



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

AFRICA OIL CORP.

For the three and nine months ended September 30, 2018 and 2017

AFRICA OIL CORP.

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

		September 30, 2018	December 31, 2017
	Note		
ASSETS			
Current assets			
Cash and cash equivalents		\$ 380,144	\$ 392,290
Accounts receivable	4	18,786	75,052
Prepaid expenses		1,266	1,160
		400,196	468,502
Long-term assets			
Equity investments	7	59,611	17,053
Derivative financial instruments	8	3,277	-
Property and equipment	5	40	105
Intangible exploration assets	6	506,154	520,652
		569,082	537,810
Total assets		\$ 969,278	\$ 1,006,312
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 27,819	\$ 31,658
Equity-based compensation liability	10	908	552
		28,727	32,210
Long-term liabilities			
Equity-based compensation liability	10	504	648
		504	648
Total liabilities		29,231	32,858
Equity attributable to common shareholders			
Share capital	9(b)	1,305,129	1,290,796
Contributed surplus		50,567	49,814
Deficit		(415,649)	(367,156)
Total equity attributable to common shareholders		940,047	973,454
Total liabilities and equity attributable to common shareholders		\$ 969,278	\$ 1,006,312
Commitments and contingencies	12		
Subsequent event	19		

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

Approved on behalf of the Board:

"ANDREW BARTLETT"

ANDREW BARTLETT, DIRECTOR

"KEITH HILL"

KEITH HILL, DIRECTOR

AFRICA OIL CORP.

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

		Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	Note				
Operating expenses					
Salaries and benefits		\$ 400	\$ 419	1,249	\$ 989
Equity-based compensation	10	802	740	1,539	1,871
Travel		292	262	985	576
Office and general		222	353	654	442
Project evaluation		300	-	982	-
Donation	18	-	-	-	850
Depreciation	5	26	26	80	78
Professional fees		156	76	421	455
Stock exchange and filing fees		178	161	480	467
Fair market value adjustment of warrants	8	427	-	1,067	-
Share of (gain)/loss from equity investments	7	(445)	272	1,204	884
Impairment of intangible exploration assets	6	-	-	44,689	-
		2,358	2,309	53,350	6,612
Finance income	13	(2,041)	(1,371)	(4,914)	(2,904)
Finance expense	13	6	6	57	27
Net loss and comprehensive loss attributable to common shareholders		323	944	48,493	3,735
Net loss attributable to common shareholders per share					
	15				
Basic		\$ 0.00	\$ 0.00	\$ 0.10	\$ 0.01
Diluted		\$ 0.00	\$ 0.00	\$ 0.10	\$ 0.01
Weighted average number of shares outstanding for the purpose of calculating earnings per share					
	15				
Basic		470,567,619	456,617,074	467,195,648	456,599,041
Diluted		470,567,619	456,617,074	467,195,648	456,599,041

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

AFRICA OIL CORP.

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

		September 30, 2018	September 30, 2017
	Note		
Share capital:	9(b)		
Balance, beginning of the period		\$ 1,290,796	\$ 1,290,389
Share issuance	7	14,327	-
Exercise of options		6	407
Balance, end of the period		1,305,129	1,290,796
Contributed surplus:			
Balance, beginning of the period		\$ 49,814	\$ 49,677
Equity-based compensation	10	754	1,871
Settlement of Restricted Share Units	10	-	(553)
Exercise of options	10	(1)	(103)
Balance, end of the period		50,567	50,892
Deficit:			
Balance, beginning of the period		\$ (367,156)	\$ (362,625)
Net loss and comprehensive loss attributable to common shareholders		(48,493)	(3,735)
Balance, end of the period		(415,649)	(366,360)
Total equity attributable to common shareholders		\$ 940,047	\$ 975,328

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

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

		Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash flows provided by (used in):					
	Note				
Operations:					
Net loss and comprehensive loss for the period		\$ (323)	\$ (944)	\$ (48,493)	\$ (3,735)
Items not affecting cash:					
Equity-based compensation	10	802	740	1,539	1,871
Depreciation	5	26	26	80	78
Impairment of intangible exploration assets	6	-	-	44,689	-
Share of (gain)/loss from equity investments	7	(445)	272	1,204	884
Fair value adjustment - warrants	8	427	-	1,067	-
Unrealized foreign exchange (gain)/loss		(6)	(83)	10	(45)
Changes in non-cash operating working capital	17	35	7	(106)	190
		516	18	(10)	(757)
Investing:					
Property and equipment expenditures	5	(10)	(1)	(15)	(13)
Intangible exploration expenditures	6	(8,845)	(15,861)	(30,191)	(46,933)
Advance carry relating to farmout	6	18,750	-	56,250	-
Equity investment	7	-	-	(30,922)	-
Warrants acquired in equity investment	8	-	-	(2,857)	-
Changes in non-cash investing working capital	17	150	2,809	(3,823)	8,751
		10,045	(13,053)	(11,558)	(38,195)
Financing:					
Common shares issued	9(b)	-	-	5	304
Settlement of Restricted Share Units	10	-	-	(573)	(553)
		-	-	(568)	(249)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		6	83	(10)	45
Increase (decrease) in cash and cash equivalents		10,567	(12,952)	(12,146)	(39,156)
Cash and cash equivalents, beginning of the period		\$ 369,577	\$ 436,857	\$ 392,290	\$ 463,061
Cash and cash equivalents, end of the period		\$ 380,144	\$ 423,905	\$ 380,144	\$ 423,905
Supplementary information:					
Interest paid		Nil	Nil	Nil	Nil
Income taxes paid		Nil	Nil	Nil	Nil

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1) Incorporation and nature of business:

Africa Oil Corp. (collectively with its subsidiaries, "AOC" or the "Company") was incorporated on March 29, 1993 under the laws of British Columbia and is an international oil and gas exploration company based in Canada with oil and gas interests in Kenya and Ethiopia. The Company's registered address is Suite 2600, 1066 West Hastings Street Vancouver, BC, V6E 3X1.

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

2) Basis of preparation:

a) Statement of compliance:

The Company prepares these condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles for interim periods, specifically International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all the information required for full annual financial statements, and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at November 13, 2018, 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, 2017.

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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.

The issuance of performance share units and restricted share units during the first quarter of 2018 requires the use of estimates and judgments and is described further in Note 10 below.

Warrants acquired by the Company in connection to the investment in Impact Oil and Gas Limited are accounted for as derivative financial assets. The estimated fair value, based on the Black-Scholes model, is adjusted on a quarterly basis with gains or losses recognized in the statement of net loss and comprehensive loss. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield and expected term (see Note 8).

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, 2017.

3) New accounting standards:

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018, and have not been applied in preparing these financial statements.

IFRS 9: Financial instruments

The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. The Company has implemented IFRS 9 and has determined that the measurement of financial instruments does not have a material impact on the disclosures in the financial statements.

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IFRS 15: Revenue from contracts with customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has determined that IFRS 15 will not affect the current financial statements as the Company currently does not have any revenue contracts.

IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 Leases. It replaces the existing leasing standard (IAS 17 Leases) and provides transparency on companies' lease assets and liabilities by removing off balance sheet lease financing and will improve comparability between companies that lease and those that borrow to buy. IFRS 16 is effective January 1, 2019, with earlier application permitted. The Company is currently assessing the impact of this standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4) **Accounts receivable:**

	September 30, 2018		December 31, 2017	
Advance development carry	\$	18,750	\$	75,000
Other		36		52
	\$	18,786	\$	75,052

Please refer to Note 6 for details relating to the Advance development carry receivables.

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5) Property and equipment:

	September 30, 2018	December 31, 2017
Cost, beginning of the period	\$ 609	\$ 597
Additions	15	12
Cost, end of the period	624	609
Accumulated depreciation, beginning of the period	(504)	(400)
Depreciation	(80)	(104)
Accumulated depreciation, end of the period	(584)	(504)
Net carrying amount, beginning of the period	\$ 105	\$ 197
Net carrying amount, end of the period	\$ 40	\$ 105

As at September 30, 2018, the Company has recorded \$0.04 million of property and equipment (December 31, 2017 - \$0.1 million) consisting primarily of office and computer equipment. The Company depreciates its property and equipment on a straight line basis over the useful life of the assets (one to three years).

6) Intangible exploration assets:

	September 30, 2018	December 31, 2017
Net carrying amount, beginning of the period	\$ 520,652	\$ 534,929
Intangible exploration expenditures	30,191	60,723
Impairment of intangible exploration assets	(44,689)	-
Advance development carry	-	(75,000)
Net carrying amount, end of the period	\$ 506,154	\$ 520,652

As at September 30, 2018, \$506.2 million of expenditures have been capitalized as intangible exploration assets (December 31, 2017 - \$520.7 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 September 30, 2018, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated.

During the second quarter of 2017, the Company and Maersk agreed to payment terms related to the \$75.0 million advance development carry. Africa Oil is due to receive equal quarterly payments of \$18.75 million at the end of each calendar quarter during 2018. The Company received \$56.3 million during the first nine months of 2018. These proceeds were initially recognized in accounts receivable and credited against intangible exploration assets during the second quarter of 2017. Upon Final Investment Decision ("FID") of the South Lokichar development project, Maersk may be obligated to carry the Company for an additional amount of up to \$405.0 million dependent upon meeting certain thresholds of resource growth and timing of first oil.

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

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During the nine months ended September 30, 2018, the Company capitalized \$6.2 million of general and administrative expenses related to intangible exploration assets (nine months ended September 30, 2017 – \$6.5 million).

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

7) Equity investments:

The Company currently holds the following equity investments:

	September 30, 2018	December 31, 2017
Investment in Africa Energy	\$ 22,730	\$ 5,976
Investment in Eco	10,946	11,077
Investment in Impact	25,935	-
Total Investment	\$ 59,611	\$ 17,053

The Company has determined that these investments are not impaired.

The Company recognized a total gain of \$0.3 million during the three months ended September 30, 2018 and a total loss of \$1.4 million during the nine months ended September 30, 2018, relating to its equity investments (\$0.3 million and \$0.9 million in losses for the three and nine months ended September 30, 2017, respectively).

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

The Company's ownership interest at September 30, 2018 in Africa Energy is approximately 34.5% (previously 28.5%). Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia.

	September 30, 2018	December 31, 2017
Balance, beginning of the period	\$ 5,976	\$ 7,330
Share of loss from equity investments	(1,246)	(1,354)
Additional investment through private placements	18,000	-
Balance, end of the period	\$ 22,730	\$ 5,976

The Company recognized losses of \$0.3 million and \$1.2 million during the three and nine months ended September 30, 2018, respectively, related to its investment in Africa Energy (\$0.3 million and \$0.9 million for the three and nine months ended September 30, 2017, respectively). Please refer to Note 14 for details relating to the private placement.

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

During November 2017, the Company acquired 29.2 million common shares of Eco for consideration of \$11.0 million. The Company's ownership interest in Eco is approximately 18.3%. Eco is an oil and gas exploration company with interests in exploration blocks in Guyana and Namibia.

	September 30, December 31,	
	2018	2017
Balance, beginning of the period	\$ 11,077	\$ -
Acquisition of common shares	-	11,003
Fees associated with the acquisition of common shares	-	242
Share of loss from equity investments	(131)	(168)
Balance, end of the period	\$ 10,946	\$ 11,077

The Company recognized losses of \$0.04 million and \$0.1 million during the three and nine months ended September 30, 2018, respectively, relating to its investment in Eco (\$ nil for both the three and nine months ended September 30, 2017).

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

During March 2018, the Company acquired an equity interest in Impact. Impact is an oil and gas exploration company with assets located offshore South Africa and West Africa. The Company's ownership interest in Impact is approximately 25.1%. This interest was acquired by completing the following transactions:

The Company entered into a subscription agreement (the "Subscription Agreement") with inter alia Impact providing for the purchase by AOC of 59,681,539 ordinary shares (the "Shares") and 29,840,769 ordinary share purchase warrants (the "Warrants") for an aggregate subscription price of \$15.0 million. See Note 8 for further details relating to the Warrants. The Subscription Agreement also provides that during the nine (9) month period after closing of the transactions contemplated by the Subscription Agreement, AOC may acquire, at the election of either AOC or Impact, an additional 9,946,923 Shares and 4,973,461 Warrants for an aggregate subscription price of approximately \$2.5 million. Impact is a private UK company.

The Company also entered into a share purchase agreement (the "Helios SPA") with Helios Natural Resources 2 Ltd. ("Helios") to acquire 70,118,381 Shares and 15,529,731 warrants (see Note 8) held by Helios in the capital of Impact (the "Helios Warrants") in exchange for 13,946,545 common shares of AOC (the "AOC Shares").

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

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(Unaudited)

	September 30, December 31,	
	2018	2017
Balance, beginning of the period	\$ -	\$ -
Common shares acquired through the Subscription Agreement	12,143	-
Common shares acquired through the Helios SPA	12,840	-
Fees associated with the acquisition of common shares	779	-
Share of gain from equity investments	173	-
Balance, end of the period	\$ 25,935	\$ -

During the nine months ended September 30, 2018, the Company capitalized \$0.8 million in fees relating to the acquisition of shares and warrants, and recognized gains of \$0.2 million for both the three and nine months ended September 30, 2018, relating to its investment in Impact (\$ nil for both the three and nine months ended September 30, 2017).

8) Derivative financial instruments (Impact Warrants):

	Note	September 30, 2018		December 31, 2017	
		Warrants	Amount	Warrants	Amount
Balance, beginning of the period		-	\$ -	-	\$ -
Warrants acquired through the Subscription Agreement	(i)	29,840,769	2,857	-	-
Warrants acquired through the Helios SPA	(ii)	15,529,731	1,487	-	-
Fair market value adjustment		-	(1,067)	-	-
Balance, end of the period		45,370,500	\$ 3,277	-	\$ -

- i) At the completion of the Subscription Agreement (Note 7(c)), the Company acquired 29,840,769 Warrants. The Warrants have an exercise price of £0.25 per Share and an expiry date of April 27, 2021, subject to early expiration in the event of a liquidity event in respect of Impact. The Warrants are subject to customary adjustment provisions in respect of anti-dilution matters.
- ii) At the completion of the Helios SPA (Note 7(c)), the Company acquired 15,529,731 Warrants from Helios. The Helios Warrants will have an exercise price of £0.18 per Share for a 12 month period, and if not exercised during such period, £0.25 thereafter and the same expiry date as the Warrants. The Helios Warrants are also subject to customary adjustment provisions in respect of anti-dilution matters.

The fair value of the Warrants acquired was estimated on the date the transaction closed, using the Black-Scholes pricing model and has been revalued using the following assumptions:

Fair value of Warrants acquired (\$)	0.07
Risk-free interest rate (%)	2.18
Expected life (years)	2.58
Expected volatility (%)	63
Expected dividend yield	-

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9) Share capital:

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

b) Issued:

	Note	September 30, 2018		December 31, 2017	
		Shares	Amount	Shares	Amount
Balance, beginning of the period		456,617,074	\$ 1,290,796	456,417,074	\$ 1,290,389
Shares issued to Helios	(i)	13,946,545	\$ 14,327	-	-
Exercise of options	10	4,000	6	200,000	407
Balance, end of the period		470,567,619	\$ 1,305,129	456,617,074	\$ 1,290,796

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

10) Equity-based compensation:

The Company recognized a total of \$0.8 million and \$1.5 million in equity-based compensation expense relating to the Long Term Incentive Plan ("LTIP") and Stock Option Plan during the three and nine months ended September 30, 2018, respectively (\$0.7 million and \$1.9 million for the three and nine months ended September 30, 2017, respectively).

Of the amounts recognized in equity-based compensation expense, \$0.2 million and \$0.5 million, relating to Performance Share Units ("PSUs") and Stock Options, were recorded in contributed surplus during the three and nine months ended September 30, 2018, respectively (\$0.2 million and \$0.4 million for the three and nine months ended September 30, 2017, respectively). Equity-based compensation related to Restricted Share Units ("RSUs") amounting to \$0.5 million and \$0.7 million for the three and nine months ended September 30, 2018, respectively (\$0.4 million and \$1.0 million for the three and nine months ended September 30, 2017, respectively) were recorded as a liability. As at the end of the period, \$0.9 million of short term liabilities (December 31, 2017: \$0.6 million) and \$0.5 million of long term liabilities are recorded related to RSUs (December 31, 2017: \$0.6 million).

a) Share purchase options

At the 2016 Annual General Meeting, held on April 19, 2016, the Company's shareholders approved the terms of the new 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 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.

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

	September 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price (CAD\$)	Number of options	Weighted average exercise price (CAD\$)
Outstanding, beginning of the period	9,539,333	2.15	14,748,500	4.58
Granted	-	-	1,191,500	1.38
Expired	(635,333)	2.20	(6,200,667)	7.79
Exercised	(4,000)	1.38	(200,000)	1.99
Balance, end of the period	8,900,000	2.15	9,539,333	2.15

During the nine months ended September 30, 2018, 0.6 million share purchase options expired (6.2 million options expired during the year ended December 31, 2017). During the nine months ended September 30, 2018, 0.004 million share purchase options were exercised in which \$0.001 million in contributed surplus was transferred to share capital. During the year ended December 31, 2017, 0.2 million share purchase options were exercised in which \$0.1 million in contributed surplus was transferred to share capital.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model and the fair value of the options granted is expensed over the vesting period of the options. The fair value of each option granted by the Company during the year ended December 31, 2017 was estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2018	2017
Number of options granted	-	1,191,500
Fair value of options granted (CAD\$ per option)	-	0.49
Risk-free interest rate (%)	-	1.41
Expected life (years)	-	3.00
Expected volatility (%)	-	49
Expected dividend yield	-	-

The following table summarizes information regarding the Company's share purchase options outstanding at September 30, 2018:

Weighted Average Exercise price (CAD\$/share)	Number outstanding	Weighted average remaining contractual life in years
2.48	3,667,000	1.32
2.25	600,000	1.45
2.12	1,355,000	3.21
1.99	1,940,500	2.23
1.98	150,000	2.14
1.38	1,187,500	4.22
2.15	8,900,000	2.21

As at September 30, 2018, 7,654,000 share purchase options were exercisable.

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(Unaudited)

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. The Company recognized \$0.08 million and \$0.3 million in equity-based compensation during the three and nine months ended September 30, 2018, respectively (\$0.1 million and \$0.5 million during the three and nine months ended September 30, 2017, respectively), related to share purchase options.

b) Performance share units ("PSUs")

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

The non-market performance conditions include:

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

The Company's PSUs outstanding are as follows:

	September 30, 2018	December 31, 2017
	Number of PSUs	Number of PSUs
Outstanding, beginning of the period	1,729,000	1,024,000
Granted	2,151,500	848,000
Forfeited	-	(143,000)
Exercised	-	-
Balance, end of the period	3,880,500	1,729,000

The Company accounts for PSUs as equity based awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. The Company recognized \$0.2 million and \$0.5 million during the three and nine months ended September 30, 2018, respectively, in equity-based compensation relating to the PSUs (\$0.2 million and \$0.4 million during the three and nine months ended September 30, 2017, respectively).

c) Restricted share units ("RSUs")

RSUs are notional share instruments which track the value of the common shares. RSUs granted to Non-Executive Directors cliff vest three years from the date of grant. RSUs granted to all other eligible plan participants vest over three years (1/3 on the first, second and third anniversary of grant). RSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

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The Company's RSUs outstanding are as follows:

	September 30, 2018	December 31, 2017
	Number of RSUs	Number of RSUs
Outstanding, beginning of the period	1,916,357	1,270,000
Granted	1,118,700	1,083,024
Forfeited	-	(95,333)
Vested	(576,335)	(341,334)
Balance, end of the period	2,458,722	1,916,357

During the first quarter of 2018, 401,600 RSUs (2017 – 235,024) were granted to Non-Executive Directors and 717,100 RSUs (2017 – 848,000) were granted to other plan participants. The Company accounts for RSUs as cash settled awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. The Company recognized \$0.5 million and \$0.7 million for the three and nine months ended September 30, 2018, respectively, in equity-based compensation relating to the RSUs (\$0.4 million and \$1.0 million during the three and nine months ended September 30, 2017, respectively). As at September 30, 2018, \$0.9 million of short term liabilities are recorded related to RSUs (December 31, 2017: \$0.6 million) and \$0.5 million of long term liabilities are recorded related to RSUs (December 31, 2017: \$0.6 million). These liabilities are revalued quarterly.

During the first quarter of 2018, 576,335 RSUs had vested and were settled for a cash payment of \$0.6 million compared to 341,334 RSUs vested and settled for a cash payment of \$0.6 million during the first quarter of 2017.

11) Segment information:

The Company determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO") and Chief Financial Officer ("CFO"), who are the Company's chief operating decision makers. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results, for which discrete financial information is available, are reviewed regularly by the CEO, COO and CFO to make decisions about resources to be allocated to the segment and assess its performance. The Company has a single class of business which is international oil and gas exploration. The geographical areas are defined by the Company as operating segments in accordance with IFRS. The Company operates in a number of geographical areas based on location of operations, being Kenya and Ethiopia.

At September 30, 2018	Kenya	Ethiopia	Corporate	Total
Total assets	\$ 521,817	\$ 6,926	\$ 440,535	\$ 969,278
Intangible exploration assets	502,784	3,370	-	506,154
Property and equipment	-	-	40	40

At December 31, 2017	Kenya	Ethiopia	Corporate	Total
Total assets	\$ 595,447	\$ 6,640	\$ 404,225	\$ 1,006,312
Intangible exploration assets	518,243	2,409	-	520,652
Property and equipment	-	-	105	105

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(Unaudited)

Three months ended September 30, 2018	Kenya	Ethiopia	Corporate	Total
Capital expenditures				
Intangible exploration assets	\$ 8,584	\$ 261	\$ -	\$ 8,845
Property and equipment	-	-	10	10
	\$ 8,584	\$ 261	\$ 10	\$ 8,855
Statement of operations				
Expenses	\$ (10)	\$ 4	\$ 2,364	\$ 2,358
Finance income	-	-	(2,041)	(2,041)
Finance expense	-	-	6	6
Segmented loss	\$ (10)	\$ 4	\$ 329	\$ 323
Three months ended September 30, 2017				
Capital expenditures				
Intangible exploration assets	\$ 15,192	\$ 669	\$ -	\$ 15,861
Property and equipment	-	-	1	1
	\$ 15,192	\$ 669	\$ 1	\$ 15,862
Statement of operations				
Expenses	\$ 28	\$ 4	\$ 2,277	\$ 2,309
Finance income	-	-	(1,371)	(1,371)
Finance expense	-	-	6	6
Segmented loss	\$ 28	\$ 4	\$ 912	\$ 944
Nine months ended September 30, 2018				
Capital expenditures				
Intangible exploration assets	\$ 29,230	\$ 961	\$ -	\$ 30,191
Property and equipment	-	-	15	15
	\$ 29,230	\$ 961	\$ 15	\$ 30,206
Statement of operations				
Expenses	\$ 44,696	\$ 14	\$ 8,640	\$ 53,350
Finance income	-	-	(4,914)	(4,914)
Finance expense	-	-	57	57
Segmented loss	\$ 44,696	\$ 14	\$ 3,783	\$ 48,493
Nine months ended September 30, 2017				
Capital expenditures				
Intangible exploration assets	\$ 45,432	\$ 1,501	\$ -	\$ 46,933
Property and equipment	-	-	13	13
	\$ 45,432	\$ 1,501	\$ 13	\$ 46,946
Statement of operations				
Expenses	\$ 47	\$ 12	\$ 6,553	\$ 6,612
Finance income	-	-	(2,904)	(2,904)
Finance expense	-	-	27	27
Segmented loss	\$ 47	\$ 12	\$ 3,676	\$ 3,735

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(Unaudited)

12) Commitments and contingencies:

a) Kenya Revenue Authority:

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

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

b) Contractual obligations:

i) Kenya:

Under the terms of the Block 10BB PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At September 30, 2018, the Company's working interest in Block 10BB was 25%.

Under the terms of the Block 13T PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At September 30, 2018, the Company's working interest in Block 13T was 25%.

Under the terms of the Block 10BA PSC, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period and entered into the second additional exploration period which expires in October 2019. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 kilometers of 2D seismic or 25 square kilometers of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is \$19.0 million. At September 30, 2018, the Company's working interest in Block 10BA was 25%.

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ii) Ethiopia:

Under the terms of Rift Basin Area PSA, during March 2018, the Company received approval from the Ministry of Mines, Petroleum and Natural Gas for Ethiopia, for an extension to the initial exploration period which expires in February 2019. The Company is obligated to complete G&G operations (including the acquisition of 8,000 square kilometers of full tensor gravity and 400 kilometers of 2D seismic) with a minimum gross expenditure of \$5.0 million. At September 30, 2018, the Company's working interest in the Rift Basin Area Block was 100%.

c) Title disputes:

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

13) Finance income and expense:

Finance income and expense for the three and nine months ended September 30, 2018 and 2017 is comprised of the following:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Interest and other income	\$ 2,035	\$ 1,288	\$ 4,914	\$ 2,859
Bank charges	(6)	(6)	(47)	(27)
Foreign exchange gain/(loss)	6	83	(10)	45
Finance income	\$ 2,041	1,371	\$ 4,914	\$ 2,904
Finance expense	\$ (6)	\$ (6)	\$ (57)	\$ (27)

14) Related party transactions:

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

During May 2018, the Company invested \$18.0 million in a non-brokered private placement to acquire 144,956,250 common shares in Africa Energy at a price of CAD \$0.165 per share, increasing the Company's ownership interest in Africa Energy to 34.5% from 28.5% at December 31, 2017.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy \$0.1 million during the nine months ended September 30, 2018 (nine months ended September 30, 2017 – \$0.1 million). At September 30, 2018, the outstanding balance receivable from Africa Energy was \$ nil (at December 31, 2017 – \$ 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.

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For the three and nine months ended September 30, 2018 and 2017

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During the nine months ended September 30, 2018, the Company invoiced Africa Energy \$ nil for reimbursable expenses paid by the Company on behalf of Africa Energy (nine months ended September 30, 2017 - \$0.1 million). At September 30, 2018, the outstanding balance receivable from Africa Energy was \$ nil (at December 31, 2017 - \$ nil).

15) Net loss per share:

For the three months ended	September 30, 2018			September 30, 2017		
	Weighted Average			Weighted Average		
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	\$ 323	470,567,619	\$ 0.00	\$ 944	456,617,074	\$ 0.00
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	\$ 323	470,567,619	\$ 0.00	\$ 944	456,617,074	\$ 0.00

For the nine months ended	September 30, 2018			September 30, 2017		
	Weighted Average			Weighted Average		
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	\$ 48,493	467,195,648	\$ 0.10	\$ 3,735	456,599,041	\$ 0.01
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	\$ 48,493	467,195,648	\$ 0.10	\$ 3,735	456,599,041	\$ 0.01

During the three and nine months ended September 30, 2018, the Company used an average market price of CAD\$1.27 and CAD\$1.31 per share, respectively (three and nine months ended September 30, 2017 - CAD\$1.83 and CAD\$2.13 per share, respectively) to calculate the dilutive effect of share purchase options. For the nine months ended September 30, 2018, 8,900,000 options, 3,880,500 PSUs and 2,458,722 RSUs were anti-dilutive and were not included in the calculation of dilutive loss per share (nine months ended September 30, 2017, 8,347,833 options, 1,729,000 PSUs and 1,916,357 RSUs).

16) Financial instruments:

Assets and liabilities at September 30, 2018 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.

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

17) Supplementary information:

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

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Changes in non-cash working capital				
Accounts receivable	\$ 25	\$ 189	\$ 16	\$ 61
Prepaid expenses	42	(47)	(106)	(5)
Due from related party	-	16	-	57
Accounts payable and accrued liabilities	118	2,658	(3,839)	8,828
	185	2,816	(3,929)	8,941
Relating to:				
Operating activities	\$ 35	\$ 7	\$ (106)	\$ 190
Investing activities	150	2,809	(3,823)	8,751
Changes in non-cash working capital	\$ 185	\$ 2,816	\$ (3,929)	\$ 8,941

18) Donation:

As part of the Company's Community Social Responsibility commitment, the Company made donations to the Lundin Foundation of \$ nil for both the three and nine months ended September 30, 2018 (\$ nil and \$0.9million for the three and nine months ended September 30, 2017, respectively). The Lundin Foundation is a registered Canadian non-profit organization that provides grants and risk capital to organizations dedicated to alleviating poverty in developing countries.

19) Subsequent event:

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

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The primary assets of POGBV are an indirect 8% interest in Oil Mining Lease (“OML”) 127, which contains the producing Agbami Field, operated by affiliates of Chevron Corporation, and an indirect 16% interest in OML 130, operated by affiliates of TOTAL S.A., which contains the producing Akpo Field and the Egina Field, which is expected to commence production by the end of 2018. Both OMLs are located in deep water offshore Nigeria.

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