

Africa Oil Announces Second Quarter 2023 Results

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VANCOUVER, Aug. 14, 2023 - (TSX: AOI) (Nasdaq-Stockholm: AOI) - [Africa Oil Corp.](#) ("Africa Oil", "AOC" or the "Company") pleased to announce its operating and interim condensed consolidated financial results for the three and six months ended June 30, 2023. View PDF version

Highlights*

- OML 130 license renewed for a period of 20 years, enabling the refinancing of Prime's debt to \$1,050.0 million (\$1,000.0 million drawn at the end of Q2 2023) and the increase of the Company's undrawn Corporate Facility to \$200.0 million.
- Prime distributed a dividend of \$125.0 million or \$62.5 million net to the Company's 50% shareholding.
- The high impact Venus appraisal campaign continued with the operator completing the drilling and completion of the Venus-1A appraisal well using the Tungsten Explorer drillship. Tungsten Explorer has commenced the drilling of the Venus-1B exploration well to test the westerly extension of the Venus oil discovery.
- A second rig, Deepsea Mira, has joined the campaign and is currently on the Venus-1X location to drill a side-track well and perform a drill stem testing ("DST") program, before moving to Venus-1A to perform a DST.
- OML 130 drilling campaign continues with two water injection wells completed and put online to provide reservoir support and maintenance. The first production well in the infill program is currently being drilled.
- Achieved an average realized oil sales price of \$85.3/bbl compared to the average Bloomberg Dated Brent price of \$82.5/bbl during Q2 2023.
- Cash position of Prime net to the Company's 50% shareholding of \$108.8 million and net debt balance of \$375.0 million as of June 30, 2023; resulting in a Prime net debt position of \$266.2 million.
- AOC's cash and cash equivalents at June 30, 2023, of \$175.7 million.
- Net income to AOC in Q2 2023 of \$106.9 million (Q2 2022 - \$5.7 million). Following OML 130 license renewal, Prime has \$346.0 million of deferred income tax liabilities which has had a positive effect on net income for the quarter.
- The Company announced the appointment of Dr. Roger Tucker to succeed Mr. Keith Hill as the new President and CEO of Africa Oil. Dr. Tucker has now taken over the leadership responsibilities ahead of the previously announced date of September 1, 2023.

Africa Oil President and CEO, Roger Tucker commented: "I am delighted to write my first message as the new President and CEO of Africa Oil and to report robust quarterly results for Second Quarter 2023."

The leadership transition process has progressed well and the decision was made to bring forward formal handover of leadership responsibilities by a few weeks, allowing Keith to enjoy his retirement sooner. I thank him for his support and encouragement and look forward to continuing working with him as he stays on the Board as a Non-Executive Director.

The decision to join Africa Oil was a compelling one for me given its excellent opportunity set. We have strong financial performance, high netback production, a world class oil discovery, attractive exploration and development assets and a successful transformational deal making. These provide us with strategic optionality to take the company through its next phase of growth and development and shareholder value delivery. I will present my business plan with an unwavering focus on shareholder value during the autumn. In the meantime, I encourage you to reach out to our Investor Relations if you have any questions."

* Important information: Africa Oil's interest in Prime is accounted for as an investment in joint venture. Refer to Note 1 on page 4 for further details. Please also refer to other notes on page 4 for important information on the material presented.

2023 Second Quarter Results Summary

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

		Three months ended		Six months ended		Year ended
	Unit	June 30,	June 30,	June 30,	June 30,	December 31,
		2023	2022	2023	2022	2022
AOC highlights						
Net income/ (loss)	\$'m	106.9	5.7	128.8	51.3	(60.3)
Net income/ (loss) per share - basic	\$/ share	0.23	0.01	0.28	0.11	(0.13)
Cash position	\$'m	175.7	191.0	175.7	191.0	199.7
Prime highlights, net to AOC's 50% shareholding ¹						
WI production ³	boepd	19,500	25,300	20,200	25,300	23,500
Economic entitlement production ⁴	boepd	22,400	27,350	22,700	27,350	25,600
Cash flow from operations ^{2,5}	\$'m	88.7	51.3	159.6	113.1	279.4
EBITDAX ²	\$'m	117.0	127.2	230.6	249.3	600.5
Free Cash Flow ²	\$'m	(27.4)	131.9	47.6	251.6	299.8
Net debt	\$'m	266.2	170.4	266.2	170.4	225.3

The financial information in this table was selected from the Company's interim condensed consolidated financial statements for the three and six months ended June 30, 2023 and the Company's audited consolidated financial statements for the year ended December 31, 2022. The Company's interim condensed consolidated financial statements, notes to the financial statements, management's discussion and analysis for the three and six months ended June 30, 2023 and 2022 and the 2022 Report to Shareholders and Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.africaoilcorp.com).

In Q2 2023 and H1 2023, the Company recognized net income amounting to \$106.9 million and \$128.8 million respectively (Q2 2022 and H1 2022 - \$5.7 million and \$51.3 million respectively).

In Q2 2023 and H1 2023, included in the Company's share of income from equity investments is income from its 50% investment in Prime of \$212.7 million and \$250.2 million respectively (Q2 2022 and H1 2022 - \$14.4 million and \$65.4 million respectively).

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

Prime revenues decreased by \$79.7 million in Q2 2023 compared to Q2 2022, mainly from a decrease in PPT revenue of \$86.4 million as Prime exhausted its investment tax credit pool in 2022 as Prime started to pay PPT in cash on OML 130 compared to an adjustment on entitlement by the operator in 2022. Prime also recorded a decrease in cost of sales of \$67.1 million, mainly driven by an underlift movement during Q2 2023 of \$1.9 million compared to an overlift movement in Q2 2022 of \$85.9 million. This resulted in a slightly lower gross profit in Q2 2023 compared to Q2 2022.

In addition, there was a decrease of \$29.2 million in other operating income, primarily consisting of investment tax credits which can be offset against PPT, a decrease in finance costs of \$23.6 million and a tax income in Q2 2023 of \$302.2 million compared to a tax charge of \$113.4 million in Q2 2022.

Prime renewed the OML 130 license resulting in OML 130 operating under the terms of the new Petroleum Industry Act as from June 1, 2023. Under these terms, OML 130 is subject to a 30% Corporate Income Tax

regime compared to the previous 50% PPT regime which resulted in the partial release of \$346.0 million of deferred income tax liabilities during the period. These factors explain the higher profit in the period of \$396.6 million in Q2 2023 compared to Q2 2022.

Prime revenues decreased by \$213.8 million in H1 2023 compared to H1 2022, mainly driven by lower liftings despite an increase in the realized oil price to \$83.3/bbl in H1 2023 compared to \$71.9/bbl in H1 2022 and a decrease in PPT revenue of \$114.2 million as Prime exhausted its investment tax credit pool in 2022.

Prime also recorded a decrease in cost of sales of \$213.4 million, mainly driven by an underlift movement during H1 2023 of \$9.5 million compared to an overlift movement in H1 2022 of \$240.6 million partly offset by an increase in DD&A of \$46.7 million as Prime has changed the method of depletion on its facilities, including the FPSOs, from straight line to unit of production, to better reflect the consumption of the reserves' economic benefits. This resulted in gross profit in H1 2023 to be in line with gross profit in H1 2022. In addition, there was a decrease of \$80.7 million in other operating income, primarily consisting of investment tax credits which can be offset against PPT, and a tax income in H1 2023 of \$262.2 million compared to a tax charge of \$198.6 million in H1 2022.

2023 Management Guidance

The 2023 Management Guidance is unchanged and a summary is presented below, including significant assumptions in the footnotes, for completeness:

Prime, net to AOC's 50% shareholding:?	Full-Year 2023 Guidance?	H1 2023 Actuals
WI production (boepd) ⁽¹⁾⁽²⁾ ?	18,500 - 21,500?	20,200
Economic entitlement production (boepd) ^(2,3) ?	20,500 - 23,500?	22,700
Cash flow from operations ^(4,5) (million)?	\$250.0 - \$330.0?	\$159.6
Capital investment (million)	\$80.0 - \$100.0?	\$22.5

(1) The Company's 2023 production will be contributed solely by its 50% shareholding in Prime.

(2) Approximately, 82% expected to be light and medium crude oil and 18% conventional natural gas.

(3) Net entitlement production estimate is based on a 2023 average Brent price of \$80.9/bbl being the average of the Brent forward curves between November 15, 2022, and January 15, 2023. Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, tax oil and profit oil and is different from WI production that is calculated based on project volumes multiplied by Prime's effective WI.

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

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

Namibia Orange Basin - Venus Oil Discovery

During Q2 2023, Tungsten Explorer drilled and completed the Venus-1A appraisal well located in Block 2913B and approximately 13km to the north of the Venus-1X discovery well. Venus-1A is ready for its DST program to be carried out by the Deepsea Mira rig, which is currently performing the DST work on Venus-1X including the drilling of a side-track.

Prior to the end of Q2 2023, Tungsten Explorer mobilized to the location of Nara-1X exploration well, approximately 30km to the northwest of Venus-1X in Block 2912 and is currently drilling the well with the plan to perform a DST in case of a discovery. There is also a contingent appraisal well subject to a successful outcome from Nara-1X operations. The planned DSTs on all the wells are expected to provide important data for determining the dynamic performance of the reservoir(s) and, estimating flowrates that could be achieved by the production wells. Although, at this stage there is no guarantee of an economically viable project.

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

The Company will announce the results of these activities in due course in coordination with its investee company, Impact Oil and Gas, and the operator TotalEnergies. The Company has an interest in this program through its 31.0% shareholding in Impact, which in turn has a 20.0% WI in PEL 56 and a 18.9% WI in PEL 91, giving Africa Oil effective interests of 6.2% and 5.9% in these licenses respectively.

Prime

The OML 130 drilling campaign that commenced on February 22, 2023, continues with the first 2 wells, both water injection wells, completed during June 2023. Water injection will support production from existing oil wells, with the impact expected to be seen during Q3 2023. Drilling commenced on the third well, an oil producer, in early July. The multi-well program is planned for up to 9 wells on Egina and Akpo in the license area during 2023 and 2024.

Acquisition of 4D monitor seismic surveys are planned for Akpo, Egina and Agbami during H2 2023. The acquisition plan also includes a baseline 4D seismic survey of the Preowei field. The surveys will all support future drilling decisions across both OML 127 and OML 130.

Full year 2023 production outlook remains within management guidance for both working interest and economic entitlement after Q2 2023 production results. Beyond the aforementioned drilling campaign in OML 130, which will offset production decline, there is a planned maintenance shutdown for the Akpo field taking place during Q4 2023.

Following the 20-year renewal of the OML 130 License on May 28, 2023, FEED studies are expected to take place through the second half of 2023, which could then facilitate the final investment decision for the Preowei oil discovery development project. Preowei oil field is to the north of Egina FPSO and is a low-risk development opportunity through a satellite subsea tie-back project to the Egina FPSO.

Prime and its OML 127 partners continue working with the Nigerian authorities on the conversion of OML 127 to the PIA terms. This would result in OML 127 being subject to a 30% Corporate Income Tax regime compared to the current 50% PPT regime. The Company will update the market on the process in due course.

Dividends

The Company is pleased to announce that its Board of Directors has declared the distribution of the Company's semi-annual cash dividend of \$0.025 per common share. This dividend will be payable on September 29, 2023, to shareholders of record at the close of business on September 8, 2023. This dividend qualifies as an 'eligible dividend' for Canadian income tax purposes.

Dividends for shares traded on the Toronto Stock Exchange ("TSX") will be paid in Canadian dollars on September 29, 2023; however, all US and foreign shareholders will receive USD funds. Dividends for shares traded on Nasdaq Stockholm will be paid in Swedish kronor in accordance with Euroclear principles on October 4, 2023.

To execute the payment of the dividend, a temporary administrative cross border transfer closure will be applied by Euroclear from September 6, 2023, up to and including September 8, 2023, during which period

shares of the Company cannot be transferred between the TSX and Nasdaq Stockholm. Payment to shareholders who are not residents of Canada will be net of any Canadian withholding taxes that may be applicable. For further details, please visit:

<https://africaoilcorp.com/investors/dividend-information/>

NOTES

1. The 50% shareholding in Prime is accounted for using the equity method and presented as an investment in joint venture in the Interim Condensed 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 and Comprehensive Income. Any dividends received by Africa Oil from Prime are recorded as Cash flow from Investing Activities.
2. The table includes non-GAAP measures. Definitions and reconciliations to these non-GAAP measures are provided in Second Quarter 2023 MD&A.
3. 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.
4. 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.
5. Cash flow from operations before working capital adjustments.

All dollar amounts are in United States dollars unless otherwise indicated.

Management Conference Call

The Company will not host a management results webcast for this period. Please contact Investor Relations with any questions.

About Africa Oil

[Africa Oil Corp.](#) is a Canadian oil and gas company with producing and development assets in deepwater Nigeria and an exploration/appraisal portfolio in west and south of Africa, as well as Guyana. The Company is listed on the Toronto Stock Exchange and on Nasdaq Stockholm under the symbol "AOI".

Additional Information

This information is information that Africa Oil is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Financial Instruments Trading Act. The information was submitted for publication, through the agency of the contact persons set out above, at 5:00 p.m. ET on August 14, 2023.

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 six thousand cubic feet per barrel (6 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 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value. Petroleum references in this press release are to light and medium gravity crude oil and conventional natural gas.

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 2023 Management Guidance including production, cashflow from operation and capital investment estimates, performance of commodity hedges, the results, schedules and costs of exploratory drilling activity including those offshore Namibia and Nigeria, 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, results of exploration and development activities, cost overruns, uninsured risks, regulatory and fiscal changes including 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.

SOURCE [Africa Oil Corp.](#)

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