AFRICA OIL CORP.

Report to Shareholders

March 31, 2020

AFRICA OIL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three months ended March 31, 2020 and 2019

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Oil Corp. and its subsidiaries (the "Company" or "AOC") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three months ended March 31, 2020 and 2019 and also should be read in conjunction with the 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 unaudited consolidated financial statements which have been prepared in United States ("U.S.") dollars, in accordance with International Financial Reporting Standard as issued by the International Accounting Standards Board.

The effective date of this MD&A is May 7, 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 oil and gas exploration company with producing and development assets in deep-water offshore Nigeria, and development assets in Kenya. The Company also has a portfolio of exploration assets in Guyana, Kenya, Namibia, Nigeria, South Africa and in the Senegal Guinea Bissau Joint Development Zone ("AGC").The Company holds its interests through direct ownership interests in concessions and through its shareholdings in investee companies including Prime Oil & Gas B.V. ("Prime"), Africa Energy Corp., Eco (Atlantic) Oil & Gas Ltd. and Impact Oil and Gas Ltd.

AOC's long-range plan is to increase shareholder value through the acquisition, exploration, development and production associated with oil and gas assets. On January 14, 2020, the Company closed the acquisition of a 50% ownership interest in Prime (previously known as Petrobras Oil and Gas B.V.). Through its shareholding in Prime, the Company has exposure to some of the best producing assets offshore West Africa. The Company has actively explored on multiple onshore exploration blocks in various under explored geological settings in East Africa and has recently acquired a participating interest in a block in South 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. The Company will continue to consider acquisition and merger opportunities, focusing on Africa.

PRIME SHAREHOLDING AND WORKING INTERESTS

Please See ‘Equity Investments’ on page 6 for the information on the Company’s equity interests in Africa Energy Corp., Eco (Atlantic) Oil & Gas Ltd. and Impact Oil and Gas Ltd. The Company’s material interests, and material exploration partnership interests are summarized in the following table:

Africa Oil’s Shareholding in Prime Oil & Gas B.V. (50%)

Country	Concession	Working Interests	
Nigeria	OML 127	Prime Chevron Corporation Famfa Oil	8% 32% 60% (carried)
	OML 130 – PSA[1]	Prime Total SAPETRO	16% 24% 10% (carried)

Africa Oil’s Direct Working Interests[2]

Country	Concession	Gross Acreage (km^2)	Working Interests	
Kenya	10BA	11,760	AOI Total Tullow (Operator)	25% 25% 50%
	10BB	8,835	AOI Total Tullow (Operator)	25% 25% 50%
	13T	6,296	AOI Total Tullow (Operator)	25% 25% 50%
South Africa	3B/4B	17,581	AOI (Operator) Azinam Ricocure (Pty) Ltd	20% 20% 60%

(1) 50% of the production from OML 130 is covered by a PSA, in which Prime owns a 32% Working Interest. Prime’s net Working Interest in OML 130 is therefore 16%.

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

COVID-19

Given the extraordinary market situation that the oil and gas business is facing in response to the global Covid-19 outbreak and the resulting reduction in world oil demand, we have witnessed an unprecedented level of volatility and commodity price weakness. We have seen encouraging steps taken by OPEC+, G20 nations and oil producers that we are confident should remove significant supply, helping to deal with the demand destruction we have witnessed and the resultant inventory build. We anticipate that these actions should flatten the curve of inventory builds and set a course to rebalance markets as COVID-19 related restrictions begin to reduce and demand recovers. However, there is no certainty as to the time it will take for oil demand to recover. In these uncertain times, the Company will continue to prioritize repayment of our long-term debt, utilizing dividends received from Prime, as we have done in the first quarter. Operational performance at Prime's Nigerian assets has not been materially impacted after significant mitigation strategies were implemented. Prime's robust hedging program has mitigated the commodity price risk to date. In the Company's Kenya business, activities that can be completed safely in home/office environments have continued and all non-essential field activities have been suspended. Uncertainty related to market conditions caused by COVID-19 has resulted in additional non-cash impairment charges associated with the Company's Kenyan business.

Since the outbreak of the pandemic, the Company has been actively managing its response to the COVID 19 pandemic since early March. Staff have been working from home and travel has been suspended. The Company have also been engaged with partners to understand the measures being undertaken to protect the staff and ensure that safe operations are maintained where essential.

In Nigeria both Operators (Total and Chevron) have been very diligent and proactive in responding to the crisis, putting in place measures to prevent infection and then mitigate the situation if it were to occur. These measures apply to both land (office) and offshore ("FPSO's") operations, to all types of personnel (staff, contractors, regulators, visitors). In addition to screening of personnel, monitoring for symptoms (temperature checks), social distancing at least 1.5 meters and enhanced hygiene via frequent hand cleansing, more aggressive steps have been taken.

The latest steps by both Operators require 14-day quarantine of all types of personnel prior to travelling offshore, including tanker agents and cargo surveyors involved with crude liftings. The quarantine location is mandated by the Operators, with regular monitoring for symptoms throughout the period. Food and laundry service is arranged during quarantine to ensure no interaction with lodging staff. Any personnel interaction while in quarantine requires wearing of masks in addition to the other standard measures.

Crew change/shifts at the FPSO have been expanded from 14 to 28 days, where feasible to reduce personnel turnover. The offshore FPSO's are maintaining a 4-week supply of food/water, in the event supply is interrupted. Catering contractors have verified that warehouses contain a 60-day customer supply.

Business contingency plans have been developed by both Operators in the event of an outbreak, to ensure backfill of affected essential personnel. Mitigation at the site or operation (FPSO) includes isolation of personnel in a special unit with separate air / exhaust systems. Proper PPE is required for any interaction with the affected personnel or the handling of sanitary bagged laundry or medical waste. At the appropriate time, the affected personnel would be evacuated via helicopter or boat to onshore medical facilities, as necessary.

There has been no impact on production levels, which remain at those before the crisis developed. Additionally, crude liftings continue via special procedures, which screen origin of personnel onboard tankers and limited interaction with tanker crew.

The Company's 2020 dividend income from its investment in Prime is robust due to Prime's hedging program which has resulted in more than 90% of its 2020 production hedged at an average price of $66.0 per barrel, and most of its Q1-2021 production to have been hedged at an average price of $60.0 per barrel. The 2020 hedging program is made of physical forward sales of Prime's oil cargoes to a group of buyers including major oil companies and commodity trading houses. These counter parties are part of groups with investment grade credit ratings.

The Company has a $250.0 million two-year Term Loan with BTG, drawn on January 14, 2020. $45.2 million has been repaid during the first quarter of 2020. The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment. The Company is reducing discretionary capital expenditure and G&A costs where possible and has sufficient financial strength to navigate through these difficult times until a possible recovery next year.

OPERATIONS UPDATE

Prime – Nigeria

The main assets of Prime are an indirect 8% interest in Oil Mining Lease ("OML") 127 and an indirect 16% interest in OML 130. OML 127 is operated by affiliates of Chevron Corporation and covers part of the producing Agbami Field. OML 130 is operated by affiliates of TOTAL S.A. and contains the producing Akpo and Egina Fields. The three fields in these two OMLs are located over 100 km offshore Nigeria. The Company accounts for its interest in Prime under the equity method.

All three fields have high quality reservoirs and produce light to medium sweet crude oil through Floating Production, Storage and Offloading ("FPSO") facilities. Akpo and Egina also produce natural gas that is exported onshore for sale.

During the quarter all three fields produced in line or better than expectation with total gross field of approximately 530,000 barrels of oil equivalent per day ("boepd"). Average daily working interest production net to Africa Oil's 50% shareholding in Prime was approximately 33,400 boepd during the first quarter of 2020, out of which 88% was oil and 12% was gas. Average daily entitlement production net to Africa Oil's 50% shareholding in Prime was approximately 43,000 boepd during the first quarter of 2020, out of which 88% was oil and 12% was gas.

The average unit operating cost during the quarter across the three fields was $5.8/boe. Capital expenditure during the quarter net to the Company's shareholding was $6.0 million.

During the quarter Prime was allocated five oil liftings with total sales volume of approximately 4.8 million barrels or 2.4 million barrels net to Africa Oil's 50% shareholding. Prime has an oil price hedging program in place with more than 90% of its 2020 production hedged at an average price of $66/bbl. These are all through physical forward sales.

Tertiary Rift – Kenya

Exploration and Appraisal (Blocks 10BB and 13T)

The Early Oil Production System ("EOPS") has remained suspended due to severe damage to roads caused by adverse weather in the fourth quarter of 2019 and the COVID 19 pandemic in Q1 2020. 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. Any potential resumption of EOPS is subject to further review after the relaxation of COVID 19 measures in Kenya.

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 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 25, 2019. 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").

Work to deliver on the agreed development plan continues. 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. The installed infrastructure can then be utilized for the remaining and yet to be discovered South Lokichar oil fields. Additional stages of development are expected to increase plateau production to 100,000 bopd or greater. Upstream FEED has been completed by WorleyParsons. Completion of the Upstream Environmental and Social Impact Assessment ("ESIA") has been impacted by the COVID pandemic and was not submitted in Q1 2020. The partners are working together to ensure that plans are in place to meet the requirements on time.

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.

Due to current market challenges, a $137.8 million impairment of previously capitalized intangible exploration assets has been recorded related to the Kenyan development project.

The Government of Kenya made good progress, both in acquiring the land for the upstream and pipeline and securing water rights for the upstream, but this progress has now been suspended due to COVID 19 restrictions.

Exploration Block 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. Due to current market challenges and limited activities in the block, a $77.8 million impairment of previously capitalized intangible exploration assets has been recorded related to the Company's operations in Block 10BA.

Block 3B/4B - South Africa

In July 2019, the Company through its wholly-owned subsidiary, Africa Oil SA Corp., entered into a definitive farmout agreement with Azinam Limited to acquire a 20% participating interest and operatorship in the Exploration Right for Block 3B/4B, offshore South Africa. The farmout was fully completed in February 2020 with Africa Oil SA Corp. becoming the Operator for the block.

The 2D and 3D seismic data previously acquired in the block is being evaluated by the JV partners and will form the basis for the initial period work program along with other regional and technical studies.

Tertiary Rift – Ethiopia

The Company continues the process of exiting Ethiopia after completing all work commitments.

EQUITY INVESTMENTS

The Company holds equity participations in four oil & gas companies, which provides a portfolio of high-quality producing assets in Nigeria and exposure to numerous high-impact exploration drilling prospects in South Africa, Namibia and Guyana.

The Company held the following equity investments:

	Africa Oil Ownership		March 31, 2020		December 31, 2019
Equity investment in joint venture:					
Investment in Prime	50.0%	$	551,480	$	-
Equity investment in associates:					
Investment in Eco	18.4%		12,711		12,022
Investment in Africa Energy	32.6%		22,226		17,882
Investment in Impact	32.2%		47,066		33,659
			82,003		63,563
Total Investment		$	633,483	$	63,563

Prime Oil and Gas B.V. ("Prime")

On January 14, 2020, the Company closed the acquisition (the "Acquisition") of a 50% ownership interest in Prime (formerly Petrobras Oil and Gas B.V.). BTG Pactual E&P B.V. ("BTG") continues to own the remaining 50% of Prime. 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 has 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 fees amounting to $25.0 million. The acquisition in Prime is accounted for using the equity method.

The $250.0 million Loan facility ("Term Loan") with BTG was drawn on January 14, 2020 and has a duration of two years. The Company has provided security in respect of the Term Loan mainly in the form of share pledges, over the shares of Petrovida, Eco, Africa Energy and Impact owned by Africa Oil and a charge over the bank accounts into which the Prime dividends are paid. The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment. The loan is subject to a fixed interest rate of 15% and is not subject to any debt covenants.

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. As the probability of this payment is remote, no provision was recorded at March 31, 2020.

The Company's 50% equity interest in Prime is accounted for as an Investment in Joint Venture under the equity method on the Balance Sheet. The Company will record 50% share of Prime's profit of loss in the period in the Income Statement, as well as a 50% share of their Other Comprehensive Income. Dividends received will be disclosed as a cash flow from investing activities in the Cash Flow Statement.

For the three-month period ending March 31, 2020, Prime generated sales revenue of approximately $358.9 million or $179.5 million net to AOC's shareholding and cashflow from operations of $392.0 million (after working capital adjustment of $77.0 million) or $196.0 million net to AOC's shareholding. Prime's capital investments for this period was approximately $12.0 million or $6.0 million net to AOC's shareholding. Free cash flow (before financing activities and dividends) amounted to approximately $380.0 million or $190.0 million net to AOC's shareholding.

Prime distributed two dividends payments totaling $175.0 million gross, with a net payment to the Company of $87.5 million related to its 50% interest.

Prime's hedging program has resulted in more than 90% of its 2020 production to have been hedged at an average price of $66.0 per barrel, and most of its Q1-2021 production to have been hedged at an average price of $60.0 per barrel. The 2020 hedging program is made of physical forward sales of Prime's oil cargoes to a group of buyers including major oil companies and commodity trading houses. These counter parties are part of groups with investment grade credit ratings.

At March 31, 2020 the Company has considered whether it's equity investment in Prime had any indicators of impairment in accordance with IAS 28. If any impairment indicators are identified, the entire carrying amount of the investment in the associate is compared to recoverable amount, which is the higher of value in use or fair value less costs of disposal. The Company has determined the recoverability of its investment will be in the form of dividends, and therefore has assessed the impact of current conditions on the recoverability of the dividends relative to the investment carrying value.

The Company's 2020 dividend income from its equity investment in Prime is robust due to Prime's hedging program which has resulted in more than 90% of its 2020 production hedged at an average price of $66.0 per barrel, and most of its Q1-2021 production to have been hedged at an average price of $60.0 per barrel. The 2020 hedging program is made of physical forward sales of Prime's oil cargoes to a group of buyers including major oil companies and commodity trading houses. These counter parties are part of groups with investment grade credit ratings.

Prime's cash generating assets, OML 127 and OML 130, which result in the dividend stream to Prime's shareholders are both Production Sharing Arrangements ("PSA"). The PSA mechanism is naturally protective at low oil prices because of Prime's entitlement to recover cost oil (primarily historical capex and opex spend, including a carry for the indigenous partner share of costs). If the oil price decreases, the number of barrels allocated to recover the cost oil will increase and the Contractor recovers more cost oil. This mitigates the effects of a decrease in oil price.

Prime has recently concluded a redetermination with its syndicate of Reserve Based Lending bank which resulted in a reconfirmation of the borrowing base, with loan repayments for 2020 lower than forecast.

The forecast dividends expected to be received from Prime has not changed significantly since acquisition due to the mitigating factors above.

In addition, the Company has a $250.0 million two-year Term Loan, of which $204.8 million is outstanding at March 31, 2020. The loan repayments are calculated to be protective of the Company's liquidity position. The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment. The Company's loan repayments reduce commensurately with any reduction in dividends from Prime. There are no covenants in place.

Due to these factors we do not foresee a significant and prolonged decline in value as the Company still expects to recover the value of the investment through dividend payments, however the Company recognizes that situation is volatile and will continue to monitor these significant judgements.

The Company has determined that there are no indicators of impairment at March 31, 2020.

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.

Partners are evaluating an appraisal and development plan for the two discoveries and evaluating a large inventory of deeper Cretaceous prospects that are expected to contain lighter, sweeter crude oils similar to those encountered by Operators in adjacent blocks. Additional exploration and appraisal drilling is expected to resume in 2021.

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 February 5, 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 December 31, 2019 to approximately 32.6% at March 31, 2020.

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 December 31, 2019 to approximately 32.2% at March 31, 2020.

Recent market events are not expected to have a material impact on the operations or liquidity of the equity investments and as a result, no impairment indicators have been identified.

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 Kenyan Tax Appeals Tribunal (“TAT”) has ruled in favour of the Company with regards to the corporate income tax assessments, and the KRA may no longer appeal this decision. However, the TAT's ruled in favour of the KRA with regards to the VAT assessments which amounts to $22.0 million. The Company maintains its position that the VAT assessment is without merit and has duly filed an appeal with Kenya's High Court to challenge the position. This will be heard in Q2 2020.

Kenya 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. There have been no new developments as at March 31, 2020.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Mar 2020**	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**	**31-Dec 2018**	**30-Sep 2018**	**30-Jun 2018**
Income from equity investments ($)	87,055	-	-	-	-	-	-	-
Operating expense ($)	(218,042)	(147,692)	(2,684)	(11,755)	(2,875)	(20,171)	(2,358)	(48,416)
Interest income ($)	966	1,556	2,128	2,301	2,393	2,026	2,035	1,592
Net loss attributable to common shareholders ($)	(137,882)	(146,198)	(597)	(9,463)	(511)	(18,221)	(323)	(46,843)
Weighted average shares - Basic	471,311	471,214	471,214	471,214	470,654	470,568	470,568	465,482
Weighted average shares - Diluted	471,311	471,214	471,214	471,214	470,654	470,568	470,568	465,482
Basic loss per share ($)	0.29	(0.31)	(0.00)	(0.02)	(0.00)	(0.04)	(0.00)	(0.10)
Diluted loss per share ($)	0.29	(0.31)	(0.00)	(0.02)	(0.00)	(0.04)	(0.00)	(0.10)
Intangible exploration expenditures ($)	10,191	6,585	10,833	4,801	13,141	14,570	8,845	10,360

Operating results

The Company recognized a loss of $137.9 million during the first quarter of 2020. The operating income primarily relates to the Company’s share of profit from its investment in Prime amounting to $85.6 million. Additionally, the Company recorded a net share of profit from its investments in Eco, Impact and Africa Energy amounting to $1.5 million. The operating income was offset by $218.0 million in operating expenses which primarily relates to the recognition of a $215.6 million impairment of intangible exploration assets relating to the valuation of the Kenyan development project.

Equity-based compensation

Three months ended (thousands, except per share amounts)	**31-Mar 2020**	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**	**31-Dec 2018**	**30-Sep 2018**	**30-Jun 2018**
Options granted	-	2,947	280	-	50	1,966	-	-
Performance share units granted	3,144	128	-	-	2,655	-	-	-
Restricted share units granted	1,576	32	-	-	1,231	95	-	-
Exercise price per share ($CAD)	-	1.16	1.13	-	1.06	1.06	-	-
Equity-based compensation expense ($)	(315)	634	433	763	404	50	802	504

During the three months ended March 31, 2020, the Company recognized income of $0.3 million in equity-based compensation relating to the Long Term Incentive Plan (“LTIP”) and Stock Option Plan (total expense of $0.4 million for the three months ended March 31, 2019). The recognition of income is due to the revaluation of the Company’s Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”).

During the first quarter of 2020, 848,000 PSUs vested in which half were settled for a cash payment of $0.08 million and the other half were settled via the issuance of an equal number of common shares of the Company. During the first quarter of 2019, 881,000 PSUs vested and were via the issuance of an equal number of common shares of the Company. As a result of the cash settlement, the PSUs are now being treated as a cash settled plan.

During the first quarter of 2020, 742,934 RSUs vested in which half were settled for a cash payment of $0.3 million and the other half were settled via the issuance of an equal number of common shares of the Company. During the first quarter of 2019, 815,367 RSUs vested and were settled for a cash payment of $0.7 million. Additionally, during the first quarter of 2020, 235,024 RSU’s issued to NEDs vested (246,000 in first quarter 2019) and were settled via issuance of an equal number of common shares in both periods.

Interest income

Interest income decreased during the first quarter of 2020 due to a large reduction in the cash balance relating to the Company’s acquisition of Prime.

RESULTS OF OPERATIONS

(thousands)	**Three months ended March 31, 2020**	**Three months ended March 31, 2019**
Share of profit/(loss) from equity investment	$ 87,055	$ (1,161)
Salaries and benefits	(940)	(428)
Equity-based compensation	315	(404)
Travel	(257)	(237)
Office and general	(505)	(271)
Project evaluation	(213)	(173)
Depreciation	(350)	(18)
Professional fees	(394)	(77)
Stock exchange and filing fees	(98)	(106)
Impairment of intangible exploration assets	(215,600)	-
Net operating expense	$ (130,987)	$ (2,875)

The Company recognized operating expense amounting to $131.0 million during the three months ended March 31, 2020 compared to $2.9 million during the same period in 2019. The operating expense is primarily due to the recognition of a $215.6 million impairment of intangible exploration assets relating to the valuation of the Kenyan development project and Block 10BA. The operating expense was offset by the recognition of profit from the Company's investment in Prime in which the Company received $85.6 million during the first quarter of 2020. Salaries and benefits increased $0.5 million during the first quarter of 2020 compared to the same quarter in 2019 which was primarily due to the opening of the office in London, United Kingdom. The Company recognized a gain in its equity-based compensation of $0.3 million during the three months ended March 31, 2020 which is due to the revaluation of the Company's PSUs and RSUs.

INTANGIBLE EXPLORATION ASSETS

(thousands)		March 31, 2020		December 31, 2019
Intangible exploration assets	$	206,260	$	411,669

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

For the three months ended	**March 31, 2020**			**March 31, 2019**		
(thousands)	**Kenya**	**South Africa**	**Total**	**Kenya**	**South Africa**	**Total**
Drilling and completion	$ 470	$ -	**$ 470**	$ 1,959	$ -	**$ 1,959**
Development studies	3,970	-	**3,970**	7,015	-	**7,015**
Exploration surveys and studies	-	-	**-**	142	-	**142**
PSA and G&A related	1,198	4,553	**5,751**	4,025	-	**4,025**
Total	$ 5,638	$ 4,553	**$ 10,191**	$ 13,141	$ -	**$ 13,141**

During the three months ended March 31, 2020, intangible exploration assets decreased by $205.4 million. Expenditures of $10.2 million were incurred during the period, which was offset by impairment charges amounting $215.6 million relating to the Kenyan development project and Block 10BA. The expenditures relate to the completion of the acquisition of a 20% participating interest in the Block 3B/4B Exploration Right as well as the Company's share of appraisal stage projects in Kenya which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: 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.

South Africa

On February 7, 2020, a wholly-owned subsidiary of the Company acquired a 20% participating interest in the Block 3B/4B Exploration Right from Azinam Limited ("Azinam") for a consideration of approximately $3.6 million. The Company 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.

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.

Kenya

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 cash generating unit level ("CGU").

At December 31, 2019, the Company determined that the Kenyan development project CGU (Blocks 10BB and 13T) would continue, however, due to a change in project and economic assumptions, an impairment test was performed. Due to a reduction in oil price in 2020, the impairment test was reperformed at March 31, 2020.

At December 31, 2019, 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 and a pre-tax discount rate of 15 percent.

The carrying amount exceeded its fair value less costs of disposal and as a result, a total impairment loss of $139.5 million was recorded.

At March 31, 2020 the Company reperformed the impairment test with a revised oil price forecast reflecting a Canadian Reservoir Engineer market consensus forward curve at March 31, 2020. The pre-tax discount rate increased to 17 percent, reflecting current market challenges and risks. A further impairment loss of $137.8 million was recorded in the period.

As at March 31, 2020, a one percent increase in the assumed discount rate would result in an additional impairment expense of $27.5 million (December 31, 2019 $41.0 million). Using a discount rate of 13 percent at March 31, 2020 (December 31, 2019, 12 percent), no impairment would be required as the recoverable amount would exceed the carrying amount by $5.0 million (December 31, 2019, $15,0 million).

The future development of 10BA would likely rely on infrastructure of Blocks 10BB and 13T. The impairment in Block 10BB and 13T is an indicator that Block 10BA may be impaired. The block has considerable exploration potential however the work program is minimal for 2020, and partner support has been affected by the current market challenges. The block's economic feasibility in the current environment is significantly reduced and a total impairment loss of $77.8 million was recorded in operating expenses.

The Company will review the situation as the oil price environment improves, and will consider a reversal in impairment should conditions change. Impairment losses can be reversed in future periods if the estimated recoverable amount of the CGU exceeds its carrying value. The fair value of the Company's intangible exploration assets is designated Level 3 on the fair value hierarchy.

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

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2020, the Company had cash of $72.5 million and working capital of $1.6 million as compared to cash of $329.5 million and working capital of $290.7 million at December 31, 2019.

In January 2020, the Company closed the acquisition of Prime. 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 has 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.

There are no financial covenants or other factors relating to the term loan that would have a detrimental effect on the Company's liquidity, and the Company has sufficient financial strength to navigate through these difficult times until a possible recovery next year.

During the first quarter of 2020, Prime made two dividend payments totaling of $175.0 million, with a net payment to AOC of $87.5 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.

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

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

OUTLOOK

The Company, with the acquisition of 50% of Prime, has now become a full-cycle E&P company with access to material reserves and production, strong operating netbacks, and free cash flow generation that is supported by an active oil price hedging program at the Prime level. As Prime is accounted for under the equity method, it will contribute to the Company cash flow through the payment of dividends.

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's development is still subject to OML 130 partners taking FID.

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 Government of Kenya made good progress, both in acquiring the land for the upstream and pipeline and securing water rights for the upstream, but this progress has now been suspended due to COVID 19 restrictions.

Up to four highly prospective wells are anticipated to be drilled during 2020 in our other Equity Investment portfolio companies, including potentially high impact wells in Namibia and South Africa.

ESG UPDATE

The Company is keenly aware of the focus being placed on the ESG aspects of our business. This is now of greater interest since we have become a full-cycle E&P company.

Since 2015, when the International Finance Corporation ("IFC"), part of the World Bank Group, became a shareholder, the Company developed its internal ESG strategy and process focused on its own operations, primarily in Kenya. To comply with the requirements of IFC, the Company has implemented an Independent Monitoring Group (IMG) audit and has reported to IFC standards since 2015.

The Company has made several commitments to global initiatives including:

- IFC Social and Performance Standards
- Extractive Industries Transparency Initiative
- United Nations Global Compact Sustainable Development Goals
- Voluntary Principles on Security and Human Rights
- United Nations Guiding Principles on Business and Human Rights

The Company is undertaking a review of the ESG performance and management capabilities, risks, compliance, reporting and disclosures, this quarter represents the first report on this area of our business.

At a corporate level, the Company is developing and implementing an ESG management system. ESG policies have been revised and updated, a management system framework has been developed and Operating Standards are being developed for use with operating partners. These will form the basis of the planned ESG performance management and reporting system being developed by the Company.

Due to the early stage of reporting, and the impact of COVID-19 and other commercial challenges, reporting from Operators has been limited during the first quarter of 2020. It is intended that standardized reporting of performance metrics will be undertaken in due course. The following provides a narrative summary of the performance of key Africa Oil Corp. projects in Nigeria and Kenya.

In Nigeria, Prime reports that no material HSSE incidents have occurred during the first quarter of 2020. Flare volumes are in line with the plan for 2020.

In Kenya, in-field and EOPS activities are currently suspended. Activities are focused on office-based planning actions.

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy

At March 31, 2020, the Company owned 32.6% of the common shares of Africa Energy.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.03 million during the three months ended March 31, 2020 (March 31, 2019 - $0.03 million). At March 31, 2020, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2019 – $ 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 $0.2 million during the three months ended March 31, 2020, ($0.05 million for the three months ended March 31, 2019). At March 31, 2020, the outstanding balance payable to Africa Energy was $ nil (at December 31, 2019, $ nil). The consulting fee charged to the Company by Africa Energy is intended to cover the costs of Africa Energy's employees who are providing the Company with services related to project evaluation.

COMMITMENTS AND CONTINGENCIES

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

Prime Oil and Gas B.V.:

$24.8 million in deferred consideration is to be paid in June 2020 to Petrobras. 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. As the probability of this payment is remote, no provision is recorded at March 31, 2020.

South Africa:

Block 3B/4B is currently in the Initial Period having a term of three years which will expire in April 2022. The work commitments during the initial period for Block 3B/4B consist of regional subsurface evaluation and mapping, petrophysical analysis of nearby wells, basin modelling, prospect maturation and prospect ranking, leading to recommendations on future investments. The total minimum gross expenditure obligation for the Initial Period is $0.6 million. At March 31, 2020, the Company's working interest in Block 3B/4B was 20%.

Kenya:

The 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 March 31, 2020, 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	471,949,806
Outstanding share purchase options	9,762,500
Outstanding performance share units	7,615,412
Outstanding restricted share units	3,200,135
Full dilution impact on common shares outstanding	492,527,853

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.

Equity method

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

Additionally, estimates associated with investments in joint ventures include the determination of amounts allocated to non-current assets as well as any negative goodwill associated with the acquisition.

Impairment of Joint Ventures and Associates

The amounts for investments in joint ventures and associates represents the Company’s equity interest in other entities, where there is either joint control or significant influence. The Company assesses investments in joint ventures and associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable. The process of determining whether there is an indicator for impairment or calculating the recoverable amount requires judgement.

The most material area in which the Company has applied judgement in the period is in relation to the investment in Prime. In assessing whether there are any indicators of impairment the Company has considered any effects of Prime’s hedging arrangements, the loan facility, and any operational and contractual implications on the future dividend stream when assessing for impairment indicators.

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.

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure controls and procedures

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of March 31, 2020, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

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

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of March 31, 2020, 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.

Global Health Emergency

The current novel coronavirus (COVID-19) global health pandemic is significantly impacting the global economy and financial and commodity markets. The full extent and impact of the COVID-19 pandemic is unknown and to date has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices, extended shutdowns of numerous business activities and supply chain disruptions worldwide and has raised the prospect of an extended global recession. As well, as efforts are undertaken to slow the spread of the COVID-19 pandemic, the operation and development of the assets which the Company acquired an interest in may be impacted. Although the full impact of the COVID-19 pandemic on the global economy and its duration remains uncertain, disruptions caused by COVID-19 or any other outbreak or public health emergency may adversely affect the performance of the Company. The degree to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume.

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 Joint Ventures and 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.

Government Regulations and Tax Risk

The Company may be affected by changes in taxes, regulations and other laws or policies affecting the oil and gas industry generally. The Company's host governments may implement new regulations or modify existing regulations regarding taxes affecting the oil and natural gas industry. The Company could experience an increase in existing taxes and may be subject to some tax assessments that could have a material adverse effect on the Company's business, financial condition, results of operations and prospects of the Company's oil and gas assets.

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 March 31, 2020.

Credit Risk

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

Forward Looking Statements

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

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

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

- Expected closing dates for the completion of proposed transactions;
- Planned exploration, appraisal and development activity including both expected drilling and geological and geophysical related activities;
- Proposed development plans;
- Future development costs and the funding thereof;
- Expected finding and development costs;

- Timing to FID;
- Anticipated future financing requirements;
- Future sources of funding for the Company's capital program;
- Future capital expenditures and their allocation to exploration and development activities;
- Expected operating costs;
- Future sources of liquidity, cash flows and their uses;
- Availability of potential farmout partners;
- Government or other regulatory consent for exploration, development, farmout, or acquisition activities;
- Future production levels;
- Future crude oil, natural gas or chemical prices;
- Future earnings;
- Future asset acquisitions or dispositions;
- Future debt levels;
- Availability of committed credit facilities;
- Possible commerciality;
- Development plans or capacity expansions;
- Future ability to execute dispositions of assets or businesses;
- Future drilling of new wells;
- Ultimate recoverability of current and long-term assets;
- Ultimate recoverability of reserves or resources;
- Estimates on a per share basis;
- Future foreign currency exchange rates;
- Future market interest rates;
- Future expenditures and future allowances relating to environmental matters;
- Dates by which certain areas will be explored or developed or will come on stream or reach expected operating capacity;
- The Company's ability to comply with future legislation or regulations;
- Future staffing level requirements; and
- Changes in any of the foregoing.

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

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

- Market prices for oil and gas and chemical products;
- The Company's ability to explore, develop, produce and transport crude oil and natural gas to markets;
- Production and development costs and capital expenditures;
- The imprecise nature of reserve estimates and estimates of recoverable quantities of oil, natural gas and liquids;
- Changes in oil prices;
- Availability of financing;
- Uninsured risks;

- Regulatory changes;
- Changes in the social climate in the regions in which the Company operates;
- Health, safety and environmental risks;
- Climate change legislation and regulation changes;
- Defects in title;
- Availability of materials and equipment;
- Timelines of government or other regulatory approvals;
- Ultimate effectiveness of design or design modification to facilities;
- The results of exploration, appraisal and development drilling and related activities;
- Short term well test results on exploration and appraisal wells do not necessarily indicate the long-term performance or ultimate recovery that may be expected from a well;
- Pipeline or delivery constraints;
- Volatility in energy trading markets;
- Incorrect assessments of value when making acquisitions;
- Foreign-currency exchange rates;
- Economic conditions in the countries and regions in which the Company carries on business;
- Governmental actions including changes to taxes or royalties, and changes in environmental and other laws and regulations;
- The Company's treatment under governmental regulatory regimes and tax laws;
- Renegotiations of contracts;
- Results of litigation, arbitration or regulatory proceedings;
- Political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; and
- Internal conflicts within states or regions.

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

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

AFRICA OIL CORP.

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

	Note	March 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		$ 72,525	$ 329,464
Accounts receivable		184	161
Prepaid expenses		1,647	4,106
		74,356	333,731
Long-term assets			
Equity investment in joint venture	7	551,480	-
Equity investment in associates	7	82,003	63,563
Property and equipment		3,017	3,342
Intangible exploration assets	6	206,260	411,669
		842,760	478,574
Total assets		$ 917,116	$ 812,305
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	$ 70,928	$ 40,962
Equity-based compensation liability	10	625	787
Lease obligations		1,220	1,233
		72,773	42,982
Long-term liabilities			
Equity-based compensation liability	10	713	587
Lease obligations		1,743	2,033
Long-term debt	8	204,792	-
		207,248	2,620
Total liabilities		280,021	45,602
Equity attributable to common shareholders			
Share capital	9(b)	1,306,456	1,305,953
Contributed surplus		50,265	51,389
Deficit		(728,521)	(590,639)
Accumulated other comprehensive income	7(a)	8,895	-
Total equity attributable to common shareholders		637,095	766,703
Total liabilities and equity attributable to common shareholders		$ 917,116	$ 812,305
Commitments and contingencies	11		

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

Approved on behalf of the Board:

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

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

AFRICA OIL CORP.

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

For the three months ended	Note		March 31, 2020		March 31, 2019
Operating income					
Share of profit/(loss) from equity investments	7	$	87,055	$	(1,161)
Total operating income			87,055		(1,161)
Operating expenses					
Salaries and benefits			(940)		(428)
Equity-based compensation	10		315		(404)
Travel			(257)		(237)
Office and general			(505)		(271)
Project evaluation			(213)		(173)
Depreciation			(350)		(18)
Professional fees			(394)		(77)
Stock exchange and filing fees			(98)		(106)
Impairment of intangible exploration assets	6		(215,600)		-
Total operating expenses			(218,042)		(1,714)
Net operating expenses			(130,987)		(2,875)
Finance income	12		966		2,393
Finance expense	12		(7,861)		(29)
Net loss attributable to common shareholders			(137,882)		(511)
Net loss attributable to common shareholders per share	14				
Basic		$	(0.29)	$	(0.00)
Diluted		$	(0.29)	$	(0.00)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	14				
Basic			471,311,393		470,653,859
Diluted			471,311,393		470,653,859

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

AFRICA OIL CORP.

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

For the three months ended	Note	March 31, 2020	March 31, 2019
Net loss attributable to common shareholders		$ (137,882)	$ (511)
Other comprehensive income			
Share of joint venture other comprehensive income	7	8,895	-
Comprehensive loss		$ (128,987)	$ (511)

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

AFRICA OIL CORP.

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

	Note	March 31, 2020	March 31, 2019
Share capital:	**9(b)**		
Balance, beginning of the period		$ 1,305,953	$ 1,305,129
Settlement of Performance Share Units		88	620
Settlement of Restricted Share Units		415	204
Balance, end of the period		1,306,456	1,305,953
Contributed surplus:			
Balance, beginning of the period		$ 51,389	$ 50,821
Equity-based compensation	10	131	120
Settlement of Performance Share Units	10	-	(620)
Reclass of Performance Share Units from Equity Settled to Cash Settled	10	(1,255)	-
Balance, end of the period		50,265	50,321
Deficit:			
Balance, beginning of the period		$ (590,639)	$ (433,870)
Net loss attributable to common shareholders		(137,882)	(511)
Balance, end of the period		(728,521)	(434,381)
Accumulated other comprehensive income:			
Balance, beginning of the period		$ -	$ -
Other comprehensive income	7	8,895	-
Balance, end of the period		8,895	-
Total equity attributable to common shareholders		$ 637,095	$ 921,893

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

AFRICA OIL CORP.

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

For the three months ended	Note	March 31, 2020	March 31, 2019
Cash flows provided by (used in):			
Operations:			
Net loss for the period		$ (137,882)	$ (511)
Adjustments for:			
Equity-based compensation	10	(315)	404
Depreciation		350	18
Impairment of intangible exploration assets	6	215,600	-
Interest on lease obligations		33	6
Share of (profit)/loss from equity investments	7	(87,055)	1,161
Interest on term loan	8	7,760	-
Unrealized foreign exchange loss		57	7
Changes in non-cash operating working capital	17	2,223	(258)
Net cash provided by operating activities		771	827
Investing:			
Property and equipment expenditures		(25)	(7)
Intangible exploration expenditures	6	(10,191)	(13,141)
Equity investment in joint venture	7	(516,200)	-
Equity investment in associates	7	(16,969)	(6,293)
Dividends received from joint venture	7	87,500	-
Changes in non-cash investing working capital	17	1,880	4,209
Net cash used in investing activities		(454,005)	(15,232)
Financing:			
Term loan relating to acquisition of joint venture	8	250,000	-
Repayment of term loan	8	(52,968)	-
Settlement of Performance and Restricted Share Units	10	(342)	(676)
Payment of lease obligations		(338)	(19)
Net cash provided by (used in) financing activities		196,352	(695)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(57)	(7)
Decrease in cash and cash equivalents		(256,939)	(15,107)
Cash and cash equivalents, beginning of the period		$ 329,464	$ 370,337
Cash and cash equivalents, end of the period		$ 72,525	$ 355,230
Supplementary information:			
Interest paid		(7,760)	Nil
Income taxes paid		Nil	Nil

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

1) Incorporation and nature of business:

Africa Oil Corp. (collectively with its subsidiaries, "AOC" or the "Company") was incorporated on March 29, 1993 under the laws of British Columbia and is an international oil and gas exploration and production company based in Canada with oil and gas interests in Africa. The Company's registered address is 2500 Park Place, 666 Burrard Street, Vancouver, B.C., V6C 2X8.

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, global pandemics, 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) Covid 19 and market uncertainty

The current novel coronavirus (COVID-19) global health pandemic is significantly impacting the global economy and financial and commodity markets. The full extent and impact of the COVID-19 pandemic is unknown and to date has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices, extended shutdowns of numerous business activities and supply chain disruptions worldwide and has raised the prospect of an extended global recession. As well, as efforts are undertaken to slow the spread of the COVID-19 pandemic, the operation and development of the assets which the Company acquired an interest in may be impacted. Although the full impact of the COVID-19 pandemic on the global economy and its duration remains uncertain, disruptions caused by COVID-19 or any other outbreak or public health emergency may adversely affect the performance of the Company. The degree to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume.

The Company's 2020 dividend income from its equity investment in Prime Oil and Gas B.V. ("Prime") is robust due to Prime's hedging program which has resulted in more than 90% of its 2020 production hedged at an average price of $66.0 per barrel, and most of its Q1-2021 production to have been hedged at an average price of $60.0 per barrel. The 2020 hedging program is made of physical forward sales of Prime's oil cargoes to a group of buyers including major oil companies and commodity trading houses. These counter parties are part of groups with investment grade credit ratings.

The Company has a $250.0 million two-year Term Loan with BTG drawn on January 14, 2020. $45.2 million has been repaid during the first quarter of 2020. The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment.

There are no covenants in place. The Company is reducing discretionary capital expenditure and G&A costs where possible and has sufficient financial strength to navigate through these difficult times until a possible recovery next year.

3) Basis of preparation:

a) Statement of compliance:

The Company prepares these condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles for interim periods, specifically International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all the information required for full annual financial statements, and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at May 7, 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 except as disclosed in the significant accounting policies in Note 3 of the annual financial statements for the year ended December 31, 2019.

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.

Impairment of Joint Ventures and Associates

The amounts for investments in joint ventures and associates represents the Company's equity interest in other entities, where there is either joint control or significant influence. The Company assesses investments in joint ventures and associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable. The process of determining whether there is an indicator for impairment or calculating the recoverable amount requires judgement.

The most material area in which the Company has applied judgement in the period is in relation to the investment in Prime. On acquisition, judgements and estimates were used in determining fair values on acquisition for the purposes of the notional purchase price allocation. Subsequently, in assessing whether there are any indicators of impairment the Company has considered any effects of Prime's hedging arrangements, the loan facility, and any operational and contractual implications on the future dividend stream when assessing for impairment indicators. Details on these judgements can be found in note 7(a).

All other significant estimates and judgment used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2019.

4) 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) Equity method:

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

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

b) Long-term debt

Long-term debt is initially recognized at the amount required to be paid, less, when material, a discount to reduce the debt to fair value. Subsequently, long-term debt is measured at amortized cost using the effective interest method. Long-term debt is classified as non-current liabilities and any amounts due within twelve months is classified as current liabilities.

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

All other significant accounting policies used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2019.

5) Accounts payable and accrued liabilities:

		March 31, 2020		December 31, 2019
Deferred consideration	$	24,800	$	-
Joint venture payables and other provisions		40,632		39,266
Administrative accruals and other payables		5,496		1,696
	$	70,928	$	40,962

Please refer to Note 7(a) for details relating to deferred consideration.

6) Intangible exploration assets:

	Note		March 31, 2019		December 31, 2019
Net carrying amount, beginning of the period		$	411,669	$	515,823
Intangible exploration expenditures	(a)		10,191		35,360
Impairment of intangible exploration assets	(b)		(215,600)		(139,514)
Net carrying amount, end of the period		$	206,260	$	411,669

a) Intangible exploration expenditures:

As at March 31, 2020, $206.3 million of expenditures have been capitalized as intangible exploration assets (December 31, 2019 - $411.7 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: geological and geophysical studies, exploratory and appraisal drilling, well testing, development studies and related general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments. At March 31, 2020, 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.

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 $3.6 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.

During the three months ended March 31, 2020, the majority of the spend related to its activities in Kenya. The Company capitalized $1.0 million of general and administrative expenses related to intangible exploration assets (three months ended March 31, 2019 - $1.8 million).

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 cash generating unit level ("CGU").

At December 31, 2019, the Company determined that the Kenyan development project CGU (Blocks 10BB and 13T) would continue, however, due to a change in project and economic assumptions, an impairment test was performed. Due to a reduction in oil price in 2020, the impairment test was reperformed at March 31, 2020.

At December 31, 2019, 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 and a pre-tax discount rate of 15 percent.

The carrying amount exceeded its fair value less costs of disposal and as a result, a total impairment loss of $139.5 million was recorded.

At March 31, 2020, the Company reperformed the impairment test with a revised oil price forecast reflecting a Canadian Reservoir Engineer market consensus forward curve at March 31, 2020. The pre-tax discount rate increased to 17 percent, reflecting current market challenges and risks. A further impairment loss of $137.8 million was recorded in the period.

As at March 31, 2020, a one percent increase in the assumed discount rate would result in an additional impairment expense of $27.5 million (December 31, 2019 $41.0 million). Using a discount rate of 13 percent at March 31, 2020 (December 31, 2019, 12 percent), no impairment would be required as the recoverable amount would exceed the carrying amount by $5.0 million (December 31, 2019, $15.0 million).

The future development of 10BA would likely rely on infrastructure of Blocks 10BB and 13T. The impairment in Block 10BB and 13T is an indicator that Block 10BA may be impaired. The block has considerable exploration potential however the work program is minimal for 2020, and partner support has been affected by the current market challenges. The block's economic feasibility in the current environment is significantly reduced and a total impairment loss of $77.8 million was recorded in operating expenses.

The Company will review the situation as the oil price environment improves, and will consider a reversal in impairment should conditions change. Impairment losses can be reversed in future periods if the estimated recoverable amount of the CGU exceeds its carrying value. The fair value of the Company's intangible exploration assets is designated Level 3 on the fair value hierarchy.

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

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

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

7) Equity investments:

The Company currently holds the following equity investments:

		March 31, 2020		December 31, 2019
Equity investment in joint venture:				
Investment in Prime	$	551,480	$	-
Equity investment in associates:				
Investment in Eco	$	12,711	$	12,022
Investment in Africa Energy		22,226		17,882
Investment in Impact		47,066		33,659
		82,003		63,563
Total Investment	$	633,483	$	63,563

The Company recognized a total gain of $87.1 million during the three months ended March 31, 2020, relating to its equity investments ($1.2 million in losses for the three months ended March 31, 2019).

The Company has determined that these investments are not impaired.

a) Prime Oil and Gas B.V. (“Prime”):

On January 14, 2020, the Company closed the acquisition (the "Acquisition") of a 50% ownership interest in Prime (formerly Petrobras Oil and Gas B.V.). BTG Pactual E&P B.V. (“BTG”) continues to own the remaining 50% of Prime. The Company has accounted for the acquisition as an investment in a joint venture as there is joint control. The total payment by the Company 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 fees amounting to $25.0 million including legal and professional fees incurred in arranging and closing the transaction.

Prime is incorporated in the Netherlands and its principal place of business is Nigeria. The primary assets of Prime are an indirect 8% interest in Oil Mining Lease ("OML") 127 and an indirect 16% interest in OML 130. OML 127 is operated by affiliates of Chevron Corporation and cover part of the 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. As the probability of this payment is remote, no provision was recorded at March 31, 2020.

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

The purchase price was allocated based on the fair values as follows:

Net assets		
Other current assets	$	363,234
Cash and cash equivalents included in current assets		140,419
Non-current assets[1]		4,358,564
Other current liabilities		(15,137)
Loans and borrowings included in current liabilities		(620,973)
Financial liabilities included in current liabilities		(233,551)
Other non-current liabilities		(261,196)
Loans and borrowings included in non-current liabilities		(1,190,845)
Deferred income tax liabilities included in non-current liabilities		(1,451,515)
Net assets acquired		1,089,000
Percentage ownership		50.0%
Proportionate share of Prime's net assets acquired	$	544,500

Consideration		
Consideration issued	$	544,500
Total purchase price	$	544,500

(1) The net assets of Prime was $537.1 million. The total net assets acquired in the above table includes transaction fees of $25.0 million as well as a purchase price adjustments of $551.9 million.

During the first quarter of 2020, Prime distributed two dividends payments totaling $175.0 million gross, with a net payment to Africa Oil of $87.5 million related to its 50% interest. The timing and payment of the dividends is discretionary. There are no restrictions on the ability of Prime to pay dividends to its shareholders.

		March 31, 2020
Balance, beginning of the period	$	-
Acquisition of common shares		519,500
Transaction and related fees associated with the acquisition of common shares		25,000
Dividends received from Prime		(87,500)
Share of joint venture other comprehensive income		8,895
Share of joint venture profit		85,585
Balance, end of the period	$	551,480

During the three months ended March 31, 2020, the Company recognized a profit of $85.6 million relating to its investment in Prime.

The following table summarizes Prime's financial information for the three months ended March 31, 2020. The information is based on non-audited financial information. Africa Oil is not aware of any material changes to the financial information.

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

		March 31, 2020
Other current assets	$	290,478
Cash and cash equivalents included in current assets		317,429
Non-current assets [(1)]		4,179,759
Other current liabilities		(151,986)
Loans and borrowings included in current liabilities		(650,258)
Financial liabilities included in current liabilities		(103,835)
Other non-current liabilities		(137,518)
Loans and borrowings included in non-current liabilities		(1,174,742)
Deferred income tax liabilities included in non-current liabilities		(1,466,367)
Net assets of Prime		1,102,960
Percentage ownership		50.0%
Proportionate share of Prime's net assets	$	551,480

		March 31, 2020
Revenue	$	358,948
Depreciation, depletion and amortization included in cost of sales		(129,654)
Cost of sales		(136,523)
Gross profit		222,425
Interest income		677
Finance charges		20,329
Profit before tax from continuing operations		288,092
Tax		(91,263)
Total profit for the period		196,829
Other comprehensive income		19,707
Total comprehensive income		216,536
Proportionate share of Prime's other comprehensive income [(2)]		8,895
Proportionate share of Prime's net gain [(2)]	$	85,585

(1) At March 31, 2020, the carrying value of non-current assets included a fair value adjustment of $551.9 million.

(2) The proportionate share of Prime’s net gain is prorated from January 14, 2020, the date the acquisition was completed.

At March 31, 2020 the Company has considered whether it’s equity investment in Prime had any indicators of impairment in accordance with IAS 28. If any impairment indicators are identified, the entire carrying amount of the investment in the associate is compared to recoverable amount, which is the higher of value in use or fair value less costs of disposal. The Company has determined the recoverability of its investment will be in the form of dividends, and therefore has assessed the impact of current conditions on the recoverability of the dividends relative to the investment carrying value.

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

The Company's 2020 dividend income from its equity investment in Prime is robust due to Prime's hedging program which has resulted in more than 90% of its 2020 production hedged at an average price of $66.0 per barrel, and most of its Q1-2021 production to have been hedged at an average price of $60.0 per barrel. The 2020 hedging program is made of physical forward sales of Prime's oil cargoes to a group of buyers including major oil companies and commodity trading houses. These counter parties are part of groups with investment grade credit ratings.

Prime's cash generating assets, OML 127 and OML 130, which result in the dividend stream to Prime's shareholders are both Production Sharing Arrangements ("PSA"). The PSA mechanism is naturally protective at low oil prices because of Prime's entitlement to recover cost oil (primarily historical capex and opex spend, including a carry for the indigenous partner share of costs). If the oil price decreases, the number of barrels allocated to recover the cost oil will increase and the Contractor recovers more cost oil. This mitigates the effects of a decrease in oil price.

Prime has recently concluded a redetermination with its syndicate of Reserve Based Lending bank which resulted in a reconfirmation of the borrowing base, with loan repayments for 2020 lower than forecast.

The forecast dividends expected to be received from Prime has not changed significantly since acquisition due to the mitigating factors above.

In addition, the Company has a $250.0 million two-year Term Loan, of which $204.8 million is outstanding at March 31, 2020. The loan repayments are calculated to be protective of the Company's liquidity position. The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment. The Company's loan repayments reduce commensurately with any reduction in dividends from Prime. There are no covenants in place.

Due to these factors we do not foresee a significant and prolonged decline in value as the Company still expects to recover the value of the investment through dividend payments, however the Company recognizes that situation is volatile and will continue to monitor these significant judgements.

The Company has determined that there are no indicators of impairment at March 31, 2020.

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

The Company's ownership interest at March 31, 2020 in Eco is approximately 18.39% compared to 18.41% at December 31, 2019. Eco is an oil and gas exploration company with interests in Guyana and Namibia.

	March 31, 2020	December 31, 2019
Balance, beginning of the period	$ 12,022	$ 10,192
Additional investment through private placements	-	5,000
Share of gain/(loss) from equity investments	689	(3,170)
Balance, end of the period	$ 12,711	$ 12,022

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

During the three months ended March 31, 2020, the Company recognized a gain of $0.7 million relating to its investment in Eco (loss of $0.07 million for three months ended March 31, 2019).

c) Africa Energy:

On February 5, 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 December 31, 2019 to approximately 32.6% at March 31, 2020. Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia.

	March 31, 2020	December 31, 2019
Balance, beginning of the period	$ 17,882	$ 19,518
Additional investment through private placements	5,000	-
Share of loss from equity investments	(656)	(1,636)
Balance, end of the period	$ 22,226	$ 17,882

During the three months ended March 31, 2020, the Company recognized losses of $0.7 million related to its investment in Africa Energy (three months ended March 31, 2019 - $0.8 million).

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

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. At March 31, 2020 the Company's ownership interest in Impact is approximately 32.2% compared to 29.9% at December 31, 2019.

	March 31, 2020	December 31, 2019
Balance, beginning of the period	$ 33,659	$ 36,224
Additional investment through the Subscription Agreement	11,969	6,293
Share of gain/(loss) from equity investments	1,438	(8,858)
Balance, end of the period	$ 47,066	$ 33,659

During the three months ended March 31, 2020, the Company recognized a gain of $1.4 million related to its investment in Impact (three months ended March 31, 2019 - $0.3 million in losses).

Recent market events are not expected to have a material impact on the operations or liquidity of the equity investments and as a result, no impairment indicators have been identified.

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

8) Long-term debt:

		March 31, 2020		December 31, 2019
Balance, beginning of the period	$	-	$	-
Drawdown		250,000		-
Interest expense		7,760		-
Interest repayment		(7,760)		-
Repayment		(45,208)		-
Balance, end of the period	$	204,792	$	-

The $250.0 million loan facility ("Term Loan") with BTG was drawn on 14 January 2020 and has a duration of two years. The Company has provided security in respect of the Term Loan mainly in the form of share pledges, over the shares of Petrovida, Eco, Africa Energy and Impact owned by Africa Oil and a charge over the bank accounts. into which the Prime dividends are paid.

The loan principal will be repaid by the lesser of 80% of the dividends received from Prime (less interest due for the month in which the dividend was received), and of an amount that ensures the Company hold a minimum projected consolidated cash balance in the six months following the repayment. The loan is subject to a fixed interest rate of 15% and is not subject to any debt covenants.

9) Share capital:

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

b) Issued:

		March 31, 2020			December 31, 2019		
	Note	Shares		Amount	Shares		Amount
Balance, beginning of the period		471,214,419	$	1,305,953	470,567,619	$	1,305,129
Settlement of Performance Share Units	10(b)	128,896		88	400,800		620
Settlement of Restricted Share Units	10(c)	606,491		415	246,000		204
Balance, end of the period		471,949,806	$	1,306,456	471,214,419	$	1,305,953

10) Equity-based compensation:

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.

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

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

	March 31, 2020		December 31, 2019	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	13,640,500	1.75	10,856,667	1.95
Granted	-	-	3,277,000	1.16
Expired	(3,878,000)	2.44	(493,167)	2.35
Exercised	-	-	-	-
Balance, end of the period	9,762,500	1.47	13,640,500	1.75

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.

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. During the three months ended March 31, 2020, the Company recognized $0.1 million in equity-based compensation (three months ended March 31, 2019 - $0.08 million), related to share purchase options.

b) Performance share units ("PSUs")

The Company's PSUs outstanding are as follows:

	March 31, 2020	December 31, 2019
	Number of PSUs	Number of PSUs
Outstanding, beginning of the period	5,319,112	3,880,500
Granted	3,144,300	2,783,400
Forfeited	-	(463,788)
Vested	(848,000)	(881,000)
Balance, end of the period	7,615,412	5,319,112

During the first quarter of 2020, the Company converted its PSUs from equity settled to cash settled awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period.

c) Restricted share units ("RSUs")

The Company's RSUs outstanding are as follows:

	March 31, 2020	December 31, 2019
	Number of RSUs	Number of RSUs
Outstanding, beginning of the period	2,602,593	2,553,960
Granted	1,575,500	1,263,200
Forfeited	-	(153,200)
Vested	(977,958)	(1,061,367)
Balance, end of the period	3,200,135	2,602,593

11) 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 Kenyan Tax Appeals Tribunal ("TAT") has ruled in favour of the Company with regards to the corporate income tax assessments, and the KRA may no longer appeal this decision. However, the TAT's ruled in favour of the KRA with regards to the VAT assessments which amounts to $22.0 million. The Company maintains its position that the VAT assessment is without merit and has duly filed an appeal with Kenya's High Court to challenge the position. This will be heard in Q2 2020.

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. All commitments for this period have been met. At March 31, 2020, 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. All commitments for this period have been met. At March 31, 2020, the Company's working interest in Block 13T was 25%.

The Kenya Joint Venture (KJV) has initiated discussions with the Ministry of Petroleum and Mining (MoPM) on the details of a Field Development Plan (FDP), which would 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 March 31, 2020, the Company's working interest in Block 10BA was 25%.

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

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.

d) Investment in Prime:

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. As the probability of this payment is remote, no provision was recorded at March 31, 2020.

12) Finance income and expense:

Finance income and expense for the three months ended March 31, 2020 and 2019 is comprised of the following:

For the three months ended		March 31, 2020		March 31, 2019
Interest and other income	$	966	$	2,393
Interest expense and bank charges		(7,804)		(22)
Foreign exchange loss		(57)		(7)
Finance income	$	966	$	2,393
Finance expense	$	(7,861)	$	(29)

13) Related party transactions:

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

On February 5, 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 to approximately 32.6% at March 31, 2020.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.03 million during the three months ended March 31, 2020 (March 31, 2019 - $0.03 million). At March 31, 2020, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2019 – $ 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 $0.2 million during the three months ended March 31, 2020, ($0.05 million for the three months ended March 31, 2019). At March 31, 2020, the outstanding balance payable to Africa Energy was $ nil (at December 31, 2019, $ nil). The consulting fee charged to the Company by Africa

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

Energy is intended to cover the costs of Africa Energy's employees who are providing the Company with services related to project evaluation.

14) Net loss per share:

For the three months ended	March 31, 2020			March 31, 2019		
		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 income/(loss) attributable to common shareholders	$ (137,882)	471,311,393	$ (0.29)	$ (511)	470,653,859	$ (0.00)
Effect of dilutive securities						
Dilutive gain/(loss) per share	$ (137,882)	471,311,393	$ (0.29)	$ (511)	470,653,859	$ (0.00)

During the three months ended March 31, 2020, the Company used an average market price of CAD$1.22 per share (three months ended March 31, 2019 – CAD$1.14 per share) to calculate the dilutive effect of share purchase options. For the three months ended March 31, 2020, 9,762,500 options, 7,615,412 PSUs and 3,200,135 RSUs were anti-dilutive and were not included in the calculation of dilutive loss per share (three months ended March 31, 2019, 10,795,500 options, 5,654,900 PSUs and 2,723,793 RSUs).

15) 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 March 31, 2020, the Company held \$3.0 million (December 31, 2019 \$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 March 31, 2020, the Company had $250.0 million Loan facility ("Term Loan") with BTG in which $45.2 million was repaid. The loan is subject to a fixed interest rate of 15% not subject to any debt covenants.

iii) Commodity price risk:

The Company has an equity holding in Prime (see note 7), which has two producing fields OML127 and OML 130, both with significant levels of production. The Company's future dividend stream from Prime will be dependent in part on the oil price. Prime has a robust hedging program that will significantly mitigate the impact of recent drop in global oil prices on the cash flows from investing activities net to the Company's 50% shareholding in Prime.

Prime's hedging program has resulted in more than 90% of its 2020 production to have been hedged at an average price of $66.0 per barrel, and most of its Q1-2021 production to have been hedged at an average price of $60.0 per barrel. The 2020 hedging program is made of physical forward sales of Prime's oil cargoes to a group of buyers including major oil companies and commodity trading houses. These counter parties are part of groups with investment grade credit ratings.

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

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

16) Financial instruments:

Assets and liabilities at March 31, 2020 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, accounts payable and accrued liabilities, and long-term debt are assessed on the fair value hierarchy described above. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt 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.

17) Supplementary information:

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

For the three months ended	**March 31, 2020**	**March 31, 2019**
Changes in non-cash working capital		
Accounts receivable	$ (23)	$ 265
Prepaid expenses	2,459	(118)
Due to related party	-	50
Accounts payable and accrued liabilities	1,667	3,754
	4,103	3,951
Relating to:		
Operating activities	$ 2,223	$ (258)
Investing activities	1,880	4,209
Changes in non-cash working capital	$ 4,103	$ 3,951

Note: Change in accounts payable and accrued liabilities excludes accruals relating to the acquisition of Prime.