AFRICA OIL CORP.

REPORT TO SHAREHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2023

AFRICAOILCORP.COM

GLOSSARY

	Term	Definition
A	"Africa Energy"	means Africa Energy Corp. an international oil and gas exploration company that holds an effective 4.9% participating interest in the Exploration Right for Block 11B/12B offshore South Africa.
	"Africa Oil", "AOC", or the "Company"	means Africa Oil Corp.
	"Applicable law"	means all laws and regulations issued by authorities that have appropriate jurisdiction over the Company.
	"Azinam"	means Azinam Ltd.
B	"Bcf"	means billion cubic feet.
	"boepd"	means barrels of oil equivalent per day.
C	"CGU"	means Cash Generating Unit. A Cash Generating Unit is defined as assets that are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.
	"Chevron"	means Chevron Corp.
	"CIT"	means Corporate Income Tax.
	"Concessions", "PSC" or "Production Sharing Contract"	means concessions, production sharing contracts and other similar agreements entered into with a host government providing for petroleum operations in a defined area and the division of petroleum production from the petroleum operations.
	"Corporate Facility"	means a $200.0 million facility dated October 20, 2022, with a three-year term.
D	"DD&A"	means Depreciation, Depletion and Amortization.
	"DST"	means Drill Stem Testing.
E	"EPS"	means Early Production System.
	"EBITDAX"	means Earnings Before Interest, Taxes, Depreciation & Impairment, Amortization and Exploration Expenses.
	"Eco"	means Eco (Atlantic) Oil & Gas Ltd. An international oil and gas exploration company that holds working interests in four exploration Blocks offshore Namibia and operates one exploration Block offshore South Africa and is party with the Company in Block 3B/4B, offshore South Africa and holds working interest in two exploration Blocks offshore Guyana.
	"Entitlement production"	means production that is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil.
	"Equinor"	means Equinor ASA.
	"ESG"	means Environmental, Social and Governance.
	"ESIA"	means Environmental and Social Impact Assessment.
F	"FCF"	means Free Cash Flow.
	"FDP"	means Field Development Plan.
	"FEED"	means Front End Engineering and Design.
	"FID"	means Final Investment Decision.
	"FPSO"	means Floating Production Storage and Offloading.
I	"IFRS"	means International Financial Reporting Standards as issued by the International Accounting Standards Board.
	"Impact"	means Impact Oil and Gas Ltd, a privately owned exploration company with a strategic focus on large scale, mid to deep water plays of sufficient materiality to be of interest to major companies. Impact has an asset base across the offshore margins of Southern and West Africa.
J	"JV"	means Joint Venture.
K	"Kenya entities"	means Centric Energy Kenya Limited, Africa Oil Kenya B.V Branch and Africa Oil Turkana Limited.
L	"LTIP"	means Long Term Incentive Plan.

	Term	Definition
M	"Mcf"	means million cubic feet.
	"MD&A"	means Management's Discussion and Analysis.
	"Mbbl" and "MMbbl"	means one thousand and one million barrels, respectively.
	"Mboe" and "MMBoe"	means thousands of barrels of oil equivalent and millions of barrels of oil equivalent, respectively.
N	"NI 51-101"	means National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time.
	"NI 52-109"	means National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings and the companion policies and forms thereto, as amended from time to time.
	"NUPRC"	means Nigerian Upstream Petroleum Regulatory Commission.
O	"OML"	means Oil Mining Lease.
	"OML 127"	means the oil mining lease on Block 127, offshore Nigeria which was converted to a petroleum mining lease under the new PIA regime in Q3 2023 with effective date 1 March 2023.
	"OML130"	means the oil mining lease on Block 130, offshore Nigeria which was converted to three new petroleum mining leases and one petroleum prospecting license under the new PIA regime in Q2 2023.
P	"Petrovida"	means PetroVida Holding B.V.
	"PIA"	means Petroleum Industry Act.
	"PPT"	means Profit Petroleum Tax.
	"Prime" or "Prime Oil & Gas Coöperatief U.A."	means Prime Oil & Gas Coöperatief U.A., previously known as Prime Oil & Gas B.V., a company that holds interests in deepwater Nigeria production and development assets.
	"PSA"	means Petroleum Sharing Agreement.
	"PSU"	means Performance Share Unit.
	"PXF Facility"	means Pre-Export Finance Facility.
R	"RBL"	means Reserves Based Lending.
	"RSU"	means Restricted Share Unit.
S	"spud" or "spudded"	means the initial drilling for an oil well.
T	"TotalEnergies"	means TotalEnergies SE and subsidiaries.
	"TSX"	means Toronto Stock Exchange.
	"Tullow"	means Tullow Oil plc.
U	"US"	means United States.
V	"VAT"	means Value-added tax.
W	"WI"	means working interest.
	"WI production"	means production based on the percentage of working interest owned.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis ("MD&A") focuses on significant factors that have affected the Company during the year ended December 31, 2023, and such factors that may affect its future performance. 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, 2023, and 2022, 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 US dollars, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

This MD&A was reviewed and approved by the Board of Directors. The effective date of this MD&A is February 26, 2024.

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

PROFILE AND STRATEGY

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

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

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

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

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

HIGHLIGHTS AND OUTLOOK

HIGHLIGHTS

- Successfully met 2023 Management Guidance on production and cash flow from operations.
- The Company received three dividends totaling $175.0 million in 2023 from its shareholding in Prime, including one dividend of $50.0 million in Q4 2023. AOC's cash and cash equivalents at December 31, 2023, of $232.0 million.
- 2023 full year net income of $87.1 million (2022: net loss of $60.3 million) or $0.19 per share (2022: net loss of $0.13 per share).
- The Company launched a new NCIB share buyback program on December 6, 2023, and post year-end, on January 10, 2024, started share buybacks under the new NCIB. The Company will pay a dividend of $0.025 per share on March 28, 2024.
- OML 130 renewed for 20 years securing AOC's long term production base and enabling the refinancing of Prime's debt. Prime's OML 130 and OML 127 were converted to operate under Nigeria's new Petroleum Industry Act ("PIA") and are now subject to a 30% Corporate Income Tax regime compared to the previous 50% Petroleum Profit Tax ("PPT") regime.
- Commenced the appraisal campaign for the Venus light oil and associated gas discovery, with the positive results supporting the commercial development of the field.
- Subsequent to the year-end, the Company announced a strategic farmout agreement between its investee company Impact Oil and Gas Limited ("Impact"), and TotalEnergies, that allows the Company to continue its participation in the world class Venus oil development project, and the follow-on exploration and appraisal campaign on Blocks 2913B and 2912 with no upfront costs.
- Selected Prime's results net to Africa Oil's 50% shareholding:
  - Recorded full-year average daily WI production of approximately 19,800 barrels of oil equivalent per day ("boepd") and average daily net entitlement production of approximately 22,400 boepd. These compare with mid-range 2023 Management Guidance figures of 20,000 boepd and 22,000 boepd for WI and net entitlement production, respectively.
  - Recorded cashflow from operations of $298.8 million, which compares with the guidance mid-point of $290.0 million.
  - Prime's cash position of $76.1 million and debt balance of $375.0 million resulting in a Prime net debt position of $298.9 million at December 31, 2023.

HIGHLIGHTS AND OUTLOOK - CONTINUED

FINANCIAL SUMMARY [1]

	Unit	Three months ended		Year ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
AOC highlights					
Net (loss)/ income	$'m	(88.8)	(182.1)	87.1	(60.3)
Net (loss)/ income per share - basic	*$/ share*	*(0.19)*	*(0.39)*	*0.19*	*(0.13)*
Cash position	$'m	232.0	199.7	232.0	199.7
Prime highlights, net to AOC's 50% shareholding					
WI production	boepd	18,500	21,300	19,800	23,500
Economic entitlement production	boepd	21,700	23,500	22,400	25,600
Cash flow from operations [2]	$'m	62.5	65.6	298.8	279.4
EBITDAX	$'m	110.7	140.7	458.7	617.4
Free Cash Flow	$'m	16.7	(16.9)	149.1	299.8
Net debt	$'m	298.9	225.3	298.9	225.3

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

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

OUTLOOK

2024 Priorities and Business Plan

The Company's focus for 2024 is to advance its main opportunity set comprised of its core assets in deepwater Nigeria, Orange Basin offshore Namibia and South Africa, and Equatorial Guinea. Management will also evaluate the options for consolidating the ownership of its core assets and streamlining of the Company's business structure.

Africa Oil has made a strong start in the delivery of its 2024 business plan with the strategic farm-out agreement between its investee company, Impact, and TotalEnergies for the interests in Blocks 2912 (PEL 91) and 2913B (PEL 56), offshore Namibia, which was announced on January 10, 2024. This transaction gives the Company the opportunity to continue its participation in the world-class Venus light oil development project, and the follow-on exploration and appraisal program on the Blocks at no upfront cost. This frees up the Company's balance sheet for the pursuit of other growth opportunities and shareholder capital returns.

HIGHLIGHTS AND OUTLOOK - CONTINUED

Namibia Orange Basin Appraisal and Exploration Campaign

The successful Venus-1X drill stem test and Venus-1A appraisal well, both completed in 2023, support the commercial development case for the Venus oilfield. The appraisal program and the development studies to be carried out during 2024 are expected to define the Venus development concept. The Mangetti-1X exploration well, located approximately 35km to the North West of the Venus-1X well, intersected hydrocarbon bearing intervals in the Mangetti fan prospect, a separate fan system to the Venus oil discovery. Mangetti-1X also achieved its secondary objective of successfully intersecting and appraising the northern area of the Venus discovery. Drilling continues at the Venus-2A appraisal well, approximately 17 km to the northwest of the Venus-1X location. The results from these wells will be incorporated in the development studies.

In addition to the Venus opportunity, the Company has retained upside exposure to the exploration opportunities that in case of success, could significantly increase the existing discovered resource base, at Mangetti and Kokerboom. Furthermore, the processing of the 3D seismic data that is currently being acquired could better define the prospectivity on Block 2193B to the south of the Venus discovery. It is possible that the JV could drill further high-impact exploration wells on separate fan structures on this Block during 2024 or 2025.

At the date of this report, AOC has an interest in this program through its 31.1% shareholding in Impact, which in turn has a 20.0% WI in Block 2913B (PEL 56) and 18.9% in Block 2912 (PEL 91). On closing of the farm-out transaction with TotalEnergies, Impact will retain a carried 9.5% WI in each of the two Blocks.

Nigeria

The OML 130 drilling campaign that commenced on February 22, 2023, has completed a total of five wells. One production well and two water injection wells have been brought online at Egina. Two production wells have been completed at Akpo West and brought onstream over the Akpo FPSO during Q1 2024. The multi-well program is planned for up to nine wells on the OML 130 asset during 2023 and finishing in 2024, with a further option to extend the rig contract to drill additional wells in the Block.

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

Full year 2023 production was in line with the midpoint of the management guidance for both working interest and economic entitlement. Beyond the aforementioned drilling campaign on Egina and Akpo, which will offset production decline, there is a planned maintenance shutdown for the Akpo field which will occur in Q1 2024, this was previously planned for Q4 2023. A planned maintenance shutdown will also be executed on Agbami during H1 2024.

Following the 20-year renewal of OML 130 on May 28, 2023, FEED studies have recommenced which could facilitate the final investment decision for the Preowei oil discovery development project. The Preowei oil field is to the north of the Egina FPSO and is a development opportunity via a satellite subsea tie-back project to the Egina FPSO.

South Africa Orange Basin, Block 3B/4B

Following the approval from the Government of the Republic of South Africa of the transfer of a 6.25% interest in Block 3B/4B from Azinam to the Company on January 19, 2024, at the date of this MD&A, the Company holds an operated WI of 26.25% in the Block.

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

Equatorial Guinea

The Company continued its geological and geophysical works for Blocks EG-18 and EG-31 with subsurface studies conducted during 2023 defining multiple prospects on both Blocks. Seismic reprocessing and subsurface studies will continue over the coming months to further refine and rank the identified prospects, identify any further prospects and prioritize a potential drilling target on the shallow water EG-31 Block, for drilling in 2025. The Company's objective is to farm-down part of Blocks EG-18 and EG-31 in 2024.

The Company holds an operated WI of 80.0% in each of Blocks EG-18 and EG-31.

HIGHLIGHTS AND OUTLOOK - CONTINUED

2024 Management Guidance

The Company's 2024 production will be contributed solely by its 50% shareholding in Prime. The 2024 Management Guidance includes WI production guidance range of 16,500 – 19,500 boepd and net entitlement production range of 18,000 – 21,000 boepd with approximately 78% expected to be light and medium crude oil and 22% conventional natural gas.

Net entitlement production estimate is based on a 2024 average Brent price of $82.0/bbl being the average of the Brent forward curves between September 27, 2023, and November 23, 2023. Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil and is different from WI production that is calculated based on project volumes multiplied by Prime's effective WI. Prime is expected to sell 10-13 cargoes of approximately one million barrels each during 2024.

Based on the above production and Prime's current 2024 cargo lifting schedule, the Company's management estimate Prime to generate cash flow from operations of approximately $230.0 - $320.0 million net to the Company's 50% shareholding.

Any dividends received by the Company 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. Net to the Company's 50% shareholding, Prime's 2024 capital investment is expected to be in the range of $100.0 - $130.0 million. Prime had a cash and cash equivalents balance of $76.1 million net to the Company's 50% shareholding at December 31, 2023.

2024 SUMMARY OF MANAGEMENT GUIDANCE AND 2023 ACTUALS

	2024 Guidance	2023 Actuals
Prime, net to AOC's 50% shareholding:		
WI production (boepd) [1, 2]	16,500 – 19,500	19,800
Economic entitlement production (boepd) [1, 2, 3]	18,000 – 21,000	22,400
Cash flow from operations (million) [4, 5]	$230.0 – $320.0	$298.8
Capital investment (million)	$100.0 - $130.0	$62.2

(1) The Company's 2024 production will be contributed solely by its 50% shareholding in Prime.

(2) Approximately, 78% expected to be light and medium crude oil and 22% conventional natural gas.

(3) Net entitlement production estimate is based on a 2024 average Brent price of $82.0/bbl being the average of the Brent forward curves between September 27, 2023, and November 23, 2023. Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil and is different from WI production that is calculated based on project volumes multiplied by Prime's effective WI.

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

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

THE COMPANY'S SHAREHOLDING AND WORKING INTERESTS

The Company's material interests and material exploration partnership interests are summarized in the following table:

Africa Oil's Shareholding in Prime Oil & Gas Coöperatief U.A. (50%)

Country	Concession	License renewal	Working Interests	
NIGERIA	OML 127	December 13, 2024 [1]	Prime Chevron Corporation Famfa Oil	8% 32% 60% (carried)
	OML 130 – PSA [2]	May 24, 2043[1]	Prime TotalEnergies SAPETRO	32% 48% 20% (carried)

Africa Oil's Shareholding in Impact Oil & Gas Limited (31.1%)

Country	Concession	License renewal	Working Interests	
NAMIBIA	PEL 56 (Block 2913B)	April 1, 2025	Impact TotalEnergies QatarEnergy NAMCOR	20% [3] 40% 30% 10% (carried)
	PEL 91 (Block 2912)	October 1, 2027	Impact TotalEnergies QatarEnergy NAMCOR	18.89% [3] 37.78% 28.33% 15.00% (carried)

Africa Oil's Direct Working Interests [4,5]

Country	Concession	License renewal	Working Interests	
SOUTH AFRICA	Block 3B/4B	October 26, 2024	AOC (Operator) Azinam Ricocure (Pty) Ltd	26.25%[6] 20% 53.75%
EQUATORIAL GUINEA	EG-18 EG-31	March 1, 2025	AOC (Operator) GEPetrol	80% 20%

(1) In accordance with the PIA, a renewal will be granted for 20 years if the lessee has paid all rent and royalties due and has otherwise performed all its obligations under the lease. A renewal of OML 130 was obtained on May 28, 2023, earlier than its original renewal deadline of February 28, 2025.

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

(3) On January 10, 2024, the Company announced a strategic farmout agreement between Impact and TotalEnergies. On closing of this deal, Impact will retain a fully-carried interest of 9.5% in each of the two licenses in Namibia. Closing of the transaction will be subject to customary third party approvals from the Namibian authorities and JV Parties.

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

(5) The Company has agreed with its JV parties its withdrawal from the entirety of the production sharing contracts and joint operating agreements for Blocks 10BB, 13T and 10BA in Kenya with effect on and from June 30, 2023. The Company is waiting for government consent to complete its withdrawal and the transfer of rights and future obligations.

(6) At December 31, 2023, the Company held an operated WI of 20% and at the date of this MD&A holds an operated WI of 26.25% following the receipt of the government's approval for the transfer on January 19, 2024.

Information on the Company's equity interests in Africa Energy, Eco and Impact is included in 'Equity Investments in Associates' on page 18.

BUSINESS UPDATE

Macroeconomic conditions

During 2023, Bloomberg Dated Brent averaged $82.6/bbl, which was 17.3% lower than the 2022 Bloomberg Dated Brent average of $99.9/bbl and reflects the adjustment of the global oil markets to the challenges caused by the start of the Russia-Ukraine war in March 2022. The market dynamics during 2023 shifted to the broader supply-demand balance and the outlook for global economic activity, with elevated volatility during the second half of the year. During this period the price tracked from approximately $75.0/bbl at the end of June 2023 to the high of approximately $98.0/bbl in late September, before falling back towards the $70.0/bbl level in December, eventually finishing the year at approximately $78.0/bbl.

On the supply side non-OPEC oil production growth for 2023 exceeded expectations. Most notably, the US production set a new record reaching an estimate of approximately 13 MMbbl per day in December 2023, which compared to 2022 average and exit rate of approximately 12 MMbbl per day. This combined with record production levels from Guyana and Brazil and higher than expected Iranian outputs that took the global production levels to around 102 MMbbl per day. Oil demand also grew during 2023 to around the same level but with greater uncertainty around growth outlook, particularly for the Chinese demand, weighing on market sentiments.

The role of OPEC+ group in controlling global oil production was a major support for the oil prices during 2023. However, the departure of Angola from the group effective from January 2024, is viewed by the markets as a signal of disunity within the cartel that is negative for oil prices, even though Angola was a junior member and the remaining 12 countries still account for about 27% of the 102 MMbbl per day of the world oil market. This development did weigh on the oil prices in November and early December 2023, before the increase of geo-political tension in the Middle East supporting a rally in late December.

Nigeria economic environment

In February 2023, Nigeria elected a new President, Mr. Bola Tinubu, from the All Progressive Congress party. President Tinubu took the office on May 29, 2023, and moved quickly to deliver on his promises to tackle major economic challenges towards the goal of expanding the economy by at least 6% per annum. The new President's priorities are to lower barriers to investment, grow employment rates, remove fuel subsidies and streamline exchange rates. President Tinubu's early days in the office were notable for his swift financial overhauls by floating the Naira currency and scrapping a decades-old petrol subsidy. These received positive reception from the investment and business communities domestically and internationally. However, the new government continues to face daunting challenges of record national debt, persistent inflationary pressures, high unemployment and power shortages that continue to hamper the country's economic activity and potential.

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

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

SHAREHOLDER RETURNS

The Company distributed two semi-annual dividends for a total of $0.05 per share (approximately $23.1 million) during 2023. The Company views the 2023 distributions to be prudent with due consideration for its capital allocation options and the priority of maintaining a strong balance sheet in a range of market scenarios.

The Company launched a NCIB share buyback program on December 6, 2023. Pursuant to the NCIB, Africa Oil is authorized to repurchase through the facilities of the TSX, Nasdaq Stockholm and/or alternative Canadian trading systems, as and when considered advisable by Africa Oil, up to 38,654,702 Common Shares of the Company, which represented 10% of its "public float" of 386,547,028 Common Shares as at November 27, 2023.

Purchases of Common Shares may occur over a period of up to twelve months commencing December 6, 2023, and ending on the earlier of December 5, 2024, the date on which the Company has purchased the maximum number of Common Shares permitted under the NCIB, and the date on which the NCIB is terminated by Africa Oil. There cannot be any assurances as to the number of Common Shares that will ultimately be acquired by the Company. Any Common Shares purchased by Africa Oil under the NCIB will be cancelled.

Between the launch of the NCIB on December 6, 2023, and end of trading on February 23, 2024, the Company has repurchased a total of 4,329,597 Common Shares.

On February 26, 2024, the Company announced it will pay a semi-annual dividend of $0.025 per share (approximately $11.5 million) with the payment to be made at the end of March 2024.

BUSINESS UPDATE - CONTINUED

EQUITY INVESTMENT IN PRIME – NIGERIA

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

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

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

Production and Operations

Production Metrics – rounded

		Three months ended		Year ended	
	Unit	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Total gross field production	boepd	296,700	323,400	314,200	363,700
Net to AOC's 50% shareholding:					
Average daily WI production	boepd	18,500	21,300	19,800	23,500
Average daily entitlement production	boepd	21,700	23,500	22,400	25,600
Oil volumes sold	MMbbl	2.0	1.4	6.4	7.4
Gas volumes sold	bcf	2.4	2.5	9.5	10.3
Oil/gas percentage split	%	80%/20%	81%/19%	81%/19%	82%/18%

The full year production was in line with the midpoint of the management guidance range for WI production (18,500 – 21,500 boepd) and economic entitlement production (20,500 – 23,500 boepd). Q4 2023 gross field production was lower than Q4 2022, primarily as a result of expected natural reservoir decline and maintenance outages at Akpo and Egina.

The Egina and Akpo drilling program commenced on February 22, 2023. Two water injectors and one production well have been completed and brought online at the Egina Field. Two production wells have been completed at Akpo West and have been brought online to the Akpo FPSO during Q1 2024. The rig contract has been extended, with drilling to continue during 2024 to include a total of nine wells in the current campaign and includes an option for an additional nine wells.

Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil. It differs from WI production which is calculated based on field volumes multiplied by Prime's effective WI in each Block. The cargoes lifted by Prime and described below represent Prime's share of cost oil, profit oil and part of income tax oil. The remaining part of income tax oil and royalties are either lifted and sold by the operator or paid in cash, to settle the tax and royalty obligations to the Nigerian state. From May 2022 and August 2023, Prime has been lifting its share of tax oil and paying tax in cash for OML 130 and OML 127 respectively. Aggregate oil equivalent production data comprises of light and medium crude oil and conventional natural gas production net to Prime's WI in the Agbami, Akpo and Egina fields. These production rates only include sold gas volumes and not those volumes used for fuel, reinjected or flared.

In Q4 2023, Prime was allocated 4 oil liftings with total sales volume of approximately 3.9 million barrels or 2.0 million barrels net to the Company's 50% shareholding at an average realized oil price of $86.6/bbl. In Q4 2022, Prime was allocated 3 oil liftings with total sales volume of approximately 2.9 million barrels or 1.4 million barrels net to the Company's 50% shareholding at an average realized oil price of $96.0/bbl.

In 2023, Prime was allocated 13 oil liftings with a total sales volume of approximately 12.9 million barrels or 6.4 million barrels net to the Company's 50% shareholding at an average realized oil price of $84.6/bbl. In 2022, Prime was allocated 15 oil liftings with total sales volume of 14.9 million barrels or 7.4 million barrels net to the Company's 50% shareholding at an average realized oil price of $84.5/bbl.

BUSINESS UPDATE - CONTINUED

Financial

Prime's financial information is presented in note 5 of the financial statements on a 100% basis, with a reconciliation to the Company's 50% share of Prime's net assets and net income. In Q4 2023 and full year 2023, the result from the 50% investment in Prime was a loss of $79.3 million and a profit of $228.0 million respectively (Q4 2022 and full year 2022 - $2.9 million and $146.6 million respectively). The share of profit from the Company's 50% investment in Prime for Q4 2023 and Q4 2022 has been impacted by an impairment of $131.7 million and $41.2 million respectively net to AOC, recognized by Prime. The share of profit for 2023 has also been impacted by the release of $204.0 million, net to AOC, of deferred income tax liabilities which has had a positive effect on net income in 2023. Prime renewed OML 130 in Q2 2023 and consequently converted to PIA and also voluntarily converted OML 127 to operate under the new PIA regime in Q3 2023. The assets are now subject to a 30% Corporate Income Tax regime compared to the 50% PPT regime which resulted in the release. As at December 31, 2023, the Company's investment in Prime was $572.5 million (as at December 31, 2022 - $513.7 million).

All amounts presented and discussed below are net to AOC's 50% shareholding in Prime (unless otherwise stated) to reflect AOC's 50% shareholding in Prime.

Financial Metrics[1]

		Three months ended		Year ended	
Net to AOC's 50% shareholding:	**Unit**	**December 31, 2023**	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Total revenues	$'m	173.6	146.0	581.1	723.2
Cost of Sales [2]	$'m	103.1	41.5	299.0	278.2
Gross profit	$'m	70.5	104.5	282.1	445.0
Opex/boe [3,4]	$/boe	12.0	10.0	9.2	8.3
Cash flow from operations before working capital adjustments	$'m	62.5	65.6	298.8	279.4
Cash flow from operations before working capital adjustments and taxes paid	$'m	110.4	139.1	459.9	617.8
Free cash flow	$'m	16.7	(16.9)	149.1	299.8
Free cash flow/boe [4]	$/boe	8.4	(7.7)	18.2	32.2
Tax	$'m	4.3	48.4	(124.3)	259.7
Capex [5]	$'m	27.2	10.1	88.8	28.4
Dividends paid	$'m	50.0	37.5	175.0	250.0
Net Debt	$'m	298.9	225.3	298.9	225.3
EBITDAX	$'m	110.7	140.7	458.7	617.4
Net Debt/EBITDAX [6]	ratio	0.7	0.4	0.7	0.4
AOC Net Cash/ (Debt) inclusive of 50% Prime Net Debt	$'m	(66.9)	(25.6)	(66.9)	(25.6)

(1) The table includes non-GAAP measures. Definitions and reconciliations to these non-GAAP measures are provided on pages13-16.

(2) Given the nature of Prime's operations in terms of oil cargo liftings and the variability in their frequency from one quarter to next, the non-cash accounting treatment of underlift/overlift and the timing between recording revenues and receipts of sales cash, leads to high variability in Prime's quarterly financial metrics. Please refer to the commentary in the rest of this section for the specific details of this period's changes relative to the corresponding historical period.

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

(4) Boe is calculated on an entitlement basis.

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

(6) Calculated on a 12-month rolling basis until December 31, 2023.

BUSINESS UPDATE - CONTINUED

Total Revenues

		Three months ended		Year ended	
	Unit	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Per Prime's financial statements					
Total revenue	**$'m**	**347.2**	**291.8**	**1,162.2**	**1,446.3**
Net to AOC's 50% shareholding:					
Oil revenue	$'m	170.7	138.7	545.3	627.7
Gas revenue	$'m	2.9	5.0	8.1	20.3
PPT revenue	$'m	-	(1.4)	19.8	54.8
Royalty revenue	$'m	-	3.7	7.9	20.4
Total revenue	**$'m**	**173.6**	**146.0**	**581.1**	**723.2**
Realized oil prices (1)	$/bbl	86.6	96.0	84.6	84.5
Oil volumes sold	MMbbl	2.0	1.4	6.4	7.4
Realized gas prices	$/bcf	1.2	2.0	0.9	2.0
Gas volumes sold	Bcf	2.4	2.5	9.5	10.3

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

The increase in oil sales revenue in Q4 2023 was due to higher liftings in Q4 2023 compared to Q4 2022 despite a lower realized price of $86.6/bbl in Q4 2023 compared with $96.0/bbl in Q4 2022.

The decrease in oil sales revenue in 2023 was due to lower liftings in 2023 with the realized price of $84.6/bbl in 2023 being in line with $84.5/bbl in 2022.

PPT revenue is revenue recognized for tax oil, being Prime's share of entitlement production that is sold by the operators to settle its tax obligations to the Nigerian state. As the tax oil lifted by the operator on behalf of Prime is sold to 3rd party customers and proceeds are used to settle Prime's tax liabilities, this share of PPT is considered to be within the scope of IFRS 15, 'Revenue from contracts with customers'. Consequently, this portion of income tax is presented gross in revenue and offset in current income tax expense. From May 2022, Prime has been lifting its share of tax oil and paying tax revenue in cash for OML 130. For OML 127, the operator was paying the tax oil on behalf of Prime to July 2023 and from August 2023, Prime has been lifting its share of tax oil and paying tax revenue in cash. Therefore oil and tax revenues are already accounted for in the oil volumes sold by Prime in OML 127 and OML 130.

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

Cost of sales

	Three months ended		Year ended	
$'m	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Per Prime's financial statements				
Total cost of sales	**206.3**	**82.9**	**598.0**	**556.3**
Net to AOC's 50% shareholding:				
DD&A	43.7	34.5	180.9	131.4
Production costs	24.0	22.1	75.5	77.1
Movements on overlift/underlift balances	31.5	(23.4)	11.8	23.4
Royalties – oil and gas	3.9	8.3	30.8	46.3
Total cost of sales	**103.1**	**41.5**	**299.0**	**278.2**

Cost of sales increased in Q4 2023 compared with Q4 2022. This is mainly due to a movement from a net underlift position to a net overlift position in Q4 2023 compared to movement from a net overlift position to net underlift position in Q4 2022.

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

BUSINESS UPDATE - CONTINUED

Opex/boe

Opex/boe is a non-GAAP measure which represents production costs on a per barrel of oil equivalent basis (using entitlement production). This allows the Company to better analyze performance against prior periods on a comparable basis. The most direct financial statement measure is production costs, disclosed in note 5 to the financial statements. Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil, profit oil and royalties and is different from WI production that is calculated based on project volumes multiplied by Prime's effective WI in each Block.

		Three months ended		Year ended	
	Unit	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Per Prime's financial statements					
Production costs	**$'m**	**48.0**	**44.1**	**151.0**	**154.1**
Net to AOC's 50% shareholding:					
Production costs	$'m	24.0	22.1	75.5	77.1
Entitlement production	MMboe	2.0	2.2	8.2	9.3
Opex/boe	$/boe	**12.0**	**10.0**	**9.2**	**8.3**

Production costs have increased in Q4 2023 and decreased in 2023 compared to Q4 2022 and 2022 respectively.

Opex/ boe increased in Q4 2023 compared to Q4 2022 primarily from an increase in the production costs. Opex/ boe has increased in 2023 compared to 2022 primarily from a decrease in entitlement production.

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

Cash flow from operations

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

	Three months ended		Year ended	
$'m	**December 31, 2023**	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Per Prime's financial statements				
Cash flow from/ (used in) operations (1)	**87.8**	**(13.6)**	**475.8**	**647.3**
Net to AOC's 50% shareholding:				
Cash flow from/ (used in) operations	43.9	(6.8)	237.9	323.7
Working capital adjustments included in cash flow from operations				
Changes in trade and other receivables	*56.0*	*2.6*	*16.0*	*(18.7)*
Changes in over/underlift balances	*(31.4)*	*23.4*	*(11.8)*	*(23.4)*
Changes in other working capital balances	*(6.0)*	*46.4*	*56.7*	*(2.2)*
Total working capital adjustments	18.6	72.4	60.9	(44.3)
Cash flow from operations before working capital adjustments	**62.5**	**65.6**	**298.8**	**279.4**
Taxes paid	47.9	73.5	161.1	338.4
Cash flow from operations before working capital adjustments and taxes paid	**110.4**	**139.1**	**459.9**	**617.8**

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

Cash flow from operations before working capital adjustments and taxes paid decreased in Q4 2023 and 2023 compared to Q4 2022 and 2022 respectively primarily from lower gross profit and lower operating income in both periods.

BUSINESS UPDATE - CONTINUED

Cash flow from operations before working capital adjustments and after tax payments in Q4 2023 is lower than Q4 2022. This is primarily from lower operating incomes and a change in movements in the underlift/ overlift balances despite the lower tax payments. Cash flow from operations before working capital adjustments and after taxes paid increased in 2023 compared to 2022 primarily from lower tax payments.

Cash flow from operations including working capital adjustments and tax payments increased in Q4 2023 compared to Q4 2022 from a release of working capital in Q4 2023 whereas there was a build of working capital in Q4 2022. The decrease in 2023 compared to 2022 was for the opposite reasons.

FCF and FCF/boe

FCF is a non-GAAP measure. This measure represents cash generated after costs, and is a measure commonly used to assess the Company's profitability. A reconciliation from total cash flow (a GAAP measure) to FCF (a non-GAAP measure) is shown below:

		Three months ended		Year ended	
	Unit	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Per Prime's financial statements					
Total cash flow	$'m	(85.6)	(287.5)	(179.5)	(186.2)
Add back dividends	$'m	100.0	75.0	350.0	500.0
Add back debt service costs [(1)]	$'m	18.9	178.7	122.3	285.8
Add back derivatives	$'m	-	-	5.3	-
FCF	$'m	**33.3**	**(33.8)**	**298.1**	**599.6**
Net to AOC's 50% shareholding:					
FCF	$'m	16.7	(16.9)	149.1	299.8
Entitlement production	MMboe	2.0	2.2	8.2	9.3
FCF/boe	$/boe	**8.4**	**(7.7)**	**18.2**	**32.2**

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

FCF and FCF/boe has increased in Q4 2023 compared to Q4 2022. Q4 2022 showed a negative free cash flow primarily due to a retrospective payment of $118.0m for the period from November 2019 to November 2022 related to royalties recognized on sales made from the Akpo field. In addition, tax payments were lower in Q4 2023 compared to Q4 2022.

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

FCF/boe is a non-GAAP ratio which represents FCF on a per barrel of oil equivalent basis using entitlement production which allows the Company to better analyze performance against prior periods on a comparable basis. Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil and is different from WI production that is calculated based on project volumes multiplied by Prime's effective WI in each Block.

Tax

The gross tax expense in Q4 2023 and 2023 was $8.5 million and $(248.6) million respectively (Q4 2022 and 2022 - $96.8 million and $519.4 million). The tax expense is made up of the following items:

	Three months ended		Year ended	
$'m	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Per Prime's financial statements				
Petroleum Profit Tax	-	143.1	138.1	590.0
Deferred tax income	(87.3)	(50.3)	(570.9)	(157.4)
Education tax	7.9	2.6	21.9	41.7
Corporate income tax	74.9	1.4	134.3	11.3
Withholding tax on dividends	13.0	-	28.0	33.8
Total	**8.5**	**96.8**	**(248.6)**	**519.4**
Net to AOC's 50% shareholding:				
Total	**4.3**	**48.4**	**(124.3)**	**259.7**

BUSINESS UPDATE - CONTINUED

The tax charge is lower in Q4 2023 compared to Q4 2022 due to the lower Corporate tax rate of 30% under PIA compared to 50% previously, in combination with a higher deferred tax release in relation to the impairment recognized by Prime which was higher in Q4 2023 compared to Q4 2022.

There is a tax income in 2023 compared to a tax charge in 2022 driven by a higher deferred income tax credit in 2023 compared to 2022. Prime renewed OML 130 during Q2 2023 and consequently converted it to PIA and voluntarily converted OML 127 during Q3 2023 resulting in both assets operating under the terms of the new PIA. Under these terms, OML 127 and OML 130 are subject to a 30% Corporate Income Tax regime compared to the previous 50% PPT regime which resulted in the partial release of deferred income tax liabilities during the year.

There is a tax income in 2023 compared to a tax charge in 2022 driven by a higher deferred income tax credit in 2023 compared to 2022. Prime renewed the OML 130 license during Q2 2023 and consequently converted to PIA and voluntarily converted the OML 127 license during Q3 2023 resulting in both licenses operating under the terms of the new PIA. Under these terms, OML 127 and OML 130 are subject to a 30% Corporate Income Tax regime compared to the previous 50% PPT regime which resulted in the partial release of deferred income tax liabilities during the year.

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

Education tax is imposed on every Nigerian company at a rate of 3.0% of the assessable profit in the year as at December 31, 2023.

Capital expenditure

Capital expenditures in Q4 2023 and 2023 amounted to $27.2 million and $88.8 million respectively, net to the Company's 50% shareholding in Prime. The expenditure related to the OML 130 drilling campaign with the drilling of two production wells on the Akpo West Field. Capital expenditure in 2023 also included the share of the OML 130 renewal fee. Expenditures in Q4 2022 and 2022 of $10.1 million and $28.4 million respectively related to development well planning, testing and pigging.

Dividends paid

In Q4 2023, Prime distributed one dividend payment totaling $100.0 million with a net payment to the Company of $50.0 million (Q4 2022 – one dividend with a net payment to the Company of $37.5 million). In 2023, Prime distributed three dividend payments totaling $350.0 million with a net payment to the Company of $175.0 million (2022 – five dividends with a net payment to the Company of $250.0 million).

Net Debt

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

As at/ $'m	December 31, 2023	December 31, 2022
Per Prime's financial statements		
Loans and borrowings	750.0	782.3
Cash and cash equivalents	(152.2)	(331.7)
Net Debt	597.8	450.6
Net to AOC's 50% shareholding:		
Net Debt	**298.9**	**225.3**

Net to AOC's 50% shareholding, Prime has $76.1 million of cash and $375.0 million of debt (as at December 31, 2022 - $165.9 million of cash and $391.2 million of debt).

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

The gross debt outstanding has decreased during 2023 following repayments of $782.3 million on its existing RBL and PXF facilities and the subsequent closing of an amended RBL facility of $1,050.0 million with $750.0 million of this outstanding at December 31, 2023.

BUSINESS UPDATE - CONTINUED

EBITDAX and Net Debt/EBITDAX

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

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

	Three months ended		Twelve months ended	
$'m	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Per Prime's financial statements				
Total profit	(158.6)	12.0	456.0	299.4
Add back:				
Tax	8.5	96.8	(248.6)	519.4
Finance costs	22.7	22.8	89.5	74.6
Finance income	(2.1)	(2.3)	(6.8)	(6.5)
DD&A and Impairment	350.6	151.2	625.0	345.0
Exploration expenses	0.3	0.9	2.3	2.8
EBITDAX	**221.4**	**281.4**	**917.4**	**1,234.7**
Net Debt			(597.8)	(450.6)
Net Debt/ EBITDAX			**0.7**	**0.4**
Net to AOC's 50% shareholding:				
Net Debt			(298.9)	(225.3)
EBITDAX			458.7	617.4
Net Debt/ EBITDAX			0.7	0.4
AOC Net Cash			232.0	199.7
AOC Net Cash/(Debt) inclusive of 50% Prime Net Debt			(66.9)	(25.6)

Crude Oil Marketing

In considering Prime's cargo liftings, the reader should note that the timing and the frequency of these can vary based on a number of factors such as: reservoir performance; actual realized oil price; capex; opex; underlift/overlift positions and marine logistics. The revenue numbers reported for Prime include cost oil, profit oil, tax oil and royalty contributions where relevant for each field.

Prime uses contingent physical forward sales contracts for the marketing and sale of its lifted entitlement production, to manage commodity price risk and ensure stability in cash flows in line with the marketing strategy. Prime does not fix the Dated Brent component of the sales price at the time of entering the contract, instead using a trigger pricing mechanism, whereby Prime gives an irrevocable instruction to an off-taker to fix the Dated Brent component of a cargo, if the forward curve price goes below a certain trigger based on a percentage of the Brent forward curve (at the time the instruction was given) for the month of the expected lifting. If the forward curve price never goes below that threshold, the cargo is sold spot. Prime revised its crude oil marketing strategy during 2022 resulting in better realized sales oil prices compared to Brent in 2023 compared to 2022.

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

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

BUSINESS UPDATE - CONTINUED

Oil sales were comprised of the following:

Oil Sales	Unit	2023 Q1	2023 Q2	2023 Q3	2023 Q4	Total
Number of cargoes lifted		3	3	3	4	**13**
Of which:						
Sold forward with the trigger price mechanism activated		2	-	-	-	**2**
Sold at spot		1	3	3	4	**11**
		3	**3**	**3**	**4**	**13**
Gross crude oil sales						
Quantity in Mboe	Mboe	3,001.1	2,997.7	2,949.6	3,943.3	**12,891.7**
Average sales price	$/bbl	81.5	85.3	84.5	86.6	**84.6**
Average Bloomberg Dated Brent for the period	$/bbl	81.4	78.0	86.7	84.3	**82.6**

Post period end, Prime sold one cargo during January 2024 at spot with an all-in sales price of $79.6/bbl. Prime is expected to lift one cargo during March that is sold at spot. Of the 8-11 cargoes scheduled for the remainder of the year, one cargo that is expected to be sold in Q2 2024 is hedged through an Asian put option contract with an exercise price of $80.0/bbl, and three cargos that are expected to be sold during Q2 2024 and Q3 2024 are hedged with an average trigger price of $67.3/bbl. As of the date of this report none of the trigger prices have been triggered. See page 16 for further details on the crude marketing strategy.

Other non-GAAP measures related to Prime

This MD&A includes non-GAAP measures, non-GAAP ratios and supplementary financial measures as further described herein. These non-GAAP figures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures by other companies. The Company believes that the presentation of these non-GAAP figures provides useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

BLOCK 3B/4B – SOUTH AFRICA

The Company and its JV parties continued working on the plans to conduct a drilling campaign on Block 3B/4B and the discussions with various potential parties to farm out a share of their working interest in the Block are continuing.

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

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

The Government of the Republic of South Africa approved the transaction with Azinam on January 19, 2024. The Company at the date of this MD&A therefore holds an operated WI of 26.25%, with Azinam holding a 20% WI and Ricocure (Proprietary) Limited holding the remaining 53.75% interest.

BLOCKS EG-18 AND EG-31 – EQUATORIAL GUINEA

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

EQUITY INVESTMENTS IN ASSOCIATES

The Company holds equity investments in three oil and gas companies, which provides exposure to several high-impact exploration drilling prospects in South Africa, Namibia, and Guyana.

The Company held the following equity investments in associates as of December 31, 2023:

	Africa Energy	Eco	Impact [(1)]
Issued and Outstanding	1,407,812,249	370,173,680	1,104,880,424
Shares held by AOC at January 1, 2023	276,982,414	54,941,744	287,565,860
Shares acquired in the period	-	-	55,979,799
Shares held by AOC at December 31, 2023	276,982,414	54,941,744	343,545,659
AOC's holding (%) – December 31 2023	19.67%	14.84%	31.09%
AOC's holding (%) – December 31, 2022	19.67%	15.02%	30.87%
Share price (CAD) on December 31, 2023	0.095	0.17	-
Exchange rate to USD on December 31, 2023	0.75	0.75	-

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

Impact

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

On February 24, 2022, Impact announced that the Venus-1X exploration well in Block 2913B, offshore Namibia was drilled to a total depth of 6,296 meters by the operator TotalEnergies. The operator reported the discovery of a good quality, light oil-bearing sandstone reservoir of Lower Cretaceous age, with an estimated 84 meters of net pay. A flow test of this well was completed during Q3 2023 with positive results, which are being interpreted and incorporated into the development studies.

On September 28, 2023, the Company announced that the Venus-1A appraisal well, located approximately 13km northwest of the Venus-1X discovery well, was successfully drilled to a total depth of 6,146m, cored and logged using the Tungsten Explorer drillship, with flow test results supporting the results from the Venus-1X well. On February 7, 2024, the operator announced that the Mangetti-1X well had intersected hydrocarbon bearing intervals in the Mangetti fan and also encountered hydrocarbon bearing sands in the northern extension of the Venus Fan, which was a secondary target for the well. Drilling is ongoing at the Venus-2A appraisal well located approximately 4km to the north of Venus-1A. A further exploration prospect, Kokerboom, located south of the Venus fan, may be drilled during 2024.

A new 3D seismic program on the southern part of Block 2913B is currently underway to identify additional exploration drilling targets and will cover leads identified on existing 2D seismic. If supported by the new 3D seismic data acquisition and interpretation, these targets could potentially be drilled during 2024 or 2025.

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

The Company announced a strategic farm-out agreement between its investee company, Impact, and TotalEnergies on January 10, 2024. On the closing of this transaction Impact will have a 9.5% interest in Blocks 2912 and 2913B that is fully carried for all joint venture costs, with no cap, through to first commercial production. Impact will also be cash reimbursed on closing for its share of the past costs incurred on the Blocks net to the farmout interests, which is estimated to be approximately $99.0 million.

This agreement provides Impact with a full interest-free carry loan over all of Impact's remaining development, appraisal and exploration costs on the Blocks from January 1, 2024 ("Effective Date"), until the date on which Impact receives the first sales proceeds from oil production on the Blocks ("First Oil Date").

On and from the First Oil Date, the carry is repayable to TotalEnergies in kind from 60% of Impact's after-tax cash flow net of all joint venture costs, including capital expenditures. During the repayment of the carry, Impact will pool its entitlement barrels with those of TotalEnergies for more regular off-takes and a more stable cashflow profile and will also benefit from TotalEnergies' marketing and sales capabilities.

Completion of the transaction will be subject to customary third-party approvals from the Namibian authorities and joint venture parties.

On closing of this transaction, the Company will have an indirect effective interest of approximately 3.0% in Blocks 2912 and 2913B through its shareholding in Impact.

BUSINESS UPDATE - CONTINUED

Africa Energy

Africa Energy is a TSX-Venture (Toronto) and Nasdaq First North Growth Market (Stockholm) listed international oil and gas exploration company that holds 49% of the Common Shares in Main Street 1549, which has a 10% participating interest in the Exploration Right for Block 11B/12B offshore South Africa. Arostyle Investments (RF) (Proprietary) Limited ("Arostyle") owns 51% of Main Street 1549. In addition, the Main Street 1549 shareholder agreement provides that either Africa Energy or Arostyle has the right to trigger the sale of the Block 11B/12B Participating Interest to a wholly-owned subsidiary of Africa Energy (the "Arostyle Option"). The Arostyle Option is exercisable by either party for an unlimited period of time. The Company's ownership interest was approximately 19.7% at December 31, 2023.

The joint venture submitted an application for a Production Right for Block 11B/12B in September 2022. As part of the application, the joint venture proposed to relinquish the northern portion of the Block, reducing the area from 18,734 square kilometers to approximately 12,000 square kilometers. In addition, the joint venture elected to enter a Gas Market Development Period to confirm the economic viability of the project.

Eco

Eco is a TSX-V and AIM-listed oil and gas company that operates and holds WI in four exploration Blocks offshore Namibia and operates one exploration Block offshore South Africa and is a party with the Company in Block 3B/4B, offshore South Africa. Eco also has a direct WI and indirect interest in two exploration Blocks offshore Guyana, the Orinduik and Canje Blocks. The Company's ownership interest was approximately 14.8% at December 31, 2023.

SUSTAINABILITY

The Company is committed to being a responsible company that integrates sustainability considerations throughout its decision-making and operational management. The Company is focused on the effective identification and management of risk in its operational activities and, as far as it is able to influence them, those of its JV Parties and investee companies. The Company selects its operating parties in part on their ability and commitment to manage ESG risks effectively. The Company monitors operator performance and works with operators where possible and necessary to improve performance. The Company's role as the custodian of its shareholders' capital is to ensure robust governance systems are in place to deliver our sustainability goals.

As part of those governance systems, the Company receives ESG performance data from Prime on a quarterly basis, which allows it to monitor alignment with agreed ESG targets and objectives. Significant improvements in operational performance relating to flare management were realized during 2023. Prime had set 2023 target of reducing flaring by at least 25% when compared to 2022 gross daily average rates. This target was achieved with a reduction in gross daily flared rates of nearly 48%.

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

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

The Company has completed an environmental and social impact assessment to support permitting and licensing to support exploration drilling activities in Block 3B/4B in South Africa. This is undergoing public disclosure as part of the regulatory review and approval process.

The Company is preparing to undertake an environmental and social impact assessment to support permitting and licensing for exploration drilling activities in Block EG-31 in Equatorial Guinea.

The Company's risk management framework, which is overseen by the Board-level ESGHS Committee, aims to effectively and appropriately identify, monitor and address risks to our business and investments, in addition to identifying and capitalising on potential opportunities. The Company maintains a risk register by which it monitors financial, operational and ESG risks to the Company.

Africa Oil regularly submits to ESG audits and ratings assessments in support of investor and broader stakeholder engagement, as well as to identify opportunities for improvement internally.

The Company undertakes its activities in line with the International Finance Corporation's Performance Standards on Environmental and Social Sustainability and independent monitoring reviews are conducted on a regular basis to assess compliance with those standards. The most recent review was completed in December 2023. This found that Company management systems were fit for purpose to manage ESG risks. The report will be published, along with all other Independent Monitoring Group reports, on Africa Oil's website.

The Company's 2023 Sustainability Report is currently being prepared and will be disclosed in due course. In the meantime, please see the Company's 2022 Sustainability Report for more information on our performance and strategy.

SELECTED ANNUAL INFORMATION

For the years ended	December 31, 2023	December 31, 2022	December 31, 2021
Statement of Net Income/ (Loss) and Comprehensive Income/ (Loss):			
Net (loss)/ income attributable to common shareholders ($'m)	87.1	(60.3)	190.7
Data per Common Share:			
Basic income/ (loss) per share ($/share)	0.19	(0.13)	0.40
Diluted income/ (loss) per share ($/share)	0.18	(0.13)	0.40
Balance Sheet:			
Working capital ($'m)	214.7	158.6	51.8
Total assets ($'m)	966.2	917.7	991.6

In 2023, the Company recorded a net income attributable to common shareholders of $87.1 million which is an increase from the loss recorded in 2022 of $60.3 million. In 2023, this is primarily made up of income from the Company's investment in Prime of $228.0 million offset against losses from the Company's investment in associates of $47.0 million and impairment recognized to its Kenyan intangible exploration assets of $62.2 million writing these assets down to nil. The net income attributable to common shareholders in 2023 of $87.1 million has increased from a loss of $60.3 million in 2022 as the income from Prime has increased by $81.4 million and the impairment recognized in relation to the Company's intangible exploration assets in Kenya has decreased by $108.4 million. This is offset by an increase in the share of loss from investments in associates of $38.8 million.

In 2022, the Company recorded a net loss attributable to common shareholders of $60.3 million which is a decrease from the income recorded in 2021 of $190.7 million as the Company recognized an impairment to its Kenyan intangible exploration assets of $170.6 million and the Company's share of profit from Prime reduced by $77.8 million. The reduction in share of profit from Prime was primarily from a gross impairment recognized by Prime of $82.3 million to its oil and gas interests which has reduced the Company's share of its result in the joint venture. The net loss in 2022 is primarily made up of income from the Company's investment in Prime of $146.6 million and the impairment loss on its Kenyan assets of $170.6 million.

In 2023, the basic income per share was $0.19 and the diluted income per share was $0.18 (2022 - the basic loss and diluted loss per share was $0.13). The net basic and diluted income per share has increased from 2022 as the income from Prime is higher and the impairment in Kenya is lower.

In 2022, the basic loss and diluted loss per share was $0.13 (2021 – basic income and diluted income per share of $0.40). The decrease in earnings per share for 2022 compared to 2021 is primarily from the impairment of $170.6 million recognized in 2022 which was not present in 2021.

In 2023, the increase in working capital was driven by an increase in cash balances and lower payables following settlement of a provision for joint venture matters and joint venture payables in Kenya. In 2023, the increase in total assets is primarily due to increases in cash balances and the Company's investment in Prime.

In 2022, the increase in working capital was driven by an increase in cash balances and the decrease to total assets compared to 2021 was driven by the impairment to the Kenyan intangible exploration assets of $170.6 million and a lower carrying value of the Company's investment in Prime as dividends received from Prime were higher than the Company's share in the result of Prime, partly offset by the higher working capital balances. Residual dividends from Prime increased cash on hand in 2022, offset by the instituted shareholder capital return program in 2022 and cash injections in Eco and Impact.

SUMMARY OF QUARTERLY INFORMATION

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

For the three months ended	31-Dec 2023	30-Sep 2023	30-Jun 2023	31-Mar 2023	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022
Share of (loss)/ profit from equity investments in joint venture and associates ($'m)	(80.8)	51.3	178.0	32.5	(5.1)	76.5	13.3	53.7
Net (loss)/ income attributable to common shareholders ($'m)	(88.8)	47.1	106.9	21.9	(182.2)	70.6	5.7	45.6
Weighted average shares – Basic '000	462,231	462,340	456,229	461,199	475,074	477,311	477,166	475,090
Weighted average shares – Diluted '000	472,942	473,959	467,839	473,846	475,074	491,131	490,562	485,113
Basic (loss)/ income per share ($)	(0.19)	0.10	0.23	0.05	(0.39)	0.15	0.01	0.10
Diluted (loss)/ income per share ($)	(0.20)	0.10	0.23	0.05	(0.39)	0.14	0.01	0.09

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

	Three months ended		Years ended	
($'m)	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Total operating (loss)/ income	(80.8)	(5.1)	181.0	138.4
General and administrative expenses	(9.0)	(6.9)	(31.9)	(27.0)
Impairment of intangible exploration assets	-	(170.6)	(62.2)	(170.6)
Net operating (loss)/ income	**(89.8)**	**(182.6)**	**86.9**	**(59.2)**

Total and net operating (loss)/income

In Q4 2023 and 2023, the Company recognized net operating loss and income amounting to $89.8 million and $86.9 million respectively (net operating losses in Q4 2022 and 2022 - $182.6 million and $59.2 million respectively). There is a net operating loss in Q4 2023 as the Company's share of the result in Prime was negative as a result of an impairment recognized by Prime to its oil and gas properties.

In Q4 2023 and 2023, included in the Company's share of result from equity investments from its 50% investment in Prime is a loss of $79.3 million and a profit of $228.0 million respectively (Q4 2022 and 2022 – profit of $2.9 million and $146.6 million respectively).

The figures used in the explanations for movements period on period below are based on Prime's gross balances per the financial statements.

Prime revenues increased by $55.4 million in Q4 2023 compared to Q4 2022, mainly from higher liftings offset by a decrease in the realized oil price. Prime also recorded an increase in cost of sales of $123.4 million, primarily driven by an overlift movement during Q4 2023 of $63.0 million compared to an underlift movement in Q4 2022 of $46.8 million. This resulted in a decrease in gross profit to $140.9 million in Q4 2023 from $208.9 million in Q4 2022. In Q4 2023 there was an impairment recognized of $263.3 million compared to an impairment recognized in Q4 2022 of $82.3 million. There was a tax charge in Q4 2023 of $8.5 million compared to $96.8 million in Q4 2022, driven by a lower Corporate Income tax rate of 30% under the PIA compared to the previous 50% and by a higher impairment in Q4 2023 compared of Q4 2022. Prime renewed OML 130 resulting in OML 130 operating under the terms of the new Petroleum Industry Act as from June 1, 2023, and Prime voluntary converted OML 127 to operate under the new Petroleum Industry Act from March 1, 2023, with all key conditions precedent fulfilled. Under these terms, OML 127 and OML 130 are subject to a 30% Corporate Income Tax regime compared to the previous 50% PPT regime. This has resulted in Prime's profit in Q4 2023 decreasing by $170.6 million compared to Q4 2022.

Prime revenues decreased by $284.1 million in 2023 compared to 2022, mainly driven by lower liftings. Prime also recorded an increase in cost of sales of $41.7 million, primarily driven by an increase in DD&A of $99.0 million as Prime has changed the method of depletion on its facilities including FPSO from straight line to unit of production, to better reflect the consumption of the reserves' economic benefits. This resulted in gross profit in 2023 to be $325.8 million lower than 2022. In addition, there was a decrease of $88.1 million in other operating income, primarily consisting of investment tax credits which can be offset against PPT, an increase of $181.0 million in impairment charges, and a tax income in 2023 of $248.6 million compared to a tax charge of $519.4 million in 2022. Prime renewed OML 130 resulting in OML 130 operating under the terms of the new Petroleum Industry Act as from June 1, 2023, and Prime voluntary converted OML 127 to operate under the new Petroleum Industry Act from March 1, 2023, with all key conditions precedent fulfilled during 2023. Under these terms, OML 127 and OML 130 are subject to a 30% Corporate Income Tax regime compared to the previous 50% PPT regime which resulted in the release of $62.0 million and $346.0 million of deferred income tax liabilities during the year for OML 127 and OML 130 respectively. This has resulted in Prime's profit for 2023 increasing by $156.6 million compared to 2022.

SUMMARY OF QUARTERLY INFORMATION - CONTINUED

General and administrative costs

General and administrative expenses included share-based compensation charges relating to the LTIP and Stock Option Plan in Q4 2023 and 2023 of $1.9 million and $11.3 million respectively (Q4 2022 and 2022 - $2.5 million and $9.5 million respectively). Share-based compensation charges are impacted by movements in the share price of the Company.

General and administrative expenses excluding share-based compensation charges were $7.1 million and $20.6 million in Q4 2023 and 2023 respectively compared to $4.4 million and $17.5 million in Q4 2022 and 2022 respectively. The $3.1 million increase for the year is primarily driven by an increase in the number of employees and the CEO change during the year resulting in salaries and benefits increasing by $4.0 million compared to 2022. Other general and administrative expenses have decreased by $0.9 million compared to 2022 primarily driven by decreased expenditure in relation to corporate development activities and higher timewriting recharges to intangible exploration assets.

Impairment of intangible exploration assets

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

An impairment of $62.2 million was recognized during the year and the Kenya Development Project has been written down to nil.

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

As at	December 31, 2023	December 31, 2022
Assets		
Equity investment in joint venture	572.5	513.7
Equity investments in associates	134.7	137.3
Intangible exploration assets	19.1	63.6
Cash and cash equivalents	232.0	199.7
Liabilities		
Long-term debt	-	-

Equity investment in joint venture

As at December 31, 2023, the Company's investment in Prime was $572.5 million compared to $513.7 million as at December 31, 2022. The carrying value of the investment mainly increased by the Company's share of Prime's profit of $228.0 million in 2023, offset by dividends received of $175.0 million in 2023.

Equity investments in associates

As at December 31, 2023, the Company's investment in associates was $134.7 million compared to an investment value of $137.3 million as at December 31, 2022. The carrying value of the investments decreased from the Company's share of the associate's losses during 2023 and impairment of $20.1 million and $6.5 million recognized against the Company's investments in Africa Energy and Eco following the significant decline in market value compared to its carrying value. The Company also subscribed for shares in Impact totaling $44.4 million.

Intangible exploration assets

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

Kenya

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

Equatorial Guinea

The Company signed two Production Sharing Contracts with the Republic of Equatorial Guinea for offshore Blocks EG-18 and EG-31 in February 2023. The Company holds an 80% operating interest in these Blocks. In 2023, expenditure of $13.4 million was incurred following the signing of the PSCs for Blocks EG-18 and EG-31 and mainly related to the acquisition of seismic data and signing bonuses.

South Africa

As at December 31, 2023, the Company held a 20% participating interest in the Block 3B/4B Exploration Right. In 2023, the Company incurred expenditure of $0.6 million. On July 11, 2023, the Company announced that it had entered into an agreement to increase its operated working interest in Block 3B/4B by 6.25% to 26.25%. The acquisition of this interest completed on January 19, 2024. The Company signed a legally binding Letter of Intent with Azinam Limited, a wholly owned subsidiary of Eco, the Company agreed to acquire the 6.25% interest for a total cash consideration of $10.5 million (see note 17). The first tranche of $2.5 million was paid during 2023 and was recognized as a prepayment awaiting government approval. The second tranche of $2.5 million was paid following receipt of government approval for the transfer.

Cash and cash equivalents

As at December 31, 2023, the Company had $232.0 million cash on hand, compared with a cash balance of $199.7 million as at December 31, 2022. The Company received dividends from its investment in Prime totalling of $175.0 million. The dividend receipt was offset mainly by shareholder returns of $29.1 million, settling tax and other JV related disputes of $25.8 million, capital expenditures incurred in respect of the EG-18 and EG-31 PSCs in Equatorial Guinea of $11.4 million, a cash injection into Impact of $44.4 million for shares and the Company's general and administrative costs.

Long-term debt

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

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, the Company had cash of $232.0 million and working capital of $214.7 million. The Company's primary source of liquidity is dividends received from Prime. If Prime experiences operational delays, reduced performance or similar adverse conditions, or reinvest their free cash flow, the dividends received could be reduced in future periods.

Corporate Facility

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

The Corporate Facility is subject to financial and liquidity covenants. The Company shall ensure that total net debt to adjusted EBITDAX on June 30 and December 31 of each year is no greater than 3.0:1, the FLCR ratio on March 31 and September 30 of each year is not less than 1.1:1 and that from March 31 and September 30 of each year during each of the four successive quarters there are or will be sufficient funds available to the group to meet all relevant expenditure to be incurred in each of these four successive quarters as they fall due. The Company has been in compliance with the covenants in the year ended December 31, 2023. The Company has no off-balance sheet arrangements.

Future Funding Outlook

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including issuance of new shares, issuance of debt or executing farmout or disposition arrangements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to the Company.

The Company believes that its existing cash balances combined with anticipated funds flow from Prime dividends will provide sufficient liquidity for the Company to meet its financing, operating and capex commitments as they fall due.

OUTSTANDING SHARE DATA

The following table outlines the maximum potential impact of share dilution upon full execution of outstanding convertible instruments as at the effective date of the MD&A.

Common Shares outstanding	460,594,187
Outstanding share purchase options	1,014,616
Outstanding performance share units	7,122,839
Outstanding restricted share units	1,278,318
Full dilution impact on Common Shares outstanding	470,009,960

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy:

On December 19, 2022, Africa Energy announced that it had secured a $5.0 million promissory note of which $2.0 million was provided by the Company and the remaining by other parties. On November 7, 2023, the promissory note provided by the Company and other parties to Africa Energy was increased by $3.3 million with $1.5 million of the increase to be provided by the Company of which $0.5 million was provided in the year ended December 31, 2023. The note is unsecured and matures on March 31, 2025, when the principal and accrued interest are due in full. The note carries an annual interest rate of 15%. The note is repayable pro rata any time before maturity without penalty. In the year ended December 31, 2023, interest on the note amounted to $0.3 million (year ended December 31, 2022 – nil).

The Company has technical and administrative cost sharing agreements with Africa Energy totalling $0.4 million in the year ended December 31, 2023 (year ended December 31, 2022 - $0.4 million).

Transactions with Eco:

During the year ended December 31, 2023, Africa Oil SA Corp. signed a legally binding Assignment and Transfer agreement with Azinam Limited ("Azinam"), a wholly owned subsidiary of Eco, to acquire an additional 6.25% interest in Block 3B/4B for a total cash consideration of up to $10.5 million, to be paid in tranches on the following milestones:

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

On January 19, 2024, the Company received final approval from the Government of the Republic of South Africa for the transfer of a 6.25% interest in Block 3B/4B in the Orange Basin from Azinam Limited, a wholly-owned subsidiary of Eco. As per the terms of the Assignment and Transfer Agreement with Eco, the Company paid the second tranche of $2.5 million to Eco. The Company now holds an operated 26.25% interest in Block 3B/4B.

On April 6, 2022, the Company subscribed for 10,178,116 Common Shares in Eco for a consideration of $4.0 million.

On June 27, 2022, the Company subscribed for 4,864,865 Common Shares in Eco for a consideration of $1.8 million.

Transactions with Impact:

On March 24, 2023, the Company subscribed for 39,455,741 shares in Impact for $31.4 million, payable in two tranches, and directly following the transaction the Company held 31.1% of the enlarged share capital in Impact. The first tranche of $14.9 million was paid on April 21, 2023, and the final tranche of $16.5 million was paid on July 21, 2023.

On October 6, 2023, the Company subscribed for 16,524,058 shares in Impact for $13.0 million and directly following the transaction the Company continued to hold 31.1% of the enlarged share capital in Impact.

On July 18, 2022, the Company subscribed for 31,936,373 shares in Impact for $19.0 million.

Transaction with Director:

On November 23, 2023, the Company entered into an arm's length agreement with Andrew Bartlett to acquire 106,500 shares in Impact at a price of £0.65 per share for a total amount of £69,225. This amount was paid during 2023 and the transaction completed on January 16, 2024.

Remuneration of Directors and Senior Management:

Remuneration of Non-Executive 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 Commercial Officer, Chief Operating Officer, Chief Technical Officer and the Chief Legal Officer.

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, 2023	December 31, 2022
Non-Executive Directors' fees	0.5	0.4
Non-Executive Directors' share-based compensation	1.1	1.0
Managements' short-term wages and benefits	5.4	3.8
Managements' share-based compensation	6.5	4.8
	13.5	10.0

COMMITMENTS AND CONTINGENCIES

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

PRIME OIL & GAS COÖPERATIEF U.A:

Under the Prime Sale and Purchase Agreement completed on January 14, 2020, a deferred payment of $118.0 million, subject to adjustment, may be due to the seller contingent upon the timing of the final OML 127 tract participation in the Agbami field. The signing of the Securitization Agreement by Prime in 2021 led the Company reassessing its view of the likelihood of making a contingent consideration payment to the seller. The signing of the Securitization Agreement by Prime does not constitute a redetermination of the tract participation and therefore does not trigger the payment of a contingent consideration under the Sale and Purchase Agreement but, at the Company's discretion, could trigger discussions with the seller. The outcome of this process is uncertain. In 2021, the Company recorded $32.0 million as contingent consideration and increased this to $37.8 million in 2023, increasing the Company's investment in Prime.

EQUATORIAL GUINEA PSC COMMITMENTS:

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

WITHDRAWAL FROM KENYA:

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

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgements, assumptions and estimates in the application of IFRS. Judgements, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgements, assumptions and estimates may be subject to change.

USE OF ESTIMATES

The preparation of the 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 include 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, equity method accounting, valuation and impairment of equity investments and contingent consideration arising from the acquisition of Prime.

The Company' material accounting policies can be found in the Company's Consolidated Financial Statements for the year ended December 31, 2023.

INTANGIBLE EXPLORATION ASSETS

The Company capitalizes costs related to the acquisition of a license interest, directly attributable general and administrative costs, expenditures incurred in the process of determining oil and gas exploration targets, and exploration drilling costs. All exploration expenditures that related to properties with common geological structures and with shared infrastructure are accumulated together within intangible exploration assets. Costs are held un-depleted until such time as the exploration phases on the license area are complete or commercially viable reserves have been discovered and extraction of those reserves is determined to be technically feasible. The determination that a discovery is commercially viable, and extraction is technically feasible requires judgement.

Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are recognized in the Consolidated Statement of Net Income/ (Loss) and Comprehensive 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 (CGU) within intangible exploration assets. The allocation of the Company's assets into CGUs requires judgement.

CRITICAL ACCOUNTING ESTIMATES - CONTINUED

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 to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. In determining fair value less costs to dispose, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

The key assumptions the Company uses for estimating future cash flows are the quantity of contingent resources, future commodity prices, expected production volumes, future operating and development costs, likelihood of a successful farm out process and subsequent timing of FID and discount rate. The estimated useful life of the CGU, the timing of future cash flows and discount rates are also important assumptions made by management.

The changing worldwide demand for energy and the global advancement of alternative sources of energy could result in a change in the assumptions used to determine the recoverable amount and could affect estimating the future cash flows which could impact carrying amount of the Company's intangible exploration assets. The timing of when global energy markets transition from carbon-based sources to alternative energy sources is highly uncertain. Environmental considerations are built into our estimates through the use of key assumptions in estimating fair value including future commodity prices and discount rates. The energy transition could impact the future prices of commodities and discount rates used to appraise oil and gas projects. Pricing assumptions used in the determination of recoverable amounts incorporate markets expectations and the evolving worldwide demand for energy.

EQUITY METHOD

Investments in joint ventures and investments in associates are accounted for using the equity method. Investments of this nature are recorded at original cost. Investments in joint ventures or associates which arise from a loss in control of a subsidiary are recorded at fair value on the date of the loss of control. The investment is adjusted periodically for the Company's share of the profit or loss of the investment after the date of acquisition. The investor's share of the profit or loss of the investee is also recognized in the Company's Consolidated Statement of Net Income/ (Loss) and Comprehensive Income/ (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 represent the Company's equity interest in other entities, where there is either joint control or significant influence. The Company assesses investments in joint ventures and associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable. The process of determining whether there is an indicator for impairment or calculating the recoverable amount requires judgement.

The most material area in which the Company has applied judgement in the period is in relation to the investment in Prime. In assessing whether there are any indicators of impairment the Company has considered any effects of Prime's forward sales arrangements, the loan facility, and any operational and contractual implications on the future dividend stream when assessing for impairment indicators. When any impairment indicators are identified, the entire carrying amount of the investment in the joint venture is compared to recoverable amount, which is the higher of value in use or fair value less costs to dispose. The Company has determined the recoverability of its investment will be in the form of dividends, and therefore has assessed the impact of current conditions on the recoverability of the dividends relative to the investment carrying value. The key assumptions the Company uses for estimating dividends include future commodity prices, operational scenarios provided by Prime, the timing of future cash flows and discount rates.

CONTINGENT CONSIDERATION

Contingent consideration formed part of the overall consideration for the acquisition of Prime. At the date of acquisition, an estimate of the contingent consideration is determined and included as part of the cost of the acquisition.

Subsequent to acquisition, contingent consideration can be treated using two acceptable methods, the cost-based approach and the fair value-based approach. The Company have determined the cost-based approach to give the best estimate of the value of the contingent consideration. Any revisions to the contingent consideration estimates, after the date of acquisition, are accounted for as changes in estimates in accordance with IAS 8, to be accounted for on a prospective basis. The change in the liability, as a result of the revised cash flows, would be adjusted to the cost of the investment and, in accordance with paragraph 37 of IAS 8, recognized as part of the investment's carrying amount rather than in profit or loss.

The estimates involved in assessing the value of the contingent consideration include the expected timing of payments, the expected settlement value, the likelihood of settlement and the probability of the assessed outcomes occurring. There is significant judgement used in the determination of these estimates.

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2023, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As at December 31, 2023, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed. Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ADVISORY REGARDING OIL AND GAS INFORMATION

The terms boe (barrel of oil equivalent) and MMboe (millions of barrels of oil equivalent) are used throughout this report. Such terms may be misleading, particularly if used in isolation. The conversion ratio of six thousand cubic feet per barrel (6 Mcf:1 Bbl) of conventional natural gas to barrels of oil equivalent and the conversion ratio of 1 barrel per six thousand cubic feet (1 Bbl:6 Mcf) of barrels of oil to conventional natural gas equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to conventional natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

In this report, references are made to historical and potential future oil production in Nigeria and Kenya. In all instances these references are to light and medium crude oil category in accordance with NI 51-101 and the COGE Handbook.

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

RISK FACTORS

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

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

INCREASED COSTS AND SUPPLY DISRUPTION

A failure to secure the services and equipment necessary for the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows. The Company's operating and capital costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows. In addition, with rising inflation levels combined with global cost of living expenses, the Company may be faced with the challenge of how to attract and retain employees. Though Africa Oil does not directly control procurement decisions associated with all of our assets, the Company works with its JV parties to ensure adequate contingency for cost inflation is incorporated into capital and operating budgets and that costs are controlled within budget.

PRICES, MARKETS AND MARKETING OF CRUDE OIL AND NATURAL GAS

Crude 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 gas have fluctuated widely in recent years. Any material decline in prices could have an adverse effect on the Company's business and prospects. The Company may be required by government authorities to limit production due to OPEC+ quotas from time to time. The conflicts in Ukraine and the Middle East have impacted global markets and may continue to result in increased volatility in financial markets and commodity prices. The Company does not have a direct exposure to operations in Ukraine and the Middle East.

The Company may undertake hedging activities when efficient to do so, however, hedging may not fully mitigate, in whole or in part, the risk and effect of lower commodity prices.

The Company or its investee company's ability to market its oil and gas may depend upon its ability to acquire space on vessels or in pipelines that deliver oil and 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 gas and many other aspects of the oil and gas business.

LIQUIDITY AND CASH FLOW

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity describes a company's ability to access cash. Companies operating in the upstream oil and gas industry require sufficient cash in order to fulfil their work commitments in accordance with contractual obligations, and to be able to potentially acquire strategic oil and gas assets and face potentially unexpected liabilities.

The Company could potentially issue debt or equity, extend its debt maturities and enter into farmout agreements to ensure it has sufficient available funds to meet current and foreseeable financial requirements. Concerns around climate change have resulted in a number of lenders and investors moving away from financing oil and gas activities, and the Company may find access to capital limited, more expensive or made contingent upon environmental performance standards.

The Company periodically receives dividends from Prime related to the Company's 50% shareholding in Prime, its main source of income, the amount and timing of which the Company does not control. However, a significant reduction, infrequent distributions, or no payment of Prime's dividends to the Company could significantly reduce the amount of the Company's anticipated cash flow and could also expose the Company to financial risk.

The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support these financial obligations and the Company's capital programs. The Company will also adjust the pace of its activities to manage its liquidity position. Notwithstanding any mitigation efforts, the Company remains exposed to erosion of its balance sheet and revenues and may have difficulty in securing necessary funding, which may lead to insufficient liquidity.

RISK FACTORS - CONTINUED

PRIME DIVIDENDS

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

- decline in the demand for oil and gas;
- reduction of OPEC+ quotas;
- changes to the applicable tax and other laws and regulations in Nigeria;
- project joint venture party consensus;
- Prime's off-takers defaulting on forward sale agreements or banks defaulting on hedging agreements;
- significant or extended declines in oil and gas prices;
- Prime's inability to hedge the production of future assets;
- significant capital cost overruns adversely impacting Prime's cashflows;
- significant project delays adversely impacting Prime's future production and cashflows;
- capital or liquidity constraints experienced by Prime, including restrictions imposed by lenders;
- accounting delays or adjustments for prior periods;
- shortages of, or delays in obtaining skilled personnel or equipment, including drilling rigs;
- delays in the sale or delivery of products;
- title defects; and
- global health emergencies impacting operations and significantly reducing oil and gas demand.

CREDIT FACILITIES

The Company is party to credit facilities. The terms of the facility contain covenants and restrictions on the ability of the Company to, among other things, incur or lend additional debt, pay dividends and make restricted payments, and encumber its assets. The failure of the Company to comply with the covenants contained in the facility or to repay or refinance the facility by its maturity date could result in an event of default, which could, through acceleration of debt, enforcement of security or otherwise, materially and adversely affect the operating results and financial condition of the Company.

FINANCIAL STATEMENTS PREPARED ON A GOING CONCERN BASIS

Africa Oil's financial statements have been prepared on a going concern basis under which an entity is considered to able to realize its assets and satisfy its liabilities in the ordinary course of business. Africa Oil's operations to date have been financed by equity financing, dividends received from equity investments, debt financing and the completion of working interest farmout agreements. Africa Oil's future operations may be dependent upon the identification and successful completion of additional equity or debt financing, the achievement of profitable operations (and profitable operations with equity investments) or other transactions. There can be no assurances that the Company will be successful in completing additional financings, achieving profitability or completing future transactions. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should Africa Oil be unable to continue as a going concern.

SUBSTANTIAL CAPITAL REQUIREMENTS

Africa Oil expects to make substantial capital expenditures for exploration, development and production of oil and gas reserves in the future. The Company's ability to access the equity or debt markets may be affected by any prolonged market instability. The inability to access the equity or debt markets for sufficient capital, at acceptable terms and within required time frames, could have a material adverse effect on the Company's financial condition, results of operations and prospects.

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including from the issuance of new shares, issuance of debt or execution of working interest farmout agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to the Company.

If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of the Company may be diluted. If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities which may ultimately lead to the Company's inability to fulfil the minimum work obligations under the terms of its various concessions. Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

CURRENT GLOBAL FINANCIAL CONDITIONS

Global financial conditions have always been subject to volatility. These factors may impact the ability of the Company to obtain equity or debt financing in the future, and, if obtained, on terms favorable to the Company. Increased levels of volatility and market turmoil can adversely impact the Company's operations and the value, and the price of the Common Shares could be adversely affected.

FOREIGN CURRENCY EXCHANGE RATE RISK

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. The Company had no forward exchange contracts in place as at December 31, 2023.

INTEREST RATE RISK

The Company has borrowed in the past and has a utilized standby credit facility. Interest payments under potential future borrowings could be exposed to volatility in interest rates that could constrain the company's cashflows. The Company's main income is derived from its investment in Prime that has outstanding borrowings. Prime's cash flows can be impacted adversely by increases in interest rates that in turn could constrain dividend distributions to Africa Oil.

CREDIT RISK

Credit risk is the risk of loss if counterparties do not fulfil their contractual obligations. Most of the Company's credit exposure relates to amounts due from its JV parties. The risk of the Company's JV parties defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default JV parties 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.

LIMITATION OF LEGAL REMEDIES

Securities legislation in certain of the provinces and territories of Canada provides purchasers with various rights and remedies when a reporting issuer's continuous disclosure contains a misrepresentation and ongoing rights to bring actions for civil liability for secondary market disclosure. Under the legislation, the directors would be liable for a misrepresentation. It may be difficult for investors to collect from the directors who are resident outside Canada on judgements obtained in courts in Canada predicated on the purchaser's statutory rights and on other civil liability provisions of Canadian securities legislation.

DECOMMISSIONING

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

SHAREHOLDER CAPITAL RETURNS

The Company has implemented a base dividend policy and has in the past engaged in share repurchases as part of its commitment to return capital to the shareholders. The amount and frequency of future returns cannot be guaranteed and the Company's performance in this regard is subject to its financial and operational performance that are subject to the risks already outlined. The declaration, timing, amount and payment of dividends remain at the discretion of the Company's Board. Also, the amount and the pace of share buybacks, if implemented, are at the discretion of the Board.

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

Oil and gas operations involve many risks, which, even with the combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Africa Oil depends on its ability to find, acquire, develop and commercially produce oil and gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. It is difficult to project the costs of implementing an exploratory, appraisal or development drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones, tools lost in the hole, equipment failures or malfunctions and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Without the continual addition of new reserves, any existing reserves associated with the Company's oil and gas assets at any particular time, and the production therefrom, could decline over time as such existing reserves are exploited. There is a risk that additional commercial quantities of oil and gas may not be discovered or acquired by the Company.

Africa Oil's business is subject to all the risks and hazards inherent in businesses involved in the exploration for, and the acquisition, development, production and marketing of, oil and 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 gas wells, production facilities, other property, the environment or personal injury, and such damages may not be fully insurable.

RISK FACTORS - CONTINUED

RESERVES AND RESOURCES VOLUMES

There are many uncertainties inherent in estimating quantities of oil and natural gas reserves and resources (contingent and prospective) and the future cash flows attributed to such reserves and resources. The actual production, revenues, taxes and development and operating expenditures with respect to the reserves and resources associated with the Company's assets will vary from estimates thereof and such variations could be material. Estimates of reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

GOVERNMENT REGULATIONS AND TAX RISK

The Company may be adversely affected by changes to applicable laws to which it is subject, and its host governments may implement new applicable laws, modify existing ones, or interpret them in a manner that is detrimental to the Company. Such changes to the laws to which the Company is subject could, amongst other things, result in a windfall tax, an increase in existing tax rates or the imposition of new ones or the Company may be subject to tax assessments, all of which on their own or taken together could have a material adverse effect on the Company's business, financial condition, results of operations and prospects of the Company's oil and gas assets.

As has become customary in Nigeria since 2019, the annual budget for Nigeria has been accompanied by a proposed finance bill that supports the revenue needs indicated in the annual budget. This bill could include changes to tax laws, including laws that can affect directly or indirectly the oil and gas industry.

INVESTMENTS IN ASSOCIATES AND INVESTMENTS IN JOINT VENTURES

The Company has invested in other frontier oil and gas exploration companies that face similar risks and uncertainties, which could have a material adverse effect on their businesses, prospects and results of operations. Such risks include, without limitation, equity risk, liquidity risk, commodity price risk, credit risk, currency risk, foreign investment risk, and changes in environmental regulations, economic, political or market conditions, or the regulatory environment in the countries in which they operate. The associates or joint ventures are entities in which the Company has some influence, including through its representation on their boards, but given its equal or minority interest, no or limited control over their decisions, including, without limitation, financial and operational policies, the Company has no or limited control over outcomes, performance and governance. The Company's access to information is subject to the contractual provisions of shareholder agreements. The Company is reliant on the information provided by investments and may not have the ability to independently verify such information. The Company's investments are not diversified over different types of investments and industries, rather, they are concentrated in one type of investment. If an associated company or jointly controlled entity in which the Company has invested fails, liquidates, or becomes bankrupt, the Company could face the potential risk of loss of some, or all, of its investments, and may be unable to recover any of its investments.

The Company's share price performance is subject to timely communication of financial and operational results. The Company is reliant on its associates and joint ventures for timely and accurate disclosures of material updates. Although the Company has procedures in place to maximise its oversight of such disclosures, including representation on the boards of its investee companies, failure to mitigate delays and/or inaccuracies in such disclosures could expose the Company to regulatory sanctions and shareholder legal action that could adversely impact the Company's finances and reputation.

INTERNATIONAL OPERATIONS

The Company participates in oil and gas projects located in emerging markets, primarily in Africa. Oil and gas exploration, development and production activities in these emerging markets are subject to significant political, economic, and other uncertainties that may adversely affect the Company's operations. The Company could be adversely affected by changes in applicable laws and policies in the countries where the Company has interests. Additional uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, civil unrest, nationalization, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or gas pricing policies, changes to taxation laws and policies, assessments and audits (including income tax) against the Company by regulatory authorities, difficulty or delays in obtaining necessary regulatory approvals, risks associated with potential future legal proceedings, and the imposition of currency controls. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on the Company's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, they could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which the Company acquires an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits when required.

RISK FACTORS - CONTINUED

DIFFERENT LEGAL SYSTEM AND LITIGATION

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

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

ANTI-BRIBERY AND ANTI-CORRUPTION LAWS

The Company is subject to various anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada) and the Bribery Act 2010 (United Kingdom). Failure to comply with such laws could subject the Company to, among other things, civil and criminal penalties, other remedial measures and legal expenses and reputational damage, each of which could adversely affect the Company's business, results in operations, and financial condition. Weaknesses in the anti-corruption legal and judicial system of certain countries may undermine the Company's or a host government's capacity to effectively detect, prevent and sanction corruption. To mitigate this risk, the Company has implemented an anti-corruption compliance and onboarding program for anyone that does business with the Company, anti-corruption training initiatives for its personnel and consultants, and an anti-corruption policy for its personnel, and consultants. However, the Company cannot guarantee that its personnel, contractors, or business partners have not in the past or will not in the future engage in conduct undetected by the onboarding processes and procedures adopted by the Company, and it is possible that the Company, its personnel or contractors, could be subject to investigations or charges related to bribery or corruption as a result of actions of its personnel or contractors.

SHARED OWNERSHIP AND DEPENDENCY ON JV PARTIES

The Company's operations are primarily conducted together with one or more JV parties through contractual arrangements, including unincorporated associations. In such instances, the Company may be dependent on, or affected by, the due performance and financial strength of its JV parties. If a JV party fails to perform or becomes insolvent, the Company may, among other things, risk losing rights or revenues or incur additional obligations or costs, experience delays, or be required to perform such obligations in place of its JV party. The Company and its JV parties 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 JV parties relating to a project, such dispute may have material adverse effect on the Company's or investee company's operations relating to such project.

RISKS RELATING TO CONCESSIONS, LICENSES AND CONTRACTS

Africa Oil'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 Africa Oil. 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 Africa Oil. Also, if the Company or any of its JV parties were found to have failed to comply with their obligations or liabilities under a concession, license or contract, including record-keeping, budgeting, and time scheduling requirements, the Company's or JV parties rights under such concession, license or contract may be terminated or otherwise relinquished in whole or in part. The Company cannot guarantee that requirements are adequately met by its JV parties, which could bring an increased risk of impairment and reduced future cash flow.

In May 2023 the Company submitted notices to withdraw from its concessions on Blocks 10BB, 13T and 10BA in Kenya. The Company's withdrawal from the concessions is subject to approvals from the Kenyan authorities and, while the Company is working with its JV parties and the authorities to effect a smooth withdrawal process, there can be no certainty that such approvals will be forthcoming on terms acceptable to all parties.

RISK FACTORS - CONTINUED

RISKS RELATING TO INFRASTRUCTURE

Africa Oil is dependent on having available and functioning infrastructure relating to the properties and licenses on which it operates, such as roads, power and water supplies, pipelines and gathering systems, supply bases and associated services.

The amount of oil and gas that the Company can produce, and sell is subject to accessibility, availability, proximity and capacity of gathering, processing and pipeline systems. The lack of availability of capacity or a failure in any of the gathering, processing and pipeline systems, and in particular the processing facilities could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. Any significant change in market factors, terms of use or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Company's business financial condition, results of operations, cash flows and future prospects.

In Nigeria, gas export relies on the continued safe operations at the Nigeria LNG facility. Gas export restrictions could have an adverse effect on oil production, due to reductions in overall facility production to minimise flaring of associated gas. The supply chain for offshore is dependent upon existing ports and onshore infrastructure. Several factors, including social unrest onshore, have the potential to disrupt both the gas processing facilities and the upstream supply chain which could have detrimental impacts on Prime's cashflow and subsequent dividend payments to Africa Oil.

In Equatorial Guinea, exploration efforts in Block EG-31 are targeting gas prospects located close to existing gas export and processing facilities. In the event of a discovery, the discovered fluids may not be compatible with the existing processing facilities resulting in additional cost which may result in the potential discovery being non-commercial. There may also be insufficient ullage in the facilities to accept additional capacity and without appropriate commercial arrangements it may not be possible to produce any potential discovery.

INSURANCE

The Company's involvement in oil and gas operations may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. While the Company obtains insurance in accordance with industry standards to address such risks, the nature of the risks facing the oil and gas industry is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of an insurer, could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that insurance will be available in the future.

CLIMATE RISKS

Market Risks

Changing consumer preferences for low carbon sources of energy, transport and products and services may erode demand for oil and gas as alternatives come to market and gain scale. Reduced demand for oil and gas may result in stranded reserves or resources and negatively impact the Company's valuation and share price. In addition to limiting the Company's ability to sell into the market, these trends could lead to lower commodity prices in the medium and long-term, putting further pressure on revenues. In the short-term, unbalanced investment in traditional vs. new energy technologies and sources, combined with uncertain demand dynamics, may lead to commodity price volatility. Supply chains may also become constrained, as suppliers adjust their strategies and product mix in response to the energy transition, resulting in increasing costs for some goods and services.

The Company has conducted scenario analysis, which suggests the current portfolio remains competitive in a low demand environment. We update our analysis on a regular basis and ahead of new project sanction to minimize the risk of stranded assets. In order to remain resilient in an uncertain and volatile future commodity environment, the Company works with and through its parties to reduce operational costs as much as possible without sacrificing health and safety or longer-term efficiency and environmental or strategic goals. Additionally, the Company will maintain a prudent budget and financial strategy, including hedging as appropriate, to manage medium term oil price volatility ensure the business remains resilient in a low oil price environment.

Litigation Risks

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

Regulatory Risks

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

RISK FACTORS - CONTINUED

Reputational Risk

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

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

Physical Risks

Climate change has already resulted in significant shifts in global weather patterns, including an increase in the number and severity of heat waves, cold spells, droughts and storms, including hurricanes and tropical cyclones. Longer term, climate change may also result in rising sea levels due to melting polar ice caps. The physical effects of climate change have the potential to directly impact the Company's assets and operations. In 2022, the Company contracted a global climate risk analytics company to perform a quantified assessment of the physical climate risks facing the Company's assets under three IPCC climate scenarios: SSP1-2.6 (consistent with 1.8°C warming), SSP2-4.5 (consistent with 2.7°C warming) and SSP5-8.5 (consistent with 4.4°C warming). That analysis suggests exposure to future changes in physical climate hazards is relatively minimal compared to the historical baseline across all three scenarios. We will continue to monitor our assets' exposure to physical climate risks as our portfolio and the global scientific community's understanding of changing climate patterns evolves.

Other Environmental Risks

The regulatory frameworks in the Company's countries of operation extend beyond emissions to include broader areas of environmental concern, including water management, waste handling, soil pollution and biodiversity protection. These regulations typically include environmental licensing and permitting subject to the conduct of Environmental and Social Impact Assessments prior to any new exploration or development activity, as well as ongoing monitoring and reporting.

Non-compliance with environmental regulations can result in fines or permits being revoked, both of which could materially impact the Company's financial position or license to operate. Breaches could also lead to civil or criminal litigation, particularly in cases resulting in significant environmental damage.

The Company is committed to minimizing the broader environmental impact of its activities. The Company acts in compliance with the applicable environmental laws and regulations of its countries of operation and manages activities according to good international practice. This includes taking a rigorous approach to operational planning, including identifying potential environmental or social risks and impacts of operations, and obtaining and maintaining all necessary permits and licenses. The Company also consults with stakeholders on environmental issues that may affect them, investigates any environmental incidents, and maintains emergency response procedures for protection of the environment.

The Company assesses and puts measures in place to minimize impact on biodiversity and ecosystem services in line with the mitigation hierarchy to ensure that activities lead to no net loss of natural habitats. Where the Company is not the operator, it monitors environmental risk management via regular reports from JV parties and operators and participation in quarterly operating and technical committee meetings.

Though the Company endeavors to engage all relevant stakeholders proactively and early in the project planning process, environmental activism is increasing, and in some cases has resulted in delays or disruptions to activities, including delays to permitting where activists have challenged permits in courts. Africa Oil has not to date suffered impacts to operations due to environmental activism. However, such delays could affect project economics by incurring additional costs or delaying forecast production and revenues.

The Company does not currently face any environmental fines or charges. However, accidents can occur and the unexpected nature of these events makes the timing and scope challenging to quantify with respect to financial impacts.

FORWARD-LOOKING STATEMENTS

Certain statements in this document may constitute forward-looking information or forward-looking statements under applicable Canadian securities law (collectively "forward-looking statements"). Forward-looking statements are statements that relate to future events, including the Company's future performance, opportunities or business prospects. Any statements that express or involve discussions with respect to expectations, forecasts, assumptions, objectives, beliefs, projections, plans, guidance, predictions, future events or performance (often, but not always, identified by words such as "believes", "seeks", "anticipates", "expects", "continues", "may", "projects", "estimates", "forecasts", "pending", "intends", "plans", "could", "might", "should", "will", "would have" or similar words suggesting future outcomes) are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements. Undue reliance should not be placed on these forward-looking statements because the Company cannot assure that the forward-looking statements will prove to be correct. As forward-looking information address future conditions and events, they could involve risks and uncertainties including, but are not limited to, risk with respect to general economic conditions, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

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

- A change to the shareholder capital return program including the implementation of share buy-backs;
- The Company's plans to prepare an Energy Transition Plan and the steps to be taken by the Company in relation to the Energy Transition Plan;
- Expected closing dates for the completion of proposed transactions;
- Planned exploration, appraisal and development activity including both expected drilling, and geological and geophysical related activities;
- Potential for an improved economic environment;
- 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;
- 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/ parties;
- Government or other regulatory consent for exploration, development, farmout, or acquisition activities;
- Future production levels;
- Future crude oil or natural gas prices;
- Future earnings;
- Future asset acquisitions or dispositions;
- Future debt levels;
- Availability of committed credit facilities, including existing credit facilities, on terms and timing acceptable to the Company;
- Possible commerciality;
- Development plans or capacity expansions;
- Future ability to execute dispositions of assets or businesses;
- Future drilling of new wells;
- Ultimate recoverability of current and long-term assets;
- Ultimate recoverability of reserves or resources;
- 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;

FORWARD-LOOKING STATEMENTS - CONTINUED

- The Company's ability to comply with future legislation or regulations;
- Future staffing level requirements; and
- Changes in any of the foregoing.

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

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

- Market prices for oil and gas;
- Uncertainty of estimates and projections relating to reserves, resources, production, revenues, costs and expenses;
- Changes in exploration or development project plans or capital expenditures;
- 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 foreign-currency 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;
- 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.

FORWARD-LOOKING STATEMENTS - CONTINUED

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, or incorporated by reference into, 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 the documents incorporated by reference into 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, 2023 and 2022, 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, 2023 and 2022;
- the consolidated statements of net income/(loss) and comprehensive income/(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, comprising material accounting policy information 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.

PricewaterhouseCoopers LLP
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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, 2023. These matters were 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 equity accounted investment in Prime *Refer to note 2 – Basis of preparation, note 3 – Material accounting policies and note 5 – Equity investment in joint venture to the consolidated financial statements.* The carrying amount of the Company's equity accounted investment in Prime Oil and Gas Coöperatief U.A. (Prime) was $572.5 million as at December 31, 2023. Management assesses the equity accounted investment in Prime 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 equity accounted investment in Prime is compared to its recoverable amount. The recoverable amount is the higher of the equity accounted investment in Prime's fair value less costs to dispose and its value in use. The equity accounted investment in Prime is written down to its recoverable amount when its carrying amount exceeds the recoverable amount. As at December 31, 2023, management determined that there was an indicator of impairment in relation to the Company's equity accounted investment in Prime arising from an impairment recognized by Prime. As a result, an impairment test was performed. Management determined the recoverable amount of the equity accounted investment in Prime by calculating the	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the equity accounted investment in Prime, which included the following: – Evaluated the appropriateness of the method used by management. – Tested the underlying data used in determining the recoverable amount. – Evaluated the reasonableness of significant assumptions used in developing the underlying estimates, including: ○ operating and capital costs by considering the past performance of Prime and whether these assumptions were consistent with evidence obtained in other areas of the audit; ○ future commodity prices by comparing those forecasts with third party industry forecasts; and ○ 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 the estimates for the quantity of proved and probable petroleum reserves. As a basis for using this work, the competence, capabilities and objectivity of

value in use derived from the discounted cash flow forecast of the dividend stream to be received from Prime. Significant assumptions developed by management to support the forecasted dividend stream used to determine the recoverable amount of the equity accounted investment in Prime included: estimates for the quantity of proved and probable petroleum reserves, future commodity prices, operating and capital costs as well as discount rates. The quantity of proved and probable petroleum reserves are prepared by Prime's independent petroleum engineers (management's experts).

The results of the impairment test indicated that the recoverable amount of the equity accounted investment in Prime was in excess of the carrying value.

We considered this a key audit matter due to (i) the significant judgment made by management, including the use of management's experts, when determining the recoverable amount of the equity accounted investment in Prime; (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.

management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report, and the information, other than the consolidated financial statements and our auditor's report thereon, included in the Report to Shareholders, which is expected to be made available to use after that date.

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 on the other information that we obtained prior to the date of this auditor's report, 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. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the Report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Khurram Asghar.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta, Canada
February 26, 2024

CONSOLIDATED BALANCE SHEETS

(Expressed in millions of United States dollars)

As at	Note	December 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	4	232.0	199.7
Accounts receivable and prepaid expenses		5.1	1.4
		237.1	201.1
Long-term assets			
Equity investment in joint venture	5	572.5	513.7
Equity investments in associates	6	134.7	137.3
Intangible exploration assets	7	19.1	63.6
Loan to associated company	17	2.8	2.0
		729.1	716.6
Total assets		966.2	917.7
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and liabilities	8	14.2	37.2
Share-based compensation liability	15	8.2	7.3
		22.4	44.5
Long-term liabilities			
Share-based compensation liability	15	5.9	5.3
Provision for contingent consideration	12	37.8	32.0
Provision for site restoration	9	5.5	5.3
		49.2	42.6
Total liabilities		71.6	87.1
Equity attributable to common shareholders			
Share capital	11(B)	1,265.3	1,267.7
Contributed surplus		61.6	59.2
Deficit		(432.3)	(496.3)
Total equity attributable to common shareholders		894.6	830.6
Total liabilities and equity attributable to common shareholders		966.2	917.7

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

Approved on behalf of the Board:

"ANDREW BARTLETT"

ANDREW BARTLETT, DIRECTOR

"ROGER TUCKER"

ROGER TUCKER, DIRECTOR

CONSOLIDATED STATEMENTS OF NET INCOME/ (LOSS) AND COMPREHENSIVE INCOME/ (LOSS)

(Expressed in millions of United States dollars)

For the years ended	Note	December 31, 2023	December 31, 2022
Operating income			
Share of profit from investment in joint venture	5	228.0	146.6
Share of loss from investments in associates	6	(47.0)	(8.2)
Total operating income		181.0	138.4
Operating expenses			
General and administrative expenses		(31.9)	(27.0)
Impairment of intangible exploration assets	7	(62.2)	(170.6)
Total operating expense		(94.1)	(197.6)
Net operating income/ (loss)		86.9	(59.2)
Finance income	13	7.8	2.4
Finance expense	13	(7.6)	(3.5)
Net income/ (loss) attributable to common shareholders		87.1	(60.3)
Total comprehensive income/ (loss)		87.1	(60.3)
Net income/ (loss) attributable to common shareholders per share			
Basic	14	0.19	(0.13)
Diluted	14	0.18	(0.13)
Weighted average number of shares outstanding for the purpose of calculating earnings per share			
Basic	14	462,231,061	474,366,637
Diluted	14	472,942,487	474,366,637

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

CONSOLIDATED STATEMENTS OF EQUITY

(Expressed in millions of United States dollars)

For the years ended	Note	December 31, 2023	December 31, 2022
Share capital:	11(B)		
Balance, beginning of the year		1,267.7	1,309.1
Exercise of Share Options	11/ 15	1.4	3.4
Settlement of Restricted Share Units	11/ 15	1.1	1.2
Settlement of Performance Share Units	11/ 15	3.5	1.9
Weighted average value of shares cancelled	11	(8.4)	(47.9)
Balance, end of the year		1,265.3	1,267.7
Contributed surplus:			
Balance, beginning of the year		59.2	51.1
Share-based compensation	15	-	0.1
Excess of weighted value of shares cancelled	11	2.4	8.0
Balance, end of the year		61.6	59.2
Deficit:			
Balance, beginning of the year		(496.3)	(412.2)
Dividends paid	11	(23.1)	(23.8)
Net income/ (loss) attributable to common shareholders		87.1	(60.3)
Balance, end of the year		(432.3)	(496.3)
Total equity attributable to common shareholders			
Balance, end of the year		894.6	830.6

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in millions of United States dollars)

For the years ended	Note	December 31, 2023	December 31, 2022
Cash flows generated by/ (used in):			
Operations:			
Net income/ (loss) for the year		87.1	(60.3)
Adjustments for:			
Share of profit from investment in joint venture	5	(228.0)	(146.6)
Share of loss from investments in associates	6	47.0	8.2
Share-based compensation	15	11.3	9.5
Impairment of intangible exploration assets	7	62.2	170.6
Other		(4.1)	1.6
Net cash used in operating activities before working capital		(24.5)	(17.0)
Changes in working capital	22	(28.8)	1.5
Net cash used in operating activities		(53.3)	(15.5)
Investing:			
Intangible exploration expenditures	7	(15.4)	(3.3)
Long-term loan provided to associated company	17	(0.5)	(2.0)
Equity investment in associates	6	(44.4)	(24.8)
Dividends received from joint venture	5	175.0	250.0
Net cash generated by investing activities		114.7	219.9
Financing:			
Dividends paid to shareholders	11	(23.1)	(23.8)
Repurchase of share capital	11	(6.0)	(39.9)
Net cash used in financing activities		(29.1)	(63.7)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		-	0.1
Increase in cash and cash equivalents		32.3	140.8
Cash and cash equivalents, beginning of the year	4	199.7	58.9
Cash and cash equivalents, end of the year	4	232.0	199.7

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Incorporation and nature of business:

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

2. Basis of preparation:

A. Statement of compliance:

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at February 26, 2024, 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 material accounting policies.

C. Functional and presentation currency:

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

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

D. Use of estimates and judgements:

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

Information about significant areas of estimation and critical judgements 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. The Company has a 50% interest in Prime, which is a key asset for the Company. Information about Prime's reserve and resource estimates has been included.

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 judgements about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount (see note 7).

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. Should the carrying amount exceed the recoverable amount, an impairment loss is recognized.

Significant assumptions developed by management used to determine the recoverable amount of the cash generating unit ("CGU") include estimates for the quantity of contingent resources, future commodity prices, production forecasts, operating expenses, development costs, the likelihood of a successful farm out process, the timing of financial investment decision ("FID") and the discount rate. The contingent resources and production rates are prepared by the Company's independent petroleum engineers (management's experts). CGU's are assets that are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Exploration and evaluation assets are assessed if facts and circumstances suggest that an impairment loss recognized in prior periods may no longer exist or may have decreased. An impairment reversal is recognized if there has been an increase in the asset's recoverable amount since the last impairment loss was recognized.

The changing worldwide demand for energy and the global advancement of alternative sources of energy could result in a change in the assumptions used to determine the recoverable amount and could affect estimating the future cash flows which could impact the carrying amount of the Company's intangible exploration assets. The timing of when global energy markets transition from carbon-based sources to alternative energy sources is highly uncertain. Environmental considerations are built into our estimates through the use of significant assumptions in estimating fair value including future commodity prices and discount rates. The energy transition could impact the future prices of commodities and discount rates used to appraise oil and gas projects. Pricing assumptions used in the determination of recoverable amounts incorporate market expectations and the evolving worldwide demand for energy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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 15).

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 200% to determine the ultimate vested number of PSUs. The awards are revalued every quarter based on the Company's share price and an estimate of the performance conditions at the quarter end. 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 15).

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. RSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors (see note 15).

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 (see note 18) are made independently without the significant influence or control of the Company requires judgement.

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 or joint ventures 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 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 investee's independent petroleum engineers (management's experts).

Where contingent consideration has been recognized in an investment in an associate or joint venture, any revisions to the contingent consideration estimates after the date of acquisition, which have been 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.

An area in which the Company has applied judgement in the prior year relates 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 forward sales, the loan facility, and any operational and contractual implications on the future dividend stream when assessing for impairment indicators.

An area in which the Company has applied judgement in the year relates to the equity investments in associates. In assessing whether there are any indicators of impairment the Company considered the movements in share price of the associates listed on public markets, the results of exploration and appraisal activities and future plans for the operations.

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 probable that the related tax benefit will no longer 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.

viii. Hydrocarbon reserve and resource estimates:

Oil and gas production assets are depreciated on a units-of-production ("UoP") basis at a rate calculated by reference to total proved and probable oil and gas reserves ("2P") determined in accordance with the principles contained in the SPE Petroleum Resources Management Reporting System ("PRMS") framework. Facilities included in oil and gas production assets are depreciated on a straight-line basis over the economic useful life of the field.

Prime estimates its 2P reserves based on information provided by reputable independent petroleum engineers, either directly in cases where Prime acts as operator, or indirectly, through the information provided by the respective operators. This information from reputable independent petroleum engineers concerns, amongst others, the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates.

2P reserves are determined using estimates of oil and gas in place, recovery factors, operating expenses, future development costs and future commodity prices; the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements.

The current long-term Brent oil price assumption used in the estimation of proved and probable reserves is based on the long-term oil price forward curve of Bloomberg L.P.

As the economic assumptions used may change and, as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change.

ix. Provision for site restoration:

Amounts used in recording a provision for site restoration are based on current legal and constructure requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future cash outflows in relation to the site decommissioning and restoration can be difficult. To reflect the effects due to changes in legislation requirements, technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis.

On fields where the Group is required to contribute to site restoration costs, a provision is recorded to recognize the future commitment. An asset is created, as part of oil and gas interests, to represent the discounted value of the anticipated site restoration liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognizes the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to finance expense. Changes in site restoration costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition (see note 9).

x. Uncertain tax positions:

The Company is subject to income taxes in various legal jurisdictions. Accounting for income taxes requires the Company to interpret frequently changing laws and regulations, including changing income tax rates, and make certain judgements with respect to the application of tax law, estimating the timing of temporary difference reversals, and estimating the realizability of tax assets. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes a liability for a tax filing position based on its assessment of the probability that additional taxes may ultimately be due.

3. Material 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 are currently 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 Income/ (Loss) and Comprehensive Income/ (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 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 Statement of Net Income/ (Loss) and Comprehensive Income/ (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 dispose and its value in use. The investment is written down to its recoverable amount when its carrying amount exceeds the recoverable amount.

The Company has a 50% interest in Prime which is a key asset for the Company. The material accounting policies for Prime are as follows:

i. Sales of crude oil and natural gas:

Revenue from the sale of crude oil and natural gas is recognized when control of the goods transfers to the customer. The transfer of control of the crude oil and natural gas sold by Prime usually coincides with title passing to the customer and the customer taking physical possession. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

Crude oil transaction prices under fixed forward contracts are based on the agreed contract price plus or minus a premium based on an arithmetical average of the mean in quoted market prices for the previous month of the bill of lading. The performance obligation is satisfied and payment is due upon delivery, FOB, to the buyer. At this point in time, at the bill of lading date, a trade receivable is recognized and there are generally 30 days between revenue recognition and payment. There are no obligations for returns, refunds, warranties nor other obligations when control has been transferred.

Prime principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

Revenue from crude oil transactions not covered under fixed forward contracts, arises from the production and lifting of crude oil on an 'entitlements' basis. Under the entitlements method, revenue reflects Prime’s share of production under the terms of the relevant production sharing contracts, regardless of which participant has actually made the sale and invoiced the production. This is achieved by applying the following approach in dealing with imbalances between actual sales and entitlements.

Crude oil entitlement underlifts are recognized at the market price of oil at the balance sheet date. The excess of product sold during the period over the participant’s ownership share of production is recognized by Prime (acting as underlifter) as an asset in trade and other receivables with a corresponding credit to cost of sales. Prime’s underlift receivable is the right to receive additional oil from future production without the obligation to fund the production of that additional oil.

Crude oil entitlement overlifts are treated as a purchase of crude oil by the overlifter from the underlifter and are also recognized at the market price of oil at the balance sheet date. The excess of product purchased during the period over the participant’s ownership share of production is recognized by Prime (acting as overlifter) as a liability in trade and other payables with a corresponding charge to cost of sales. An overlift liability is the obligation to deliver oil out of Prime’s equity share of future production.

Revenues resulting from the production of oil under Production Sharing Contracts (“PSCs”) are recognized for those amounts relating to Prime’s cost recoveries and Prime’s share of the remaining production. Sales between group companies are based on prices generally equivalent to commercially available prices.

ii. Tax oil revenue:

According to the Production Sharing Agreements (“PSAs”), the share of the profit oil (“PPT”) to which the government is entitled in any calendar year, in accordance with the PSA, is deemed to include a portion representing the corporate income tax imposed upon and due by Prime. As the tax oil lifted by the operator on behalf of Prime is sold to 3rd party customers and proceeds are used to settle Prime’s tax liabilities, this share of PPT is considered to be within the scope of IFRS 15, ‘Revenue from contracts with customers’. Consequently, this portion of income tax and revenue is presented gross in revenue and offset in current income tax expense. Investment tax credit utilized is recognized as ‘Other operating income’.

From May 2022, Prime has been lifting its share of tax oil and paying tax revenue in cash for OML 130. For OML 127, the operator was paying the tax on behalf of Prime to July 2023 and from August 2023, following conversion to the terms of the Petroleum Industry Act 2021 retrospectively from March 2023, Prime has been lifting its share of tax oil and paying tax revenue in cash. As the Group’s income taxes meet the criteria to be treated as an income tax under IAS 12, these are recorded as a single line item in profit and loss.

iii. Depreciation/amortization:

Oil and gas properties are depreciated/amortized from the commencement of production, on a UoP basis, which is the ratio of oil and gas production in the period to the estimated quantities of the 2P reserves at the end of the period plus the production in the period, on a field-by-field basis. Facilities included in oil and gas production assets were depreciated on a straight-line basis over the economic useful life of the field concerned until December 31, 2022, and are depreciated on a UoP basis prospectively from January 1, 2023. Costs used in the UoP calculation and straight-line depreciation comprise the net carrying amount of capitalized costs plus the estimated future field development costs. Changes in the estimates of reserves or future field development costs are dealt with prospectively. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank. Rights and concessions are depleted on the UoP basis over the total proved and probable reserves of the relevant area.

iv. Recoverability of oil and gas properties:

Prime assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, with reference to total proved and risk-adjusted probable reserves ('2P'), a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to dispose and value in use. The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves (see Hydrocarbon reserve and resource estimates above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for oil and gas properties is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU.

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 from 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 Income/ (Loss) and Comprehensive Income/ (Loss).

E. 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 Income/ (Loss) and Comprehensive Income/ (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 CGU 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 Income/ (Loss) and Comprehensive Income/ (Loss).

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

iii. 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 CGU 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 Income/ (Loss) and Comprehensive Income/ (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 Income/ (Loss) and Comprehensive Income/ (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. 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 Income/ (Loss) and Comprehensive Income/ (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 Income/ (Loss) and Comprehensive Income/ (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 a CGU. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to dispose.

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 2P reserves. In determining fair value less costs to dispose, 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 Income/ (Loss) and Comprehensive Income/ (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 Income/ (Loss) and Comprehensive Income/ (Loss).

G. Performance share units ("PSUs"):

The Company has a long-term incentive plan (see note 15). Eligible plan participants may be granted PSUs. PSUs 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 Net Income/ (Loss) and Comprehensive Income/ (Loss). 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 may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

H. Restricted share units (“RSUs”):

The Company has a long-term incentive plan (see note 15). 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 Net Income/ (Loss) and Comprehensive Income/ (Loss). 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.

I. Finance income and expenses:

Finance income and expenses are recognized as they accrue in the Statement of Net Income/ (Loss) and Comprehensive Income/ (Loss), using the effective interest method.

J. Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the Statement of Net Income/ (Loss) and Comprehensive Income/ (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.

On May 23, 2023, the International Accounting Standards Board (IASB) issued an amendment to IAS 12 Income Taxes in response to International Tax Reform and specifically the Pillar Two Global Anti-Base Erosion Rules (“Pillar Two Rules”) published by the Organization for Economic Co-operation and Development (“OECD”). The Amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. The Company adopted the mandatory temporary exception immediately. The remaining disclosure requirements have no effect on the Company’s consolidated financial statements.

K. Earnings per share:

Basic earnings per share is calculated by dividing net income/(loss) attributable to the common shareholders by the weighted average number of Common Shares outstanding during the year. Diluted earnings per share is determined by adjusting the net income/ (loss) attributable to the common shareholders and the weighted average number of Common Shares outstanding for the effects of dilutive instruments such as options and LTIP’s granted to employees. 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. The PSUs are considered to be contingently issuable and are included in the calculation of diluted EPS as if the conditions of the contingency are deemed to have been met based on the information available at the end of the reporting period. PSUs are only included in the diluted EPS calculation if the effect is dilutive. RSUs are included in full in the diluted EPS calculation only if the effect is dilutive.

L. 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 either as fair value through profit and loss, fair value through other comprehensive income or at amortized cost depending on the purpose for which the instruments were acquired. The Company only has instruments recognized at amortized cost.

Financial assets and liabilities at amortized cost:

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

M. 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.

i. Contingent Consideration:

Contingent consideration formed part of the overall consideration for the acquisition of Prime. At the date of acquisition, an estimate of the contingent consideration is determined and included as part of the cost of the acquisition.

Subsequent to acquisition, contingent consideration can be treated using two acceptable methods, the cost-based approach and the fair value-based approach. The Company have determined the cost-based approach to give the best estimate of the value of the contingent consideration. Any revisions to the contingent consideration estimates after the date of acquisition, are accounted for as changes in estimates in accordance with IAS 8, to be accounted for on a prospective basis. The change in the liability, as a result of the revised cash flows, would be adjusted to the cost of the investment and, in accordance with paragraph 37 of IAS 8, recognized as part of the investment's carrying amount rather than in profit or loss.

The estimates involved in assessing the value of the contingent consideration include the expected timing of payments, the expected settlement value, the likelihood of settlement and the probability of the assessed outcomes occurring. There is significant judgement used in the determination of these estimates.

ii. Provision for site restoration:

On fields where the Group is required to contribute to site restoration costs, a provision is recorded to recognize the future commitment. An asset is created, as part of oil and gas interests, to represent the discounted value of the anticipated site restoration liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognizes the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to finance expense. Changes in site restoration costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition.

N. New and amended standards adopted by the Company:

The Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - amendments to IAS 8
- International Tax Reform - Pillar Two Model Rules - amendments to IAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - amendments to IAS 12
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The Company also elected to adopt the following amendments early:

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current and Amendments to IAS 1 - Non-current Liabilities with Covenants.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

O. New standards and interpretations not yet adopted:

Certain amendments to accounting standards have been published that are not mandatory for December 31, 2023, reporting periods and have not been early adopted by the Company. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Cash and cash equivalents:

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

5. Equity investment in joint venture:

Prime Oil and Gas Coöperatief U.A. (“Prime”):

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

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

In the year ended December 31, 2023, Prime made three dividend payments totaling $350.0 million gross, with a net payment to the Company of $175.0 million related to its 50% interest. In the year ended December 31, 2022, five dividend payments were made totaling $500.0 million gross, with a net payment to the Company of $250.0 million related to its 50% interest. The timing and payment of the dividends is discretionary. There are no restrictions on the ability of Prime to pay dividends to its members, subject to distributable reserves being positive and working capital or business requirements.

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

	December 31, 2023	December 31, 2022
Balance, beginning of the year	513.7	617.1
Share of joint venture profit	228.0	146.6
Dividends received from Prime	(175.0)	(250.0)
Revaluation of contingent consideration	5.8	-
Balance, end of the year	572.5	513.7

In the year ended December 31, 2023, the Company recognized income of $228.0 million relating to its investment in Prime (year ended December 31, 2022 - $146.6 million).

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

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

As at December 31, 2023, the Company determined that there was an indicator of impairment in relation to its investment in Prime arising from an impairment recognized by Prime. The impairment recognized by Prime arose mainly from an increase in the discount rate and from changes in the technical assumptions in OML 130. The Company determined the recoverable amount of its investment in Prime by calculating the value in use derived from the discounted cash flow forecast of the dividend stream to be received from Prime. The results of the impairment test indicated that the recoverable amount was in excess of the carrying value and therefore no impairment was recognized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

Prime's Balance Sheet

As at	December 31, 2023	December 31, 2022
Cash and cash equivalents included in current assets (1)	152.2	331.7
Other current assets	351.5	301.7
Non-current assets (2)	2,752.3	3,188.9
Loans and borrowings included in current liabilities (3)	(91.5)	(421.9)
Other current liabilities	(234.4)	(320.1)
Loans and borrowings included in non-current liabilities (3)	(658.5)	(360.4)
Deferred income tax liabilities included in non-current liabilities(4)	(484.4)	(1,055.3)
Other non-current liabilities	(642.2)	(637.2)
Net assets of Prime	1,145.0	1,027.4
Percentage ownership	50%	50%
Proportionate share of Prime's net assets	572.5	513.7

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

(2) As at December 31, 2023, the carrying value of non-current assets included a fair value adjustment of $654.7 million (at December 31, 2022 - $643.1 million). These amounts were allocated to goodwill as part of the notional purchase price allocation.

(3) In the year ended December 31, 2023, Prime refinanced its existing RBL and PXF facilities with the closing of an amended RBL facility. This amended facility is for a principal amount of $1,050.0 million and has a 6-year tenor of which $750.0 million has been drawn as at December 31, 2023.

(4) In the year ended December 31, 2023, Prime voluntary converted the OML 127 license to operate under the new Petroleum Industry Act from March 1, 2023, with all key conditions precedent fulfilled during this period. Prime also renewed the OML 130 license resulting in OML 130 operating under the terms of the new Petroleum Industry Act from June 1, 2023. Under these terms, OML 127 and OML 130 are subject to a 30% Corporate Income Tax regime compared to the previous 50% PPT regime which resulted in the release of $62.0 million of deferred income tax liabilities for OML 127 and the release of $346.0 million of deferred income tax liabilities for OML 130.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Prime's Statement of Net Income and Other Comprehensive Income

For the years ended	December 31, 2023	December 31, 2022
Revenue [1]	1,162.2	1,446.3
Depreciation, depletion and amortization	(361.7)	(262.7)
Production costs	(151.0)	(154.1)
Movement in underlift/overlift [2]	(23.6)	(46.8)
Royalties	(61.7)	(92.7)
Cost of sales	(598.0)	(556.3)
Gross profit	564.2	890.0
Other operating income [3]	24.7	112.8
Exploration expenses	(2.3)	(2.8)
Impairment [4]	(263.3)	(82.3)
Other operating costs [5, 8]	(33.2)	(30.8)
Finance income	6.8	6.5
Finance costs [6]	(89.5)	(74.6)
Profit before tax	207.4	818.8
Tax [7,8]	248.6	(519.4)
Total profit and comprehensive income for the year	456.0	299.4
Proportionate share of Prime's profit and comprehensive income for the year	228.0	149.7
Adjustments to share of Prime's profit for the year [9]	-	(3.1)
Proportionate share of Prime's net income	228.0	146.6

(1) Included in revenue are royalties paid in kind of $16.0 million in the year ended December 31, 2023 (year ended December 31, 2022 - $40.7 million).

(2) As at December 31, 2023, Prime was in a net overlift position, from a net underlift position at December 31, 2022. This resulted in a charge of $23.6 million in the Statement of Net Income and Other Comprehensive Income for the year ended December 31, 2023.

(3) For some of its qualifying capital expenditure ("QCE"), Prime is entitled to claim an investment tax credit ("ITC") at the rate of 50% of the QCE incurred, either wholly or exclusively or necessarily for the purposes of its petroleum operations. This is a Nigerian government tax credit which can be offset with Petroleum Profit Tax ("PPT") and serves as an incentive for investments in the exploration of oil and gas in the deep offshore waters of Nigeria. Prime recognized investment tax credits of $24.7 million in the year ended December 31, 2023 (year ended December 31, 2022 – net credits of $112.3 million). During the year ended December 31, 2022, Prime exhausted its investment tax credit pool and additional credits have since been generated on capital expenditure incurred on qualifying assets. ITCs are no longer applicable under the new PIA terms.

(4) Prime has recorded an impairment of $263.3 million for the year ended December 31, 2023 (year ended December 31, 2022 – $82.3 million). The impairment in 2023 was mainly driven by a higher discount rate and from changes in the technical assumptions in OML 130. The impairment in 2022 was mainly driven by a reduction in the expected ultimate recovery of the Egina field following the incorporation of the results of the 4D seismic acquired in late 2021 as well as an increase in the discount rate.

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

(6) In the year ended December 31, 2023, finance costs of $89.5 million have been incurred (year ended December 31, 2022 - $74.6 million). Finance costs have increased in the year ended December 31, 2023, and are primarily made up of interest expenses incurred on external facilities and accretion expenses incurred on the decommissioning liability.

(7) In the year ended December 31, 2023, Prime voluntary converted the OML 127 license to operate under the new Petroleum Industry Act from March 1, 2023, with all key conditions precedent fulfilled during this period. Prime also renewed the OML 130 license resulting in OML 130 operating under the terms of the new Petroleum Industry Act from June 1, 2023. Under these terms, OML 127 and OML 130 are subject to a 30% Corporate Income Tax regime compared to the previous 50% PPT regime which resulted in the release of $62.0 million of deferred income tax liabilities for OML 127 and the release of $346.0 million of deferred income tax liabilities for OML 130.

(8) Withholding tax payments on intragroup dividends in the comparative period have been reclassified from other operating costs to tax expenses as per IAS 12.

(9) The adjustment in the year ended December 31, 2022, represents an adjustment to prior years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Supplementary information: Prime's Statement of Cash Flows

For the years ended	December 31, 2023	December 31, 2022
Profit before tax	207.4	818.8
Adjustments for:		
Depreciation, depletion and amortization	361.7	262.7
Impairment	263.3	82.3
Finance costs, net	82.7	68.1
Change in provisions	(1.1)	(2.9)
Interest income received	5.8	6.5
Cash generated from operating activities before working capital and taxes paid	919.8	1,235.5
Taxes paid	(322.3)	(676.8)
Cash generated from operating activities before working capital	597.5	558.7
Changes in working capital		
Changes in trade and other receivables	(31.9)	37.3
Changes in over/underlift balances	23.6	46.8
Changes in other working capital balances	(113.4)	4.5
Total changes in working capital	(121.7)	88.6
Net cash generated from operating activities	475.8	647.3
Expenditures on oil and gas properties [1]	(177.5)	(47.8)
Net cash used in investing activities	(177.5)	(47.8)
Payment of dividends to members	(350.0)	(500.0)
Interest expense paid [2]	(90.0)	(51.3)
Derivatives	(5.3)	-
Drawdown of RBL facility	750.0	-
Repayment of loans and borrowings	(782.3)	(384.5)
Drawdown of PXF Facility	-	150.0
Net cash used in financing activities	(477.6)	(785.8)
Foreign exchange variation on cash and cash equivalents	(0.2)	0.1
Total cash flow	(179.5)	(186.2)
Cash and cash equivalents, beginning of the year	331.7	517.9
Cash and cash equivalents, end of the year	152.2	331.7

(1) Expenditures on oil and gas properties for the year ended December 31, 2023 includes the OML 130 license renewal fee.

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

6. Equity investments in associates:

The Company currently holds the following equity investments in associates:

	Africa Energy Corp.	Eco (Atlantic) Oil and Gas Ltd	Impact Oil and Gas Ltd	Total
Shares held at December 31, 2023	276,982,414	54,941,744	343,545,659	
Ownership at December 31, 2023	19.7%	14.8%	31.1%	
At January 1, 2022	50.2	14.4	56.1	**120.7**
Share of (loss)/ income from equity investments	(3.7)	(6.2)	0.6	**(9.3)**
Gain on dilution of equity investment	0.1	0.7	0.3	**1.1**
Additional investment through private placement	-	5.8	19.0	**24.8**
At December 31, 2022	46.6	14.7	76.0	**137.3**
Share of loss from equity investments	(1.7)	(0.6)	(19.1)	**(21.4)**
Gain on dilution of equity investment	-	-	1.0	**1.0**
Impairment of equity investments	(20.1)	(6.5)	-	**(26.6)**
Additional investment through private placement	-	-	44.4	**44.4**
At December 31, 2023	24.8	7.6	102.3	**134.7**

In the year ended December 31, 2023, the Company recognized a total loss of $47.0 million (year ended December 31, 2022 – $8.2 million).

During the year ended December 31, 2023, the Company determined that there was an indicator of impairment in respect of its investment in Africa Energy following the significant decline in market value compared to its carrying value. The Company subsequently recognized an impairment of $20.1 million in relation to its investment in Africa Energy. The loss recognized in the Company's investment in Impact is also primarily driven by the significant decline in market value of Africa Energy as a result of Impact's investment in Africa Energy.

During the year ended December 31, 2023, the Company determined that there was an indicator of impairment in respect of its investment in Eco (Atlantic) Oil and Gas Ltd following the significant decline in market value compared to its carrying value. The Company subsequently recognized an impairment of $6.5 million in relation to its investment in Eco (Atlantic) Oil and Gas Ltd.

The Company determined that there was no indicator of impairment for its investment in Impact.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

Africa Energy is an oil and gas exploration company with an interest in South Africa.

As at December 31, 2023, the market value of the Company's investment in Africa Energy was $19.8 million based on the share price of CAD 0.095 (as at December 31, 2022 - $37.8 million).

The following table summarizes Africa Energy's financial information for the years ended December 31, 2023, (based on estimates made by the Company) and December 31, 2022. The Company is not aware of any material changes to the financial information.

Balance Sheet

As at	December 31, 2023	December 31, 2022
Cash and cash equivalents included in current assets	0.9	7.1
Other current assets	0.2	0.2
Non-current assets (1)	130.3	229.3
Current liabilities	(5.5)	(0.3)
Net assets of Africa Energy	125.9	236.3
Percentage ownership	19.7%	19.7%
Proportionate share of Africa Energy's net assets	24.8	46.6

Statement of Net Loss and Comprehensive Loss from continuing operations

For the years ended	December 31, 2023	December 31, 2022
Net loss and comprehensive loss from continuing operations	(8.6)	(18.8)
Proportionate share of Africa Energy's net loss	(1.7)	(3.7)

(1) As at December 31, 2023, the carrying value of non-current assets included a fair value adjustment of $120.9 million (as at December 31, 2022 - $27.4 million).

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

Eco is an oil and gas exploration company with interests in Guyana, Namibia and South Africa.

As at December 31, 2023, the market value of the Company's investment in Eco is $7.0 million based on a share price of CAD 0.17 (as at December 31, 2022 - $12.2 million).

The following tables summarize Eco's financial information for the years ended December 31, 2023, (based on estimates made by the Company) and December 31, 2022. The Company is not aware of any material changes to the financial information.

Balance Sheet

As at	December 31, 2023	December 31, 2022
Cash and cash equivalents included in current assets	3.9	24.6
Other current assets	0.2	4.4
Non-current assets (1)	49.0	75.0
Current liabilities	(1.7)	(5.7)
Net assets of Eco	51.4	98.3
Percentage ownership (2)	14.8%	15.0%
Proportionate share of Eco's net assets	7.6	14.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Statement of Net Loss and Comprehensive Loss from continuing operations

For the years ended	December 31, 2023	December 31, 2022
Net loss and comprehensive loss from continuing operations	(4.1)	(41.2)
Proportionate share of Eco's net loss	(0.6)	(6.2)

(1) As at December 31, 2023, the carrying value of non-current assets included a fair value adjustment of $2.1 million (as at December 31, 2022 - $36.6 million).

(2) In the year ended December 31, 2023, the Company's ownership in Eco changed from 15.0% to 14.8% (year ended December 31, 2022 – changed from 19.9% to 15.0%).

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

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

On March 24, 2023, the Company subscribed for 39,455,741 shares in Impact for $31.4 million, payable in two tranches, and directly following the transaction the Company held 31.1% of the enlarged share capital in Impact. The first tranche of $14.9 million was paid on April 21, 2023, and the final tranche of $16.5 million was paid on July 21, 2023.

On October 6, 2023, the Company subscribed for 16,524,058 shares in Impact for $13.0 million and directly following the transaction the Company continued to hold 31.1% of the enlarged share capital in Impact.

On November 23, 2023, the Company entered into an agreement to acquire 106,500 shares in Impact at a price of £0.65 per share for a total amount of £69,225 (see note 17). This amount was paid during 2023 and the transaction completed on January 16, 2024.

The following tables summarize Impact's financial information for the years ended December 31, 2023, (based on estimates made by the Company) and December 31, 2022. The Company is not aware of any material changes to the financial information.

Balance Sheet

As at	December 31, 2023	December 31, 2022
Cash and cash equivalents included in current assets	76.1	49.2
Other current assets	0.7	0.8
Non-current assets (1)	295.4	199.1
Current liabilities	(43.3)	(2.7)
Non-current liabilities	-	(0.4)
Net assets of Impact	328.9	246.0
Percentage ownership (2)	31.1%	30.9%
Proportionate share of Impact's net assets	102.3	76.0

Statement of Net Loss and Comprehensive Loss from continuing operations

For the years ended	December 31, 2023	December 31, 2022
Net loss and comprehensive loss from continuing operations	(61.4)	(5.6)
Proportionate share of Impact's loss	(19.1)	(1.7)
Adjustments to share of loss relating to year ended December 31, 2021	-	2.3
Proportionate share of Impact's (loss)/ income as reported	(19.1)	0.6

(1) As at December 31, 2023, the carrying value of non-current assets included a fair value adjustment of $40.9 million (as at December 31, 2022 - $54.6 million).

(2) In the year ended December 31, 2023, the Company's ownership in Impact changed from 30.9% to 31.1% (year ended December 31, 2022 – remained 30.9% through the year).

7. Intangible exploration assets:

	December 31, 2023	December 31, 2022
Net carrying amount, beginning of the year	63.6	194.3
Intangible exploration expenditures	17.7	39.9
Impairment of intangible exploration assets	(62.2)	(170.6)
Net carrying amount, end of the year	19.1	63.6

Intangible exploration expenditures and impairments:

As at December 31, 2023, $19.1 million of expenditures have been capitalized as intangible exploration assets (as at December 31, 2022 - $63.6 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proved and probable petroleum reserves.

As at December 31, 2023, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated. Capitalized intangible exploration assets relate to various countries as summarized in the following table:

	December 31, 2023	December 31, 2022
Kenya	-	58.5
Equatorial Guinea	13.4	-
South Africa	5.7	5.1
Net carrying amount, end of the year	19.1	63.6

Kenya:

On May 23, 2023, the Company announced that it has submitted withdrawal notices to its joint venture parties on Blocks 10BB, 13T and 10BA in Kenya, to unconditionally and irrevocably, withdraw from the entirety of the JOAs and PSCs for these concessions. Following this decision, the Company has impaired the value of the carrying amount of the Company's intangible exploration assets for its 25% interest in the Project Oil Kenya CGU (Block 10BB and 13T) and Block 10BA to nil (as at December 31, 2022 - $58.5 million). In accordance with the JOA and PSC the Company retains economic participation for activities prior to June 30, 2023, which might result in additional costs for the Company.

At December 31, 2022, the Company determined that there was an indicator of impairment for the Project Oil Kenya CGU. The Company and its JV parties were actively seeking strategic partners for the project and it was the intention that a strategic partner would be secured ahead of FID. As there were continuing delays and uncertainties to the farm out process, the Company considered this an indicator for impairment and recognized an impairment loss of $170.6 million during the year.

Equatorial Guinea:

As at December 31, 2023, the carrying amount of the Company's intangible exploration assets for its 80% interest in Blocks EG-18 and EG-31, located offshore Equatorial Guinea, was $13.4 million (as at December 31, 2022 – nil). In the year ended December 31, 2023, expenditure of $13.4 million was incurred following the signing of the Production Sharing Contracts for Blocks EG-18 and EG-31 and mainly related to the acquisition of seismic data and signing bonuses.

South Africa:

As at December 31, 2023, the carrying amount of the Company's intangible exploration assets for its 20% participating interest in the Block 3B/4B Exploration Right, located in South Africa, was $5.7 million (as at December 31, 2022 - $5.1 million). On July 11, 2023, The Company announced that it had entered an agreement to increase its operated working interest in Block 3B/4B by 6.25% to 26.25%. The Company has signed a legally binding Letter of Intent with Azinam Limited, a wholly owned subsidiary of Eco, to acquire the 6.25% interest for a total cash consideration of up to $10.5 million (see note 17). The first tranche of $2.5 million was paid during the year ended December 31, 2023, and has been recognized as prepayment awaiting government approval. Once the government has approved the transfer, this prepayment will be reclassified to intangible exploration assets. Government approval was obtained post December 31, 2023 (see note 23).

8. Accounts payable and accrued liabilities:

As at	December 31, 2023	December 31, 2022
Provision for unresolved joint venture matters	-	10.0
Joint venture and other payables and accruals	14.2	27.2
	14.2	37.2

A provision of $10.0 million related to unresolved Kenya joint venture matters was recognized in the year ended December 31, 2022. These matters were resolved during the year ended December 31, 2023.

Joint venture and other payables and accruals reduced by $13.0 million compared to December 31, 2022, following settlement of a tax dispute with the Kenya Revenue Authority ("KRA"). Joint venture and other payables and accruals mainly relate to liabilities, exit and office close down costs associated with the withdrawal from Kenya. In accordance with the JOA and PSC the Company retains economic participation for activities prior to June 30, 2023, which might result in additional costs for the Company.

9. Provision for site restoration:

	December 31, 2023	December 31, 2022
Balance, beginning of the year	5.3	-
Additions in the year	-	5.3
Unwinding of discount	0.2	-
Balance, end of the year	5.5	5.3

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

The undiscounted costs at December 31, 2023, are estimated to be $7.9 million, net to the Company, and include the costs of physical well abandonment and site remediation. The costs are estimated to be incurred in approximately 25 years. At December 31, 2023, the total provision is $5.5 million (as at December 31, 2022 – $5.3 million).

10. Debt:

The Company agreed an increase in its existing Corporate Facility up to $200.0 million from $100.0 million on October 20, 2022, which has been amended over time and is currently undrawn. During the year ended December 31, 2023, the Company satisfied the conditions precedent to the increase. $200.0 million of the Corporate Facility was available until October 20, 2023, and was not drawn. $175.0 million is available until April 20, 2024, and has a maturity of October 20, 2025. Commitment fees of 40% of the margin are payable on the undrawn portion of the Corporate Facility. The Corporate Facility carries interest of 1 month-SOFR plus a margin of 6.5% in the first year from signing, 7.0% in the second year and 7.5% in the third year.

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

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

The Corporate Facility is subject to financial and liquidity covenants. The Company shall ensure that total net debt to adjusted EBITDAX on June 30 and December 31 of each year is no greater than 3.0:1, the FLCR ratio on March 31 and September 30 of each year is not less than 1.1:1 and that from March 31 and September 30 of each year during each of the four successive quarters there are or will be sufficient funds available to the group to meet all relevant expenditure to be incurred in each of these four successive quarters as they fall due. The Company has been in compliance with the covenants in the year ended December 31, 2023.

11. Share capital:

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

B. Issued:

	December 31, 2023		December 31, 2022	
	Shares	Amount	Shares	Amount
Balance, beginning of the year	462,790,680	1,267.7	474,655,355	1,309.1
Settlement of Performance Share Units	1,700,042	3.5	1,170,149	1.9
Settlement of Restricted Share Units	546,332	1.1	678,224	1.2
Exercise of Share Options	1,882,000	1.4	3,724,000	3.4
Return and cancellation of shares	-	-	(11,858)	-
Cancellation of shares repurchased	(3,087,183)	(8.4)	(17,425,190)	(47.9)
Balance, end of the year	463,831,871	1,265.3	462,790,680	1,267.7

The Company launched a Normal Course Issuer Bid (share buyback) program on September 27, 2022, that ended on September 26, 2023. During the year ended December 31, 2023, a total of 3.1 million Africa Oil Common Shares have been repurchased and cancelled, and across the entire share buyback program a total of 20.5 million Africa Oil Common Shares were repurchased and cancelled. The Company launched a new share buyback program on December 6, 2023, with no shares purchased under this program during the year ended December 31, 2023.

The balance of share capital has been reduced by determining the average per-share amounts in the share capital account, before cancellation of shares repurchased, and applying this to the numbers of shares cancelled. The difference between the reduction in share capital and the amount paid for shares repurchased has been added to the balance of contributed surplus.

In the year ended December 31, 2023, the Board of Directors approved an aggregate annual dividend of $0.05 per share which was declared and paid in March and September 2023 for a total amount of $23.1 million.

12. Commitments and contingencies:

A. Investment in Prime:

Under the Prime Sale and Purchase Agreement completed on January 14, 2020, a deferred payment of $118.0 million, subject to adjustment, may be due to the seller contingent upon the timing of the final OML 127 tract participation in the Agbami field. The signing of the Securitization Agreement by Prime in 2021 led the Company reassessing its view of the likelihood of making a contingent consideration payment to the seller. The signing of the Securitization Agreement by Prime does not constitute a redetermination of the tract participation and therefore does not trigger the payment of a contingent consideration under the Sale and Purchase Agreement but, at the Company's discretion, could trigger discussions with the seller. The outcome of this process is uncertain. In 2021, the Company recorded $32.0 million as contingent consideration and increased this to $37.8 million in the year ended December 31, 2023, increasing the Company's investment in Prime.

B. Equatorial Guinea commitments:

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

C. Withdrawal from Kenya:

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

13. Finance income and expense:

Finance income and expense for the years ended December 31, 2023, and December 31, 2022, is comprised of the following:

For the years ended	December 31, 2023	December 31, 2022
Finance income	7.8	2.4
Finance expense	(7.6)	(3.5)

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

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

14. Net income/ (loss) per share:

For the years ended	December 31, 2023			December 31, 2022		
		Weighted Average			Weighted Average	
	Net income	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic income/ (loss) per share						
Net income/ (loss) attributable to common shareholders	87.1	462,231,061	0.19	(60.3)	474,366,637	(0.13)
Effect of dilutive securities	-	10,711,426	-	-	-	-
Dilutive income/ (loss) per share	87.1	472,942,487	0.18	(60.3)	474,366,637	(0.13)

In the year ended December 31, 2023, the Company used an average market price of CAD $2.79 per share to calculate the dilutive effect of share purchase options (year ended December 31, 2022 – CAD $2.48 per share). Dilutive securities include share purchase options, RSUs and PSUs as the inclusion of these reduces the net income per share. In the year ended December 31, 2023, 473,549 options were anti-dilutive and were not included in the calculation of dilutive income per share (year ended December 31, 2022 - 1,591,613 options, 2,066,248 RSU's and 8,553,628 PSU's were anti-dilutive). PSU's are awarded a performance multiple ranging from nil to 200% (see note 15) which leads to an increase in the anti-dilutive potential of these instruments.

15. Share-based compensation:

In the year ended December 31, 2023, the Company recognized a total of $11.3 million in share-based compensation expense relating to the Long-Term Incentive Plan ("LTIP") and Stock Option Plan (year ended December 31, 2022 – $9.5 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 Board no longer grants share purchase options under the Plan and instead only awards PSUs to executives and staff.

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

	December 31, 2023		December 31, 2022	
		Weighted average		Weighted average
	Number of options	Exercise price (CAD$)	Number of options	Exercise price (CAD$)
Outstanding, beginning of the year	3,000,616	1.16	6,877,950	1.18
Forfeited	(14,000)	1.21	(153,334)	1.21
Exercised	(1,882,000)	1.15	(3,724,000)	1.19
Balance, end of the year	1,104,616	1.20	3,000,616	1.16

The following table summarizes information regarding the Company's share purchase options outstanding and exercisable at December 31, 2023:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Number exercisable	Weighted average remaining contractual life in years
1.15	381,000	381,000	0.95
1.21	701,000	701,000	1.95
1.61	22,616	22,616	2.63
	1,104,616	1,104,616	

In the year ended December 31, 2023, the Company did not recognize a share based payment expense (year ended December 31, 2022 - $0.1 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 200% to determine the ultimate vested number of PSUs. PSUs are awarded to executives and from 2022 are awarded to staff, replacing share options. They may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

The Company's PSUs outstanding are as follows:

	December 31, 2023	December 31, 2022
	Number of PSUs	Number of PSUs
Outstanding, beginning of the year	7,641,886	7,795,512
Granted	3,448,710	2,165,986
Cancelled	(572,935)	(423,945)
Vested	(3,394,822)	(1,895,667)
Balance, end of the year	7,122,839	7,641,886

In March 2023, 3,394,822 PSUs vested in which 1,644,401 PSUs were settled for a cash payment of $3.3 million and the remaining were settled via the issuance 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. In the year ended December 31, 2023, the Company recognized $10.3 million in share-based compensation expenses relating to the PSUs (year ended December 31, 2022 - $7.7 million) with the increase mainly caused by a higher share price.

C. Restricted share units ("RSUs"):

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 the grant). The estimated fair value of RSUs are expensed evenly throughout the remaining vesting period. RSUs are no longer awarded to executives, and only PSU's are awarded. RSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

The Company's RSUs outstanding are as follows:

	December 31, 2023	December 31, 2022
	Number of RSUs	Number of RSUs
Outstanding, beginning of the year	2,066,248	2,668,335
Granted	296,211	410,691
Cancelled	-	(108,100)
Vested	(1,084,141)	(904,678)
Balance, end of the year	1,278,318	2,066,248

In the year ended December 31, 2023, 296,211 RSUs were granted to Non-Executive Directors only (year ended December 31, 2022 – 410,691). RSUs were not granted to other plan participants during the year ended December 31, 2023, to align with the Company's revised compensation strategy of granting PSUs to executive management.

In March 2023, 1,084,141 RSUs vested with 537,809 being settled for a cash payment of $1.1 million and the remaining were settled via the issuance of Common Shares of the Company.

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. In the year ended December 31, 2023, the Company recognized $1.0 million in share-based compensation relating to the RSUs (year ended December 31, 2022 - $1.7 million).

16. 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.

17. Related party transactions:

A. Transactions with Africa Energy:

On December 19, 2022, Africa Energy announced that it had secured a $5.0 million promissory note of which $2.0 million was provided by the Company and the remaining by other parties. On November 7, 2023, the promissory note provided by the Company and other parties to Africa Energy was increased by $3.3 million with $1.5 million of the increase to be provided by the Company of which $0.5 million was provided in the year ended December 31, 2023. The note is unsecured and matures on March 31, 2025, when the principal and accrued interest are due in full. The note carries an annual interest rate of 15%. The note is repayable pro rata any time before maturity without penalty. In the year ended December 31, 2023, interest on the note amounted to $0.3 million (year ended December 31, 2022 – nil).

The Company has technical and administrative cost sharing agreements with Africa Energy totalling $0.4 million in the year ended December 31, 2023 (year ended December 31, 2022 - $0.4 million).

As at December 31, 2023, the Company's ownership interest in Africa Energy is approximately 19.7%.

B. Transactions with Eco:

During the year ended December 31, 2023, Africa Oil SA Corp. signed a legally binding Assignment and Transfer agreement with Azinam Limited ("Azinam"), a wholly owned subsidiary of Eco, to acquire an additional 6.25% interest in Block 3B/4B for a total cash consideration of up to $10.5 million, to be paid in tranches on the following milestones:

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

On April 6, 2022, the Company subscribed for 10,178,116 Common Shares for a consideration of $4.0 million.

On June 27, 2022, the Company subscribed for 4,864,865 Common Shares for a consideration of $1.8 million.

As at December 31, 2023, the Company's ownership interest in Eco is approximately 14.8%.

C. Transactions with Impact:

On March 24, 2023, the Company subscribed for 39,455,741 shares in Impact for $31.4 million, payable in two tranches, and directly following the transaction the Company held 31.1% of the enlarged share capital in Impact. The first tranche of $14.9 million was paid on April 21, 2023, and the final tranche of $16.5 million was paid on July 21, 2023.

On October 6, 2023, the Company subscribed for 16,524,058 shares in Impact for $13.0 million and directly following the transaction the Company continued to hold 31.1% of the enlarged share capital in Impact.

On July 18, 2022, the Company subscribed for 31,936,373 shares in Impact for $19.0 million.

As at December 31, 2023, the Company's ownership interest in Impact is approximately 31.1%.

D. Transaction with Director:

On November 23, 2023, the Company entered into an arm's length agreement with Andrew Bartlett to acquire 106,500 shares in Impact at a price of £0.65 per share for a total amount of £69,225. This amount was paid during 2023 and the transaction completed on January 16, 2024.

E. Remuneration of Directors and Senior Management:

Remuneration of Non-Executive 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 Commercial Officer, Chief Operating Officer, Chief Technical Officer and the Chief Legal Officer.

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, 2023	December 31, 2022
Non-Executive Directors' fees	0.5	0.4
Non-Executive Directors' share-based compensation	1.1	1.0
Managements' short-term wages and benefits	5.4	3.8
Managements' share-based compensation	6.5	4.8
	13.5	10.0

18. 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), PetroVida Holding B.V. (Netherlands), Africa Oil Alpha B.V (Netherlands), Africa Oil Beta B.V (Netherlands), Africa Oil Gamma B.V (Netherlands), Africa Oil Turkana Ltd. (Kenya), Centric Energy (Kenya) Ltd. (Kenya), Africa Oil UK Limited (United Kingdom) and Africa Oil SA Corp. (British Columbia).

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 the Company's credit exposure relates to amounts due from the Company's joint venture parties and a credit facility with Africa Energy. The risk of the Company's joint venture parties 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 parties 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, 2023, the Company held $2.6 million (as at December 31, 2022 - $0.9 million) of cash in financial institutions outside of Canada, the Netherlands and the UK. The Company also held $30.2 million (as at December 31, 2022 – $30.2 million) in short-term deposits in countries outside of Canada, the Netherlands and the UK with lending banks in the Corporate Facility with stable credit ratings.

B. Liquidity risk:

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

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

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

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

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

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

C. Market risk:

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

i. Foreign currency exchange rate risk:

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

ii. Interest rate risk:

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

iii. Commodity price risk:

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

iv. Share price risk:

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

20. Financial instruments:

As at December 31, 2023, and December 31, 2022, assets and liabilities 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 provision for contingent consideration has been measured at fair value using Level 2 valuation methods.

The Company's cash and cash equivalents, accounts receivable and prepaid expenses, loan to associate company, accounts payable and liabilities are recorded at amortized cost. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the short-term maturity of these instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement 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:

The tax rate consists of the combined federal and provincial statutory tax rates for the Company for the years ended December 31, 2023, and December 31, 2022. Substantially all of the differences between actual income tax expense and the expected Canadian federal and provincial statutory corporate income tax expense/ (recovery) related to losses not recognized.

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

For the years ended	December 31, 2023	December 31, 2022
Net profit/ (loss) and comprehensive profit/ (loss)	87.1	(60.3)
Combined federal and provincial statutory income tax rate	27.0%	28.0%
Expected expense/ (recovery)	23.5	(16.9)
Foreign rate differences	(0.1)	(0.5)
Permanent differences	0.2	2.5
Share-based compensation	2.8	0.7
Equity earnings	(48.9)	(37.5)
Non-taxable expense items	16.8	47.8
Unrecognized tax losses	5.7	3.9
Tax charge	-	-

The Company has estimated non-capital losses carried forward of $120.6 million in Canada which expire from 2025 through 2043. The Company has estimated capital losses carried forward of $12.9 million in Canada. The Company has estimated deductible temporary differences of $94.7 million in Canada.

No deferred tax asset or liability is recognized at December 31, 2023.

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, 2023	December 31, 2022
Relating to		
Changes in current assets	(4.2)	0.1
Changes in current liabilities	(24.6)	1.4
Changes in non-cash working capital	(28.8)	1.5
Relating to:		
Operating activities	(30.8)	1.2
Investing activities	2.0	0.3
Changes in non-cash working capital	(28.8)	1.5

23. Subsequent events:

On January 10, 2024, the Company announced a strategic farmout agreement between its investee company Impact, and TotalEnergies, that allows the Company to continue its participation in the Venus oil development project, and the follow-on exploration and appraisal campaign on Blocks 2913B and 2912 with no upfront costs. On the closing of this transaction Impact will have a 9.5% interest in Blocks 2912 and 2913B that is fully carried for all joint venture costs, with no cap, through to first commercial production. Impact will also be cash reimbursed on closing for its share of the past costs incurred on the Blocks net to the farmout interests, which is estimated to be approximately $99.0 million. This agreement provides Impact with a full interest-free carry loan over all of Impact's remaining development, appraisal and exploration costs on the Blocks from January 1, 2024 ("Effective Date"), until the date on which Impact receives the first sales proceeds from oil production on the Blocks ("First Oil Date"). On and from the First Oil Date, the carry is repayable to TotalEnergies in kind from 60% of Impact's after-tax cash flow net of all joint venture costs, including capital expenditures. During the repayment of the carry, Impact will pool its entitlement barrels with those of TotalEnergies for more regular off-takes and a more stable cashflow profile and will also benefit from TotalEnergies' marketing and sales capabilities. Closing of the transaction will be subject to customary third party approvals from the Namibian authorities and JV Parties.

On January 22, 2024, the Company announced that it had received final approval from the Government of the Republic of South Africa for the transfer of a 6.25% interest in Block 3B/4B in the Orange Basin from Azinam Limited, a wholly-owned subsidiary of Eco. As per the terms of the Assignment and Transfer Agreement with Eco, the Company paid the second tranche of $2.5 million to Eco. The Company now holds an operated 26.25% interest in Block 3B/4B.

From January 1, 2024, to February 23, 2024, a total of 4,329,597 Africa Oil Common Shares have been repurchased under the Normal Course Issuer Bid, for an amount of approximately $8.1 million and 3,237,684 shares have been cancelled.

On February 26, 2024, the Company announced it will pay a semi-annual dividend of $0.025 per share (approximately $11.5 million) with the payment to be made at the end of March 2024.

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