligations at December 31, 2020.

5. Accounts payable and accrued liabilities:

	December 31, 2020	December 31, 2019
Joint venture payables and other provisions	9,677	39,266
Administrative accruals and other payables	810	1,696
	10,487	40,962

During the year, the Company and its joint venture partners have reviewed the payables and accruals balances, and released certain provisions no longer expected to fall due.

6. Intangible exploration assets:

	Note	December 31, 2020	December 31, 2019
Net carrying amount, beginning of the year		411,669	515,823
Intangible exploration expenditures	A	20,802	35,360
Reversal of oil and gas provisions	A	(26,475)	-
Impairment of intangible exploration assets	B	(215,600)	(139,514)
Net carrying amount, end of the year		190,396	411,669

A. Intangible exploration expenditures:

As at December 31, 2020, $190.4 million of expenditures have been capitalized as intangible exploration assets (December 31, 2019 - $411.7 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: development studies (including upstream and midstream Front End Engineering and Design ("FEED"), land acquisition, Environmental and Social Impact Assessment ("ESIA"), water acquisition and subsurface reservoir studies) and related general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments. At December 31, 2020, 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.

On February 7, 2020, a wholly-owned subsidiary of the Company completed the acquisition of a 20% participating interest in the Block 3B/4B Exploration Right, located in South Africa, from Azinam Limited ("Azinam") for a consideration of approximately $3.6 million. Africa Oil assumed operatorship for the joint venture partners; Azinam will retain a 20% participating interest and Ricocure (Pty) Ltd holds the remaining 60% participating interest. The carrying amount of the Company's intangible exploration assets for the Block 3B/4B CGU at December 31, 2020 was $4.1 million (December 31, 2019 - nil).

During the year ended December 31, 2020, $16.7 million of expenditures related to its activities in Kenya. The Company also reduced previously estimated accruals and provisions relating to the Kenyan assets amounting to $26.5 million no longer expected to fall due. The carrying amount of the Company's intangible exploration assets for the Kenyan development project CGU (Block 10BB and 13T) at December 31, 2020 was $186.3 million (December 31, 2019 - $334.0 million).

The Company capitalized $5.1 million of general and administrative expenses related to intangible exploration assets (December 31, 2019 - $5.7 million).

B. Impairment of intangible exploration assets

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

At December 31, 2019, the Company determined that due to a change in project and economic assumptions in the Kenyan development project cash generating unit ("CGU") (Blocks 10BB and 13T), an impairment test was required. The Company used estimated 2C resources with a real $60/bbl Brent price less a discount of $3/bbl for the quality of the crude oil and a post-tax discount rate of 15 percent. A total impairment loss of $139.5 million was recorded.

Due to a reduction in oil price, and the global pandemic in the first quarter of 2020, the Company determined that an impairment test was required for the Kenyan development project CGU (Block 10BB and 13T) as at March 31, 2020 with a long term price of $54/bbl less a quality discount of $3/bbl. The Company used fair value less costs of disposal to determine the recoverable amount of Block 10BB and 13T. The results of the impairment test indicated that the carrying value of Block 10BB and 13T exceeded the recoverable amount and the Company recognized an impairment loss of $137.8 million. The Company used a market consensus Brent forward curve at March 31, 2020. The post-tax discount rate increased to 17 percent, reflecting current market challenges and risks. These assumptions remain appropriate. As at December 31, 2020, the Company did not note any further indicators of impairment.

As at March 31, 2020, a one percent increase in the assumed discount rate would have resulted in an additional impairment expense of $27.5 million (December 31, 2019 $41.0 million). Using a discount rate of 13 percent at March 31, 2020 (December 31, 2019, 12 percent), no impairment would have been required as the recoverable amount would have exceeded the carrying amount by $5.0 million (December 31, 2019, $15.0 million).

The future development of the Company's other Kenyan block, 10BA, would likely rely on infrastructure of Blocks 10BB and 13T. The impairment in Block 10BB and 13T as at March 31, 2020 was an indicator that Block 10BA may be impaired. The block has considerable exploration potential however the work program was minimal for 2020, and partner support was affected by the global pandemic in the first quarter. The block's economic feasibility in the current environment is significantly reduced and an impairment loss of $77.8 million was recorded in the period.

On May 15, 2020 Tullow, the operating partner on Blocks 10BB and 13T in Kenya, submitted notices of Force Majeure to the Kenyan Ministry of Petroleum and Mining on behalf of the joint venture partners in these blocks. These declarations were the result of impact of the COVID-19 pandemic on the operations, including the Kenyan government's restrictions on domestic and international travel, and proposed tax changes that adversely impact the project economics. These were exacerbated by the unprecedented crash in global crude oil prices in 2020. Declaration of Force Majeure allowed time for an improvement in the operating environment and for the joint venture partners to discuss with the government of Kenya the best way forward for this strategic project. On August 20, 2020, the joint venture partners on Blocks 10BB and 13T in Kenya submitted a letter to the Kenyan Ministry of Petroleum and Mining, to withdraw the notices of Force Majeure.

On September 9, 2020, Tullow received notification from the Government of Kenya that the licenses for Blocks 10BB and 13T had been granted a contingent extension. Under the terms of the extension, the Joint Venture partners have the right to extend the second exploration period for the 10BB and 13T license blocks until December 31, 2020, with a further extension until December 31, 2021 contingent, amongst other conditions, on an agreed work program and budgets.

On December 2, 2020, the Government of Kenya confirmed the obligations had been met for the license extensions on Blocks 10BB and 13T until December 31, 2021. The revised development plan being discussed between JV Partners is expected to result in a more economically beneficial development plan.

As a result of the improving forward curve, and the anticipated revisions to the development plan, Management has concluded that there were no further indicators of impairment on Blocks 10BB and 13T.

As at December 31, 2020, the Company's intangible exploration assets had no indicators of impairment.

7. Equity investment in joint venture:

Prime Oil and Gas Coöperatief U.A. ("Prime"):

On January 14, 2020, the Company closed the acquisition of a 50% ownership interest in Prime (previously known as Petrobras Oil and Gas B.V.). BTG Pactual E&P B.V. ("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. The total payment by the Company to close the acquisition, including the Nigerian Government's consent fee, amounted to $519.5 million, which included a deferred payment of $24.8 million which was paid during 2020. The payment of $519.5 million was funded through a loan facility of $250 million with BTG (the "Term Loan") and a cash payment of $269.5 million. In addition, the Company paid fees amounting to $25.1 million including legal and professional fees incurred in arranging and closing the transaction.

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 Corporation and cover part of the producing Agbami Field. OML 130 is operated by affiliates of Total S.A. and contains the producing Akpo and Egina Fields.

A deferred payment of $118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field. As the probability of this payment is unlikely, no provision was recorded on acquisition, or at December 31, 2020.

The purchase price was allocated based on the fair values as follows:

Net assets	
Other current assets	363,234
Cash and cash equivalents included in current assets	140,419
Non-current assets	3,779,129
Other current liabilities	(15,137)
Loans and borrowings included in current liabilities	(620,973)
Financial liabilities included in current liabilities	(233,551)
Other non-current liabilities	(261,196)
Loans and borrowings included in non-current liabilities	(1,190,845)
Deferred income tax liabilities included in non-current liabilities	(1,451,515)
Identifiable assets and liabilities acquired	509,565
Notional goodwill	579,435
Total net assets acquired [1]	1,089,000
Percentage ownership	50.0%
Proportionate share of Prime's net assets at fair value	254,782
Proportionate share of notional goodwill acquired	289,718
Total	544,500

Consideration	
Consideration issued	544,500
Total purchase price	544,500

(1) The fair value of the identifiable assets and liabilities of Prime were $509.6 million on acquisition (January 14, 2020). The total fair value of the net assets acquired of $1,089 million in the above table includes transaction fees of $25.1 million as well as a fair value allocation adjustment of $579.4 million which was recorded as notional goodwill. The Company's share of the fair value of net-assets acquired includes $1,889.6 million related to non-current assets and $289.7 million related to notional goodwill.

During the year ended December 31, 2020, Prime distributed six dividend payments totaling $400 million gross, with a net payment to Africa Oil of $200 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 shareholders.

	December 31, 2020
Balance, beginning of the year	-
Acquisition of common shares	519,500
Transaction and related fees associated with the acquisition of common shares	25,130
Dividends received from Prime	(200,000)
Share of joint venture other comprehensive income	7,691
Share of joint venture profit	208,981
Balance, end of the year	561,302

The Company recognized income of $209.0 million during the year ended December 31, 2020, relating to its investment in Prime.

The following tables summarizes Prime's financial information for the twelve months ended December 31, 2020. The information is based on audited financial information.

	December 31, 2020
Other current assets	170,152
Cash and cash equivalents included in current assets	231,355
Non-current assets (1)	3,703,130
Other current liabilities	(100,448)
Loans and borrowings included in current liabilities	(492,343)
Financial liabilities included in current liabilities	(5,349)
Other non-current liabilities	(263,505)
Loans and borrowings included in non-current liabilities	(809,067)
Deferred income tax liabilities included in non-current liabilities	(1,311,321)
Net assets of Prime	1,122,604
Percentage ownership	50.0%
Proportionate share of Prime's net assets	561,302

		Year ended December 31, 2020
Revenue		1,267,045
Depreciation, depletion and amortization	(447,786)	
Other production costs	(149,588)	
Underlift	53,051	
Cost of sales		(544,323)
Gross profit		722,722
Other operating income		100,302
Exploration expenses		(4,369)
Impairment		(289,482)
Other operating costs		(27,612)
Finance income		12,428
Finance costs		(76,066)
Profit/(loss) before tax from continuing operations		437,923
Tax		5,698
Total profit for the period		443,621
Other comprehensive income/(loss)		17,315
Total comprehensive income		460,936
Proportionate share of Prime's profit for the period		
Proportionate share of Prime's other comprehensive income (2)		7,691
Proportionate share of Prime's net income (2)		208,981

(1) At December 31, 2020, the carrying value of non-current assets included a fair value adjustment of $551.9 million.

(2) The proportionate share of Prime's net income is prorated from January 14, 2020, the date the acquisition was completed.

Production of the Egina field in OML 130 was affected in 2020 by the imposition of Opec+ quotas. These quotas are continuing in 2021 and are expected to continue for the near term. This production curtailment as well as the lower oil price environment led to an impairment in OML 130 being recorded by Prime in the second quarter. The impairment was calculated as $289.5 million which resulted in a reduction in net profit of $144.7 million (post the effect of 50% Petroleum Profits Tax). Net of AOC's shareholding, the effect on profit from share of joint venture was $72.4 million. No impairment was required in the Agbami field, in OML127.

The impairment within Prime in the second quarter was an indicator of impairment of the Company's investment. The Company performed an impairment test at June 30, 2020 using a value in use model, comparing the expected future dividend stream against the carrying value of the investment. This included estimates for the quantity of proved and probable petroleum reserves, future production rates, commodity prices, operating and capital costs as well as discount rates. The proved and probable petroleum reserves are prepared by the Company's independent petroleum engineers (management's experts). The Company used a consensus forward curve, with a long-term oil price of $54/bbl and a discount rate of 10%, with a sensitivity of 12%, to assess the dividend stream and no impairment was required.

At December 31, 2020 the Company has considered whether it's equity investment in Prime had any indicators of impairment in accordance with IAS 28. If 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.

Prime benefited from a robust oil price hedging program in 2020, achieving an average sale price of $64/bbl for a total of 20 cargoes (19 mmbbl) via financial hedges and forward sales contracts. Prime continues to roll over its hedging program to 2021 and has sold forward or hedged 100% of its first half of 2021 cargoes at an average price of approximately $57/bbl and 56% of its second half of 2021 cargoes at an average price of approximately $55/bbl as of February 22, 2021. These contracts are with counterparties including oil supermajors and commodity trading houses. The counterparties are part of groups with investment grade credit ratings.

Prime's cash generating assets, OML 127 and OML 130, which result in the dividend stream to Prime's shareholders are both Production Sharing Arrangements ("PSA"). The PSA mechanism is naturally protective at low oil prices because of Prime's entitlement to recover cost oil (primarily historical capex and opex spend, including a carry for the indigenous partner share of costs). If the oil price decreases, the number of barrels allocated to recover the cost oil will increase and the Contractor recovers more cost oil. This mitigates the effects of any decrease in oil price.

Due to these factors, we do not foresee a significant and prolonged decline in value as the Company still expects to recover the value of the investment through dividend payments, however the Company recognizes that situation is volatile and will continue to monitor these significant judgements.

The Company has determined that there are no further indicators of impairment at December 31, 2020, and no impairment is required.

8. Equity investments in associates:

The Company currently holds the following equity investments in associates:

	December 31, 2020	December 31, 2019
Investment in Eco (Atlantic) Oil and Gas Ltd.	12,922	12,022
Investment in Africa Energy Corp.	45,801	17,882
Investment in Impact Oil and Gas Limited	57,489	33,659
Total Investment	116,212	63,563

The Company recognized a total gain of $31.1 million during the year ended December 31, 2020 ($13.6 million in losses for the year ended December 31, 2019).

The Company's shareholdings in its equity investments in associates as at December 31, 2020 is as follows:

	Africa Energy	Eco	Impact
Issued and Outstanding	1,395,333,039	184,697,723	827,391,238
Shares held by AOC at January 1, 2020	236,052,414	33,952,850	209,981,364
Shares acquired in 2020	40,930,000	-	45,648,123
Shares held by AOC at December 31, 2020	276,982,414	33,952,850	255,629,487
AOC's holding (%) – December 31, 2020	19.9%	18.4%	30.9%
AOC's holding (%) – December 31, 2019	34.5%	18.4%	29.9%
Share price on December 31, 2020	CAD $0.40	CAD $0.40	£0.20 [1]
Exchange rate to USD on December 31, 2020	0.7854	0.7854	1.3657

(1) Based on the closing of the subscription on February 14, 2020. Impact is a private company, and no quoted share price is available.

The Company has determined that these investments are not impaired.

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

The Company's ownership interest at December 31, 2020 in Eco is approximately 18.4%. Eco is an oil and gas exploration company with interests in Guyana and Namibia.

	December 31, 2020	December 31, 2019
Balance, beginning of the year	12,022	10,192
Additional investment through private placements	-	5,000
Share of income/(loss) from equity investments	900	(3,170)
Balance, end of the year	12,922	12,022

During the year ended December 31, 2020, the Company recognized income of $0.9 million relating to its investment in Eco (2019 – $3.2 million).

The estimated fair value of the Company's investment in Eco as at December 31, 2020 is $10.7 million.

The following tables summarize Eco's financial information for the years ended December 31, 2020 and 2019. The information is based on non-audited financial information for the six months ended September 30, 2020 and audited information for the years ended March 31, 2020 and March 31, 2019. Africa Oil is not aware of any material changes to the financial information.

	December 31, 2020	December 31, 2019
Other current assets	229	129
Cash and cash equivalents included in current assets	17,193	23,602
Non-current assets [(1)]	53,350	43,485
Current liabilities	(471)	(1,907)
Non-current liabilities	-	-
Net assets of Eco	70,301	65,309
Percentage ownership	18.4%	18.4%
Proportionate share of Eco's net assets	12,923	12,022

	December 31, 2020	December 31, 2019
Finance income	167	439
Net loss and comprehensive loss from continuing operations	(154)	(17,355)
Net loss and comprehensive loss	(154)	(17,355)
Proportionate share of Eco's net income/(loss)	900	(3,170)

(1) At December 31, 2020, the carrying value of non-current assets included a fair value adjustment of $32.7 million.

There were no indicators of impairment on the investment as at December 31, 2020.

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

On February 5, 2020, Africa Energy completed a private placement, in which the Company participated, investing $5.0 million, acquiring 20,930,000 shares of a total of 104,652,174 shares issued. Africa Energy completed an additional private placement on September 30, 2020 in which the Company participated, investing $6.8 million, acquiring 20,000,000 shares of a total of 88,667,000 shares issued. On November 12, 2020, Africa Energy closed the equity issue of 509,092,771 common shares to Impact Oil & Gas Limited pursuant to the terms of a subscription agreement (the "Subscription Agreement") between Africa Energy and Impact dated August 24, 2020. The Subscription Agreement decreased the Company's ownership interest in Africa Energy from approximately 34.5% at December 31, 2019 to approximately 19.9% at December 31, 2020. Due to the decrease in the Company's investment in Africa Energy, the Company recognized a dilution gain of $19.9 million. Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia.

	December 31, 2020	**December 31, 2019**
Balance, beginning of the year	17,882	19,518
Additional investment through private placements	11,765	-
Share of loss from equity investments	(1,285)	(1,636)
Prior year adjustment [(1)]	(2,466)	-
Gain on dilution of equity investment	19,905	-
Balance, end of the year	45,801	17,882

(1) This adjustment relates to a 2018 dilution loss.

During the year ended December 31, 2020, the Company recognized losses of $1.3 million related to its investment in Africa Energy (2019 - $1.6 million).

The estimated fair value of the Company's investment in Africa Energy as at December 31, 2020 is $87.0 million.

The following table summarizes Africa Energy's financial information for the years ended December 31, 2020 and 2019. The information is based on non-audited financial information for the twelve months ended December 31, 2020 and audited financial information for the year ended December 31, 2019. The Company is not aware of any material changes to the financial information.

	December 31, 2020	December 31, 2019
Other current assets	322	135
Cash and cash equivalents included in current assets	19,643	2,445
Non-current assets (1)	212,550	49,323
Current liabilities	(1,785)	(103)
Non-current liabilities	-	(28)
Net assets of Africa Energy	230,730	51,772
Percentage ownership	19.9%	34.5%
Proportionate share of Africa Energy's net assets	45,801	17,882

	December 31, 2020	December 31, 2019
Finance income	150	67
Net loss and comprehensive loss from continuing operations	(4,268)	(4,003)
Net loss and comprehensive loss	(4,268)	(4,003)
Proportionate share of Africa Energy's net loss (2)	(1,285)	(1,636)

(1) At December 31, 2020, the carrying value of non-current assets included a fair value adjustment of negative $11.5 million.

(2) During 2020, the Company's ownership in Africa Energy changed from 34.5% to 19.9% which impacted the Company's share of net losses.

There were no indicators of impairment on the investment as at December 31, 2020.

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

On February 14, 2020, Impact completed a private placement, in which the Company participated, investing approximately $12.0 million, acquiring approximately 45,000,000 shares. At December 31, 2020 the Company's ownership interest in Impact is approximately 30.9% compared to 29.9% at December 31, 2019.

	December 31, 2020	December 31, 2019
Balance, beginning of the year	33,659	36,224
Additional investment through the Subscription Agreement	11,969	6,293
Share of income/(loss) from equity investments	11,861	(8,858)
Balance, end of the year	57,489	33,659

During the year ended December 31, 2020, the Company recognized income of $11.9 million related to its investment in Impact (2019 – loss of $8.9 million).

The following tables summarize Impact's financial information for the years ended December 31, 2020 and 2019. The information is based on non-audited financial information for the years ended December 31, 2020 and December 31, 2019. Africa Oil is not aware of any material changes to the financial information.

	December 31, 2020	December 31, 2019
Other current assets	79,921	781
Cash and cash equivalents included in current assets	51,512	30,944
Non-current assets (1)	58,735	86,580
Current liabilities	(4,121)	(3,689)
Non-current liabilities	-	(2,195)
Net assets of Impact	186,047	112,421
Percentage ownership	30.9%	29.9%
Proportionate share of Impact's net assets	57,489	33,659

	December 31, 2020	December 31, 2019
Finance income	39,978	-
Net income/(loss) and comprehensive income/(loss) from continuing operations	33,143	(27,444)
Net income/(loss) and comprehensive income/(loss)	33,143	(27,444)
Proportionate share of Impact's net income/(loss) (2)	11,861	(8,858)

(1) At December 31, 2020, the carrying value of non-current assets included a fair value adjustment of $36.0 million.

(2) During 2020, the Company's ownership in Impact changed from 32.2% to 30.9% which impacted the Company's share of net losses.

There were no indicators of impairment on the investment as at December 31, 2020.

9. Long-term debt:

	December 31, 2020	December 31, 2019
Balance, beginning of the year	-	-
Drawdown	250,000	-
Repayment	(109,000)	-
Balance, end of the year	141,000	-

The Term Loan was drawn on January 14, 2020 to part fund the acquisition of Prime and has a duration of two years. $141.0 million is outstanding at December 31, 2020. The Company has provided security in respect of the Term Loan mainly in the form of share pledges, over the shares of Petrovida (which holds 50% of Prime), Eco, Africa Energy and Impact owned by Africa Oil and a charge over the bank accounts into which the Prime dividends are paid.

The 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. The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment. For the year ended December 31, 2020, the repayments were $109.0 million. The loan is subject to a fixed interest rate of 15%, accruing monthly, and is not subject to any debt covenants.

If the Company makes a voluntary repayment of the facility prior to July 14, 2021 (unless the repayment is made from a dividend received from Prime), a prepayment fee of 15% of the repayment value, apportioned for the number of days until July 14, 2021, is payable.

10. Share capital:

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

B. Issued:

		December 31, 2020		December 31, 2019	
	Note	Shares	Amount	Shares	Amount
Balance, beginning of the year		471,214,419	1,305,953	470,567,619	1,305,129
Settlement of Performance Share Units	11(b)	128,896	88	400,800	620
Settlement of Restricted Share Units	11(c)	617,157	435	246,000	204
Balance, end of the year		471,960,472	1,306,476	471,214,419	1,305,953

11. Share-based compensation:

During the year ended December 31, 2020, the Company recognized a total of $3.0 million in share-based compensation expense relating to the Long-Term Incentive Plan ("LTIP") and Stock Option Plan (2019 – $2.2 million).

A. Share purchase options:

At the 2019 Annual General Meeting, held on April 18, 2019, the Company's shareholders approved the terms of the stock option plan (the "Plan"). The Plan provides that an aggregate number of common shares which may be reserved for issuance as incentive share purchase options shall not exceed 3.5% of the common shares outstanding, and option exercise prices will reflect current trading values of the Company's shares. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. Vesting periods are determined by the Board of Directors and no optionee shall be entitled to a grant of more than 5% of the Company's outstanding issued shares.

The Company's share purchase options outstanding are as follows:

	December 31, 2020		December 31, 2019	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the year	13,640,500	1.75	10,856,667	1.95
Granted	2,061,000	1.21	3,277,000	1.16
Expired	(6,083,500)	2.26	(493,167)	2.35
Exercised	-	-	-	-
Balance, end of the year	9,618,000	1.31	13,640,500	1.75

During the year ended December 31, 2020, 6.1 million share purchase options expired (0.5 million options expired during the year ended December 31, 2019). During the years ended December 31, 2020 and 2019, nil share purchase options were exercised.

The fair value of each option granted by the Company during the years ended December 31, 2020 and 2019 were estimated on the date of grant using the Black-Scholes options pricing model and expensed over the vesting period of the options.

	2020	2019
Number of options granted	2,061,000	3,277,000
Fair value of options granted (CAD$ per option)	0.38	0.36
Risk-free interest rate (%)	0.26	1.62
Expected life (years)	3.00	3.00
Expected volatility (%)	49	43
Expected dividend yield	-	-

The following table summarizes information regarding the Company's share purchase options outstanding at December 31, 2020:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
2.12	1,297,000	0.96
1.38	1,126,000	1.97
1.22	467,000	3.88
1.21	2,061,000	4.95
1.15	2,431,000	3.95
1.13	280,000	3.63
1.06	1,956,000	2.97
1.31	9,618,000	3.32

The following table summarizes information regarding the Company's share purchase options exercisable at December 31, 2020:

Weighted Average Exercise price (CAD$/share)	Number exercisable	Weighted average remaining contractual life in years
2.12	1,297,000	0.96
1.38	1,126,000	1.97
1.22	311,334	3.88
1.21	687,002	4.95
1.15	1,620,666	3.95
1.13	186,666	3.63
1.06	1,939,334	2.97
1.35	7,168,002	2.92

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. During the year ended December 31, 2020, the Company recognized $0.7 million in share-based compensation (2019 - $0.7 million), related to share purchase options.

B. Performance share units ("PSUs"):

On April 19, 2016, the shareholders of the Company approved a new LTIP. Under the terms of the LTIP, eligible plan participants may be granted PSUs and RSUs. The LTIP provides that an aggregate number of common shares which may be reserved for issuance shall not exceed 4% of the issued and outstanding common shares of the Company. PSUs are notional share instruments which track the value of the common shares and are subject to non-market performance conditions related to key strategic, financial and operational milestones. PSUs cliff vest three years from the date of grant, at which time the Board of Directors will assign a performance multiple ranging from nil to two hundred percent to determine the ultimate vested number of PSUs. PSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors. It is anticipated that settlements will be made by issuing shares from treasury.

The Company's PSUs outstanding are as follows:

	December 31, 2020	December 31, 2019
	Number of PSUs	Number of PSUs
Outstanding, beginning of the year	5,319,112	3,880,500
Granted	3,144,300	2,783,400
Forfeited	-	(463,788)
Cancelled	(590,208)	(480,145)
Vested	(257,792)	(400,855)
Balance, end of the year	7,615,412	5,319,112

During the first quarter of 2020, 257,792 PSUs vested in which half were settled for a cash payment of $0.08 million and the other half were settled via the issuance of common shares of the Company. During the first quarter of 2019, 400,800 PSUs vested and were settled via the issuance of an equal number of common shares of the Company.

The Company accounts for PSUs as share-based awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. During the year ended December 31, 2020, the Company recognized $1.4 million in share-based compensation relating to the PSUs (2019 - $0.5 million). These liabilities are revalued quarterly.

C. Restricted share units ("RSUs"):

The Company's RSUs outstanding are as follows:

	December 31, 2020	December 31, 2019
	Number of RSUs	Number of RSUs
Outstanding, beginning of the year	2,602,593	2,553,960
Granted	1,575,500	1,263,200
Forfeited	-	(153,200)
Vested	(988,624)	(1,061,367)
Balance, end of the year	3,189,469	2,602,593

During the first quarter of 2020, 789,400 RSUs (2019 – 567,500) were granted to Non-Executive Directors and 786,100 RSUs (2019 – 663,700) were granted to other plan participants. The Company accounts for RSUs as share-based awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. During the year ended December 31, 2020, the Company recognized $0.9 million in share-based compensation relating to the RSUs (2019 - $1.0 million). These liabilities are revalued quarterly.

During the first quarter of 2020, 977,958 RSUs vested in which half were settled for a cash payment of $0.3 million and the other half were settled via the issuance of common shares of the Company. During the fourth quarter of 2020, 10,666 RSUs vested and were settled in shares. During the first quarter of 2019, 815,367 RSUs vested and were settled for a cash payment of $0.7 million. Additionally, during the first quarter of 2020, 235,024 RSU's issued to non-executive directors vested (246,000 in first quarter 2019) and were settled via issuance of an equal number of common shares in both periods.

12. Commitments and contingencies:

A. Kenya Revenue Authority:

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

The Kenyan Tax Appeals Tribunal ("TAT") has ruled in favour of the Company with regards to the CIT assessments, which amounts to $21.6 million, plus interest and penalties. However, the TAT ruled in favour of the KRA with regards to the VAT assessments which amounts to $25.3 million plus interest. The Company maintains its position that the VAT assessment is without merit and has duly filed an appeal with Kenya's High Court to challenge the position. The KRA appealed the CIT assessment. The Court will meet on March 10, 2021 to provide a date for the appeals to be heard. The Judge will give his judgment at a subsequent date, where the Company expects it is more likely than not that it will be successful in upholding the CIT and defending the VAT assessments.

B. Contractual obligations:

Kenya:

On September 9, 2020, the Company announced a contingent license extension had been granted by the Government of Kenya on Blocks 10BB and 13T to the second additional exploration periods for both PSCs, which expires on December 31, 2020, with a further extension until December 31, 2021 contingent, amongst other conditions, on an agreed work program and budgets. All commitments for this period have been met. On December 2, 2020, the Government of Kenya confirmed the obligations had been met for the license extensions on Blocks 10BB and 13T until December 31, 2021. At December 31, 2020, the Company's working interest in Blocks 10BB and 13T was 25%.

Under the terms of the Block 10BA PSC, during May 2019, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in April 2021. An extension request will be submitted by the joint venture partners shortly. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 kilometers of 2D seismic or 25 square kilometers of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is $19.0 million. Seismic acquisition commitments have been completed; the well commitment is outstanding. At December 31, 2020, the Company's working interest in Block 10BA was 25%.

South Africa:

Block 3B/4B is currently in the Initial Period, having a term of three years which will expire in April 2022. The work commitments during this Initial Period for Block 3B/4B consist of regional subsurface evaluation and mapping, petrophysical analysis of nearby wells, basin modelling, prospect maturation and prospect ranking, leading to recommendations on future investments. The total minimum gross expenditure obligation for the Initial Period is 11.4 million Rand (approximately $0.7m). At December 31, 2020, the Company's working interest in Block 3B/4B was 20%.

C. Title disputes:

In many of the countries in which the Company operates, land title systems are not developed to the extent found in many industrial countries and there may be no concept of registered title. Although the Company believes that it has title to its oil and gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges. There can be no assurance that claims or challenges by third parties against the Company's properties will not be asserted at a future date.

D. Investment in Prime:

A deferred payment of $118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field. As the probability of this payment is unlikely, no provision was recorded at December 31, 2020.

13. Cash and cash equivalents:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	38,736	327,135
Restricted cash	1,738	2,329
	40,474	329,464

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

14. Capital management:

The Company's objective when managing capital structure is to maintain balance sheet strength in order to ensure the Company's strategic exploration, appraisal and business development objectives are met while providing an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The Company manages its capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue additional shares, issue debt, execute working interest farm-out arrangements and revise its capital expenditures program. In addition, the Company manages its cash and cash equivalents balances based on forecasted capital outlays and foreign exchange risks in order to ensure that the risk of negative foreign exchange effects are minimized while ensuring that interest yields on account balances are appropriate. The Company considers its capital structure to include shareholder's equity, debt and working capital. The Company does not have externally imposed capital requirements.

For the years ended	December 31, 2020	December 31, 2019
Equity	754,287	766,703
Debt	141,000	-
Net working capital [1]	(29,324)	(290,749)
Total capitalization	865,963	475,954

[1] Net working capital is calculated as current assets less current liabilities.

15. Finance income and expense:

Finance income and expense for the for the years ended December 31, 2020 and 2019 is comprised of the following:

For the years ended	December 31, 2020	December 31, 2019
Interest and other income	1,102	8,378
Interest expense and bank charges	(29,335)	(99)
Foreign exchange loss	(14)	(42)
Finance income	1,102	8,378
Finance expense	(29,349)	(141)

16. Related party transactions:

A. Transactions with Africa Energy

On February 5, 2020, Africa Energy completed a private placement, in which the Company participated, investing $5.0 million, acquiring 20,930,000 shares of a total of 104,652,174 shares issued. Africa Energy completed an additional private placement on September 30, 2020 in which the Company participated, investing $6.8 million, acquiring 20,000,000 shares of a total of 88,667,000 shares issued. As at December 31, 2020, the Company's ownership interest in Africa Energy is approximately 19.9%.

Services Agreements:

	Service provider	Service provided	Invoice value 2020	Invoice value 2019	Balance owing 2020	Balance owing 2019
General Management and Service Agreement	AOC to Africa Energy	Administrative services provided to Africa Energy.	102	127	-	-
Consulting Services Agreement (1)	Africa Energy to AOC	Technical and administrative services relating to project evaluation	300	500	-	-
General Technical and Administrative Service Agreement (2)	Africa Energy to AOSAC	Technical and administrative services relating to its operating interest in Block 3B/4B, located offshore South Africa.	192	-	-	-

(1) Expired June 30, 2020

(2) Contract date July 1, 2020

B. Remuneration of Directors and Senior Management

Remuneration of Directors and Senior Management includes all amounts earned and awarded to the Company's Board of Directors and Senior Management. Senior Management includes the Company's President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Vice President of Exploration.

Directors' fees include Board and Committee Chair retainers. Management's short-term wages and benefits include salary, benefits, bonuses and any other cash-based compensation earned or awarded during the year. Share-based compensation includes expenses related to the Company's share purchase option plan as well as the Long-Term Incentive Plan.

For the years ended	December 31, 2020	December 31, 2019
Directors' fees	365	338
Directors' share-based compensation	742	366
Managements' short-term wages and benefits	2,527	1,923
Managements' share-based compensation	844	928
	4,478	3,555

17. Subsidiaries:

The Company has the following wholly owned subsidiaries; Africa Oil Holdings B.V. (Netherlands), Africa Oil Turkana B.V. (Netherlands), Africa Oil Kenya B.V. (Netherlands), Africa Oil Ethiopia B.V (Netherlands), Africa Oil Turkana Ltd. (Kenya), Centric Energy Holdings (Barbados) Inc. (Barbados), Centric Energy Kenya (Barbados) Inc. (Barbados), Centric Energy (Kenya) Ltd. (Kenya), PetroVida Holding B.V (Netherlands), Africa Oil UK Limited (United Kingdom) and Africa Oil SA Corp. (British Columbia).

18. Net loss per share:

For the years ended	December 31, 2020			December 31, 2019		
		Weighted Average			Weighted Average	
	Net loss	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	(17,614)	471,792,153	(0.04)	(156,769)	471,076,199	(0.33)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	(17,614)	471,792,153	(0.04)	(156,769)	471,076,199	(0.33)

During the year ended December 31, 2020, the Company used an average market price of CAD$1.10 per share (December 31, 2019 – CAD $1.19 per share) to calculate the dilutive effect of share purchase options. For the year ended December 31, 2020, 9,618,000 options, 7,615,412 PSUs and 3,189,469 RSUs were anti-dilutive and were not included in the calculation of dilutive loss per share (December 31, 2019 - 13,640,500 options, 5,319,112 PSUs and 2,602,593 RSUs).

19. Financial risk management:

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

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

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

A. Credit risk:

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of our credit exposure relates to amounts due from our joint venture partners. The risk of our joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash and accounts receivable. As at December 31, 2020, the Company held $3.2 million (December 31, 2019 $3.1 million) of cash in financial institutions outside of Canada where there could be increased exposure to credit risk.

B. Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity describes a company's ability to access cash. Companies operating in the upstream oil and gas industry, during the exploration phase, 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.

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 has provided security in respect of the Term Loan mainly in the form of share pledges, over the shares of Petrovida, Eco, Africa Energy and Impact owned by Africa Oil and a charge over the bank accounts into which the Prime dividends are paid. The loan repayments are calculated to be protective of the Company's liquidity position. The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment. The Company will also adjust the pace of its exploration and appraisal activities to manage its liquidity position. The Company has the ability to settle financial obligations with working capital.

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

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 4 years	Total contractual cash flows	Carrying amount
At December 31, 2020						
Trade payables	10,487	-	-	-	10,487	10,487
Borrowings	10,575	10,575	141,764	-	162,914	141,000
Lease liabilities	387	96	196	77	756	685
	21,449	10,671	141,960	77	174,157	152,172
At December 31, 2019						
Trade payables	20,481	20,481	-	-	40,962	40,962
Lease liabilities	676	676	693	1,462	3,506	3,266
	21,157	21,157	693	1,462	44,468	44,228

C. Market risk:

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

i. Foreign currency exchange rate risk:

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

ii. Interest rate risk:

As at December 31, 2020, the Company had the Term Loan of which $141.0 million was outstanding. The loan is subject to a fixed interest rate of 15%.

iii. Commodity price risk:

The Company has an equity holding in Prime (see note 7), which has two producing fields OML127 and OML 130, both with significant levels of production. A change in commodity prices may affect the dividends received from this investment. Prime benefited from a robust oil price hedging program in 2020, achieving an average sale price of $64/bbl for a total of 20 cargoes (19 mmbbl) via financial hedges and forward sales contracts. Prime continues to roll over its hedging program to 2021 and has sold forward or hedged 100% of its first half of 2021 cargoes at an average price of approximately $57/bbl and 56% of its second half of 2021 cargoes at an average price of approximately $55/bbl as of February 22, 2021. These contracts are with counterparties including oil supermajors and commodity trading houses. The counterparties are part of groups with investment grade credit ratings.

The Company also has limited exposure to fluctuations in commodity prices from the test oil production in Kenya.

20. Financial instruments:

Assets and liabilities at December 31, 2020 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and long-term debt are assessed on the fair value hierarchy described above. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity of these instruments. The fair value of the borrowings approximates carrying value. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. There were no transfers between levels in the fair value hierarchy in the year.

21. Income Taxes:

Substantially all of the differences between actual income tax expense of nil and the expected Canadian federal, AB and BC statutory corporate income tax recovery related to losses not recognized and share issue costs. The Company has estimated non-capital losses carried forward of $84.2 million which expire from 2028 through 2039.

The following table reconciles the expected tax recovery calculated at the Canadian statutory rate with the actual tax recovery.

For the years ended December 31,	2020	2019
Net loss and comprehensive loss	17,614	156,769
Combined federal and provincial statutory income tax rate	24.0%	26.5%
Expected tax recovery	4,227	41,544
Share-based compensation	(606)	(592)
Equity earnings	57,978	(3,690)
Non-taxable expense items	(58,732)	(36,110)
Unrecognized tax losses	(2,867)	(1,151)
Tax recovery	-	-

The Company has the following unrecognized deductible temporary differences:

At December 31,	2020	2019
Unrecognized deductible temporary differences		
Capital assets	(282)	(344)
Unrealized loss on equity investments	28,252	57,168
Capital losses carried forward	12,896	12,896
Share-based compensation	4,040	-
Non-capital losses carried forward	84,242	65,210
Charitable donations	5,052	11,540
	134,200	146,470

22. Supplementary information:

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

For the years ended	December 31, 2020	December 31, 2019
Changes in non-cash working capital		
Accounts receivable and prepaid expenses	2,882	(2,486)
Accounts payable and accrued liabilities	(4,000)	10,338
	(1,118)	7,852
Relating to:		
Operating activities	3,901	(3,783)
Investing activities	(5,019)	11,635
Changes in non-cash working capital	(1,118)	7,852

The following tables provides a breakdown of net debt and the movements of net debt for each period:

For the years ended	December 31, 2020	December 31, 2019
Cash and cash equivalents	40,474	329,464
Borrowings	(141,000)	-
Lease liabilities	(685)	(3,266)
Net debt	(101,211)	326,198
Cash and cash equivalents	40,474	329,464
Gross debt - fixed interest rates	(141,685)	(3,266)
Net debt	(101,211)	326,198

	Liabilities from financing activities			Other assets	
	Borrowings	**Leases**	**Sub-total**	**Cash**	**Total**
Net debt as at January 1, 2019	-	-	-	370,337	370,337
Cash flows	-	-	-	(40,873)	(40,873)
New leases	-	(3,266)	(3,266)	-	(3,266)
Net debt as at December 31, 2019	-	(3,266)	(3,266)	329,464	326,198
Cash flows	(141,000)	2,581	(138,419)	(288,990)	(427,409)
New leases	-	-	-	-	-
Net debt as at December 31, 2020	(141,000)	(685)	(141,685)	40,474	(101,211)