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# NEWS RELEASE

## Africa Oil Announces 2020 Fourth Quarter Results and 2021 Management Guidance

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

## Highlights

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

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

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

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

## 2020 Fourth Quarter Financial Results

(Thousands United States Dollars, except Per Share and Share Amounts)

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

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

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

## FINANCIAL POSITION AND EARNINGS

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

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

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

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

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

**PRIME'S FOURTH QUARTER 2020 PERFORMANCE**

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

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

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

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

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

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

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

**2021 MANAGEMENT GUIDANCE**

Africa Oil's 2021 production will be contributed by its 50% shareholding in Prime. Prime's assets include an indirect 8% interest in Oil Mining Lease ("OML") 127 and an indirect 16% interest in OML 130. OML 127 is operated by affiliates of Chevron Corporation ("Chevron") and contains the producing Agbami Field. OML 130 is operated by affiliates of TOTAL S.A. ("TOTAL") and contains the producing Akpo and Egina Fields.

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

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

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

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

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

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

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

**2021 Management Guidance Summary**

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

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

## COVID-19 UPDATE

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

## 2021 EXPLORATION CATALYSTS OUTLOOK

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

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

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

**NOTES**

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

**About Africa Oil**

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

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**Additional Information**

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

## Advisory Regarding Oil and Gas Information

The terms boe (barrel of oil equivalent) is used throughout this press release. Such terms may be misleading, particularly if used in isolation. Production data are based on a conversion ratio of five thousand and eight hundred cubic feet per barrel (5.85 Mcf: 1bbl). This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 5.85:1, utilizing a conversion on a 5.85:1 basis may be misleading as an indication of value.

## Forward Looking Information

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

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