AFRICA OIL CORP.

Report to Shareholders

March 31, 2019

AFRICA OIL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three months ended March 31, 2019 and 2018

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Oil Corp. and its subsidiaries (the "Company" or "AOC") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three months ended March 31, 2019 and 2018 and also should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2018 and 2017 and related notes thereto.

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

The effective date of this MD&A is May 9, 2019.

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

PROFILE AND STRATEGY

AOC is a Canadian-based company whose common shares are traded on the TSX and Nasdaq Stockholm under the symbol "AOI". The Company is an international oil and gas exploration and development company, based in Canada, with oil and gas interests in Kenya and Ethiopia. The Company has also made equity investments in a number of international oil and gas exploration companies and has announced a proposed transaction to acquire an interest in a Company holding interests in producing and developing oilfields in deep-water Nigeria (see Proposed Transaction below).

AOC's long-range plan is to increase shareholder value through the acquisition, exploration, development and production associated with oil and gas assets. The Company has actively explored on multiple onshore exploration blocks in various under explored geological settings in East Africa (refer to table below). The Company has made numerous oil discoveries in the South Lokichar Basin (Blocks 10BB and 13T) located in the Tertiary Rift trend in Kenya. Appraisal activities are ongoing with the goal of sanctioning development of the oil fields in the South Lokichar Basin. Africa Oil will continue to consider acquisition and merger opportunities, focusing on Africa.

PROPOSED TRANSACTION

On 31st October 2018, The Company announced that it had, in conjunction with Vitol Investment Partnership II Ltd. ("Vitol") and Delonex Energy Ltd. ("Delonex") (collectively, the "Consortium") entered into a share purchase agreement to acquire a 50% ownership interest in Petrobras Oil and Gas B.V. ("POGBV"). The Consortium members incorporated a company for the purposes of the transaction which is owned by Vitol (50%), Delonex (25%) and Africa Oil (25%). A wholly-owned subsidiary of Petrobras is the Seller. The transaction is subject to customary conditions precedent, including Nigerian government consent.

The primary assets of POGBV are an indirect 8% interest in Oil Mining Lease ("OML") 127, which contains the producing Agbami Field, operated by affiliates of Chevron Corporation, and an indirect 16% interest in OML 130, operated by affiliates of TOTAL S.A., which contains the producing Akpo and Egina Fields. The Egina Field commenced production in December 2018 and production is currently ramping up. Both OMLs are located in deep water offshore Nigeria.

The three fields in these two OMLs are all giant fields, located over 100 km offshore Nigeria, and are some of the largest and highest quality in Africa. Two of these fields, Agbami and Akpo, have been on production since 2008 and 2009, respectively, and in 2017 averaged a combined gross production rate of approximately 368,000 barrels of oil per day. Lifting costs in 2017 were well below $10/bbl. Egina first oil occurred during December 2018 and is expected to quickly ramp up to plateau production of approximately 200,000 barrels of oil per day during the first half of 2019. The fields all have high quality reservoirs and produce light sweet crude oil with state-of-the-art Floating Production, Storage and Offloading ("FPSO") facilities.

The agreed base purchase price of $1.407 billion, is on a cash and debt free basis as of the effective date of 1st January 2018 (the "Effective Date"). A deferred payment of up to $123 million may be due to the Seller depending on the date and ultimate OML 127 tract participation in the Agbami Field, which is subject to a redetermination process. The Consortium's funding required to ultimately close the transaction will be reduced by any leakage paid to the Seller by POGBV, including dividends, and increased by any contributions made to POGBV by the Seller during the period between the Effective Date and completion. At the date of entering into the share purchase agreement, POGBV had an existing reserve-based lending facility, with a syndicate of international banks and commitments of $1.245 billion, which POGBV and the Consortium expect will be increased prior to closing the transaction. Africa Oil will be responsible for its proportionate share of the adjusted purchase price at completion and expects to fund its share of the acquisition with cash on hand.

WORKING INTERESTS

The following table summarizes the Company's net working interests in the various production sharing contracts/agreements, based on working interest ownership:

Country	Block/Area	Operator	Current Net Working Interest % (1)
Kenya	Block 10BB	Tullow	25%
Kenya	Block 13T	Tullow	25%
Kenya	Block 10BA	Tullow	25%

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

ASSESSMENT OF CONTINGENT RESOURCES

In May of 2016, the Company announced details of an updated independent assessment of the Company's contingent resources for the South Lokichar Basin in Blocks 10BB and 13T. The effective date of this assessment was December 31, 2015, and it was carried out in accordance with the standards established by the Canadian Securities Administrators in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The assessment confirmed that the South Lokichar Basin contains gross 2C contingent resources of 766 million barrels of oil (Development Pending: 754 million barrels and Development Unclarified: 12 million barrels). Please refer to the Company's press release dated May 10, 2016 for details of the contingent resources by field. The company intends to complete an updated independent resource evaluation once the Kenya Joint Venture reaches agreement with the Government of Kenya on key commercial agreements required to reach a development decision.

OPERATIONS UPDATE

Tertiary Rift – Kenya

Exploration and Appraisal (Blocks 10BB and 13T)

Following the agreement of the terms of The Petroleum Bill, the transfer of stored crude oil from Turkana to Mombasa by road commenced on 3 June 2018 and continued, with trucks transporting approximately 600 bopd. To date, approximately 88,000 barrels of oil has been transported to Mombasa. The volume of oil transported by truck is expected to increase to 2,000 bopd once the Early Oil Production System is fully operational from the Amosing temporary production facility and Regulatory Authority approval is received. The first lifting of sweet Kenyan crude oil stored in Mombasa is expected in the second half of 2019.

Africa Oil Corp. has a 25% working interest in Blocks 10BB and 13T with Tullow Oil plc (50% and Operator) and Total S.A. (25%) holding the remaining interests.

Field Development (Blocks 10BB and 13T)

Since January 2018, work to deliver on the agreed development plan has been underway with strong alignment between the Government of Kenya and the Joint Venture Partners. The initial development is planned to include a 60,000 to 80,000 barrels of oil per day (bopd) Central Processing Facility (CPF) and an export pipeline to Lamu, some 750 kilometers from the South Lokichar basin on the Kenyan coast. This approach is expected to bring significant benefits as it enables an earlier Final Investment Decision (FID) of the Amosing, Ngamia and Twiga fields, providing the best opportunity to deliver first oil in a timeline that meets the Government of Kenya expectations. The installed infrastructure can then be utilized for the optimization of the remaining and yet to be discovered South Lokichar oil fields, allowing the incremental development of these fields to be completed in an efficient and lower cost manner post first oil. Additional stages of development are expected to increase plateau production to 100,000 bopd or greater. Upstream Front End Engineering and Design (“FEED”) has been largely completed by WorleyParsons and Environmental and Social Impact Assessment (“ESIA”) work on the upstream is well underway.

A Joint Development Agreement (“JDA”), setting out a structure for the Government of Kenya and the Kenya Joint Venture Partners to progress the development of the export pipeline, was signed on 25 October, 2017. The associated Midstream FEED, awarded to Wood Group, is largely complete and the associated ESIA is nearing completion, studies on pipeline financing and ownership, are expected to continue throughout 2019.

Discussions with the Government of Kenya regarding key commercial agreements are progressing.

Exploration Block 10BA

During 2017, the Joint Venture Partners entered the Second Additional Exploration Period on Block 10BA.

Tertiary Rift – Ethiopia

The Company is continuing to seek joint venture partners to farmin to its 100% interest in the Rift Basin Area (Ethiopia). The Ethiopian government has granted an extension of the current exploration period until August 2019. A $4.9 million impairment of previously capitalized intangible exploration assets was recorded in 2018 related to the Company's operations in Ethiopia.

EQUITY INVESTMENTS

The Company has acquired a portfolio of equity investments in frontier exploration companies (refer to table below) providing the Company with exposure to numerous near-term high-impact exploration drilling prospects.

On February 6, 2019, a significant discovery was announced at the Brulpadda-1AX well on Block 11B/12B offshore South Africa. Africa Oil holds an indirect interest in the project as a result of its equity interests in Africa Energy Corp (34.5% ownership interest) and Impact Oil and Gas Limited (30.1% ownership interest).

The well encountered a total of 57 meters of net gas condensate pay over two Lower Cretaceous high- quality reservoirs. Core samples were taken in the upper reservoir, and a comprehensive logging and sampling program was performed over both reservoirs. The Brulpadda well was drilled in approximately 1,400 meters of water by the Odfjell Deepsea Stavanger semi-submersible rig. The well targeted two objectives in a deep marine fan sandstone system within combined stratigraphic/structural closure. Following the success of the main objective, the well was deepened to a final depth of 3,633 meters and was successful in the Brulpadda-deep prospect.

The Company held the following equity investments:

	Africa Oil Ownership	March 31, 2019	December 31, 2018
Investment in Africa Energy	34.5%	$ 18,745	$ 19,518
Investment in Eco [i]	17.7%	10,126	10,192
Investment in Impact	30.1%	42,195	36,224
Total Investment		$ 71,066	$ 65,934

(i) Increased to 18.8% subsequent to quarter end following the acquisition of additional common shares.

Africa Energy Corp. ("Africa Energy")

Africa Energy is an international oil and gas exploration company that holds a 90% participating interest in the offshore Exploration Right for Block 2B in the Republic of South Africa ("Block 2B"), an effective 10% participating interest in offshore Petroleum License 37 in the Republic of Namibia ("PEL 37"), and an effective 4.9% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa ("Block 11B/12B").

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

Eco holds working interests in four exploration blocks offshore Namibia and one exploration block offshore Guyana. Subsequent to the quarter, the Company announced that it had acquired 4,752,850 common shares of Eco for total consideration of $5.0 million. The common shares were acquired by Africa Oil on a non-brokered private placement basis and, together with the 29,200,000 common shares of Eco held by the Company prior to the acquisition, increased its ownership interest to 18.8%. Under the terms of an investment agreement (the "Investment Agreement"), AOC has the right to participate in any future Eco equity issuances, on a pro rata basis, and to appoint one nominee to Eco's board of directors. Keith Hill, President and CEO of AOC, has joined the Eco board of directors as of November 29,

2017. As part of the Investment Agreement, the parties have also entered into a Strategic Alliance Agreement (the "SAA"), whereby they will jointly pursue new exploration projects. Pursuant to the terms of the SAA, AOC will be entitled to bid jointly on any new assets or ventures proposed to be acquired by Eco, on the same terms as ECO and for an interest at least equal to the Company's percentage holding of the common shares in Eco from time to time. Additionally, under the terms of the SAA, AOC will also have a right of first offer on the farmout of exploration properties currently held by Eco.

Impact Oil and Gas Limited ("Impact")

Impact is a private UK oil and gas exploration company with assets located offshore South Africa and West Africa. At March 31, 2019 the Company's ownership interest in Impact is approximately 30.1%. Impact acquired its first asset, the Tugela South Exploration Right, offshore South Africa in 2011 and has subsequently expanded its asset base across the offshore margins of South and West Africa. It has since partnered with ExxonMobil and Statoil (South Africa), CNOOC (AGC - between Senegal and Guinea Bissau) and Total S.A. (Namibia and South Africa).

On December 14, 2018, the Company entered into a Subscription Agreement with Impact providing for the exercise of 50,343,961 ordinary share purchase warrants in Impact held by AOC at an exercise price of £0.18 per warrant, and a total expenditure of $11.6 million. Also, in December 2018, Impact lent funds to Arostyle Investments (Proprietary) Limited, who owns 51% of the shares of Main Street 1549 Proprietary Limited ("Main Street"). Main Street were then able to complete a farmin for an aggregate 10% participating interest in Block 11B/12B (offshore South Africa). Africa Energy holds a 49% interest in Main Street. Under the terms of the Subscription Agreement, AOC also subscribed to the acquisition of an additional 19,890,560 Impact shares for an aggregate subscription price of $6.3 million, subject to the satisfaction of certain conditions. These conditions were met, and the subscription closed during January 2019.

RECENT DEVELOPMENTS

Kenya Revenue Authority

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

The Company has objected to the assessment and is prepared to appeal any further claims made by the KRA in regard to this matter. Management has determined that based on the facts and Kenya tax law that the probability of paying the assessed tax is low. The KRA assessed tax is $51.5 million. There has been no change in the assessment since December 31, 2018.

Court Proceedings

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

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

Because IPL and its related parties continue to make applications to the courts in Kenya in respect of matters that have already been decided, the Company will, going forward, be taking the position that the matters are Res Judicata and that the applications are an abuse of the court process. The Company has also initiated a process to have one of the Applicants declared a vexatious litigant as provided under Kenyan law. In the interim, it continues to pursue both the awards of costs made in favor of the Company by the Kenyan courts and the winding-up proceedings previously initiated against IPL by the Company.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Mar 2019**	**31-Dec 2018**	**30-Sep 2018**	**30-Jun 2018**	**31-Mar 2018**	**31-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**
Operating expenses ($)	2,875	20,171	2,358	48,416	2,575	2,442	2,309	1,892
Interest income ($)	2,393	2,026	2,035	1,592	1,287	1,723	1,288	802
Net loss attributable to common shareholders ($)	(511)	(18,221)	(323)	(46,843)	(1,326)	(796)	(944)	(1,150)
Weighted average shares - Basic	470,654	470,568	470,568	465,482	460,339	456,617	456,617	456,617
Weighted average shares - Diluted	470,654	470,568	470,568	465,482	460,339	456,617	456,617	456,617
Basic loss per share ($)	(0.00)	(0.04)	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)	(0.00)
Diluted loss per share ($)	(0.00)	(0.04)	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)	(0.00)
Oil and gas expenditures ($)	13,141	14,570	8,845	10,360	10,986	13,790	15,861	16,201

As the Company is in the exploration stage, no oil and gas revenue has been generated to date.

Operating expenses

Increased operating expenses, recorded during the third quarter of 2017, primarily relate to an increase of $0.1 million relating to travel as well as an increase in office and general expenses of $0.3 million which primarily relates to an increase in corporate consulting fees.

Increased operating expenses, recorded during the second quarter of 2018, primarily relate to the recognition of a $44.7 million impairment of intangible exploration assets related to the Company's decision to relinquish its interest in Block 9 in Kenya. In addition, there was an increase of $0.3 million in equity-based compensation relating to the Long-Term Inventive Plan and a $0.5 million increase in the loss related to the revaluation of Impact warrants acquired during the first quarter of 2018.

Increased operating expenses, recording during the fourth quarter of 2018 primarily relate to the recognition of a $4.9 million impairment of intangible exploration assets related to the Company's operations in Ethiopia. Additionally, the Company recognized $11.0 million in losses relating to its investments in Africa Energy and Impact. Furthermore, salaries and benefits increased by $1.0 million as a result of short-term incentive plan payouts during December. Lastly, the Company incurred $1.5 million in project evaluation expenses during the quarter as the Company continues to seek oil and gas opportunities in Africa. Operating expenses, recorded during the first quarter of 2019 include $1.2 million in losses relating to its investments in Africa Energy, Impact and Eco.

Equity-based compensation

Three months ended (thousands, except per share amounts)	**31-Mar 2019**	**31-Dec 2018**	**30-Sep 2018**	**30-Jun 2018**	**31-Mar 2018**	**31-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**
Options granted	50	1,966	-	-	-	1,192	-	-
Performance share units granted	2,655	-	-	-	2,152	-	-	-
Restricted share units granted	1,231	95	-	-	1,119	-	-	-
Exercise price per share ($CAD)	1.06	1.06	-	-	-	1.38	-	-
Equity-based compensation expense ($)	404	50	802	504	233	122	740	676

During the three months ended March 31, 2019, the Company recognized a total of $0.4 million in equity-based compensation expense relating to the Long-Term Incentive Plan ("LTIP") and Stock Option Plan (three months ended March 31, 2018 - $0.2 million).

Of the amounts recognized in equity-based compensation expense, $0.1 million, relating to Performance Share Units ("PSUs") and Share Purchase Options, were recorded in contributed surplus during the three months ended March 31, 2019, (three months ended March 31, 2018 – $0.2 million). Equity-based compensation related to Restricted Share Units ("RSUs") amounting to $0.3 million for the three months ended March 31, 2019 (three months ended March 31, 2018 - $0.03 million) were recorded as a liability. As at March 31, 2019, $0.4 million of short-term liabilities (December 31, 2018: $0.7 million) and $0.2 million of long-term liabilities are recorded related to RSUs (December 31, 2018: $0.5 million).

During the first quarter of 2019, 815,367 RSUs vested and were settled for a cash payment of $0.7 million. During the first quarter of 2018, 576,335 RSUs vested and were settled for a cash payment of $0.6 million. Additionally, during the first quarter of 2019, 246,000 RSUs issued to Non-Executive Directors vested and were settled via the issuance of an equal number of common shares of the Company.

Interest income

Interest income fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates. The Company holds the vast majority of its cash on hand in US dollars, the Company's functional currency. Interest rates on short-term U.S. dollar deposits have been increasing during the second half of 2017 through to the first quarter of 2019.

RESULTS OF OPERATIONS

(thousands)	**Three months ended March 31, 2019**	**Three months ended March 31, 2018**
Salaries and benefits	$ 428	$ 430
Equity-based compensation	404	233
Travel	237	337
Office and general	271	356
Project evaluation	173	180
Depreciation	18	27
Professional fees	77	68
Stock exchange and filing fees	106	182
Fair market value adjustment of warrants	-	54
Share of (gain)/loss from equity investment	1,161	708
Operating expenses	$ 2,875	$ 2,575

Operating expenses increased $0.3 million during the first quarter of 2019 compared to the same period in 2018. The share of loss from equity investment increased $0.5 million during the three months ended March 31, 2019 compared to the same period in 2019. The increase was offset by a decrease in travel as well as office and general expenses amounting to $0.2 million which is primarily due to a decrease in activity.

INTANGIBLE EXPLORATION ASSETS

(thousands)		March 31, 2019		December 31, 2018
Intangible exploration assets	$	528,964	$	515,823

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

For the three months ended	March 31, 2019						March 31, 2018					
(thousands)		Kenya		Ethiopia		Total		Kenya		Ethiopia		Total
Drilling and completion	$	1,959	$	-	**$**	**1,959**	$	4,767	$	9	**$**	**4,776**
Development studies		7,015		-		**7,015**		2,823		-		**2,823**
Exploration surveys and studies		142		-		**142**		14		38		**52**
PSA and G&A related		4,025		-		**4,025**		2,911		424		**3,335**
Total	$	13,141	$	-	**$**	**13,141**	$	10,515	$	471	**$**	**10,986**

During the three months ended March 31, 2019, intangible exploration assets increased by $13.1 million. These expenditures relate to the Company's share of appraisal stage projects which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: geological and geophysical studies, development studies (including upstream and midstream FEEDs, land acquisition, ESIAs, water acquisition and subsurface reservoir studies) and general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments. PSA and G&A related costs include personnel and office running costs, local community development expenditures, land surface fees, annual rental fees and other PSA related fees.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2019, the Company had cash of $355.2 million and working capital of $321.9 million as compared to cash of $370.3 million and working capital of $340.7 million at December 31, 2018. It is anticipated that the Company will have adequate cash available to complete the proposed acquisition of an effective 12.5% ownership interest in POGBV (refer to Proposed Transaction above).

Under the terms of a farmout agreement completed in 2016 with Maersk, upon a Final Investment Decision ("FID") of the South Lokichar development project (Block 10BB and 13T in Kenya), Maersk may be obligated to carry the Company for an additional amount of up to $405.0 million dependent upon meeting certain thresholds of resource growth and timing of first oil. To date, a receivable has not been recorded in the Company's financial statements given uncertainty surrounding both resource growth and timing to first oil.

Until detailed engineering is completed, and a final South Lokichar Basin development and financing plan is approved, the Company will continue to assess the sufficiency of its capital resources. The Company's current working capital position may not provide it with sufficient capital resources to complete development activities being considered in the South Lokichar Basin (Kenya).

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

OUTLOOK

The Company continues to work closely with its Kenyan Joint Venture Partners to focus efforts on advancing the South Lokichar Basin development in Blocks 10BB and 13T (Kenya). Progress continues to be made on the Kenya development project. The upstream and pipeline Front End Engineering and Design (FEED) work is progressing to plan and is expected to be completed in the first half of 2019. Environmental and Social Impact Assessments are also on schedule for submission to the regulators in the second quarter of 2019. Following the completion of all field work, including the production and water injection trials, and further subsurface analysis, the decision has also been taken to include the Twiga field alongside the Ngamia and Amosing fields in the Foundation Stage development. Discussions with the Government of Kenya regarding key commercial agreements are progressing.

Africa Oil, will continue to work alongside our fellow Consortium members (Vitol and Delonex) to complete the proposed acquisition of an effective 12.5% ownership interest in Petrobras Oil and Gas B.V., providing the Company with exposure to multiple high quality, free cash flowing, fields located over 100 kilometres offshore Nigeria.

Multiple highly prospective wells are anticipated to be drilled in the coming year in our Equity Investment portfolio companies, including potentially high impact wells in Guyana, Namibia and South Africa.

The Company also continues to evaluate potential acquisitions and mergers, focusing on Africa.

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy

At March 31, 2019, the Company owned 34.5% of the common shares of Africa Energy.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.03 million during the three months ended March 31, 2019 (March 31, 2018 – $0.03 million). At March 31, 2019, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2018 – $ nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

Under the terms of the Consulting Services Agreement between Africa Energy and the Company, Africa Energy invoiced the Company $0.05 million during the three months ended March 31, 2019 (March 31, 2018, $ nil). At March 31, 2019, the outstanding balance payable to Africa Energy was $0.05 million (at December 31, 2018, $ nil). The consulting fee charged to the Company by Africa Energy is intended to cover the costs of Africa Energy's employees who are providing the Company with services related to project evaluation.

COMMITMENTS AND CONTINGENCIES

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

Kenya:

Under the terms of the Block 10BB PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At March 31, 2019, the Company's working interest in Block 10BB was 25%.

Under the terms of the Block 13T PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At March 31, 2019, the Company's working interest in Block 13T was 25%.

Under the terms of the Block 10BA PSC, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period and entered into the second additional exploration period which expires in October 2019. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 kilometers of 2D seismic or 25 square kilometers of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is $19.0 million. At March 31, 2019, the Company's working interest in Block 10BA was 25%.

OUTSTANDING SHARE DATA

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

Common shares outstanding	471,214,419
Outstanding share purchase options	10,795,500
Outstanding performance share units	5,654,900
Outstanding restricted share units	2,723,793
Full dilution impact on common shares outstanding	490,388,612

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change. The Company believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. The Company' significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2018.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates related to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from these estimated amounts as future confirming events occur. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, recovery of exploration costs capitalized in accordance with IFRS, stock-based compensation, income taxes and fair market value of warrants.

Intangible Exploration Assets

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

Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are recognized in the statement of operations. If commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalized intangible exploration costs are transferred into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU") within intangible exploration assets. The allocation of the company's assets into CGUs requires judgment.

Intangible exploration assets are assessed for impairment when they are reclassified to property and equipment, as intangible exploration assets, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 of disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

The key assumptions the company uses for estimating future cash flows are reserves, future commodity prices, expected production volumes, future operating and development costs, among others. The estimated useful life of the CGU, the timing of future cash flows and discount rates are also important assumptions made by management.

Equity-Based Compensation

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

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

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

Income Tax

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

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

NEW ACCOUNTING STANDARDS

IFRS 16: Leases

Effective January 1, 2019, the Company adopted IFRS 16 Leases. The Company has applied the new standard using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Therefore, the comparative information in the Company's consolidated balance sheet, consolidated statements of net loss and comprehensive loss, shareholders' equity and cash flows have not been restated.

The Company has elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Account for leases with a remaining term of less than twelve months as short-term leases;
- Account for leases with a low dollar value (less than $5 thousand) as an expense; and

- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

In applying IFRS 16, the Company has applied the practical expedient identified in the standard in which short-term leases and leases of low-value assets are not recognized on the balance sheet and lease payments are instead recognized in the financial statements as incurred.

In the case of joint arrangements, the Company has reviewed all lease obligations with its joint venture partners. The Company has concluded that there is only a short-term lease contract that was entered into by the joint arrangement.

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 March 31, 2019, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

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

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of March 31, 2019, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

RISK FACTORS

The Company is subject to various risks and uncertainties, including, but not limited to, those listed below. Refer to the Company's Annual Information Form for further risk factor disclosures.

International Operations

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

Different Legal System and Litigation

Africa Oil's oil production and exploration activities are located in countries with legal systems that in various degrees differ from that of Canada. Rules, regulations and legal principles may differ in respect of matters of substantive law and of such matters as court procedure and enforcement. Almost all material production and exploration rights and related contracts of Africa Oil 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.

Africa Oil'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 Africa Oil's business, assets, financial conditions, and its operations.

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 be able to realize its assets and satisfy its liabilities in the ordinary course of business. Africa Oil's operations to date have been primarily financed by equity 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 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.

Shared Ownership and Dependency on Partners

Africa Oil's operations are, to a significant degree, conducted together with one or more partners through contractual arrangements. In such instances, the Company may be dependent on, or affected by, the due performance of its partners. If a partner fails to perform, the Company may, among other things, risk losing rights or revenues or incur additional obligations or costs, or experience delays, in order to itself perform in place of its partners. The Company and its partners may also, from time to time, have different opinions on how to conduct certain operations or on what their respective rights and obligations are under a certain agreement. If a dispute were to arise with one or more partners relating to a project, such dispute may have significant negative effects on Africa Oil's operations relating to such project.

Investments in Associates

Africa Oil has invested in other frontier oil and gas exploration companies that are similar to Africa Oil, and that face similar risks and uncertainties faced by Africa Oil, which could have a material adverse effect on their businesses, prospects and results of operations. Such risks include, without exclusion, equity risk, liquidity risk, currency risk, foreign investment risk, and changes in environmental regulations, economic, political or market conditions, or the regulatory environment in the countries in which they operate. The Company's investments are not diversified over different types of investments and industries, rather, they are concentrated in one type of investment. If the companies in which Africa Oil has invested fails, liquidates, or becomes bankrupt, Africa Oil could face the potential risk of loss of some, or all, of its investments, and the Company may be unable to recover its initial investment amount, or any amount, from its various investments in other frontier oil and gas exploration companies.

Uncertainty of Title

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

Risks Relating to Concessions, Licenses and Contracts

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

Competitive Conditions

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

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

Risks Inherent in Oil and Gas Exploration and Development

Oil and gas operations involve many risks, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome. The long-term commercial success of Africa Oil depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that expenditures made on future exploration by Africa Oil will result in discoveries of oil or natural gas in commercial quantities or that commercial quantities of oil and natural gas will be discovered or acquired by the Company. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

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

Africa Oil's business is subject to all of the risks and hazards inherent in businesses involved in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas, many of which cannot be overcome even with a combination of experience and knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment or personal injury, and such damages may not be fully insurable.

Well-flow Test Results

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

Capital Requirements

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including from the issuance of new shares, issuance of debt or execution of working interest farm-out agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of the Company may be diluted. If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities which may ultimately lead to the Company’s inability to fulfill the minimum work obligations under the terms of its various PSAs. Availability of capital will also directly impact the Company’s ability to take advantage of acquisition opportunities.

Climate Change Legislation

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

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

Environmental Protection

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

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

Foreign currency exchange rate risk

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. The Company had no forward exchange contracts in place as at March 31, 2019.

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 appraisal phase require sufficient cash in order to fulfill their work commitments in accordance with contractual obligations and to be able to potentially acquire strategic oil and gas assets.

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

Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's credit exposure relates to amounts due from its joint venture partners. The risk of the Company's joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash, restricted cash, and accounts receivable. A portion of the Company's cash is held by banks in foreign jurisdictions where there could be increased exposure to credit risk.

Forward Looking Statements

Certain statements in this document 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, beliefs, projections, plans, future events or performance (often, but not always, identified by words such as "believes", "seeks", "anticipates", "expects", "estimates", "pending", "intends", "plans", "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. Risks and uncertainties include, 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:

- 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;
- Proposed development plans;
- Future development costs and the funding thereof;
- Expected finding and development costs;
- Timing to FID;
- 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, cash flows and their uses;
- Availability of potential farmout partners;
- Government or other regulatory consent for exploration, development, farmout, or acquisition activities;
- Future production levels;
- Future crude oil, natural gas or chemical prices;
- Future earnings;
- Future asset acquisitions or dispositions;
- Future debt levels;
- Availability of committed credit facilities;
- Possible commerciality;
- Development plans or capacity expansions;

- Future ability to execute dispositions of assets or businesses;
- Future drilling of new wells;
- Ultimate recoverability of current and long-term assets;
- Ultimate recoverability of reserves or resources;
- Estimates on a per share basis;
- Future foreign currency exchange rates;
- Future market interest rates;
- Future expenditures and future allowances relating to environmental matters;
- Dates by which certain areas will be explored or developed or will come on stream or reach expected operating capacity;
- The Company's ability to comply with future legislation or regulations;
- Future staffing level requirements; and
- Changes in any of the foregoing.

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

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

- Market prices for oil and gas and chemical products;
- 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;
- Regulatory changes;
- Changes in the social climate in the regions in which the Company operates;
- Health, safety and environmental risks;
- Climate change legislation and regulation changes;
- Defects in title;
- Availability of materials and equipment;
- Timelines of government or other regulatory approvals;
- Ultimate effectiveness of design or design modification to facilities;
- The results of exploration, appraisal and development drilling and related activities;
- Short term well test results on exploration and appraisal wells do not necessarily indicate the long-term performance or ultimate recovery that may be expected from a well;
- Pipeline or delivery constraints;
- Volatility in energy trading markets;
- Incorrect assessments of value when making acquisitions;
- Foreign-currency exchange rates;
- Economic conditions in the countries and regions in which the Company carries on business;

- Governmental actions including changes to taxes or royalties, and changes in environmental and other laws and regulations;
- The Company's treatment under governmental regulatory regimes and tax laws;
- Renegotiations of contracts;
- Results of litigation, arbitration or regulatory proceedings;
- Political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; and
- Internal conflicts within states or regions.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on its assessment of all available information at that time. Although management believes that the expectations conveyed by the forward-looking statements are reasonable based on the information available to it on the date such forward-looking statements were made, no assurances can be given that such expectations will prove to be correct, and such forward-looking statements included in this document should not be unduly relied upon.

The forward looking statements are made as of the date hereof or as of the date specified in this document, as the case may be, and except as required by law, the Company undertakes no obligation to update publicly, re-issue, or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This cautionary statement expressly qualifies the forward-looking statements contained herein.

AFRICA OIL CORP.

Consolidated Balance Sheets
(Expressed in thousands of United States dollars)
(Unaudited)

	Note		March 31, 2019		December 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents		$	355,230	$	370,337
Accounts receivable			295		560
Prepaid expenses			1,339		1,221
			356,864		372,118
Long-term assets					
Equity investments	6		71,066		65,934
Property and equipment	4		647		36
Intangible exploration assets	5		528,964		515,823
			600,677		581,793
Total assets		$	957,541	$	953,911
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	34,378	$	30,624
Equity-based compensation liability	8		404		749
Lease obligations	10		111		-
Due to related party	12		50		-
			34,943		31,373
Long-term liabilities					
Equity-based compensation liability	8		207		458
Lease obligations	10		498		-
			705		458
Total liabilities			35,648		31,831
Equity attributable to common shareholders					
Share capital	7(b)		1,305,953		1,305,129
Contributed surplus			50,321		50,821
Deficit			(434,381)		(433,870)
Total equity attributable to common shareholders			921,893		922,080
Total liabilities and equity attributable to common shareholders		$	957,541	$	953,911
Commitments and contingencies	9				
Subsequent event	16				

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

Approved on behalf of the Board:

"ANDREW BARTLETT" — **ANDREW BARTLETT, DIRECTOR**

"KEITH HILL" — **KEITH HILL, DIRECTOR**

AFRICA OIL CORP.

Consolidated Statements of Net Loss and Comprehensive Loss
(Expressed in thousands of United States dollars)
(Unaudited)

For the three months ended	**Note**		**March 31, 2019**		**March 31, 2018**
Operating expenses					
Salaries and benefits			428	$	430
Equity-based compensation	8		404		233
Travel			237		337
Office and general			271		356
Project evaluation			173		180
Depreciation	4		18		27
Professional fees			77		68
Stock exchange and filing fees			106		182
Fair market value adjustment of w arrants	6		-		54
Share of loss from equity investments	6		1,161		708
			2,875		2,575
Finance income	11		(2,393)		(1,287)
Finance expense	11		29		38
Net loss and comprehensive loss attributable to common shareholders			511		1,326
Net gain (loss) attributable to common shareholders per share	13				
Basic		$	(0.00)	$	(0.00)
Diluted		$	(0.00)	$	(0.00)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	13				
Basic			470,653,859		460,339,308
Diluted			470,653,859		460,339,308

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

AFRICA OIL CORP.

Consolidated Statement of Equity
(Expressed in thousands of United States dollars)
(Unaudited)

	Note		March 31, 2019		March 31, 2018
Share capital:	7(b)				
Balance, beginning of the period		$	1,305,129	$	1,290,796
Settlement of Performance Share Units	8		620		-
Settlement of Restricted Share Units	8		204		-
Share issuance	7		-		14,327
Exercise of options			-		6
Balance, end of the period			1,305,953		1,305,129
Contributed surplus:					
Balance, beginning of the period		$	50,821	$	49,814
Equity-based compensation	8		120		202
Settlement of Performance Share Units	8		(620)		-
Exercise of options	8		-		(1)
Balance, end of the period			50,321		50,015
Deficit:					
Balance, beginning of the period		$	(433,870)	$	(367,156)
Net loss and comprehensive loss attributable to common shareholders			(511)		(1,326)
Balance, end of the period			(434,381)		(368,482)
Total equity attributable to common shareholders		$	921,893	$	986,662

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

AFRICA OIL CORP.

Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
(Unaudited)

For the three months ended		March 31, 2019	March 31, 2018
Cash flows provided by (used in):	**Note**		
Operations:			
Net loss and comprehensive loss for the period		$ (511)	$ (1,326)
Items not affecting cash:			
Equity-based compensation	8	404	233
Depreciation	4	18	27
Interest on lease obligations	10	6	-
Share of loss from equity investments	8	1,161	708
Fair value adjustment - warrants	8	-	54
Unrealized foreign exchange loss		7	1
Changes in non-cash operating working capital	15	(258)	(55)
Net cash provided by (used in) operating activities		827	(358)
Investing:			
Property and equipment expenditures	4	(7)	(4)
Intangible exploration expenditures	5	(13,141)	(10,986)
Advance carry relating to farmout	5	-	18,750
Equity investment	6(b)	(6,293)	(12,922)
Warrants acquired in equity investment	6	-	(2,857)
Changes in non-cash investing working capital	15	4,209	(4,438)
Net cash used in investing activities		(15,232)	(12,457)
Financing:			
Common shares issued	7(b)	-	5
Settlement of Restricted Share Units	8	(676)	(573)
Payment of lease obligations	10	(19)	-
Net cash used in financing activities		(695)	(568)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(7)	(1)
Decrease in cash and cash equivalents		(15,107)	(13,384)
Cash and cash equivalents, beginning of the period		$ 370,337	$ 392,290
Cash and cash equivalents, end of the period		$ 355,230	$ 378,906
Supplementary information:			
Interest paid		Nil	Nil
Income taxes paid		Nil	Nil

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

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 company based in Canada with oil and gas interests in Kenya. The Company’s registered address is Suite 2600, 1066 West Hastings Street Vancouver, BC, V6E 3X1.

AOC is an exploration stage enterprise that participates in oil and gas projects located in emerging markets, in sub-Saharan Africa. To date, AOC has not found proved reserves and is considered to be in the exploration stage. Oil and gas exploration, development and production activities, in these emerging markets, are subject to significant uncertainties which may adversely affect the Company’s operations. Uncertainties include, but are not limited to, the risk of war, terrorism, civil unrest, expropriation, nationalization or other title disputes, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, and the imposition of currency controls, in addition to the risks associated with exploration activities. These uncertainties, all of which are beyond the Company’s control, could have a material adverse effect on AOC’s business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, AOC could be subject to the jurisdiction of courts other than those of Canada. The Company’s recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which AOC has or may acquire an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that AOC will be able to obtain all necessary licenses and permits when required.

2) Basis of preparation:

a) Statement of compliance:

The Company prepares these condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles for interim periods, specifically International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). They are condensed as they do not include all the information required for full annual financial statements, and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at May 9, 2019, 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 except as disclosed in the significant accounting policies in Note 3 of the annual financial statements for the year ended December 31, 2018.

c) Functional and presentation currency:

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

d) Use of estimates and judgments:

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

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

The issuance of performance share units and restricted share units during the first quarter of 2019 requires the use of estimates and judgments and is described further in Note 8 below.

All other significant estimates and judgment used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2018.

3) New accounting standards:

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019 and have been applied in preparing these financial statements.

IFRS 16: Leases

Effective January 1, 2019, the Company adopted IFRS 16 Leases. The Company has applied the new standard using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Therefore, the comparative information in the Company's consolidated balance sheet, consolidated statements of net loss and comprehensive loss, shareholders' equity and cash flows have not been restated.

The Company has elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Account for leases with a remaining term of less than twelve months as short-term leases;
- Account for leases with a low dollar value (less than $5 thousand) as an expense; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

(Expressed in thousands of United States dollars unless otherwise indicated)

Leases are recognized as part of property and equipment and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments. The leases have been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates at January 1, 2019. The Incremental borrowing rate as at January 1, 2019 for the Company's office lease in Canada is 4.18% and 13.0% for the office lease in Kenya. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the asset or is recorded in the consolidated statements of net loss and comprehensive loss if the carrying amount of the asset has been reduced to zero.

The asset is initially measured at cost, which comprises the initial amount of the lease liability, and is depreciated, on a straight-line basis, over the lease term. The asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

In applying IFRS 16, the Company has applied the practical expedient identified in the standard in which short-term leases and leases of low-value assets are not recognized on the balance sheet and lease payments are instead recognized in the financial statements as incurred.

In the case of joint arrangements, the Company has reviewed all lease obligations with its joint venture partners. The Company has concluded that there is only a short-term lease contract that was entered into by the joint arrangement.

4) Property and equipment:

	March 31, 2019	December 31, 2018
Cost, beginning of the period	$ 624	$ 609
Additions	7	15
Increase in right-of-use assets	622	-
Cost, end of the period	1,253	624
Accumulated depreciation, beginning of the period	(588)	(504)
Depreciation	(18)	(84)
Accumulated depreciation, end of the period	(606)	(588)
Net carrying amount, beginning of the period	$ 36	$ 105
Net carrying amount, end of the period	$ 647	$ 36

(Expressed in thousands of United States dollars unless otherwise indicated)

As at March 31, 2019, the Company has recorded $0.6 million of property and equipment (December 31, 2018 - $0.04 million) consisting primarily of right-of-use assets. The Company depreciates its right-of-use assets over the term of the contract. The Company depreciates its property and equipment, other than right of use assets, on a straight-line basis over the useful life of the assets (one to three years). Included in depreciation is $0.01 million relating to the Company's right-of-use assets.

5) Intangible exploration assets:

		March 31, 2019		December 31, 2018
Net carrying amount, beginning of the period	$	515,823	$	520,652
Intangible exploration expenditures		13,141		44,761
Impairment of intangible exploration assets		-		(49,590)
Net carrying amount, end of the period	$	528,964	$	515,823

As at March 31, 2019, $529.0 million of expenditures have been capitalized as intangible exploration assets (December 31, 2018 - $515.8 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: geological and geophysical studies, exploratory and appraisal drilling, well testing, development studies and related general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments. At March 31, 2019, 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.

During the second quarter of 2018, the Company submitted a notice to the Government of Kenya relinquishing its interest in Block 9 (Kenya) resulting in a $44.7 million impairment of previously capitalized intangible exploration assets.

The Company is continuing to seek joint venture partners to farmin to its 100% interest in the Rift Basin Area (Ethiopia). The Ethiopian government has granted an extension of the current exploration period until August 2019. A $4.9 million impairment of previously capitalized intangible exploration assets has been recorded related to the Company's operations in Ethiopia.

During the three months ended March 31, 2019, the Company capitalized $1.8 million of general and administrative expenses related to intangible exploration assets (three months ended March 31, 2018 - $3.1 million).

Under the terms of a farmout agreement completed in 2016 with Maersk, upon a Final Investment Decision ("FID") of the South Lokichar development project (Block 10BB and 13T in Kenya), Maersk may be obligated to carry the Company for an additional amount of up to $405.0 million dependent upon meeting certain thresholds of resource growth and timing of first oil. To date, a receivable has not been recorded in the Company's financial statements given uncertainty surrounding both resource growth and timing to first oil.

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

(Expressed in thousands of United States dollars unless otherwise indicated)

6) Equity investment:

The Company currently holds the following equity investments:

		March 31, 2019		December 31, 2018
Investment in Africa Energy	$	18,745	$	19,518
Investment in Eco		10,126		10,192
Investment in Impact		42,195		36,224
Total Investment	$	71,066	$	65,934

The Company has determined that these investments are not impaired.

The Company recognized a total loss of $1.2 million during the three months ended March 31, 2019, relating to its equity investments ($0.7 million in losses for the three months ended March 31, 2018).

a) Africa Energy:

The Company's ownership interest at March 31, 2019 in Africa Energy is approximately 34.5%. Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia.

		March 31, 2019		December 31, 2018
Balance, beginning of the period	$	19,518	$	5,976
Share of loss from equity investments		(773)		(4,458)
Additional investment through private placements		-		18,000
Balance, end of the period	$	18,745	$	19,518

During the three months ended March 31, 2019, the Company recognized losses of $0.8 million related to its investment in Africa Energy (three months ended March 31, 2018 - $0.3 million).

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

The Company's ownership interest at March 31, 2019 in Eco was approximately 17.7%. Subsequent to the quarter, the Company announced that it had acquired 4,752,850 common shares of Eco. The common shares were acquired by Africa Oil on a non-brokered private placement basis and, together with the 29,200,000 common shares of Eco held by the Company prior to the acquisition, increased its ownership interest to 18.8%. Eco is an oil and gas exploration Company with interests in Guyana and Namibia.

		March 31, 2019		December 31, 2018
Balance, beginning of the period	$	10,192	$	11,077
Share of loss from equity investments		(66)		(885)
Balance, end of the period	$	10,126	$	10,192

During the three months ended March 31, 2019, the Company recognized a loss of $0.07 million relating to its investment in Eco (three months ended March 31, 2018 - $0.3 million).

c) Impact Oil and Gas Limited ("Impact"):

During 2018, the Company acquired an equity interest in Impact. Impact is a private UK oil and gas exploration company with assets located offshore South Africa and West Africa. At March 31, 2019 the Company's ownership interest in Impact is approximately 30.1%. This interest was acquired by completing the following transactions:

During March 2018, the Company entered into a subscription agreement (the "Subscription Agreement") with inter alia Impact providing for the purchase by AOC of 59,681,539 ordinary shares (the "Shares") and 29,840,769 ordinary share purchase warrants (the "Warrants") for an aggregate subscription price of $15.0 million. The Subscription Agreement also provided that during the nine (9) month period after closing of the transactions contemplated by the Subscription Agreement, AOC may acquire, at the election of either AOC or Impact, an additional 9,946,923 Shares and 4,973,461 Warrants for an aggregate subscription price of approximately $2.5 million. The Company elected to acquire the additional shares and warrants during November 2018.

During March 2018, the Company also entered into a share purchase agreement (the "Helios SPA") with Helios Natural Resources 2 Ltd. ("Helios") to acquire 70,118,381 Shares and 15,529,731 warrants held by Helios in the capital of Impact (the "Helios Warrants") in exchange for 13,946,545 common shares of AOC (the "AOC Shares").

During March 2018, the Company also entered into an investors agreement ("Investors' Agreement") with Impact and certain other shareholders of Impact. The Investors' Agreement provides AOC with the right to nominate up to two members of the board of directors of Impact (which may consist of a maximum of nine (9) members) based on certain share ownership thresholds and consent rights with respect to certain fundamental matters in respect of Impact, including the future issuance of securities of Impact. The rights pursuant to the Investors' Agreement will cease upon AOC holding less than 10% of the Shares.

On December 14, 2018, the Company entered into a Subscription Agreement with Impact providing for the exercise of 50,343,961 ordinary share purchase warrants in Impact held by AOC at an exercise price of £0.18 per warrant, and a total expenditure of $11.6 million. Also, in December 2018, Impact lent funds to Arostyle Investments (Proprietary) Limited, who owns 51% of the shares of Main Street 1549 Proprietary Limited ("Main Street"). Main Street were then able to complete a farmin for an aggregate 10% participating interest in Block 11B/12B (offshore South Africa). Africa Energy holds a 49% interest in Main Street. Under the terms of the Subscription Agreement, AOC also subscribed to the acquisition of an additional 19,890,560 Impact shares for an aggregate subscription price of $6.3 million, subject to the satisfaction of certain conditions. These conditions were met, and the subscription closed during January 2019.

(Expressed in thousands of United States dollars unless otherwise indicated)

		March 31, 2019		December 31, 2018
Balance, beginning of the period	$	36,224	$	-
Common shares acquired through the Subscription Agreement		6,293		14,308
Common shares acquired through the Helios SPA		-		12,840
Warrants exercised		-		11,552
Value of derivative assets transferred to investment		-		3,612
Fees associated with the acquisition of common shares		-		779
Share of loss from equity investments		(322)		(6,867)
Balance, end of the period	$	42,195	$	36,224

During the three months ended March 31, 2019, the Company recognized a loss of $0.3 million related to its investment in Impact (three months ended March 31, 2018 - $ nil). During 2018, the Company capitalized $0.8 million in fees relating to the acquisition of shares and warrants.

7) Share capital:

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

b) Issued:

		March 31, 2019			December 31, 2018		
	Note	Shares		Amount	Shares		Amount
Balance, beginning of the period		470,567,619	$	1,305,129	456,617,074	$	1,290,796
Settlement of Performance Share Units	8(b)	400,800		620	-		-
Settlement of Restricted Share Units	8(b)	246,000		204	-		-
Shares issued to Helios	(i)	-		-	13,946,545		14,327
Exercise of options	8	-		-	4,000		6
Balance, end of the period		471,214,419	$	1,305,953	470,567,619	$	1,305,129

i) On March 7, 2018, in connection with the investment in Impact (Note 6(c)), the Company issued 13,946,545 common shares to Helios.

8) Equity-based compensation:

During the three months ended March 31, 2019, the Company recognized a total of $0.4 million in equity-based compensation expense relating to the Long-Term Incentive Plan ("LTIP") and Stock Option Plan (three months ended March 31, 2018 - $0.2 million).

Of the amounts recognized in equity-based compensation expense, $0.1 million, relating to Performance Share Units ("PSUs") and Share Purchase Options, were recorded in contributed surplus during the three months ended March 31, 2019, (three months ended March 31, 2018 – $0.2 million). Equity-based compensation related to Restricted Share Units ("RSUs") amounting to $0.3 million for the three months ended March 31, 2019 (three months ended March 31, 2018 - $0.03 million) were recorded as a liability. As at March 31, 2019, $0.4 million of short-term liabilities (December 31, 2018: $0.7 million) and $0.2 million of long-term liabilities are recorded related to RSUs (December 31, 2018: $0.5 million).

(Expressed in thousands of United States dollars unless otherwise indicated)

a) Share purchase options

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

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

	March 31, 2019		December 31, 2018	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	10,856,667	1.95	9,539,333	2.15
Granted	50,000	1.06	1,966,000	1.06
Expired	(111,167)	2.11	(644,666)	2.18
Exercised	-	-	(4,000)	1.38
Balance, end of the period	10,795,500	1.95	10,856,667	1.95

During the three months ended March 31, 2019, 0.1 million share purchase options expired (0.6 million options expired during the year ended December 31, 2018). During the three months ended March 31, 2019, no share purchase options were exercised. During the year ended December 31, 2018, 4,000 share purchase options were exercised in which $1,528 in contributed surplus was transferred to share capital.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model and the fair value of the options granted is expensed over the vesting period of the options. The fair value of each option granted by the Company during the three months ended March 31, 2019 and during the year ended December 31, 2018 was estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2019	2018
Number of options granted	50,000	1,966,000
Fair value of options granted (CAD$ per option)	0.33	0.33
Risk-free interest rate (%)	1.90	2.19
Expected life (years)	3.00	3.00
Expected volatility (%)	43	43
Expected dividend yield	-	-

(Expressed in thousands of United States dollars unless otherwise indicated)

The following table summarizes information regarding the Company's share purchase options outstanding at March 31, 2019:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
2.48	3,624,000	0.76
2.25	600,000	0.89
2.12	1,326,000	2.65
1.99	1,920,000	1.67
1.98	150,000	1.58
1.38	1,159,500	3.66
1.06	2,016,000	4.66
1.95	10,795,500	2.21

The following table summarizes information regarding the Company's share purchase options exercisable at March 31, 2019:

Weighted Average Exercise price (CAD$/share)	Number exercisable	Weighted average remaining contractual life in years
2.48	3,624,000	0.76
2.25	600,000	0.89
1.98	150,000	1.58
1.99	1,920,000	1.67
2.12	1,326,000	2.65
1.38	771,667	3.66
1.06	672,001	4.66
2.10	9,063,668	1.79

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. During the three months ended March 31, 2019, the Company recognized $0.08 million in equity-based compensation (three months ended March 31, 2018 - $0.09 million), related to share purchase options.

b) Performance share units ("PSUs")

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

(Expressed in thousands of United States dollars unless otherwise indicated)

The non-market performance conditions include:

i) metrics relating to completion of the Maersk farmout agreement and confirming resource quantities providing entitlement to associated advance, and contingent carry;
ii) metrics relating to the growth in contingent resources and reserves;
iii) additional milestones related to South Lokichar development, pipeline development and financing associated with these developments;
iv) milestones associated with exploration success in the Company's equity Investee companies; and
v) portfolio management and mergers and acquisitions effectiveness.

The Company's PSUs outstanding are as follows:

	March 31, 2019	December 31, 2018
	Number of PSUs	Number of PSUs
Outstanding, beginning of the period	3,880,500	1,729,000
Granted	2,655,400	2,151,500
Forfeited	-	-
Vested	(881,000)	-
Balance, end of the period	5,654,900	3,880,500

The Company accounts for PSUs as equity-based awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. During the three months ended March 31, 2019, the Company recognized $0.03 million in equity-based compensation relating to the PSUs (three months ended March 31, 2018 - $0.1 million).

During the first quarter of 2019, 881,000 PSUs, which were subject to non-market performance conditions, were settled via the issuance of 400,800 common shares of the Company.

c) Restricted share units ("RSUs")

RSUs are notional share instruments which track the value of the common shares. 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). 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:

	March 31, 2019	December 31, 2018
	Number of RSUs	Number of RSUs
Outstanding, beginning of the period	2,553,960	1,916,357
Granted	1,231,200	1,213,938
Forfeited	-	-
Vested	(1,061,367)	(576,335)
Balance, end of the period	2,723,793	2,553,960

During the first quarter of 2019, 567,500 RSUs (2018 – 401,600) were granted to Non-Executive Directors and 663,700 RSUs (2018 – 717,100) were granted to other plan participants. The Company accounts for RSUs as cash settled awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. During the three months ended March 31, 2019, the Company recognized $0.3 million in equity-based compensation relating to the RSUs (three months ended March 31, 2018 - $0.03 million). As at March 31, 2019, $0.4 million of short-term liabilities are recorded related to RSUs (December 31, 2018: $0.7 million) and $0.2 million of long-term liabilities are recorded related to RSUs (December 31, 2018: $0.5 million). These liabilities are revalued quarterly.

During the first quarter of 2019, 815,367 RSUs vested and were settled for a cash payment of $0.7 million. During the first quarter of 2018, 576,335 RSUs vested and were settled for a cash payment of $0.6 million. Additionally, during the first quarter of 2019, 246,000 RSUs issued to Non-Executive Directors vested and were settled via the issuance of an equal number of common shares of the Company.

9) Commitments and contingencies:

a) Kenya Revenue Authority:

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

The Company has objected to the assessment and is prepared to appeal any further claims made by the KRA in regard to this matter. Management has determined that based on the facts and Kenya tax law that the probability of paying the assessed tax is low. The KRA assessed tax is $51.5 million.

b) Contractual obligations:

i) Kenya:

Under the terms of the Block 10BB PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At March 31, 2019, the Company's working interest in Block 10BB was 25%.

Under the terms of the Block 13T PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At March 31, 2019, the Company's working interest in Block 13T was 25%.

(Expressed in thousands of United States dollars unless otherwise indicated)

Under the terms of the Block 10BA PSC, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period and entered into the second additional exploration period which expires in October 2019. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 kilometers of 2D seismic or 25 square kilometers of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is $19.0 million. At March 31, 2019, the Company's working interest in Block 10BA was 25%.

c) Title disputes:

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

10) Lease obligations:

The following table details the Company's lease obligations for the period ended March 31, 2019:

	March 31, 2019
Less than one year	156
1 - 3 years	468
After 3 years	132
Total lease payments	756
Amounts representing interest	(147)
Present value of net lease payments	609
Current portion of lease obligations	(111)
Non-current portion of lease obligations	498

The Company's short-term leases and leases of low-value assets consist of office equipment and field office space and amount to $0.05 million for the three months ended March 31, 2019. The Company's lease obligations consist of office rent and parking for its offices in Calgary, Canada and Nairobi, Kenya. The majority of Company's lease contracts are effective for periods of three to six years but may have extension options as described in Note 2(d) "Use of estimates and judgments". Leases are negotiated on an individual basis and contain a wide range of different terms and conditions.

(Expressed in thousands of United States dollars unless otherwise indicated)

11) Finance income and expense:

Finance income and expense for the three months ended March 31, 2019 and 2018 is comprised of the following:

For the three months ended		March 31, 2019		March 31, 2018
Interest and other income	$	2,393	$	1,287
Interest expense and bank charges		(22)		(37)
Foreign exchange loss		(7)		(1)
Finance income	$	2,393	$	1,287
Finance expense	$	(29)	$	(38)

12) Related party transactions:

Transactions with Africa Energy Corp. (“Africa Energy”)

At March 31, 2019, the Company owned 34.5% of the common shares of Africa Energy.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.03 million during the three months ended March 31, 2019 (March 31, 2018 – $0.03 million). At March 31, 2019, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2018 – $ nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

Under the terms of the Consulting Services Agreement between Africa Energy and the Company, Africa Energy invoiced the Company $0.05 million during the three months ended March 31, 2019 (March 31, 2018, $ nil). At March 31, 2019, the outstanding balance payable to Africa Energy was $0.05 million (at December 31, 2018, $ nil). The consulting fee charged to the Company by Africa Energy is intended to cover the costs of Africa Energy’s employees who are providing the Company with services related to project evaluation.

13) Net loss per share:

For the three months ended	March 31, 2019			March 31, 2018		
		Weighted Average			Weighted Average	
	Net loss	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ 511	470,653,859	$ 0.00	$ 1,326	460,339,308	$ 0.00
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ 511	470,653,859	$ 0.00	$ 1,326	460,339,308	$ 0.00

(Expressed in thousands of United States dollars unless otherwise indicated)

During the three months ended March 31, 2019, the Company used an average market price of CAD$1.14 per share (three months ended March 31, 2018 – CAD$1.44 per share) to calculate the dilutive effect of share purchase options. For the three months ended March 31, 2019, 10,795,500 options, 5,654,900 PSUs and 2,723,793 RSUs were anti-dilutive and were not included in the calculation of dilutive loss per share (three months ended March 31, 2018, 9,535,333 options, 3,880,500 PSUs and 2,458,722 RSUs).

14) Financial instruments:

Assets and liabilities at March 31, 2019 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are assessed on the fair value hierarchy described above. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity of these instruments. The fair value of the warrants is derived using inputs from active markets. The expected life of the warrants is approximately 3 years and have been classified as a non-current asset. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. There were no transfers between levels in the fair value hierarchy in the year.

15) Supplementary information:

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

For the three months ended	March 31, 2019	March 31, 2018
Changes in non-cash w orking capital		
Accounts receivable	$ 265	$ 1
Prepaid expenses	(118)	(60)
Due to related party	50	-
Accounts payable and accrued liabilities	3,754	(4,434)
	3,951	(4,493)
Relating to:		
Operating activities	$ (258)	$ (55)
Investing activities	4,209	(4,438)
Changes in non-cash w orking capital	$ 3,951	$ (4,493)

16) Subsequent event:

On April 10, 2019, the Company announced that it had acquired 4,752,850 common shares of Eco for total consideration of $5.0 million. The common shares were acquired by Africa Oil on a non-brokered private placement basis and, together with the 29,200,000 common shares of Eco held by the Company prior to the acquisition, represent approximately 18.8% of Eco's issued and outstanding share capital.