



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

**AFRICA OIL CORP.**

For the three and nine months ended September 30, 2019 and 2018

# AFRICA OIL CORP.

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

		September 30, 2019	December 31, 2018
	<b>Note</b>		
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 330,309	\$ 370,337
Accounts receivable		59	560
Prepaid expenses		2,658	1,221
		333,026	372,118
Long-term assets			
Equity investments	6	67,010	65,934
Property and equipment	4	3,535	36
Intangible exploration assets	5	544,598	515,823
		615,143	581,793
<b>Total assets</b>		<b>\$ 948,169</b>	<b>\$ 953,911</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 31,091	\$ 30,624
Equity-based compensation liability	8	651	749
Lease obligations	10	1,123	-
		32,865	31,373
Long-term liabilities			
Equity-based compensation liability	8	490	458
Lease obligations	10	2,314	-
		2,804	458
<b>Total liabilities</b>		<b>35,669</b>	<b>31,831</b>
Equity attributable to common shareholders			
Share capital	7(b)	1,305,953	1,305,129
Contributed surplus		50,988	50,821
Deficit		(444,441)	(433,870)
<b>Total equity attributable to common shareholders</b>		<b>912,500</b>	<b>922,080</b>
<b>Total liabilities and equity attributable to common shareholders</b>		<b>\$ 948,169</b>	<b>\$ 953,911</b>
Commitments and contingencies	9		
Subsequent event	16		

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

Approved on behalf of the Board:

*"ANDREW BARTLETT"*

ANDREW BARTLETT, DIRECTOR

*"KEITH HILL"*

KEITH HILL, DIRECTOR

# AFRICA OIL CORP.

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

		Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	<b>Note</b>				
Operating expenses					
Salaries and benefits		\$ 506	\$ 400	1,384	\$ 1,249
Equity-based compensation	8	433	802	1,600	1,539
Travel		450	292	976	985
Office and general		559	222	1,212	654
Project evaluation		355	300	762	982
Depreciation	4	150	26	204	80
Professional fees		126	156	495	421
Stock exchange and filing fees		246	178	463	480
Fair market value adjustment of w warrants	6	-	427	-	1,067
Share of (gain)/loss from equity investments	6	(141)	(445)	10,218	1,204
Impairment of intangible exploration assets	5	-	-	-	44,689
		2,684	2,358	17,314	53,350
Finance income	11	(2,128)	(2,041)	(6,822)	(4,914)
Finance expense	11	41	6	79	57
Net loss and comprehensive loss attributable to common shareholders		597	323	10,571	48,493
Net loss attributable to common shareholders per share	13				
Basic		\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.10
Diluted		\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.10
Weighted average number of shares outstanding for the purpose of calculating earnings per share	13				
Basic		471,214,419	470,567,619	471,029,619	467,195,648
Diluted		471,214,419	470,567,619	471,029,619	467,195,648

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, 2019	September 30, 2018
	<b>Note</b>		
	<b>7(b)</b>		
<b>Share capital:</b>			
Balance, beginning of the period		\$ 1,305,129	\$ 1,290,796
Settlement of Performance Share Units		620	-
Settlement of Restricted Share Units		204	-
Share issuance		-	14,327
Exercise of options		-	6
Balance, end of the period		1,305,953	1,305,129
<b>Contributed surplus:</b>			
Balance, beginning of the period		\$ 50,821	\$ 49,814
Equity-based compensation	8	787	754
Settlement of Performance Share Units	8	(620)	-
Exercise of options	8	-	(1)
Balance, end of the period		50,988	50,567
<b>Deficit:</b>			
Balance, beginning of the period		\$ (433,870)	\$ (367,156)
Net loss and comprehensive loss attributable to common shareholders		(10,571)	(48,493)
Balance, end of the period		(444,441)	(415,649)
Total equity attributable to common shareholders		\$ 912,500	\$ 940,047

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# AFRICA OIL CORP.

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

		Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash flows provided by (used in):					
	<b>Note</b>				
Operations:					
Net loss and comprehensive loss for the period		\$ (597)	\$ (323)	\$ (10,571)	\$ (48,493)
Items not affecting cash:					
Equity-based compensation	8	433	802	1,600	1,539
Depreciation	4	150	26	204	80
Impairment of intangible exploration assets	5	-	-	-	44,689
Interest on lease obligations	10	13	-	31	-
Share of (gain)/loss from equity investments	6	(141)	(445)	10,218	1,204
Fair value adjustment - w warrants	6	-	427	-	1,067
Unrealized foreign exchange loss		22	(6)	22	10
Changes in non-cash operating working capital	15	(798)	35	(1,355)	(106)
Net cash provided by (used in) operating activities		(918)	516	149	(10)
Investing:					
Property and equipment expenditures	4	(75)	(10)	(85)	(15)
Intangible exploration expenditures	5	(10,833)	(8,845)	(28,775)	(30,191)
Advance carry relating to farmout		-	18,750	-	56,250
Equity investment	6	-	-	(11,293)	(30,922)
Warrants acquired in equity investment	6	-	-	-	(2,857)
Changes in non-cash investing working capital	15	980	150	886	(3,823)
Net cash used in investing activities		(9,928)	10,045	(39,267)	(11,558)
Financing:					
Common shares issued	7(b)	-	-	-	5
Settlement of Restricted Share Units	8	-	-	(676)	(573)
Payment of lease obligations	10	(154)	-	(212)	-
Net cash used in financing activities		(154)	-	(888)	(568)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(22)	6	(22)	(10)
Increase/(decrease) in cash and cash equivalents		(11,022)	10,567	(40,028)	(12,146)
Cash and cash equivalents, beginning of the period		\$ 341,331	\$ 369,577	\$ 370,337	\$ 392,290
Cash and cash equivalents, end of the period		\$ 330,309	\$ 380,144	\$ 330,309	\$ 380,144
Supplementary information:					
Interest paid		Nil	Nil	Nil	Nil
Income taxes paid		Nil	Nil	Nil	Nil

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# AFRICA OIL CORP.

Notes to Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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

(Unaudited)

## 1) Incorporation and nature of business:

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

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

## 2) Basis of preparation:

### a) Statement of compliance:

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

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at November 13, 2019, the date the Board of Directors approved the statements.

### b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the significant accounting policies in Note 3 of the annual financial statements for the year ended December 31, 2018.

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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.

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

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

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

### 3) New accounting standards:

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

*IFRS 16: Leases*

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

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

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

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

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

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

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

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

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

## 4) Property and equipment:

	September 30, 2019	December 31, 2018
Cost, beginning of the period	\$ 624	\$ 609
Additions	85	15
Increase in right-of-use assets	3,618	-
Cost, end of the period	4,327	624
Accumulated depreciation, beginning of the period	(588)	(504)
Depreciation	(204)	(84)
Accumulated depreciation, end of the period	(792)	(588)
Net carrying amount, beginning of the period	\$ 36	\$ 105
Net carrying amount, end of the period	\$ 3,535	\$ 36

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As at September 30, 2019, the Company has recorded \$3.5 million of property and equipment (December 31, 2018 - \$0.04 million) consisting primarily of right-of-use assets. The Company depreciates its right-of-use assets over the term of the contract. The Company depreciates its property and equipment, other than right of use assets, on a straight-line basis over the useful life of the assets (one to three years). Included in depreciation is \$0.2 million relating to the Company's right-of-use assets.

## 5) Intangible exploration assets:

	September 30, 2019	December 31, 2018
Net carrying amount, beginning of the period	\$ 515,823	\$ 520,652
Intangible exploration expenditures	28,775	44,761
Impairment of intangible exploration assets	-	(49,590)
Net carrying amount, end of the period	\$ 544,598	\$ 515,823

As at September 30, 2019, \$544.6 million of expenditures have been capitalized as intangible exploration assets (December 31, 2018 - \$515.8 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: geological and geophysical studies, exploratory and appraisal drilling, well testing, development studies and related general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments. At September 30, 2019, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated.

During the third quarter of 2019, \$3.3 million of proceeds from the sale of test oil production were offset against intangible exploration expenditures.

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

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

During the nine months ended September 30, 2019, the Company capitalized \$3.8 million of general and administrative expenses related to intangible exploration assets (nine months ended September 30, 2018 - \$6.2 million).

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

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.

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## 6) Equity investment:

The Company currently holds the following equity investments:

	September 30, 2019	December 31, 2018
Investment in Africa Energy	\$ 18,130	\$ 19,518
Investment in Eco	14,293	10,192
Investment in Impact	34,587	36,224
<b>Total Investment</b>	<b>\$ 67,010</b>	<b>\$ 65,934</b>

The Company has determined that these investments are not impaired.

The Company recognized a total gain of \$0.1 million during the three months ended September 30, 2019 and a total loss of \$10.2 million during the nine months ended September 30, 2019, relating to its equity investments (total gain of \$0.4 million during the three months ended September 30, 2018 and a total loss of \$1.2 million during the nine months ended September 30, 2018, respectively).

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

During April 2019, the Company announced that it had acquired 4,752,850 common shares of Eco. The common shares were acquired by Africa Oil on a non-brokered private placement basis, increasing its ownership interest in Eco from 17.7% to approximately 18.7%. Eco is an oil and gas exploration Company with interests in Guyana and Namibia.

	September 30, 2019	December 31, 2018
Balance, beginning of the period	\$ 10,192	\$ 11,077
Share of loss from equity investments	(899)	(885)
Additional investment through private placements	5,000	-
<b>Balance, end of the period</b>	<b>\$ 14,293</b>	<b>\$ 10,192</b>

The Company recognized a gain of \$0.5 million during the three months ended September 30, 2019 and a loss of \$0.9 million during the nine months ended September 30, 2019, relating to its investment in Eco (\$0.04 million and \$0.1 million in losses for the three and nine months ended September 30, 2018, respectively).

### b) Africa Energy:

The Company's ownership interest at September 30, 2019 in Africa Energy is approximately 34.5%. Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia.

	September 30, 2019	December 31, 2018
Balance, beginning of the period	\$ 19,518	\$ 5,976
Share of loss from equity investments	(1,388)	(4,458)
Additional investment through private placements	-	18,000
<b>Balance, end of the period</b>	<b>\$ 18,130</b>	<b>\$ 19,518</b>

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

(Unaudited)

The Company recognized losses of \$0.2 million and \$1.4 million during the three and nine months ended September 30, 2019, respectively, related to its investment in Africa Energy (\$0.3 million and \$1.2 million for the three and nine months ended September 30, 2018, respectively).

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

During 2018, the Company acquired an equity interest in Impact. Impact is a private UK oil and gas exploration company with assets located offshore South Africa and West Africa. At September 30, 2019 the Company's ownership interest in Impact is approximately 30.1%. This interest was acquired by completing the following transactions:

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

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

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

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

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(Unaudited)

	September 30, December 31,	
	2019	2018
Balance, beginning of the period	\$ 36,224	\$ -
Common shares acquired through the Subscription Agreement	6,293	14,308
Common shares acquired through the Helios SPA	-	12,840
Warrants exercised	-	11,552
Value of derivative assets transferred to investment	-	3,612
Fees associated with the acquisition of common shares	-	779
Share of loss from equity investments	(7,930)	(6,867)
Balance, end of the period	\$ 34,587	\$ 36,224

The Company recognized losses of \$0.2 million and \$7.9 million during the three and nine months ended September 30, 2019, respectively, relating to its investment in Impact (total gain of \$0.2 million for both the three and nine months ended September 30, 2018). During 2018, the Company capitalized \$0.8 million in fees relating to the acquisition of shares and warrants.

## 7) Share capital:

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

	Note	September 30, 2019		December 31, 2018	
		Shares	Amount	Shares	Amount
Balance, beginning of the period		470,567,619	\$ 1,305,129	456,617,074	\$ 1,290,796
Settlement of Performance Share Units	8(b)	400,800	620	-	-
Settlement of Restricted Share Units	8(b)	246,000	204	-	-
Shares issued to Helios	(i)	-	-	13,946,545	14,327
Exercise of options	8	-	-	4,000	6
Balance, end of the period		471,214,419	\$ 1,305,953	470,567,619	\$ 1,305,129

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

## 8) Equity-based compensation:

The Company recognized a total of \$0.4 million and \$1.6 million during the three and nine months ended September 30, 2019, respectively, in equity-based compensation expense relating to the Long-Term Incentive Plan ("LTIP") and Stock Option Plan (\$0.8 million and \$1.5 million for the three and nine months ended September 30, 2018, respectively).

Of the amounts recognized in equity-based compensation expense, \$0.3 million and \$0.8 million, relating to Performance Share Units ("PSUs") and Stock Options, were recorded in contributed surplus during the three and nine months ended September 30, 2019, respectively (\$0.3 million and \$0.9 million for the three and nine months ended September 30, 2018, respectively). Equity-based compensation related to Restricted Share Units ("RSUs") amounting to \$0.1 million and \$0.8 million for the three and nine months ended September 30, 2019, respectively were recorded as a liability (\$0.5 million and \$0.6 million for the three and nine months ended September 30, 2018,

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respectively). As at September 30, 2019, \$0.7 million of short-term liabilities (December 31, 2018: \$0.7 million) and \$0.5 million of long-term liabilities are recorded related to RSUs (December 31, 2018: \$0.5 million).

## a) Share purchase options

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

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

	September 30, 2019		December 31, 2018	
	Number of options	Weighted average exercise price (CAD\$)	Number of options	Weighted average exercise price (CAD\$)
Outstanding, beginning of the period	10,856,667	1.95	9,539,333	2.15
Granted	330,000	1.12	1,966,000	1.06
Expired	(441,167)	2.39	(644,666)	2.18
Exercised	-	-	(4,000)	1.38
Balance, end of the period	10,745,500	1.91	10,856,667	1.95

During the nine months ended September 30, 2019, 0.4 million share purchase options expired (0.6 million options expired during the year ended December 31, 2018). During the nine months ended September 30, 2019, no share purchase options were exercised. During the year ended December 31, 2018, 4,000 share purchase options were exercised in which \$1,528 in contributed surplus was transferred to share capital.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model and the fair value of the options granted is expensed over the vesting period of the options. The fair value of each option granted by the Company during the nine months ended September 30, 2019 and during the year ended December 31, 2018 was estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2019	2018
Number of options granted	330,000	1,966,000
Fair value of options granted (CAD\$ per option)	0.34	0.33
Risk-free interest rate (%)	1.65	2.19
Expected life (years)	3.00	3.00
Expected volatility (%)	42	43
Expected dividend yield	-	-

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(Unaudited)

The following table summarizes information regarding the Company's share purchase options outstanding at September 30, 2019:

Weighted Average Exercise price (CAD\$/share)	Number outstanding	Weighted average remaining contractual life in years
2.48	3,294,000	0.32
2.25	600,000	0.45
2.12	1,326,000	2.21
1.99	1,920,000	1.23
1.98	150,000	1.14
1.38	1,159,500	3.22
1.13	280,000	4.88
1.06	2,016,000	4.22
1.91	10,745,500	1.90

The following table summarizes information regarding the Company's share purchase options exercisable at September 30, 2019:

Weighted Average Exercise price (CAD\$/share)	Number exercisable	Weighted average remaining contractual life in years
2.48	3,294,000	0.32
2.25	600,000	0.45
2.12	1,326,000	2.21
1.99	1,920,000	1.23
1.98	150,000	1.14
1.38	771,667	3.22
1.13	93,333	4.88
1.06	672,000	4.22
2.08	8,827,000	1.42

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 \$0.1 million and \$0.3 million in equity-based compensation during the three and nine months ended September 30, 2019, respectively (\$0.1 million and \$0.3 million during the three and nine months ended September 30, 2018, 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.

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The non-market performance conditions include:

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

The Company's PSUs outstanding are as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	Number of PSUs	Number of PSUs
Outstanding, beginning of the period	3,880,500	1,729,000
Granted	2,655,400	2,151,500
Forfeited	-	-
Vested	(881,000)	-
Balance, end of the period	5,654,900	3,880,500

The Company accounts for PSUs as equity-based awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. The Company recognized \$0.2 million and \$0.5 million for the three and nine months ended September 30, 2019, respectively, in equity-based compensation relating to the PSUs (\$0.2 million and \$0.6 million for the three and nine months ended September 30, 2018, respectively).

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

c) Restricted share units ("RSUs")

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

The Company's RSUs outstanding are as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	Number of RSUs	Number of RSUs
Outstanding, beginning of the period	2,553,960	1,916,357
Granted	1,231,200	1,213,938
Forfeited	-	-
Vested	(1,061,367)	(576,335)
Balance, end of the period	2,723,793	2,553,960

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During the first quarter of 2019, 567,500 RSUs (2018 – 401,600) were granted to Non-Executive Directors and 663,700 RSUs (2018 – 717,100) were granted to other plan participants. The Company accounts for RSUs as cash settled awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. The Company recognized \$0.1 million and \$0.8 million for the three and nine months ended September 30, 2019, respectively, in equity-based compensation relating to the RSUs (\$0.5 million and \$0.6 million for the three and nine months ended September 30, 2018, respectively). As at September 30, 2019, \$0.6 million of short-term liabilities (December 31, 2018: \$0.7 million) and \$0.5 million of long-term liabilities are recorded related to RSUs (December 31, 2018: \$0.5 million). These liabilities are revalued quarterly.

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

## 9) Commitments and contingencies:

### a) Kenya Revenue Authority:

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

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

### b) Contractual obligations:

#### i) Kenya:

Under the terms of the Block 10BB PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At September 30, 2019, the Company's working interest in Block 10BB was 25%.

Under the terms of the Block 13T PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At September 30, 2019, the Company's working interest in Block 13T was 25%.

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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 September 30, 2019, the Company's working interest in Block 10BA was 25%.

c) Title disputes:

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

## 10) Lease obligations:

The following table details the Company's lease obligations for the period ended September 30, 2019:

	<b>September 30, 2019</b>
Less than one year	1,266
1 - 3 years	2,385
After 3 years	93
Total lease payments	3,744
Amounts representing interest	(307)
Present value of net lease payments	3,437
Current portion of lease obligations	(1,123)
Non-current portion of lease obligations	2,314

The Company's short-term leases and leases of low-value assets amounted to \$0.04 million and \$0.1 million for the three and nine months ended September 30, 2019, respectively, and consists of office equipment and field office space that is expensed accordingly. The Company's lease obligations consist of expatriate employee accommodations, office rent and parking for its offices in Calgary, Canada, London, UK and Nairobi, Kenya. The majority of Company's lease contracts are effective for periods of three to six years but may have extension options as described in Note 2(d) "Use of estimates and judgments". Leases are negotiated on an individual basis and contain a wide range of different terms and conditions.

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## 11) Finance income and expense:

Finance income and expense for the three and nine months ended September 30, 2019 and 2018 is comprised of the following:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Interest and other income	\$ 2,128	\$ 2,035	\$ 6,822	\$ 4,914
Interest expense and bank charges	(19)	(6)	(57)	(47)
Foreign exchange gain/(loss)	(22)	6	(22)	(10)
Finance income	\$ 2,128	\$ 2,041	\$ 6,822	\$ 4,914
Finance expense	\$ (41)	\$ (6)	\$ (79)	\$ (57)

## 12) Related party transactions:

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

At September 30, 2019, the Company owned 34.5% of the common shares of Africa Energy.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy \$0.03 million and \$0.09 million during the three and nine months ended September 30, 2019, respectively (\$0.03 million and \$0.1 million for the three and nine months ended September 30, 2018, respectively). At September 30, 2019, the outstanding balance receivable from Africa Energy was \$ nil (at December 31, 2018 – \$ nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

Under the terms of the Consulting Services Agreement between Africa Energy and the Company, Africa Energy invoiced the Company \$0.2 million and \$0.4 million during the three and nine months ended September 30, 2019, respectively (\$ nil for the three and nine months ended September 30, 2018). At September 30, 2019, the outstanding balance payable to Africa Energy was \$0.02 million (at December 31, 2018, \$ nil). The consulting fee charged to the Company by Africa Energy is intended to cover the costs of Africa Energy's employees who are providing the Company with services related to project evaluation.

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## 13) Net loss per share:

For the three months ended	September 30, 2019			September 30, 2018		
	Weighted Average			Weighted Average		
	Net loss	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	\$ 597	471,214,419	\$ 0.00	\$ 323	470,567,619	\$ 0.00
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	\$ 597	471,214,419	\$ 0.00	\$ 323	470,567,619	\$ 0.00

For the nine months ended	September 30, 2019			September 30, 2018		
	Weighted Average			Weighted Average		
	Net loss	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	\$ 10,571	471,029,619	\$ 0.02	\$ 48,493	467,195,648	\$ 0.10
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	\$ 10,571	471,029,619	\$ 0.02	\$ 48,493	467,195,648	\$ 0.10

The Company used an average market price of CAD\$1.19 per share for both the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018 – CAD\$1.27 and CAD\$1.31 per share, respectively) to calculate the dilutive effect of share purchase options. For the three months ended September 30, 2019, 10,745,500 options, 5,654,900 PSUs and 2,723,793 RSUs were anti-dilutive and were not included in the calculation of dilutive loss per share (nine months ended September 30, 2018, 8,900,000 options, 3,880,500 PSUs and 2,458,722 RSUs).

## 14) Financial instruments:

Assets and liabilities at September 30, 2019 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are assessed on the fair value hierarchy described above. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity of these instruments. The fair value of the warrants is derived using inputs from active markets. The expected life of the warrants is approximately 3 years and have been classified as a non-current asset. Assessment of the significance of a particular input to the fair value measurement requires judgment and may

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affect the placement within the fair value hierarchy level. There were no transfers between levels in the fair value hierarchy in the year.

## 15) Supplementary information:

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

	<b>Three months ended September 30, 2019</b>	<b>Three months ended September 30, 2018</b>	<b>Nine months ended September 30, 2019</b>	<b>Nine months ended September 30, 2018</b>
Changes in non-cash working capital				
Accounts receivable	\$ (26)	\$ 25	\$ 501	\$ 16
Prepaid expenses	(972)	42	(1,437)	(106)
Due to related party	(18)	-	-	-
Accounts payable and accrued liabilities	1,198	118	467	(3,839)
	<u>182</u>	<u>185</u>	<u>(469)</u>	<u>(3,929)</u>
Relating to:				
Operating activities	\$ (798)	\$ 35	\$ (1,355)	\$ (106)
Investing activities	980	150	886	(3,823)
Changes in non-cash working capital	<u>\$ 182</u>	<u>\$ 185</u>	<u>\$ (469)</u>	<u>\$ (3,929)</u>

## 16) Subsequent event:

On November 1, 2019, the Company announced that it has entered into an amendment to the share purchase agreement (the "Amended SPA") signed on October 31st, 2018, between Petrobras International Braspetro BV ("PIBBV") and Petrovida Holding B.V. ("Petrovida"), the company formed by the consortium of Africa Oil, Delonex Energy Ltd. ("Delonex") and Vitol Investment Partnership II Ltd. ("Vitol") to acquire an ownership interest in Petrobras Oil and Gas B.V. ("POGBV"). This follows Vitol and Delonex decisions to withdraw from the previously announced purchase of 50% of the share capital of POGBV. Consequently, Africa Oil will be the sole acquirer of the 50% interest in POGBV.

It remains the intention of the Company to complete the transaction on the previously announced terms, subject to all necessary regulatory and third-party approvals, including the Department of Petroleum Resources ("DPR") in Nigeria.

The Company also announced that it has agreed the terms of a credit committee approved term sheet with BTG Pactual ("BTG") for a guarantee and loan facility ("Bridge Loan") of up to \$250.0 million in order to fund the anticipated payments required at completion.