AFRICA OIL CORP.

Report to Shareholders

December 31, 2019

AFRICA OIL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the years ended December 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 audited consolidated financial statements for the years ended December 31, 2019 and 2018 and related notes thereto.

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

The effective date of this MD&A is February 25, 2020.

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, production and development company, based in Canada, with oil and gas interests in Africa. The Company has also made equity investments in a number of international oil and gas exploration companies and, subsequent to the end of the year, has announced the completion of the acquisition of an interest in a Company holding interests in producing and developing oilfields in deep-water Nigeria (see Prime Oil and Gas B.V. 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.

PRIME OIL AND GAS B.V.

On January 14, 2020, the Company announced the closing of the acquisition (the "Acquisition") of a 50% ownership interest in Prime Oil and Gas B.V. ("POGBV", previously known as Petrobras Oil and Gas B.V.). BTG Pactual E&P B.V. ("BTG") continue to own the remaining 50% of POGBV. The total payment by AOC to close the Acquisition, including the Nigerian Government's consent fee, amounted to $519.5 million. This includes a deferred payment of $24.8 million which is due by end of June 2020. The payment of $519.5 million had been funded through a loan facility of $250.0 million with BTG and a cash payment of $269.5 million. In addition, the Company paid notary fees amounting to $1.8 million.

The $250m Loan facility (“Term Loan”) with BTG was drawn on 11 January 2020 and has a duration of 2 years. The Company has provided security in respect of the Term Loan mainly in the form of a share pledge, over the shares of Petrovida owned by Africa Oil and a charge over the bank accounts. into which the POGBV dividends are paid. The loan principal will be repaid by 80% of the dividends received from POGBV.

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.

A deferred payment of $118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field.

The three fields in these two OMLs are all located over 100 km offshore Nigeria. Aggregate gross field production from these assets averaged approximately 442,000 barrels of oil per day ("bopd") between January 1, 2019 and December 31, 2019. Average daily entitlement production net to AO's 50% shareholding in POGBV for the same period, was approximately 33,630 bopd. This compares to a January 2019 average net entitlement production of 22,460 bopd, with growth over the course of 2019 being mostly due to the production ramp-up on the Egina field. 2019 average operating costs were $7/boe. The fields all have high quality reservoirs and produce light sweet crude oil with Floating Production, Storage and Offloading (“FPSO”) facilities.

On February 4, 2020, the Company received its first dividend from POGBV. POGBV has distributed a $125.0 million dividend with a net payment to Africa Oil of $62.5 million related to its 50% interest. The Company will apply this amount, and any future dividends, in priority towards the repayment of its loan facility, in order to accelerate the repayment of the loan principal amount.

Azinam Block 3B/4B

On February 7, 2020, a wholly-owned subsidiary of the Company completed the acquisition of a 20% participating interest in the Block 3B/4B Exploration Right from Azinam Limited ("Azinam") for a consideration of approximately $3.0 million. Africa Oil will assume operatorship for the joint venture partners; Azinam will retain a 20% participating interest and Ricocure (Pty) Ltd holds the remaining a 60% participating interest.

In accordance with the farmout agreement, the Company paid an initial deposit of $0.8 million to Azinam. Additionally, the Company will be obligated to carry 50% of Ricocure (Pty) Ltd’s share of all costs associated with the Government Work Program Commitments and Work Program and Budget for the carry period. The carry period is concluded when the partnership commits to drilling an exploratory well.

Block 3B/4B is located in the Orange Basin and covers an area of 17,581 square kilometres in water depths ranging from 300 to 2,500 meters. The Block is located along-trend of an emerging Mid-Cretaceous oil play where operators are planning to drill several key exploratory wells that have the potential to be play-openers for a world-class petroleum province. Partners have identified an inventory of leads and prospects from an existing 10,020 square kilometer 3D survey that encompasses a majority of the Block. During the Initial Period of 3 years. Africa Oil and partners are obligated to carry out regional subsurface review of existing seismic, geological and engineering data, and may also include some select reprocessing of the existing 3D data, leading to identification of exploration prospects and recommendations for subsequent Renewal Periods.

WORKING INTERESTS

The following table summarizes the Company's net working interests in Kenya, based on working interest ownership. Net working interests in Kenya are subject to Government back-in rights as follows:

Country	Block/Area	Operator	Current Net Working Interest %	Post back-in Net Working Interest %
Kenya	Block 10BB	Tullow	25%	20%
Kenya	Block 13T	Tullow	25%	19.375%
Kenya	Block 10BA	Tullow	25%	22.5%

OPERATIONS UPDATE

Tertiary Rift – Kenya

Exploration and Appraisal (Blocks 10BB and 13T)

The Early Oil Production System ("EOPS") is suspended due to severe damage to roads caused by adverse weather in the fourth quarter of 2019. Trucking remains on hold until all roads are repaired to a safe standard. EOPS production levels had reached 2,000 bopd with all the crude oil being trucked from Turkana to Mombasa by road. The first lifting of 240,000 barrels of sweet Kenyan crude oil occurred from Mombasa in August 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)

The Joint Venture Partners and the Government of Kenya have concluded negotiations around key fiscal and commercial principles for Project Oil Kenya with agreements between the parties documented in various Heads of Terms which were signed by the Joint Venture Partners and the Government of Kenya in Nairobi on June 25th. This is a material and encouraging step forward which gives all parties confidence that the development project will be robust at low oil prices. In addition, the completion of the Front End Engineering and Design ("FEED") studies for both the upstream and midstream, together with recent market soundings provide increased confidence in the project's capital expenditure estimate and construction timetable that is expected to see first oil three years after the Final Investment Decision ("FID").

Since January 2018, work to deliver on the agreed development plan has continued 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 bopd Central Processing Facility ("CPF") and an export pipeline, from the South Lokichar basin to Lamu (on the Kenyan coast), some 800 kilometers in length. This approach is expected to bring significant benefits as it enables an earlier 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 manner post first oil. Additional stages of development are expected to increase plateau production to 100,000 bopd or greater. Upstream FEED has been completed by WorleyParsons and Environmental and Social Impact Assessment ("ESIA") work on the upstream is expected to be submitted in the first quarter of 2020.

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 October 25, 2017. The associated Midstream FEED, awarded to Wood Group, is now complete and the associated ESIA has been submitted, studies on pipeline financing and ownership, have been initiated and are expected to continue throughout 2020.

The Government of Kenya continues to make good progress, both in acquiring the land for the upstream and pipeline and securing water rights for the upstream.

Exploration Blocks 10BA

During 2017, the Joint Venture Partners entered the Second Additional Exploration Period on Block 10BA. In the second quarter of 2019, the Government of Kenya granted an extension to the 10BA Second Additional Exploration Period. This period will now expire on April 26, 2021.

Tertiary Rift – Ethiopia

The Company has not been successful in attracting joint venture partners to farmin to its 100% interest in the Rift Basin Area (Ethiopia). The exploration period expired in August 2019 and the block has been relinquished. A $4.9 million impairment of previously capitalized intangible exploration assets was recorded in 2018 related to the Company's operations in Ethiopia. The Company has started the process of exiting 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.

The Company held the following equity investments:

	December 31, 2019	December 31, 2018
Investment in Eco	$ 12,022	$ 10,192
Investment in Africa Energy	17,882	19,518
Investment in Impact	33,659	36,224
Total Investment	$ 63,563	$ 65,934

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

Eco holds working interests in four exploration blocks offshore Namibia and one exploration block offshore Guyana. During April 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 AOC on a non-brokered private placement basis. 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.

On August 12, 2019, the Company announced an oil discovery on the Orinduik Block, offshore Guyana. The Jethro-1 exploration well was drilled by the Stena Forth drillship to a final depth of 14,331 feet (4,400 meters) in approximately 1,350 meters of water. Evaluation of logging data confirms that the Jethro-1 is the first discovery on the Orinduik licence and comprises oil-bearing sandstone reservoir of Lower Tertiary age. It encountered 180.5 feet (55 meters) of net oil pay in the Lower Tertiary sandstone reservoirs. The well has been cased and is now awaiting further evaluation to determine the appropriate appraisal activity.

On September 16, 2019, the Company announced a second oil discovery on the Orinduik block in the Joe-1 exploration well resulting in the opening of a new Upper Tertiary oil play in the Guyana basin. The Joe-1 exploration well was drilled by the Stena Forth drillship to a total depth of 2,175 metres in water depth of 780 metres. Evaluation of MWD, wireline logging and sampling data confirm 16 metres of net oil pay in oil-bearing sandstone reservoirs of Upper Tertiary age. Joe-1 is the first oil discovery to be made in the Upper Tertiary and de-risks the petroleum system of the western area of the Orinduik block, where a number of Tertiary and Cretaceous age prospects have been identified. Additional thinner sands above and below the main pay at Joe-1 are being evaluated for possible incremental pay.

On November 13, 2019, the operator (Tullow) of the Orinduik block announced that: "Following the completion of well operations, oil samples were sent for laboratory analysis and results indicate that the oils recovered from both Jethro-1 and Joe-1 are heavy crudes, with high sulphur content. Tullow and the Joint Venture Partners are assessing the commercial viability of these discoveries considering the quality of the oil, alongside the high-quality reservoir sands and strong overpressure". Partners on the block are: Tullow (operator), 60% Working Interest ("WI"), Total EP Guyana BV (25% WI) and Eco (15% WI). Africa Oil holds an approximately 18.4% equity interest in Eco.

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"). On January 28, 2020, Africa Energy completed a private placement, in which the Company participated, investing approximately $5.0 million, acquiring 20,930,000 shares, decreasing the Company's ownership interest in Africa Energy from approximately 34.5% at the end of the year to approximately 32.6%.

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 (34.5% ownership interest) and Impact Oil and Gas Limited (29.9% ownership interest, increasing to 32.2% post period end).

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.

In December 2019, Africa Energy announced that Shearwater GeoServices Holding AS ("Shearwater") commenced an initial 2D seismic program of 3,370 linear kilometers using the Multi-Purpose Vessel SW Cook. The goal of the 2D seismic program is to define the lead and prospect inventory of the large under-explored area in Block 11B/12B to the east of the Paddavissie Fairway. The joint venture has increased the scope of the initial program, which will focus on the highly prospective areas of interest identified with onboard fast-track processing and recently reprocessed legacy 2D seismic data.

On December 29, 2019, Petroleum Geo-Services ASA ("PGS") commenced the second phase 3D seismic program of 2,200 square kilometers using the PGS Apollo seismic vessel. In this second phase of 3D seismic work, the joint venture plans to cover the remainder of the Paddavissie Fairway, including a vast extension to the north, to better delineate the prospects and leads identified on the previous 2D and 3D data.

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. Impact acquired its first asset, the Tugela South Exploration Right, offshore South Africa in 2011 and has subsequently expanded its asset base across the offshore margins of South and West Africa. It has since partnered with ExxonMobil and Statoil (South Africa), CNOOC (AGC - between Senegal and Guinea Bissau) and Total S.A. (Namibia and South Africa). On February 14, 2020, Impact announced a capital raise, in which the Company participated, investing approximately $12.0 million, acquiring 45,000,000 shares, increasing the Company’s ownership interest in Impact from approximately 29.9% at the end of the year to approximately 32.2%.

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 for corporate income tax and value added tax by the Kenya Revenue Authority (“KRA”) relating to farmout transactions completed during the period 2012 to 2017.

The 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. Multiple avenues are available to resolve this dispute including alternative dispute resolution and appeal to the Tax Appeals Tribunal. An appeal has been made to the Tax Appeals Tribunal and the case was heard by the Tax Appeals Tribunal on 28th September 2019. The Company awaits the decision of the tribunal and will consider further steps, potentially including appeal, once the decision of the tribunal is known.

Court Proceedings

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

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

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

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**	**31-Dec 2018**	**30-Sep 2018**	**30-Jun 2018**	**31-Mar 2018**
Operating expenses ($)	147,692	2,684	11,755	2,875	20,171	2,358	48,416	2,575
Interest income ($)	1,556	2,128	2,301	2,393	2,026	2,035	1,592	1,287
Net loss attributable to common shareholders ($)	(146,198)	(597)	(9,463)	(511)	(18,221)	(323)	(46,843)	(1,326)
Weighted average shares - Basic	471,214	471,214	471,214	470,654	470,568	470,568	465,482	460,339
Weighted average shares - Diluted	471,214	471,214	471,214	470,654	470,568	470,568	465,482	460,339
Basic loss per share ($)	(0.31)	(0.00)	(0.02)	(0.00)	(0.04)	(0.00)	(0.10)	(0.00)
Diluted loss per share ($)	(0.31)	(0.00)	(0.02)	(0.00)	(0.04)	(0.00)	(0.10)	(0.00)
Oil and gas expenditures ($)	6,585	10,833	4,801	13,141	14,570	8,845	10,360	10,986

Operating expenses

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, recorded 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.

Increased operating expenses, recorded during the second quarter of 2019 primarily relate to the recognition of $9.2 million in losses from the Company's Equity Investments. These were driven by a $7.4 million loss recorded during the quarter on the Impact investment, where a provision was made for certain Gabon property impairments. Impact continues to hold a broad portfolio of high impact exploration and appraisal opportunities.

Increased operating expenses, recorded during the fourth quarter of 2019 primarily relate to the recognition of a $139.5 million impairment of intangible exploration assets relating to the valuation of the Kenyan development project. Additionally, the Company recognized $3.4 million in losses relating to its investments in Africa Energy, Eco and Impact. Furthermore, salaries and benefits increased by $1.6 million as a result of short-term incentive plan payouts during December.

Equity-based compensation

Three months ended (thousands, except per share amounts)	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**	**31-Dec 2018**	**30-Sep 2018**	**30-Jun 2018**	**31-Mar 2018**
Options granted	2,947	280	-	50	1,966	-	-	-
Performance share units granted	128	-	-	2,655	-	-	-	2,152
Restricted share units granted	32	-	-	1,231	95	-	-	1,119
Exercise price per share ($CAD)	1.16	1.13	-	1.06	1.06	-	-	-
Equity-based compensation expense ($)	634	433	763	404	50	802	504	233

During the year ended December 31, 2019, the Company recognized a total of $2.2 million in equity-based compensation expense relating to the Long Term Incentive Plan ("LTIP") and Stock Option Plan (2018 – $1.6 million).

Of the amounts recognized in equity-based compensation expense, $1.2 million, relating to Performance Share Units ("PSUs") and Share Purchase Options, were recorded in contributed surplus during the year ended December 31, 2019, (2018 – $1.0 million). Equity-based compensation related to Restricted Share Units ("RSUs") amounting to $1.0 million (December 31, 2018 - $0.6 million) were recorded as a liability. As at December 31, 2019, $0.8 million of short term liabilities (2018: $0.7 million) and $0.6 million of long term liabilities are recorded related to RSUs (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 third quarter of 2019. Interest rates decreased during the last quarter of 2019.

RESULTS OF OPERATIONS

(thousands)	Three months ended December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
Salaries and benefits	$ 2,097	$ 1,433	$ 3,481	$ 2,682
Equity-based compensation	634	50	2,234	1,589
Travel	165	259	1,141	1,244
Office and general	879	34	2,091	687
Project evaluation	(202)	1,479	560	2,461
Donation	-	652	-	652
Depreciation	342	4	546	84
Professional fees	678	258	1,173	679
Stock exchange and filing fees	139	96	602	576
Fair market value adjustment of warrants	-	-	-	1,067
Share of (gain)/loss from equity investment	3,446	11,005	13,664	12,210
Impairment of intangible exploration assets	139,514	4,901	139,514	49,590
Operating expenses	$ 147,692	$ 20,171	$ 165,006	$ 73,521

Operating expenses increased $127.5 million during the fourth quarter of 2019 compared to the same period in 2018. The Company recognized an impairment relating to the Company's intangible exploration assets in Kenya of $139.5 million during the fourth quarter of 2019 compared to an impairment relating to the Company's intangible exploration assets in Ethiopia of $4.9 million during the fourth quarter of 2018. Salaries and benefits increased $0.7 million during the three months ended December 31, 2019 which is primarily due to an increase in annual short-term incentive pay as well as additional staff in the new office in London. Equity-based compensation increased $0.6 million due to the revaluation of RSUs. Office and general increased $0.8 million due to consulting work being performed on potential business opportunities, and creation of a new office in London. Project evaluation decreased as expenses relating to the acquisition of POGBV were reallocated to prepaid expenses to be capitalized during January 2020. Depreciation increased $0.3 million due to the depreciation expenses associated with the new office and living accommodations in London. Professional fees increased $0.4 million due to due diligence being performed on potential business opportunities. The share of losses from equity investments decreased $7.6 million during the three months ended December 31, 2019 compared to the same period in 2018.

Operating expenses increased $91.5 million during the year ended December 31, 2019 compared to the same period in 2018. The Company recognized an impairment relating to the Company's intangible exploration assets in Kenya of $139.5 million during 2019 compared a $49.6 million impairment of intangible exploration assets during the year ended December 31, 2018 relating to the relinquishment of Block 9 in Kenya as well as the relinquishment of the Rift Basin block in Ethiopia. Salaries and benefits increased $0.8 million during the year ended December 31, 2019 which is primarily due to an increase in annual short-term incentive pay as well as additional staff in the new office in London. Equity-based compensation increased $0.6 million due to the revaluation of RSUs. Office and general increased $1.4 million due to consulting work being performed on potential business opportunities and the creation of a new office in London. Project evaluation decreased as expenses relating to the acquisition of POGBV were reallocated to prepaid expenses to be capitalized during January 2020. Donations decreased as the Company did not make any donations during the year ended December 31, 2019 compared to a donation of $0.7 million during the year ended December 31, 2018. Depreciation increased $0.5 million due to the depreciation expenses associated with the new office and living accommodations in London. Professional fees increased $0.5 million due to due diligence being performed on potential business opportunities. The Company recognized $1.1 million in losses during the year ended December 31, 2018 relating to the revaluation of Impact warrants acquired during the first quarter of 2018. These warrants were exercised at the end of 2018. The share of loss from equity investments increased $1.5 million during the year ended December 31, 2019 compared to the year ended December 31, 2018.

SELECTED ANNUAL INFORMATION

For the years ended December 31, (thousands, except per share amounts)	**2019**	**2018**	**2017**
Statement of Operations			
Interest income	$ 8,378	$ 6,940	$ 4,582
Net loss and comprehensive loss attributable to common shareholders	(156,769)	(66,714)	(4,531)
Data per Common Share			
Basic loss per share ($/share)	(0.33)	(0.14)	(0.01)
Diluted loss per share ($/share)	(0.33)	(0.14)	(0.01)
Balance Sheet			
Working capital	290,749	340,744	436,292
Total assets	812,305	953,910	1,006,312
Long term liabilities	$ 2,620	$ 458	$ 648

Interest income increased year over year due to the increase in cash upon closing of the farmout agreement with Maersk and increasing interest rates on short-term U.S. dollar deposits.

The net loss attributable to common shareholders increased by $90.1 million in 2019 compared to the year ended 2018 due to an increase in operating expenses, as described above. The net loss attributable to common shareholders increased by $62.2 million in 2018 compared to the year ended 2017 which is mainly due to the Company recognizing a $49.6 million impairment of intangible exploration assets relating to the relinquishment of Block 9 in Kenya as well as the relinquishment of the Rift Basin block in Ethiopia. In addition, project evaluation expenses increased $2.5 million and the Company's share of losses from equity investments increased $10.7 million during the year ended December 31, 2018 compared to the year ended December 31, 2017.

Cash decreased in 2019 primarily due to capital expenditures and investments in Eco and Impact. Cash decreased in 2018 primarily due to capital expenditures and investments Africa Energy and Impact.

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

INTANGIBLE EXPLORATION ASSETS

(thousands)	December 31, 2019	December 31, 2018
Intangible exploration assets	$ 411,669	$ 515,823

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

For the years ended	December 31, 2019			December 31, 2018		
(thousands)	Kenya	Ethiopia	Total	Kenya	Ethiopia	Total
Drilling and completion	$ 5,347	$ -	**$ 5,347**	$ 7,623	$ 9	**$ 7,632**
Development studies	18,685	-	**18,685**	24,319	-	**24,319**
Exploration surveys and studies	55	-	**55**	218	103	**321**
PSA and G&A related	11,273	-	**11,273**	10,109	2,380	**12,489**
Total	$ 35,360	$ -	**$ 35,360**	$ 42,269	$ 2,492	**$ 44,761**

During the year ended December 31, 2019, intangible exploration assets decreased by $104.2 million. Expenditures of $35.4 million were incurred during the period, which was offset by impairment charges amounting $139.5 million relating to the Kenyan development project. The 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. During the third quarter of 2019, $3.3 million of proceeds from the sale of test oil production were offset against intangible exploration expenditures.

The recoverable amount of intangible exploration assets is determined as the fair value less costs of disposal using a discounted cash flow method and is assessed at the CGU level. At December 31, 2019, the Company has determined that the Kenyan development project CGU (blocks 10BB and 13T) would continue, however, the carrying amount of the assets is unlikely to be recovered once the project is sanctioned. As such, an impairment test was performed. The fair value of the Company's intangible exploration assets is designated Level 3 on the fair value hierarchy.

In order to calculate the fair value of the Kenyan development project less costs of disposal, the Company used estimated 2C resources with a real $60/bbl Brent price less a discount of $3/bbl for the quality of the crude oil. The Company used a pre-tax discount rate of 15 percent. Forecasted benchmark commodity prices are assumed to increase by 2% each year. Cash flows have been projected to the end of the Production Sharing Contracts ("PSCs").

The impairment test of intangible exploration assets at December 31, 2019 concluded that the carrying amount of the intangible exploration assets of $473.5 million, in relation to the Kenya development project, exceeded its fair value less costs of disposal of $334.0 million. As a result, a total impairment loss of $139.5 million was recorded in expenses.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2019, the Company had cash of $329.5 million and working capital of $290.7 million as compared to cash of $370.3 million and working capital of $340.7 million at December 31, 2018.

In January 2020, the Company announced the closing of the acquisition of POGBV. The total payment by AOC to close the Acquisition, including the Nigerian Government's consent fee, amounted to $519.5 million. This includes a deferred payment of $24.8 million which is due by end of June 2020. The payment of $519.5 million had been funded through a loan facility of $250.0 million with BTG and a cash payment of $269.5 million. In addition, the Company paid notary fees amounting to $1.8 million. A deferred payment of $118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field. On February 4, the Company received its first dividend from POGBV. POGBV has distributed a $125.0 million dividend with a net payment to Africa Oil of $62.5 million related to its 50% interest. The Company will apply this amount, and any future dividends, in priority towards the repayment of its loan facility, in order to accelerate the repayment of the loan principal amount.

Under the terms of a farmout agreement completed in 2016 with Maersk (whose interest in the joint venture partnership was subsequently acquired by Total S.A.), upon a Final Investment Decision ("FID") of the South Lokichar development project (Block 10BB and 13T in Kenya), Total S.A. 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 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

Africa Oil, with the acquisition of 50% of POGBV, has now become a full-cycle E&P company with material reserves and production, strong operating netbacks, and free cash flow generation that is supported by an active oil price hedging program at the POGBV level.

In addition to the current producing reservoirs offshore Nigeria, there are additional growth opportunities in undeveloped horizons within existing fields; adjacent undeveloped discoveries; and identified exploration targets within the licenses that are under consideration for development and exploration drilling. One advanced opportunity is the Preowei oil discovery, which is being considered as a satellite tie-back to the Egina FPSO. In the first half of 2019 the Field Development Plan for the Preowei field within OML 130 was approved by the Government of Nigeria. Preowei is not currently included in the Company's reserves estimates.

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). The Joint Venture Partners and the Government of Kenya have concluded negotiations around key fiscal and commercial principles for Project Oil Kenya with agreements between the parties documented in various Heads of Terms which were signed by the Joint Venture

Partners and the Government of Kenya. The completion of the FEED studies for both the upstream and midstream, together with recent market soundings provide increased confidence in the project's capital expenditure estimate and construction timetable that is expected to see first oil three years after the FID. Environmental and Social Impact Assessments work on the upstream is expected to be completed during the first quarter of 2020.

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 Namibia and South Africa.

The oil discoveries in the Jethro-1 and Joe-1 wells have confirmed the presence of reservoir sands, seal and trap on the Orinduik block, offshore Guyana. Oil samples from the two wells were sent for laboratory analysis and results indicate that the oils recovered from both wells are heavy crudes, with high Sulphur content. The partners are assessing the commercial viability of these discoveries. the Company holds an approximately 18.4% equity interest in Eco, and Eco holds a 15% working interest in the Orinduik Block.

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy

At December 31, 2019, the Company owned 34.5% of the common shares of Africa Energy. During February 2020, the Company invested $5.0 million in a non-brokered private placement to acquire 20,930,000 common shares in Africa Energy, decreasing the Company's ownership interest in Africa Energy to 32.6% from 34.5%.

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 $0.1 million during 2019 (2018 – $0.1 million). At December 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 $0.5 million during the year ended December 31, 2019, ($ nil for year ended December 31, 2018). At December 31, 2019, the outstanding balance payable to Africa Energy was $ nil (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.

Remuneration of Directors and Senior Management

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

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

For the years ended December 31, (thousands)		2019		2018
Directors' fees	$	319	$	296
Directors' equity-based compensation		366		214
Managements' short-term wages and benefits		1,923		1,961
Managements' equity-based compensation		928		739
	$	3,536	$	3,210

COMMITMENTS AND CONTINGENCIES

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

Prime Oil and Gas B.V.:

A deferred payment of $118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field.

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 December 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 December 31, 2019, the Company's working interest in Block 13T was 25%.

These work commitments for 10BB and 13T have been fulfilled.

Under the terms of the Block 10BA PSC, during May 2019, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in April 2021. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 kilometers of 2D seismic or 25 square kilometers of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is $19.0 million. Seismic acquisition commitments have been completed; the well commitment is outstanding. At December 31, 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	10,362,500
Outstanding performance share units	5,319,112
Outstanding restricted share units	2,602,593
Full dilution impact on common shares outstanding	489,498,624

Subsequent to the end of the year, 3,278,000 options were cancelled.

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, 2019.

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, and income taxes.

Intangible Exploration Assets

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

Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are recognized in the statement of 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 contingent resources, future commodity prices, expected production volumes, future operating and development costs, among others. The estimated useful life of the CGU, the timing of future cash flows and discount rates are also important assumptions made by management.

Equity Based Compensation

The Company 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.

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 December 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 December 31, 2018, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.
Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

RISK FACTORS

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

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.

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.

International Operations

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

Different Legal System and Litigation

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

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

Financial Statements Prepared on a Going Concern Basis

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

Shared Ownership and Dependency on Partners

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

Investments in Associates

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

Uncertainty of Title

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

Risks Relating to Concessions, Licenses and Contracts

The Company's operations are based on a relatively limited number of concession agreements, licenses and contracts. The rights and obligations under such concessions, licenses and contracts may be subject to interpretation and could also be affected by, among other things, matters outside the control of the Company. In case of a dispute, it cannot be certain that the view of the Company would prevail or that the Company otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on the Company. Also, if the Company or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, the Company's rights under such concessions, licenses or contracts may be relinquished in whole or in part.

Competitive Conditions

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

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

Risks Inherent in Oil and Gas Exploration and Development

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

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

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

Well-flow Test Results

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

Capital Requirements

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

Environmental Protection

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

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

Foreign Currency Exchange Rate Risk

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

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.

Independent auditor's report

To the Shareholders of Africa Oil Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Africa Oil Corp. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of net loss and comprehensive loss for the years then ended;
- the consolidated statements of equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 25, 2020

AFRICA OIL CORP.

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

	Note		December 31, 2019		December 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents		$	329,464	$	370,337
Accounts receivable			161		560
Prepaid expenses			4,106		1,221
			333,731		372,118
Long-term assets					
Equity investments	7		63,563		65,934
Property and equipment	5		3,342		36
Intangible exploration assets	6		411,669		515,823
			478,574		581,793
Total assets		$	812,305	$	953,911
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	40,962	$	30,624
Equity-based compensation liability	9		787		749
Lease obligations	13		1,233		-
			42,982		31,373
Long-term liabilities					
Equity-based compensation liability	9		587		458
Lease obligations	13		2,033		-
			2,620		458
Total liabilities			45,602		31,831
Equity attributable to common shareholders					
Share capital	8(b)		1,305,953		1,305,129
Contributed surplus			51,389		50,821
Deficit			(590,639)		(433,870)
Total equity attributable to common shareholders			766,703		922,080
Total liabilities and equity attributable to common shareholders		$	812,305	$	953,911
Commitments and contingencies	12				
Subsequent event	22				

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

Approved on behalf of the Board:

"ANDREW BARTLETT" | *"KEITH HILL"*

ANDREW BARTLETT, DIRECTOR | **KEITH HILL, DIRECTOR**

AFRICA OIL CORP.

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

For the years ended	**Note**	**December 31, 2019**	**December 31, 2018**
Operating expenses			
Salaries and benefits		3,481	$ 2,682
Equity-based compensation	9	2,234	1,589
Travel		1,141	1,244
Office and general		2,091	687
Project evaluation		560	2,461
Donation	21	-	652
Depreciation	5	546	84
Professional fees		1,173	679
Stock exchange and filing fees		602	576
Fair market value adjustment of w arrants	7	-	1,067
Share of loss from equity investments	7	13,664	12,210
Impairment of intangible exploration assets	6	139,514	49,590
		165,006	73,521
Finance income	14	(8,378)	(6,940)
Finance expense	14	141	133
Net loss and comprehensive loss attributable to common shareholders		156,769	66,714
Net loss attributable to common shareholders per share	17		
Basic		$ 0.33	$ 0.14
Diluted		$ 0.33	$ 0.14
Weighted average number of shares outstanding for the purpose of calculating earnings per share	17		
Basic		471,076,199	468,045,570
Diluted		471,076,199	468,045,570

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

AFRICA OIL CORP.

Consolidated Statements of Equity
(Expressed in thousands of United States dollars)

	Note	December 31, 2019	December 31, 2018
Share capital:	8(b)		
Balance, beginning of the year		$ 1,305,129	$ 1,290,796
Settlement of Performance Share Units		620	-
Settlement of Restricted Share Units		204	-
Share issuance		-	14,327
Exercise of options		-	6
Balance, end of the year		1,305,953	1,305,129
Contributed surplus:			
Balance, beginning of the year		$ 50,821	$ 49,814
Equity-based compensation	9	1,188	1,008
Settlement of Performance Share Units	9	(620)	-
Exercise of options	9	-	(1)
Balance, end of the year		51,389	50,821
Deficit:			
Balance, beginning of the year		$ (433,870)	$ (367,156)
Net loss and comprehensive loss attributable to common shareholders		(156,769)	(66,714)
Balance, end of the year		(590,639)	(433,870)
Total equity attributable to common shareholders		$ 766,703	$ 922,080

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

AFRICA OIL CORP.

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

For the years ended	Note	December 31, 2019	December 31, 2018
Cash flows provided by (used in):			
Operations:			
Net loss and comprehensive loss for the year		$ (156,769)	$ (66,714)
Items not affecting cash:			
Equity-based compensation	9	2,234	1,589
Depreciation	5	546	84
Impairment of intangible exploration assets	6	139,514	49,590
Interest on lease obligations	13	68	-
Share of loss from equity investments	7	13,664	12,210
Fair value adjustment - warrants	7	-	1,067
Unrealized foreign exchange loss		42	83
Changes in non-cash operating working capital	20	(3,783)	142
Net cash used in operating activities		(4,484)	(1,949)
Investing:			
Property and equipment expenditures	5	(107)	(15)
Intangible exploration expenditures	6	(35,360)	(44,761)
Advance carry relating to farmout		-	75,000
Equity investment	7	(11,293)	(47,832)
Changes in non-cash investing working capital	20	11,635	(1,745)
Net cash used in investing activities		(35,125)	(19,353)
Financing:			
Common shares issued	8(b)	-	5
Settlement of Restricted Share Units	9	(676)	(573)
Payment of lease obligations	13	(546)	-
Net cash used in financing activities		(1,222)	(568)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(42)	(83)
Decrease in cash and cash equivalents		(40,873)	(21,953)
Cash and cash equivalents, beginning of the year		$ 370,337	$ 392,290
Cash and cash equivalents, end of the year		$ 329,464	$ 370,337
Supplementary information:			
Interest paid		Nil	Nil
Income taxes paid		Nil	Nil

The notes are an integral part of the consolidated 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 and production company based in Canada with oil and gas interests in Africa. The Company’s registered address is Suite 2600, 1066 West Hastings Street Vancouver, BC, V6E 3X1.

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 its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at February 25, 2020, the date the Board of Directors approved the statements.

b) Basis of measurement:

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

c) Functional and presentation currency:

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

d) Use of estimates and judgments:

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

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 2019 requires the use of estimates and judgments and is described further in Note 9 below.

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

i) Exploration and evaluation costs:

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

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

ii) Equity-based compensation:

Charges for share purchase options are based on the fair value at the date of the award. Share purchase options are valued using the Black-Scholes model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding (see note 9).

The estimated fair value of Performance share units ("PSUs") is calculated based on non-market performance conditions set by the Company which are initially determined at the time of grant. The Company assesses the progress of reaching the individual performance conditions during each reporting period. PSUs cliff vest three years from the date of grant, at which time the Board of Directors will assign a performance multiple ranging from nil to two hundred percent to determine the ultimate vested number of PSUs. It is anticipated that PSU settlements will be made by issuing shares from treasury (see note 9).

The estimated fair value of the Restricted share units ("RSUs") is initially determined at the time of grant. The awards are revalued every quarter based on the Company's share price (see note 9). RSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

iii) Consolidation of entities:

When assessing control over a subsidiary, the Company is required to consider the nature of its relationship with the subsidiary, and whether strategic and operating decisions made by the subsidiary are made independently without the significant influence or control of the Company. Factors considered when assessing for control include share ownership, board composition and management involvement in the business. The determination of whether strategic and operating decisions made by the Company's subsidiaries are made independently without the significant influence or control of the Company requires judgment (see note 7 and 16).

iv) Valuation of investments:

Investments in associates are initially recorded at cost. The Company assesses investments in associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable (see note 7).

v) Deferred tax asset:

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

vi) Contingencies:

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

3) Significant accounting policies:

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

a) Basis of consolidation:

i) Subsidiaries:

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

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The fair value of property, plant and equipment and intangible exploration assets recognized in a business combination, is based on market values. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of net loss and comprehensive loss.

ii) Jointly controlled operations and jointly controlled assets:

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

iii) Transactions eliminated on consolidation:

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

b) Equity method:

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

The Company assesses investments in associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable. If such impairment indicators exist, the carrying amount of the investment is compared to its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs to sell and its value in use. The investment is written down to its recoverable amount when its carrying amount exceeds the recoverable amount.

c) Foreign currency:

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

d) Property and equipment and Intangible exploration assets:

i) Pre-exploration expenditures:

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

ii) Exploration expenditures:

Exploration expenditures include costs associated with the acquisition of a license interest, directly attributable general and administrative costs, expenditures incurred in the process of determining oil and gas exploration targets, and exploration drilling costs. All exploration expenditures with common geological structures and shared infrastructure are accumulated together within intangible exploration assets. The Company does not aggregate exploration expenditures above the segment level for the purpose of impairment testing. Costs are not depleted until such time as the exploration phases on the license area are complete, the license area is relinquished, or commercially viable reserves have been discovered and extraction of those reserves is determined to be technically feasible.

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

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

iii) Development and production costs:

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

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

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

e) Depreciation:

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

f) Impairment:

i) Financial assets carried at amortized cost:

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

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

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

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

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

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

ii) Non-financial assets:

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a 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, and a post-tax discount rate is applied. In the absence of such transactions, an appropriate valuation model is used.

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

g) Share purchase options:

The Company has a stock option plan as described in note 9. The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing share purchase options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period, commencing from the date of employee service, as stock-based compensation expense and an increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. When the share purchase options are exercised, the proceeds received and the applicable amounts recorded in contributed surplus are credited to share capital.

h) Performance share units ("PSUs"):

The Company has a long term incentive plan as described in note 9. Eligible plan participants may be granted PSUs. PSUs are accounted for as equity based awards. The estimated fair value of the awards is calculated based on non-market performance conditions set by the Company which are initially determined at the time of grant. The Company assesses the progress of reaching the individual performance conditions during each reporting period. PSUs cliff vest three years from the date of grant and the estimated fair value of the grant will be expensed evenly throughout the remaining vesting period. PSUs are expected to be settled in equity.

i) Restricted share units ("RSUs"):

The Company has a long term incentive plan as described in note 9. Eligible plan participants may be granted RSUs. RSUs are accounted for as cash based awards and recorded as a liability. The estimated fair value of the awards is initially determined at the time of grant. The awards are revalued every quarter based on the Company's share price and the change is recorded as equity-based compensation in the statement of operations. RSUs granted to Non-Executive Directors cliff vest three years from the date of grant. RSUs granted to all other eligible plan participants vest over three years (1/3 on the first, second and third anniversary of grant). The estimated fair value of RSUs are expensed evenly throughout the remaining vesting period. RSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

j) Finance income and expenses:

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

Gains and losses related to revaluation of marketable securities and warrants and related to foreign currency are reported under each of finance income and finance expenses on a net basis.

k) Income tax:

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

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

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

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

l) Earnings per share:

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

m) Financial instruments:

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

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

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

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

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

ii) Available-for-sale investments:

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

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

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

iii) Loans and receivables (amortized cost):

Loans and receivables at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents and accounts receivable. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iv) Financial liabilities at amortized cost:

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

n) Provisions:

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

Decommissioning obligations:

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

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

4) 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.

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 4.18% and 13.0% for the office lease in Kenya. The incremental borrowing rate as at August 1, 2019 for the Company's office and residential leases in the UK is 3.51%. 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.

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

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.

The difference between the operating lease commitments disclosed in the financial statements dated December 31, 2018 and the date of initial application, January 1, 2019, is as follows:

Lease Obligations	
Operating lease commitments at December 31, 2018, as previously reported	776
Adjustment to reflect discounting	(40)
Less, exemption for low value leases	(6)
Less, modifications	(387)
Lease liabilities recognized at January 1, 2019	343

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.

5) Property and equipment:

		December 31, 2019		December 31, 2018
Cost, beginning of the year	$	624	$	609
Additions		107		15
Increase in right-of-use assets		3,745		-
Cost, end of the year		4,476		624
Accumulated depreciation, beginning of the year		(588)		(504)
Depreciation		(546)		(84)
Accumulated depreciation, end of the year		(1,134)		(588)
Net carrying amount, beginning of the year	$	36	$	105
Net carrying amount, end of the year	$	3,342	$	36

As at December 31, 2019, the Company has recorded $3.3 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 $0.5 million relating to the Company's right-of-use assets.

6) Intangible exploration assets:

	Note		December 31, 2019		December 31, 2018
Net carrying amount, beginning of the year		$	515,823	$	520,652
Intangible exploration expenditures	(a)		35,360		44,761
Impairment of intangible exploration assets	(b)		(139,514)		(49,590)
Net carrying amount, end of the year		$	411,669	$	515,823

a) Intangible exploration expenditures:

As at December 31, 2019, $411.7 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 December 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 third quarter of 2019, $3.3 million of proceeds from the sale of test oil production were offset against intangible exploration expenditures.

During the year ended December 31, 2019, the Company capitalized $5.7 million of general and administrative expenses related to intangible exploration assets (December 31, 2018 - $7.6 million).

Under the terms of a farmout agreement completed in 2016 with Maersk (whose interest in the joint venture partnership was subsequently acquired by Total S.A.), upon a Final Investment Decision ("FID") of the South Lokichar development project (Block 10BB and 13T in Kenya), Total S.A. 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.

b) Impairment of intangible exploration assets

The recoverable amount of intangible exploration assets is determined as the fair value less costs of disposal using a discounted cash flow method and is assessed at the CGU level. At December 31, 2019, the Company has determined that the Kenyan development project CGU (blocks 10BB and 13T) would continue, however, due to a reduction in oil price assumption, an impairment test was performed. The fair value of the Company's intangible exploration assets is designated Level 3 on the fair value hierarchy.

In order to calculate the fair value of the Kenyan development project less costs of disposal, the Company used estimated 2C resources with a real $60/bbl Brent price less a discount of $3/bbl for the quality of the crude oil. The Company used a pre-tax discount rate of 15 percent. Forecasted benchmark commodity prices are assumed to increase by 2 percent each year. Cash flows have been projected to the end of the Production Sharing Contracts ("PSCs").

The impairment test of intangible exploration assets at December 31, 2019 concluded that the carrying amount of the intangible exploration assets of $473.5 million in relation to the Kenya development project exceeded its fair value less costs of disposal of $334.0 million. As a result, a total impairment loss of $139.5 million was recorded in expenses.

As at December 31, 2019, a one percent increase in the assumed discount rate would result in an additional pre-tax impairment expense of $41.0 million. Using a discount rate of 12 percent, no impairment would be required as the recoverable amount would exceed the carrying amount by $15.0 million.

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.

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

The exploration period in the Rift Basin Area (Ethiopia), expired in August 2019. In 2018, all previously capitalized intangible exploration assets associated with this area, amounting to $4.9 million, have been impaired.

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

Impairment losses can be reversed in future periods if the estimated recoverable amount of the CGU exceeds its carrying value. The impairment recovery is limited to a maximum of the estimated depleted historical cost if the impairment had not been recognized.

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.

7) Equity investment:

The Company currently holds the following equity investments:

	December 31, 2019	December 31, 2018
Investment in Eco	$ 12,022	$ 10,192
Investment in Africa Energy	17,882	19,518
Investment in Impact	33,659	36,224
Total Investment	$ 63,563	$ 65,934

The Company recognized a total loss of $13.6 million during the year ended December 31, 2019, relating to its equity investments ($12.2 million in losses for the year ended December 31, 2018).

The Company has determined that these investments are not impaired.

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

During April 2019, 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, increasing its ownership interest in Eco from 17.8% to approximately 18.4%. Eco is an oil and gas exploration company with interests in Guyana and Namibia.

	December 31, 2019	December 31, 2018
Balance, beginning of the year	$ 10,192	$ 11,077
Acquisition of common shares	-	-
Share of loss from equity investments	(3,170)	(885)
Additional investment through private placements	5,000	-
Balance, end of the year	$ 12,022	$ 10,192

During the year ended December 31, 2019, the Company recognized a loss of $3.2 million relating to its investment in Eco (2018 – $0.9 million).

The estimated fair value of the Company's investment in Eco as at December 31, 2019 is $25.6 million.

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

The following tables summarize Eco's financial information for the years ended December 31, 2019 and 2018. The information is based on non-audited financial information for the six months ended September 30, 2019 and audited information for the year ended March 31, 2019. Africa Oil is not aware of any material changes to the financial information.

	December 31, 2019	December 31, 2018
Other current assets	$ 129	$ 644
Cash and cash equivalents included in current assets	23,602	18,871
Non-current assets (1)	43,485	36,821
Current liabilities	(1,907)	(564)
Non-current liabilities	-	-
Net assets of Eco	65,309	55,773
Percentage ownership	18.4%	18.3%
Proportionate share of Eco's net assets	12,022	10,192

	December 31, 2019	December 31, 2018
Finance income	439	147
Net loss and comprehensive loss from continuing operations	(17,355)	(1,544)
Net loss and comprehensive loss	(17,355)	(1,544)
Proportionate share of Eco's net loss (2)	(3,170)	(284)

(1) At December 31, 2019, the carrying value of non-current assets includes a purchase price adjustment of $19.7 million.

(2) During 2019, the Company's ownership in Eco changed from 17.8% to 18.4% which impacted the Company's share of net losses.

b) Africa Energy:

The Company's ownership interest at December 31, 2019 in Africa Energy is approximately 34.5%. Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia. Subsequent to year end, Africa Energy announced a private placement, in which the Company participated, investing approximately $5.0 million, acquiring 20,930,000 shares, decreasing the Company's ownership interest in Africa Energy from approximately 34.5% at the end of the year to approximately 32.6%.

	December 31, 2019	December 31, 2018
Balance, beginning of the year	$ 19,518	$ 5,976
Share of loss from equity investments	(1,636)	(4,458)
Additional investment through private placements	-	18,000
Balance, end of the year	$ 17,882	$ 19,518

During the year ended December 31, 2019, the Company recognized losses of $1.6 million related to its investment in Africa Energy (2018 - $4.5 million).

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

The estimated fair value of the Company's investment in Africa Energy as at December 31, 2019 is $49.1 million.

The following table summarizes Africa Energy's financial information for the years ended December 31, 2019 and 2018. The information is based on non-audited financial information for the nine months ended September 30, 2019 and audited financial information for the year ended December 31, 2018. Africa Oil is not aware of any material changes to the financial information.

	December 31, 2019	December 31, 2018
Other current assets	$ 135	$ 266
Cash and cash equivalents included in current assets	2,445	3,009
Non-current assets [1]	49,323	53,311
Current liabilities	(103)	(78)
Non-current liabilities	(28)	-
Net assets of Africa Energy	51,772	56,508
Percentage ownership	34.5%	34.5%
Proportionate share of Africa Energy's net assets	17,882	19,518

	December 31, 2019	December 31, 2018
Finance income	67	558
Net loss and comprehensive loss from continuing operations	(4,003)	(13,085)
Net loss and comprehensive loss	(4,003)	(13,085)
Proportionate share of Africa Energy's net loss	(1,636)	(4,458)

(1) At December 31, 2019, the carrying value of non-current assets includes a purchase price adjustment of $10.0 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 December 31, 2019 the Company's ownership interest in Impact is approximately 29.9%. 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

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

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.

Subsequent to year end, Impact announced a capital raise, in which the Company participated, investing approximately $12.0 million, acquiring 45,000,000 shares, increasing the Company's ownership interest in Impact from approximately 29.9% at the end of the year to approximately 32.2%.

	December 31, 2019	December 31, 2018
Balance, beginning of the year	$ 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	(8,858)	(6,867)
Balance, end of the year	$ 33,659	$ 36,224

During the year ended December 31, 2019, the Company recognized losses of $8.9 million related to its investment in Impact (2018 - $6.9 million). During the year ended December 31, 2018, the Company capitalized $0.8 million in fees relating to the acquisition of shares and warrants.

The following tables summarize Impact's financial information for the years ended December 31, 2019 and 2018. The information is based on non-audited financial information for the year ended December 31, 2019. Africa Oil is not aware of any material changes to the financial information.

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

		December 31, 2019		December 31, 2018
Other current assets	$	781	$	366
Cash and cash equivalents included in current assets		30,944		28,603
Non-current assets [(1)]		86,580		100,373
Current liabilities		(3,689)		(2,491)
Non-current liabilities		(2,195)		(1,596)
Net assets of Impact		112,421		125,255
Percentage ownership		29.9%		28.9%
Proportionate share of Impact's net assets		33,659		36,224

	December 31, 2019	December 31, 2018
Finance income	-	636
Net loss and comprehensive loss from continuing operations	(27,444)	(24,338)
Net loss and comprehensive loss	(27,444)	(24,338)
Proportionate share of Impact's net loss [(2)]	(8,858)	(7,930)

(1) At December 31, 2019, the carrying value of non-current assets includes a purchase price adjustment of $34.8 million.

(2) During 2019, the Company's ownership in Impact changed from 30.09% to 29.9% which impacted the Company's share of net losses.

8) Share capital:

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

b) Issued:

		December 31, 2019			December 31, 2018		
	Note	Shares		Amount	Shares		Amount
Balance, beginning of the year		470,567,619	$	1,305,129	456,617,074	$	1,290,796
Settlement of Performance Share Units	9(b)	400,800		620	-		-
Settlement of Restricted Share Units	9(b)	246,000		204	-		-
Shares issued to Helios	(i)	-		-	13,946,545		14,327
Exercise of options	9	-		-	4,000		6
Balance, end of the year		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 7(c)), the Company issued 13,946,545 common shares to Helios.

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

9) Equity-based compensation:

During the year ended December 31, 2019, the Company recognized a total of $2.2 million in equity-based compensation expense relating to the Long Term Incentive Plan (“LTIP”) and Stock Option Plan (2018 – $1.6 million).

Of the amounts recognized in equity-based compensation expense, $1.2 million, relating to Performance Share Units (“PSUs”) and Share Purchase Options, were recorded in contributed surplus during the year ended December 31, 2019, (2018 – $1.0 million). Equity-based compensation related to Restricted Share Units (“RSUs”) amounting to $1.0 million (December 31, 2018 - $0.6 million) were recorded as a liability. As at December 31, 2019, $0.8 million of short term liabilities (2018: $0.7 million) and $0.6 million of long term liabilities are recorded related to RSUs (2018: $0.5 million).

a) Share purchase options

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

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

	December 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 year	10,856,667	1.95	9,539,333	2.15
Granted	3,277,000	1.16	1,966,000	1.06
Expired	(493,167)	2.35	(644,666)	2.18
Exercised	-	-	(4,000)	1.38
Balance, end of the year	13,640,500	1.75	10,856,667	1.95

During the year ended December 31, 2019, 0.5 million share purchase options expired (0.6 million options expired during the year ended December 31, 2018). During the year ended December 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.

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

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 year ended December 31, 2019 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	3,277,000	1,966,000
Fair value of options granted (CAD$ per option)	0.36	0.33
Risk-free interest rate (%)	1.62	2.19
Expected life (years)	3.00	3.00
Expected volatility (%)	43	43
Expected dividend yield	-	-

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

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
2.48	3,278,000	0.06
2.25	600,000	0.20
2.12	1,314,000	1.96
1.99	1,904,000	0.98
1.98	150,000	0.88
1.38	1,151,500	2.97
1.22	487,000	4.88
1.15	2,460,000	4.95
1.13	280,000	4.63
1.06	2,016,000	3.97
1.75	13,640,500	2.36

The following table summarizes information regarding share purchase options exercisable at December 31, 2019:

Weighted Average Exercise price (CAD$/share)	Number exercisable	Weighted average remaining contractual life in years
2.48	3,278,000	0.06
2.25	600,000	0.20
2.12	1,314,000	1.96
1.99	1,904,000	0.98
1.98	150,000	0.88
1.38	1,151,500	2.97
1.22	162,333	4.88
1.15	820,000	4.95
1.13	93,333	4.63
1.06	1,327,334	3.97
1.91	10,800,500	1.75

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

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. During the year ended December 31, 2019, the Company recognized $0.7 million in equity-based compensation (2018 - $0.5 million), related to share purchase options.

b) Performance share units ("PSUs")

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

The 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; and
iv) milestones associated with exploration success in the Company's equity Investee companies.

The Company's PSUs outstanding are as follows:

	December 31, 2019	December 31, 2018
	Number of PSUs	Number of PSUs
Outstanding, beginning of the year	3,880,500	1,729,000
Granted	2,783,400	2,151,500
Forfeited	(463,788)	-
Vested	(881,000)	-
Balance, end of the year	5,319,112	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 year ended December 31, 2019, the Company recognized $0.5 million in equity-based compensation relating to the PSUs (2018 - $0.5 million).

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.

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

The Company's RSUs outstanding are as follows:

	December 31, 2019 Number of RSUs	December 31, 2018 Number of RSUs
Outstanding, beginning of the year	2,553,960	1,916,357
Granted	1,263,200	1,213,938
Forfeited	(153,200)	-
Vested	(1,061,367)	(576,335)
Balance, end of the year	2,602,593	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 year ended December 31, 2019, the Company recognized $1.0 million in equity-based compensation relating to the RSUs (2018 - $0.6 million). As at December 31, 2019, $0.8 million of short term liabilities are recorded related to RSUs (December 31, 2018: $0.7 million) and $0.6 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.

10) Financial risk management:

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

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

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

a) Credit risk:

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

b) Liquidity risk:

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

The Company will potentially issue equity and 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 exploration and appraisal activities to manage its liquidity position. The Company has the ability to settle financial obligations with working capital.

c) Market risk:

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

i) Foreign currency exchange rate risk:

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

ii) Interest rate risk:

As at December 31, 2019, the Company's has no outstanding debt. The Company further has not entered into any derivative instruments or borrowing arrangements in which exposure to fluctuations in interest rates exists.

iii) Commodity price risk:

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

11) Capital management:

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

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

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

For the years ended		December 31, 2019		December 31, 2018
Equity	$	766,703	$	922,080
Net working capital (1)		(290,749)		(340,744)
Total capitalization	$	475,954	$	581,336

(1) Net working capital is calculated as current assets less current liabilities.

12) Commitments and contingencies:

a) Kenya Revenue Authority:

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

The 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. Multiple avenues are available to resolve this dispute including alternative dispute resolution and appeal to the Tax Appeals Tribunal. An appeal has been made to the Tax Appeals Tribunal and the case was heard by the Tax Appeals Tribunal on September 28, 2019. The Company awaits the decision of the tribunal and will consider further steps, potentially including appeal, once the decision of the tribunal is known.

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 were required to drill a minimum of four exploration wells between Blocks 10BB and 13T. These commitments have been met. At December 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 were required to drill a minimum of four exploration wells between Blocks 10BB and 13T. These commitments have been met. At December 31, 2019, the Company's working interest in Block 13T was 25%.

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

The Kenya Joint Venture (KJV) intends to finalize a Field Development Plan (FDP), in conjunction with the Ministry of Petroleum and Mining (MoPM), which will be submitted in advance of the expiry of the Exploration licenses on Blocks 10BB and 13T in September 2020. This submission in conjunction with the finalization of the commercial agreements that govern the development will transition the exploration licenses to 25 year Production licenses.

Under the terms of the Block 10BA PSC, during May 2019, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in April 2021. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 kilometers of 2D seismic or 25 square kilometers of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is \$19.0 million. At December 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.

13) Lease obligations:

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

Lease Obligations	
Balance, January 1, 2019 on adoption of IFRS 16	343
Additions	3,401
Interest	68
Repayments	(546)
Balance, December 31, 2019	3,266
Current portion of lease obligations	1,233
Non-current portion of lease obligations	2,033

The maturity analysis of the undiscounted cash payments of the lease liabilities is as follows:

	December 31, 2019
Less than one year	1,351
1 - 3 years	2,079
After 3 years	76
Total lease payments	3,506

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

The Company's short-term leases and leases of low-value assets amounted to $0.2 million for the year ended December 31, 2019, and consists of office equipment and field office space that is expensed accordingly. The Company's lease obligations consist of expatriate employee accommodations, office rent and parking for its offices in Calgary, Canada, London, UK 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.

14) Finance income and expense:

Finance income and expense for the years ended December 31, 2019 and 2018 is comprised of the following:

For the years ended	December 31, 2019	December 31, 2018
Interest and other income	$ 8,378	$ 6,940
Interest expense and bank charges	(99)	(50)
Foreign exchange loss	(42)	(83)
Finance income	$ 8,378	$ 6,940
Finance expense	$ (141)	$ (133)

15) Related party transactions:

a) Transactions with Africa Energy Corp. ("Africa Energy")

At December 31, 2019, the Company owned 34.5% of the common shares of Africa Energy. During February 2020, the Company invested $5.0 million in a non-brokered private placement to acquire 20,930,000 common shares in Africa Energy, decreasing the Company's ownership interest in Africa Energy to 32.6% from 34.5%.

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 $0.1 million during 2019 (2018 – $0.1 million). At December 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 $0.5 million during the year ended December 31, 2019, ($ nil for year ended December 31, 2018). At December 31, 2019, the outstanding balance payable to Africa Energy was $ nil (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.

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

b) Remuneration of Directors and Senior Management

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

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

For the years ended December 31, (thousands)		**2019**		**2018**
Directors' fees	$	319	$	296
Directors' equity-based compensation		366		214
Managements' short-term wages and benefits		1,923		1,961
Managements' equity-based compensation		928		739
	$	3,536	$	3,210

16) Subsidiaries:

The Company has the following wholly owned subsidiaries; 0845379 B.C. Ltd. (British Columbia), Africa Oil Holdings Cooperatief U.A. (Netherlands), Africa Oil Turkana B.V. (Netherlands), Africa Oil Kenya B.V. (Netherlands), Africa Oil Ethiopia B.V (Netherlands), Africa Oil Turkana Ltd. (Kenya), 0903658 B.C. Ltd. (British Columbia), Centric Energy Holdings (Barbados) Inc. (Barbados), Centric Energy Kenya (Barbados) Inc. (Barbados), Centric Energy (Kenya) Ltd. (Kenya), Mali Oil Development SARL (Mali, West Africa). PetroVida Holding B.V (Netherlands), Africa Oil UK Limited (United Kingdom) and Africa Oil SA Corp. (British Columbia).

17) Net loss per share:

For the years ended	**December 31, 2019**					**December 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	$	156,769	471,076,199	$	0.33	$	66,714	468,045,570	$	0.14
Effect of dilutive securities		-	-		-		-	-		-
Dilutive loss per share	$	156,769	471,076,199	$	0.33	$	66,714	468,045,570	$	0.14

During the year ended December 31, 2019, the Company used an average market price of CAD$1.19 per share (December 31, 2018 - CAD$1.28 per share) to calculate the dilutive effect of share purchase options. For the year ended December 31, 2019, 13,640,500 options, 5,319,112 PSUs and 2,602,593 RSUs were anti-dilutive and were not included in the calculation of dilutive loss per share (December 31, 2018 – 10,856,667 options, 3,880,500 PSUs and 2,553,960 RSUs).

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

18) Financial instruments:

Assets and liabilities at December 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. 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.

19) Income Taxes:

Substantially all of the differences between actual income tax expense (recovery) of nil and the expected federal, AB and BC statutory corporate income tax recovery related to losses not recognized and share issue costs. The Company has estimated non-capital losses carry forward of $65.2 million which expire from 2027 through 2038.

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

For the years ended December 31,	2019	2018
Net loss and comprehensive loss	156,769	66,714
Combined federal and provincial statutory income tax rate	26.5%	27.0%
Expected tax recovery	41,544	18,013
Equity-based compensation	(592)	(429)
Non-taxable expense items	(39,800)	(19,403)
Unrecognized tax losses	(1,151)	1,819
Tax recovery	-	-

The Company has the following un-booked deductible temporary differences:

At December 31,	2019	2018
Unbooked deductible temporary differences		
Capital assets	$ (344)	$ (282)
Share issuance costs	-	113
Unrealized loss on equity investments	57,169	43,505
Capital losses carried forward	12,896	12,896
Non-capital losses carried forward	65,210	51,954
Charitable donations	11,540	11,540
	$ 146,471	$ 119,726

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

20) Supplementary information:

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

For the years ended		December 31, 2019		December 31, 2018
Changes in non-cash w orking capital				
Accounts receivable	$	399	$	(508)
Prepaid expenses		(2,885)		(61)
Accounts payable and accrued liabilities		10,338		(1,034)
		7,852		(1,603)
Relating to:				
Operating activities	$	(3,783)	$	142
Investing activities		11,635		(1,745)
Changes in non-cash w orking capital	$	7,852	$	(1,603)

21) Donation:

During the year ended December 31, 2018, as part of the Company's Community Social Responsibility commitment, the Company made donations of $0.7 million to the Lundin Foundation. The Company did not make any donations during the year ended December 31, 2019 The Lundin Foundation is a registered Canadian non-profit organization that provides grants and risk capital to organizations dedicated to alleviating poverty in developing countries.

22) Subsequent events:

a) Acquisition of Producing Assets in Deepwater Nigeria:

On January 14, 2020, the Company closed the acquisition (the "Acquisition") of a 50% ownership interest in Prime Oil and Gas B.V. ("POGBV", previously known as Petrobras Oil and Gas B.V.). BTG Pactual E&P B.V. ("BTG") continues to own the remaining 50% of POGBV. The total payment by AOC to close the Acquisition, including the Nigerian Government's consent fee, amounted to $519.5 million, which includes a deferred payment of $24.8 million which is due by end of June 2020. The payment of $519.5 million had been funded through a loan facility of $250.0 million with BTG and a cash payment of $269.5 million. In addition, the Company paid notary fees amounting to $1.8 million. The Acquisition will be accounted for as an equity investment.

The $250m Loan facility ("Term Loan") with BTG was drawn on 11 January 2020 and has a duration of 2 years. The Company has provided security in respect of the Term Loan mainly in the form of a share pledge, over the shares of Petrovida owned by Africa Oil and a charge over the bank accounts. into which the POGBV dividends are paid. The loan principal will be repaid by 80% of the dividends received from POGBV.

The primary assets of POGBV are an indirect 8% interest in Oil Mining Lease ("OML") 127 and an indirect 16% interest in OML 130. OML 127 is operated by affiliates of Chevron Corporation and contains the producing Agbami Field. OML 130 is operated by affiliates of TOTAL S.A. and contains the producing Akpo and Egina Fields.

A deferred payment of $118.0 million, subject to update, may be due to the seller depending on the date and ultimate OML 127 tract participation in the Agbami field.

On February 4, 2020, the Company received its first dividend from POGBV. POGBV has distributed a $125.0 million dividend with a net payment to Africa Oil of $62.5 million related to its 50% interest. The Company will apply this amount, and any future dividends, in priority towards the repayment of its loan facility, in order to accelerate the repayment of the loan principal amount. The dividend will be accounted for as a reduction to the equity investment.

b) Investment in Africa Energy Corp:

On January 28, 2020, Africa Energy completed a private placement, in which the Company participated, investing $5.0 million, acquiring 20,930,000 shares, of a total of 104,652,174 shares issued, decreasing the Company's ownership interest in Africa Energy from approximately 34.5% at the end of the year to approximately 32.6%.

c) Block 3B/4B Farmin:

On February 7, 2020, a wholly-owned subsidiary of the Company completed the acquisition of a 20% participating interest in the Block 3B/4B Exploration Right from Azinam Limited ("Azinam") for a consideration of approximately $3.0 million. Africa Oil will assume operatorship for the joint venture partners; Azinam will retain a 20% participating interest and Ricocure (Pty) Ltd holds the remaining a 60% participating interest.

d) Investment in Impact Oil and Gas Limited:

On February 14, 2020, Impact completed a private placement, in which the Company participated, investing approximately $12.0 million, acquiring approximately 45,000,000 shares, increasing the Company's ownership interest in Impact from approximately 29.9% at the end of the year to approximately 32.2%.