AFRICA OIL CORP.

Report to Shareholders

March 31, 2018

AFRICA OIL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three months ended March 31, 2018 and 2017

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Oil Corp. and its subsidiaries (the "Company" or "AOC") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three months ended March 31, 2018 and 2017 and also should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2017 and 2016 and related notes thereto.

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

The effective date of this MD&A is May 10, 2018.

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

PROFILE AND STRATEGY

AOC is a Canadian-based company whose common shares are traded on the TSX and Nasdaq Stockholm under the symbol "AOI". The Company is an international oil and gas exploration and development company, based in Canada, with oil and gas interests in Kenya and Ethiopia. The Company has also made equity investments in a number of international oil and gas exploration companies.

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

The East African Rift Basin system is one of the last great rift Basins to be explored. The Company acquired its interests in East Africa as several multi-billion barrel oil fields had been discovered in multiple analogous oil fields on all sides of the Company's underexplored land position including the major Tullow Oil plc ("Tullow") Albert Graben oil discovery in neighboring Uganda.

UPDATED ASSESSMENT OF CONTINGENT RESOURCES

In May of 2016, the Company announced details of an updated independent assessment of the Company's contingent resources for the South Lokichar Basin in Blocks 10BB and 13T. The effective date of this assessment was December 31, 2015, and it was carried out in accordance with the standards established by the Canadian Securities Administrators in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The assessment confirmed that the South Lokichar Basin contains gross 2C contingent resources of 766 million barrels of oil (Development Pending: 754 million barrels and Development Unclarified: 12 million barrels). Please refer to the Company's press release dated May 10, 2016 for details of the contingent resources by field. The Company intends to have an updated independent resource evaluation completed following the completion of the water injectivity and associated production testing planned in Block 10BB during the first half of 2018.

MAERSK FARMOUT

During the second quarter of 2017, the Company and Maersk (who has subsequently been acquired by Total S.A.) 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 first quarterly payment was received during the first quarter of 2018. These proceeds were initially recognized in accounts receivable and intangible exploration assets during 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.

WORKING INTERESTS

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

Country	Block/Area	Operator	Current Net Working Interest % (1)
Kenya	Block 10BB	Tullow	25%
Kenya	Block 13T	Tullow	25%
Kenya	Block 10BA	Tullow	25%
Kenya	Block 9	AOC	100%
Ethiopia	Rift Basin Area	AOC	100%

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

OPERATIONS UPDATE

Tertiary Rift – Kenya

Exploration and Appraisal (Blocks 10BB and 13T)

Operational activity remains primarily focused in the South Lokichar basin. Work continues at both the Amosing and Ngamia fields, focused on collecting dynamic field data through extended production and water injection testing. The Ngamia-11 appraisal well (143 meters of net oil pay) is being utilized in a waterflood pilot test planned to be run throughout the first half of 2018. The waterflood pilot will include the previously drilled Ngamia 3, 6 and 8 wells. This pilot is designed to deliver a long-term assessment of the enhanced oil recovery that may be expected as a result of water injection. The waterflood pilot follows up the successful water injection testing program which was completed during the first half of 2017 on the Ngamia and Amosing fields. Additionally, extended well testing has been initiated in the Ngamia field, with produced oil from testing initially being stored in the field. A comprehensive set of results from this program is expected in the third quarter of 2018. To date, the initial results are positive.

The first production from the Early Oil Production System ("EOPS") is expected in the first half of 2018, subject to receiving all necessary consents and approvals for the transfer of crude oil to Mombasa by road. Discussions between local and national Governments are on-going with expectations of being able commence the trucking of oil in coming months.

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

Field Development (Blocks 10BB and 13T)

Since January 2018, work to deliver on the agreed development plan has been underway with strong alignment between the Government of Kenya and the Joint Venture Partners. The project remains on track for an FID in 2019. The initial development is planned to include a 60,000 to 80,000 barrels of oil per day (bopd) Central Processing Facility (CPF) and an export pipeline to Lamu, some 750 kilometers from the South Lokichar basin on the Kenyan coast. This approach is expected to bring significant benefits as it enables an early Final Investment Decision (FID) of the Amosing and Ngamia fields, taking full advantage of the current low-cost environment for both the field and infrastructure development, as well as providing the best opportunity to deliver first oil in a timeline that meets the Government of Kenya expectations. The installed infrastructure can then be utilized for the optimization of the remaining and yet to be discovered South Lokichar oil fields, allowing the incremental development of these fields to be completed in an efficient and low cost manner post first oil.

The initial stage is planned to include 210 wells through 18 well pads at Ngamia and 70 wells through seven well pads at Amosing, with a planned plateau rate of 60,000 to 80,000 bopd. Additional stages of development are expected to increase plateau production to 100,000 bopd or greater. The upstream baseline data collection for the Environmental and Social Impact Assessments ("ESIA") has commenced and the Front End Engineering and Design ("FEED") contract is expected to be awarded in the near term.

A Joint Development Agreement ("JDA"), setting out a structure for the Government of Kenya and the Kenya Joint Venture Partners to progress the development of the export pipeline, was signed on 25 October, 2017. The associated FEED and ESIA have commenced, as well as studies on pipeline financing and ownership, which are expected to continue throughout 2018.

Exploration Block 10BA

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

Cretaceous Anza Rift – Kenya

In Block 9, the Company continues to assess the results of its 2014 drilling program. The current exploration period expires in June 2018.

Tertiary Rift – Ethiopia

During the third quarter of 2015 in the Rift Basin Area Block, a 2D seismic program was completed, which consisted of approximately 600 kilometers of land and lake seismic. Source rock outcrops and oil slicks on the lakes have been identified in the block where there was previously no existing seismic or wells. The Government of Ethiopia has granted a 12 month extension to the initial exploration period which will expire in February 2019.

EQUITY INVESTMENTS

The Company currently holds the following equity investments:

		March 31, 2018		December 31, 2017
Investment in Africa Energy	$	5,675	$	5,976
Investment in Eco		10,733		11,077
Investment in Impact		25,699		-
Total Investment	$	42,107	$	17,053

Africa Energy Corp. ("Africa Energy")

Subsequent to March 31, 2018, Africa Energy (AFE:TSXV) announced a private placement, in which the Company is participating, investing $18.0 million, increasing the Company's ownership interest in Africa Energy from 28.5% at the end of the quarter to 34.6%. Africa Energy is an international oil and gas exploration company that holds a 90% participating interest in the offshore Exploration Right for Block 2B in the Republic of South Africa ("Block 2B"), an effective 10% participating interest in offshore Petroleum License 37 in the Republic of Namibia ("PEL 37"), and upon closing, an effective 4.9% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa ("Block 11B/12B").

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

On November 13, 2017 the Company announced that it has entered into a strategic partnership with Eco (TSXV:EOG or AIM:ECO) for exploration in West Africa and Guyana. Under the terms of an investment agreement (the "Investment Agreement"), AOC acquired 29.2 million common shares at CAD$0.48 per share for a total consideration of $11.0 million. The Investment Agreement also provides the Company with the right to participate in any future Eco equity issuances, on a pro rata basis, and to appoint one nominee to Eco's board of directors. Keith Hill, President and CEO of AOC, has joined the Eco board of directors as of November 29, 2017. As part of the Investment Agreement, the parties have also entered into a Strategic Alliance Agreement (the "SAA"), whereby they will jointly pursue new exploration projects. Pursuant to the terms of the SAA, AOC will be entitled to bid jointly on any new assets or ventures proposed to be acquired by Eco, on the same terms as ECO and for an interest at least equal to the Company's percentage holding of the common shares in Eco from time to time. Additionally, under the terms of the SAA, AOC will also have a right of first offer on the farmout of exploration properties currently held by Eco. The Company currently holds an 18.9% shareholding interest in Eco. Eco holds working interests in four exploration blocks offshore Namibia and one exploration block offshore Guyana.

Impact Oil and Gas Limited ("Impact")

During March 2018, the Company acquired 129.8 million shares and 45.4 million share purchase warrants providing the Company with an approximate 25.2% equity ownership interest in Impact. Impact is an oil and gas exploration company with assets located offshore South Africa and West Africa. The 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 approximately $15.0 million. 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. 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 held by Helios in the capital of Impact (the "Helios Warrants") in exchange for 13,946,545 common shares of AOC (the "AOC Shares"). The Helios Warrants 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.

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. Keith Hill, Africa Oil's President and CEO, has joined Impact's board.

Impact acquired its first asset, the Tugela South Exploration Right, offshore South Africa in 2011 and has subsequently expanded its asset base across the offshore margins of South and West Africa. It has since partnered with ExxonMobil and Statoil (South Africa), CNOOC (AGC - between Senegal and Guinea Bissau) and Total S.A. (Namibia and South Africa). Impact's portfolio covers a combined area of over 90,000 km² (gross).

RECENT DEVELOPMENTS

Court Proceedings

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

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

Because IPL and its related parties continue to make applications to the courts in Kenya in respect of matters that have already been decided, the Company will, going forward, be taking the position that the matters are Res Judicata and that the applications are an abuse of the court process. The Company is also exploring options for bringing these applications to an end. In the interim, it continues to pursue both the awards of costs made in favor of the Company by the Kenyan courts and the winding-up proceedings previously initiated against IPL by the Company.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Mar 2018**	**31-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**	**31-Mar 2017**	**31-Dec 2016**	**30-Sep 2016**	**30-Jun 2016**
Operating expenses ($)	2,575	2,442	2,309	1,892	2,411	12,094	2,505	2,314
Interest income ($)	1,287	1,723	1,288	802	769	804	925	845
Net loss attributable to common shareholders ($)	(1,326)	(796)	(944)	(1,150)	(1,641)	(11,322)	(1,593)	(1,485)
Weighted average shares - Basic	460,339	456,617	456,617	456,617	456,562	456,417	456,417	456,417
Weighted average shares - Diluted	460,339	456,617	456,617	456,617	456,562	456,417	456,417	456,417
Basic loss per share ($)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	(0.02)	(0.00)	(0.00)
Diluted loss per share ($)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	(0.02)	(0.00)	(0.00)
Oil and gas expenditures ($)	10,986	13,790	15,861	16,201	14,871	16,946	8,395	10,969

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

Operating expenses

Increased operating expenses, recorded during the fourth quarter of 2016, primarily relate to the recognition of a $6.5 million impairment of intangible exploration assets related to the Company's remaining exploration Blocks in Ethiopia as well as a $2.0 million impairment of intangible exploration assets related to the Company's decision to withdraw from Block 12A in Kenya. Discretionary bonuses paid to employees of the Company at the end of 2016 also attributed to the increase in operating expenses during the fourth quarter of 2016.

Decreased operating expenses, recorded during the second quarter of 2017, primarily relate to a $0.9 million reduction in donations to the Lundin Foundation which were offset by a $0.2 million increase in equity-based compensation and a $0.1 million increase in professional fees relating to fees associated with the settlement of the advance development carry with Maersk.

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

Equity-based compensation

Three months ended (thousands, except per share amounts)	**31-Mar 2018**	**31-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**	**31-Mar 2017**	**31-Dec 2016**	**30-Sep 2016**	**30-Jun 2016**
Options granted	-	1,192	-	-	-	1,611	-	-
Performance share units granted	2,152	-	-	-	848	-	-	-
Restricted share units granted	1,119	-	-	-	1,083	-	-	-
Exercise price per share ($CAD)	-	1.38	-	-	-	2.12	-	-
Equity-based compensation expense ($)	233	122	740	676	455	1,074	774	786

The Company uses the fair value method of accounting for stock options granted to eligible plan participants whereby the fair value of all stock options granted is recorded as a charge to operations. The estimated fair value is recognized over the applicable vesting period. All options granted vest over a two-year period, of which one-third vest immediately, and expire three to five years after the grant date. Equity-based compensation relating to the issuance of stock options for the three months ended March 31, 2018 was $0.09 million compared to $0.18 million during the same period in 2017. The decrease in equity-based compensation expense can be mainly attributed to the decrease in the number and fair value of stock options granted. As one-third of the fair value of the stock options is expensed immediately upon grant, the remaining expense is expected to decrease over the remaining vesting period. There were no stock options granted during the first quarter of 2018 or 2017.

On April 19, 2016, the shareholders of the Company approved a new Long Term Incentive Plan ("LTIP"). Under the terms of the LTIP, eligible plan participants may be granted Performance Share Units ("PSUs") and Restricted Share Units ("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 Company's PSUs outstanding are as follows:

	March 31, 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. During the three months ended March 31, 2018, the Company recognized $0.1 million in equity-based compensation relating to the PSUs (three months ended March 31, 2017 - $0.02 million).

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

The Company's RSUs outstanding are as follows:

	March 31, 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. During the three months ended March 31, 2018, the Company recognized $0.03 million in equity-based compensation relating to the RSUs (three months ended March 31, 2017 - $0.25 million). As at March 31, 2018, $0.5 million of short term liabilities are recorded related to RSUs (December 31, 2017: $0.6 million) and $0.2 million of long term liabilities are recorded related to RSUs (December 31, 2017: $0.6 million). These liabilities will be 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 $0.5 million during the first quarter of 2017.

During the three months ended March 31, 2018, the Company recognized a total of $0.2 million in equity-based compensation relating to the LTIP and Stock Option Plan (three months ended March 31, 2017 - $0.45 million).

Donations

Three months ended (thousands)	**31-Mar 2018**	**31-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**	**31-Mar 2017**	**31-Dec 2016**	**30-Sep 2016**	**30-Jun 2016**
Donation expense	-	-	-	-	850	300	350	100

During the three months ended March 31, 2018, the Company made $ nil in donations to the Lundin Foundation compared to $0.9 million during the three months ended March 31, 2017. While the Company is committed to certain in-country expenditures on community development projects under the terms of our PSAs, the Company's approach has always been that community and economic development funding is a required investment. The Company's engagement with the Lundin Foundation is a key component of the Company's wider Corporate Social Responsibility strategy in East Africa. The contributions made are a long-term investment that underpins the essential good corporate responsibility that the Company believes is required in developing, new resource rich countries in which the Company operates.

Interest income

Interest income fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates. The Company holds the vast majority of its cash on hand in US dollars, the Company's functional currency. Interest rates on short-term U.S. dollar deposits have been increasing during the second half of 2017 and first quarter of 2018.

RESULTS OF OPERATIONS

(thousands)	Three months ended March 31, 2018	Three months ended March 31, 2017
Salaries and benefits	$ 430	$ 250
Equity-based compensation	233	455
Travel	337	197
Office and general	356	57
Project evaluation	180	-
Donation	-	850
Depreciation	27	25
Professional fees	68	110
Stock exchange and filing fees	182	187
Fair market value adjustment of warrants	54	-
Share of loss from equity investment	708	280
Operating expenses	$ 2,575	$ 2,411

Operating expenses were slightly higher during the three months ended March 31, 2018 compared to the same period in 2017. Salaries and benefits increased $0.2 million during the first quarter of 2018 compared to the same period in 2017 due to the recovery of costs relating to the secondment of an employee during 2017. Equity-based compensation decreased $0.2 million which can be mainly attributed to the decrease in the number and fair value of stock options granted at the end of 2017. Office and general increased $0.3 million during the first quarter of 2018 compared to the same period in 2017 which is primarily due to increased activity related to current operations. Project evaluation increased $0.2 million during the first quarter of 2018 due to costs associated with assessing potential Africa-related investment opportunities. Donations decreased as the Company made a donation of $0.9 million during the first quarter of 2017 compared $ nil during the first quarter of 2018. The share of loss from equity investment increased $0.4 million during the three months ended March 31, 2018 compared to the same period in 2017. This is due to the company recognizing losses from its investments in Africa Energy, Eco and Impact. The Eco investment was completed during November 2017 and the Impact investment was completed in March 2018.

INTANGIBLE EXPLORATION ASSETS

(thousands)	March 31, 2018	December 31, 2017
Intangible exploration assets	$ 531,638	$ 520,652

During the three months ended March 31, 2018, intangible exploration assets increased by $11.0 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, well testing, water injection testing, development studies and related general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments.

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

For the three months ended	March 31, 2018			March 31, 2017		
(thousands)	Kenya	Ethiopia	Total	Kenya	Ethiopia	Total
Drilling and completion	$ 4,767	$ 9	**$ 4,776**	$ 7,665	$ 16	**$ 7,681**
Development studies	2,823	-	**2,823**	1,885	-	**1,885**
Exploration surveys and studies	14	38	**52**	379	14	**393**
PSA and G&A related	2,911	424	**3,335**	4,593	319	**4,912**
Total	$ 10,515	$ 471	**$ 10,986**	$ 14,522	$ 349	**$ 14,871**

Africa Oil incurred $10.5 million of intangible exploration expenditures in Kenya for the three months ended March 31, 2018. Drilling and completion expenditures primarily relate to the waterflood pilot test being performed on the Ngamia-11 appraisal well as well as extended well testing on the Ngamia field. Development study expenditures are associated with studies aimed at progressing towards project sanction for the South Lokichar Basin.

The Company incurred $0.5 million of intangible exploration expenditures in Ethiopia for the three months ended March 31, 2018, which consists of license fees and general and administrative costs.

PSA and G&A related costs include personnel and office running costs, local community development expenditures, land surface fees, annual rental fees and other PSA related fees.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018, the Company had cash of $378.9 million and working capital of $408.7 million as compared to cash of $392.3 million and working capital of $436.3 million at December 31, 2017.

Until detailed engineering is completed and a final South Lokichar Basin development and financing plan is approved, the Company will continue to assess the sufficiency of its capital resources. The Company’s current working capital position may not provide it with sufficient capital resources to complete development activities being considered in the South Lokichar Basin (Kenya). To finance its future acquisition, exploration, development and operating costs, AOC may require financing from external sources, including issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to AOC.

OUTLOOK

The Company continues to work closely with its Kenyan Joint Venture Partners to focus efforts on advancing the South Lokichar Basin development in Blocks 10BB and 13T (Kenya). The Company’s focus is on collecting further dynamic data from the fields through extended production and water injection testing. A waterflood pilot test has commenced in the Ngamia field which will span the first half of 2018 and is designed to deliver a long-term assessment of the rate of enhanced oil recovery that may be expected as a result of water injection. Additionally, the partnership has initiated extended well testing in the Ngamia field with produced oil from testing initially being stored in the field. A comprehensive set of results from this program is expected in the third quarter of 2018. To date, the initial results are positive. The first production from EOPS is expected to commence in the first half of 2018, subject to receiving all necessary consents and approvals for the transfer of crude oil to Mombasa by road. Discussions between local and national Governments are on-going with expectations of being able commence the trucking of oil in coming months

Engineering studies and contracting activities are under way in preparation for the start of the FEED, which are expected to take place during 2018. The Joint Venture Partners are continuing optimization of the development plans that will allow field and pipeline infrastructure to move forward while limiting upfront capital spend. With the Joint Development Agreement entered into, the Government of Kenya and Kenya Joint Venture Partners have agreed a structure to progress the oil export pipeline. Pipeline FEED and ESIA have commenced as well as studies of pipeline ownership and financing which will continue during 2018. The Company also continues to evaluate potential acquisitions and mergers, focusing on Africa.

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy

Subsequent to March 31, 2018, Africa Energy announced a private placement, in which the Company is participating, investing $18.0 million, increasing the Company's ownership interest in Africa Energy from 28.5% at the end of the quarter to 34.6%.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.03 million during the three months ended March 31, 2018 (March 31, 2017 – $0.03 million). At March 31, 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.

During the three months ended March 31, 2018, the Company invoiced Africa Energy $ nil for reimbursable expenses paid by the Company on behalf of Africa Energy (March 31, 2017 - $0.01 million). At March 31, 2018, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2017 – $ nil).

COMMITMENTS AND CONTINGENCIES

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

Kenya:

Under the terms of the Block 10BB PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At March 31, 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 March 31, 2018, the Company's working interest in Block 13T was 25%.

Under the terms of the Block 9 PSC, the Company and its partner entered into the second additional exploration period in Kenya which was to expire on December 31, 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's extension to the second additional exploration period which expires in June 2018. Under the terms of the PSC, AOC is required to reprocess 300 line kilometers of 2D seismic data, conduct geological and geophysical studies and re-evaluation of the identified prospects in the block, and undertake engineering and well design for re-evaluation and testing of Bogal-1 well. In addition, the Company must undertake a gas development and commercialization study in the block. At March 31, 2018, the Company's working interest in Block 9 was 100%.

Under the terms of the Block 10BA PSC, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period and entered into the second additional exploration period which expires in October 2019. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 kilometers of 2D seismic or 25 square kilometers of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is $19.0 million. At March 31, 2018, the Company's working interest in Block 10BA was 25%.

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 March 31, 2018, the Company's working interest in the Rift Basin Area Block was 100%.

OUTSTANDING SHARE DATA

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

Common shares outstanding	470,567,619
Outstanding share purchase options	9,535,333
Outstanding performance share units	3,880,500
Outstanding restricted share units	2,458,722
Full dilution impact on common shares outstanding	486,442,174

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

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

Use of Estimates

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

Intangible Exploration Assets

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

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

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

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

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

Equity-Based Compensation

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

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

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

Income Tax

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

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure controls and procedures

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of March 31, 2018, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

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

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of March 31, 2018, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

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

RISK FACTORS

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

International Operations

AOC participates in oil and gas projects located in emerging markets, including Ethiopia and Kenya. Oil and gas exploration, development and production activities in these emerging markets are subject to significant political and economic uncertainties that may adversely affect AOC's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, civil unrest, expropriation, civil unrest, nationalization, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, and the imposition of currency controls. These uncertainties, all of which are beyond AOC'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 AOC, AOC could be subject to the jurisdiction of courts other than those of Canada. AOC'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 acquires an interest. AOC 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.

Different Legal System and Litigation

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

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

Financial Statements Prepared on a Going Concern Basis

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

Shared Ownership and Dependency on Partners

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

Uncertainty of Title

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

Risks Relating to Concessions, Licenses and Contracts

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

Competition

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

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

Risks Inherent in Oil and Gas Exploration and Development

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

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

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

Well-flow Test Results

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

Capital Requirements

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

Climate Change Legislation

The oil and natural gas industry is subject to environmental regulation pursuant to applicable legislation within each of the Company's countries of operation. A breach of such legislation may result in the imposition of fines against the Company or the issuance of clean up orders in respect of its oil and gas assets, some of which may be material. Furthermore, management of the Company believes the political climate appears to favour new programs for environmental laws and regulation, particularly in relation to the reduction of emissions or emissions intensity, and there is a risk that any such programs, laws or regulations, if proposed and enacted, will contain emission reduction targets which the Company cannot meet, and financial penalties or charges could be incurred as a result of the failure to meet such targets.

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

Foreign currency exchange rate risk

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars.

Interest rate risk

The Company does not have any current exposure to fluctuations in interest rates.

Liquidity risk

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

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

Credit risk

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

Forward Looking Statements

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

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

The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise.

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

- expected closing dates for the completion of proposed transactions;
- planned exploration, appraisal and development activity including both expected drilling and geological and geophysical related activities;
- proposed development plans;
- timing to FID;
- future development costs and the funding thereof;
- anticipated future financing requirements;
- future crude oil, natural gas or chemical prices;
- future sources of funding for the Company's capital program;
- availability of potential farmout partners;
- government or other regulatory consent for exploration, development, farmout, or acquisition activities;
- future production levels;
- future capital expenditures and their allocation to exploration and development activities;
- future earnings;
- future asset acquisitions or dispositions;
- future debt levels;
- availability of committed credit facilities;
- possible commerciality;
- development plans or capacity expansions;
- future ability to execute dispositions of assets or businesses;
- future sources of liquidity, cash flows and their uses;
- future drilling of new wells;
- ultimate recoverability of current and long-term assets;
- ultimate recoverability of reserves or resources;
- expected finding and development costs;
- expected operating costs;
- estimates on a per share basis;
- future foreign currency exchange rates;
- future market interest rates;
- future expenditures and future allowances relating to environmental matters;
- dates by which certain areas will be explored or developed or will come on stream or reach expected operating capacity;
- the Company's ability to comply with future legislation or regulations;
- future staffing level requirements; and
- changes in any of the foregoing.

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

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

- market prices for oil and gas and chemical products;
- our ability to explore, develop, produce and transport crude oil and natural gas to markets;
- production and development costs and capital expenditures;
- the imprecision of reserve estimates and estimates of recoverable quantities of oil, natural gas and liquids;
- changes in oil prices;
- uninsured risks;
- regulatory changes;
- defects in title;
- availability of materials and equipment;
- timelines of government or other regulatory approvals;
- ultimate effectiveness of design or design modification to facilities;
- the results of exploration, appraisal and development drilling and related activities;
- short term well test results on exploration and appraisal wells do not necessarily indicated the long term performance or ultimate recovery that may be expected from a well;
- pipeline or delivery constraints;
- volatility in energy trading markets;
- incorrect assessments of value when making acquisitions;
- foreign-currency exchange rates;
- economic conditions in the countries and regions in which we carry on business;
- governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations;
- renegotiations of contracts;
- results of litigation, arbitration or regulatory proceedings;
- political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; and
- internal conflicts within states or regions.

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

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

AFRICA OIL CORP.

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

	Note	March 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		$ 378,906	$ 392,290
Accounts receivable	4	56,300	75,052
Prepaid expenses		1,220	1,160
		436,426	468,502
Long-term assets			
Equity investments	7	42,107	17,053
Derivative financial instruments	8	4,290	-
Property and equipment	5	82	105
Intangible exploration assets	6	531,638	520,652
		578,117	537,810
Total assets		$ 1,014,543	$ 1,006,312
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 27,224	$ 31,658
Equity-based compensation liability	10	480	552
		27,704	32,210
Long-term liabilities			
Equity-based compensation liability	10	177	648
		177	648
Total liabilities		27,881	32,858
Equity attributable to common shareholders			
Share capital	9(b)	1,305,129	1,290,796
Contributed surplus		50,015	49,814
Deficit		(368,482)	(367,156)
Total equity attributable to common shareholders		986,662	973,454
Total liabilities and equity attributable to common shareholders		$ 1,014,543	$ 1,006,312
Commitments and contingencies	12		

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

Approved on behalf of the Board:

"ANDREW BARTLETT" *"KEITH HILL"*

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

AFRICA OIL CORP.

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

For the three months ended	**Note**		**March 31, 2018**		**March 31, 2017**
Operating expenses					
Salaries and benefits			430	$	250
Equity-based compensation	10		233		455
Travel			337		197
Office and general			356		57
Project evaluation			180		-
Donation	18		-		850
Depreciation	5		27		25
Professional fees			68		110
Stock exchange and filing fees			182		187
Fair market value adjustment of w arrants	8		54		-
Share of loss from equity investments	7		708		280
			2,575		2,411
Finance income	13		(1,287)		(781)
Finance expense	13		38		11
Net loss and comprehensive loss attributable to common shareholders			1,326		1,641
Net loss attributable to common shareholders per share	15				
Basic		$	(0.00)	$	(0.00)
Diluted		$	(0.00)	$	(0.00)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	15				
Basic			460,339,308		456,562,374
Diluted			460,339,308		456,562,374

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

AFRICA OIL CORP.

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

	Note	March 31, 2018	March 31, 2017
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	202	455
Settlement of Restricted Share Units	10	-	(553)
Exercise of options	10	(1)	(103)
Balance, end of the period		50,015	49,476
Deficit:			
Balance, beginning of the period		$ (367,156)	$ (362,625)
Net loss and comprehensive loss attributable to common shareholders		(1,326)	(1,641)
Balance, end of the period		(368,482)	(364,266)
Total equity attributable to common shareholders		$ 986,662	$ 976,006

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

AFRICA OIL CORP.

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

For three months ended	Note	March 31, 2018	March 31, 2017
Cash flows provided by (used in):			
Operations:			
Net loss and comprehensive loss for the period		$ (1,326)	$ (1,641)
Items not affecting cash:			
Equity-based compensation	10	233	455
Depreciation	5	27	25
Share of loss from equity investments	7	708	280
Fair value adjustment - warrants	8	54	-
Unrealized foreign exchange loss		1	(12)
Changes in non-cash operating working capital	17	(55)	155
		(358)	(738)
Investing:			
Property and equipment expenditures	5	(4)	(2)
Intangible exploration expenditures	6	(10,986)	(14,871)
Advance carry relating to farmout	6	18,750	-
Equity investment	7	(12,922)	-
Warrants acquired in equity investment	8	(2,857)	-
Changes in non-cash investing working capital	17	(4,438)	2,867
		(12,457)	(12,006)
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		(1)	12
Increase (decrease) in cash and cash equivalents		(13,384)	(12,981)
Cash and cash equivalents, beginning of the period		$ 392,290	$ 463,061
Cash and cash equivalents, end of the period		$ 378,906	$ 450,080
Supplementary information:			
Interest paid		Nil	Nil
Income taxes paid		Nil	Nil

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

1) Incorporation and nature of business:

Africa Oil Corp. (collectively with its subsidiaries, “AOC” or the “Company”) was incorporated on March 29, 1993 under the laws of British Columbia and is an international oil and gas exploration company based in Canada with oil and gas interests in Kenya 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 May 10, 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.

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. Early adoption is permitted. 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.

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

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 and earlier application is permitted. 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:

		March 31, 2018		**December 31, 2017**
Advance development carry	$	56,250	$	75,000
Other		50		52
	$	56,300	$	75,052

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

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

5) Property and equipment:

		March 31, 2018		December 31, 2017
Cost, beginning of the period	$	609	$	597
Additions		4		12
Cost, end of the period		613		609
Accumulated depreciation, beginning of the period		(504)		(400)
Depreciation		(27)		(104)
Accumulated depreciation, end of the period		(531)		(504)
Net carrying amount, beginning of the period	$	105	$	197
Net carrying amount, end of the period	$	82	$	105

As at March 31, 2018, the Company has recorded $0.08 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:

		March 31, 2018		December 31, 2017
Net carrying amount, beginning of the period	$	520,652	$	534,929
Intangible exploration expenditures		10,986		60,723
Advance development carry		-		(75,000)
Net carrying amount, end of the period	$	531,638	$	520,652

As at March 31, 2018, $531.6 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 March 31, 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 $18.75 million during the first quarter 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 three months ended March 31, 2018, the Company capitalized $3.1 million of general and administrative expenses related to intangible exploration assets (three months ended March 31, 2017 – $4.3 million).

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

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:

	March 31, 2018	December 31, 2017
Investment in Africa Energy	$ 5,675	$ 5,976
Investment in Eco	10,733	11,077
Investment in Impact	25,699	-
Total Investment	$ 42,107	$ 17,053

The Company has determined that these investments are not impaired.

a) Africa Energy Corp. (“Africa Energy”)

The Company’s ownership interest at March 31, 2018 in Africa Energy was approximately 28.5%. Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia. Subsequent to March 31, 2018, Africa Energy announced a private placement, in which the Company is participating, investing $18.0 million, acquiring 144,956,250 shares, increasing the Company’s ownership interest in Africa Energy from approximately 28.5% at the end of the quarter to approximately 34.6%.

	March 31, 2018	December 31, 2017
Balance, beginning of the period	$ 5,976	$ 7,330
Share of loss from equity investments	(301)	(1,354)
Balance, end of the period	$ 5,675	$ 5,976

During the three months ended March 31, 2018, the Company recognized losses of $0.3 million related to its investment in Africa Energy (three months ended March 31, 2017 - $0.3 million).

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 18.9%. Eco is an oil and gas exploration Company with interests in exploration blocks in Guyana and Namibia.

	March 31, 2018	December 31, 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	(344)	(168)
Balance, end of the period	$ 10,733	$ 11,077

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

During the three months ended March 31, 2018, the Company recognized losses of $0.3 million relating to its investment in Eco (three months ended March 31, 2017 - $ nil).

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 25.2%. 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.

	March 31, 2018	December 31, 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 loss from equity investments	(63)	-
Balance, end of the period	$ 25,699	$ -

During the three months ended March 31, 2018, the Company capitalized $0.8 million in fees relating to the acquisition of shares and warrants, and recognized losses of $0.06 million relating to its investment in Impact (three months ended March 31, 2017 - $ nil).

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

The following tables summarize Impact's financial information for the period ended March 31, 2018. The information is based on financial information for the three months ended March 31, 2018. Africa Oil is not aware of any material changes to the financial information.

	March 31, 2018
Other current assets	$ 365
Cash and cash equivalents included in current assets	47,263
Non-current assets (1)	72,831
Current liabilities	(10,448)
Non-current liabilities	(8,032)
Net assets of Impact	101,979
Percentage ownership	25.2%
Proportionate share of Impact's net assets	25,699

	March 31, 2018
Finance income	369
Net loss and comprehensive loss from continuing operations	(932)
Net loss and comprehensive loss	(932)
Proportionate share of Impact's net loss (2)	(63)

(1) At March 31, 2018, the Company increased the carrying value of non-current assets, which consists of intangible exploration assets, by $27.4 million in consideration of the purchase price discrepancy at the time of initial investment.

(2) The proportionate share of Impact's net loss is prorated based on the date the acquisition was completed.

8) Derivative financial instruments (Impact Warrants):

		March 31, 2018		December 31, 2017	
	Note	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		-	$ (54)	-	-
Balance, end of the period		45,370,500	$ 4,290	-	$ -

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.

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

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 with the following assumptions:

Fair value of Warrants acquired	0.10
Risk-free interest rate (%)	1.79
Expected life (years)	3.14
Expected volatility (%)	69
Expected dividend yield	-

9) Share capital:

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

b) Issued:

		March 31, 2018			December 31, 2017		
	Note	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:

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.

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

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

	March 31, 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	-	-	(6,200,667)	7.79
Exercised	(4,000)	1.38	(200,000)	1.99
Balance, end of the period	9,535,333	2.15	9,539,333	2.15

During the three months ended March 31, 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 March 31, 2018:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
2.48	3,885,000	1.82
2.25	600,000	1.95
2.12	1,538,333	3.72
1.99	2,174,500	2.73
1.98	150,000	2.64
1.38	1,187,500	4.72
2.15	9,535,333	2.71

As at March 31, 2018, 8,239,000 share purchase options were exercisable.

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

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. During the three months ended March 31, 2018, the Company recognized $0.09 million in equity-based compensation (three months ended March 31, 2017 - $0.18 million), related to share purchase options.

b) Performance share units (“PSUs”)

On April 19, 2016, the shareholders of the Company approved a new Long Term Incentive Plan (“LTIP”). Under the terms of the LTIP, eligible plan participants may be granted PSUs and Restricted Share Units (“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:

	March 31, 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. During the three months ended March 31, 2018, the Company recognized $0.1 million in equity-based compensation relating to the PSUs (three months ended March 31, 2017 - $0.02 million).

c) Restricted share units (“RSUs”)

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

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

The Company's RSUs outstanding are as follows:

	March 31, 2018 Number of RSUs	December 31, 2017 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. During the three months ended March 31, 2018, the Company recognized $0.03 million in equity-based compensation relating to the RSUs (three months ended March 31, 2017 - $0.25 million). As at March 31, 2018, $0.5 million of short term liabilities are recorded related to RSUs (December 31, 2017: $0.6 million) and $0.2 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.

During the three months ended March 31, 2018, the Company recognized a total of $0.23 million in equity-based compensation relating to the LTIP and Stock Option Plan (three months ended March 31, 2017 - $0.46 million).

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 March 31, 2018	Kenya	Ethiopia	Corporate	**Total**
Total assets	$ 587,291	$ 7,164	$ 420,088	**$ 1,014,543**
Intangible exploration assets	528,758	2,880	-	**531,638**
Property and equipment	-	-	82	**82**

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

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**

Three months ended March 31, 2018	Kenya	Ethiopia	Corporate	Total
Capital expenditures				
Intangible exploration assets	$ 10,515	$ 471	$ -	**$ 10,986**
Property and equipment	-	-	4	**4**
	$ 10,515	$ 471	$ 4	**$ 10,990**
Statement of operations				
Expenses	$ 9	$ 5	$ 2,561	**$ 2,575**
Finance income	-	-	(1,287)	**(1,287)**
Finance expense	-	-	38	**38**
Segmented loss	$ 9	$ 5	$ 1,312	**$ 1,326**

Three months ended March 31, 2017	Kenya	Ethiopia	Corporate	Total
Capital expenditures				
Intangible exploration assets	$ 14,522	$ 349	$ -	**$ 14,871**
Property and equipment	-	-	2	**2**
	$ 14,522	$ 349	$ 2	**$ 14,873**
Statement of operations				
Expenses	$ 7	$ 4	$ 2,401	**$ 2,412**
Finance income	-	-	(781)	**(781)**
Finance expense	-	-	11	**11**
Segmented loss	$ 7	$ 4	$ 1,631	**$ 1,642**

12) Commitments and contingencies:

a) Contractual obligations

i) Kenya:

Under the terms of the Block 10BB PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At March 31, 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 March 31, 2018, the Company's working interest in Block 13T was 25%.

Under the terms of the Block 9 PSC, the Company and its partner entered into the second additional exploration period in Kenya which was to expire on December 31, 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's extension to the second additional exploration period which expires in June 2018. Under the terms of the PSC, AOC is required to reprocess 300 line kilometers of 2D seismic data, conduct geological and geophysical studies and re-evaluation of the identified prospects in the block, and undertake engineering and well design for re-evaluation and testing of Bogal-1 well. In addition, the Company must undertake a gas development and commercialization study in the block. At March 31, 2018, the Company's working interest in Block 9 was 100%.

Under the terms of the Block 10BA PSC, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period and entered into the second additional exploration period which expires in October 2019. During the second additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including either 500 kilometers of 2D seismic or 25 square kilometers of 3D seismic. Additionally, the Company and its partners are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is $19.0 million. At March 31, 2018, the Company's working interest in Block 10BA was 25%.

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 March 31, 2018, the Company's working interest in the Rift Basin Area Block was 100%.

b) 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.

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

13) Finance income and expense:

Finance income and expense for the three months ended March 31, 2018 and 2017 is comprised of the following:

For the three months ended		March 31, 2018		March 31, 2017
Interest and other income	$	1,287	$	769
Bank charges		(37)		(11)
Foreign exchange loss		(1)		12
Finance income	$	1,287	$	781
Finance expense	$	(38)	$	(11)

14) Related party transactions:

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

Subsequent to March 31, 2018, Africa Energy announced a private placement, in which the Company is participating, investing $18.0 million, increasing the Company's ownership interest in Africa Energy from 28.5% at the end of the quarter to 34.6%.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.03 million during the three months ended March 31, 2018 (March 31, 2017 – $0.03 million). At March 31, 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.

During the three months ended March 31, 2018, the Company invoiced Africa Energy $ nil for reimbursable expenses paid by the Company on behalf of Africa Energy (March 31, 2017 - $0.01 million). At March 31, 2018, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2017 – $ nil).

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

15) Net loss per share:

For the three months ended	March 31, 2018						March 31, 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	$	1,326	460,339,308	$	(0.00)	$	1,641	456,562,374	$	(0.00)	
Effect of dilutive securities		-	-		-		-	-		-	
Dilutive loss per share	$	1,326	460,339,308	$	0.00	$	1,641	456,562,374	$	(0.00)	

During the three months ended March 31, 2018, the Company used an average market price of CAD$1.44 per share (three months ended March 31, 2017 - CAD$2.47 per share) to calculate the dilutive effect of share purchase options. For the three months ended March 31, 2018, 9,535,333 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 (three months ended March 31, 2017, 9,114,500 options, 1,729,000 PSUs and 1,916,357 RSUs).

16) Financial instruments:

Assets and liabilities at March 31, 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.

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.

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

17) Supplementary information:

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

For the three months ended		March 31, 2018		March 31, 2017
Changes in non-cash working capital				
Accounts receivable	$	1	$	(118)
Prepaid expenses		(60)		71
Due from related party		-		(14)
Accounts payable and accrued liabilities		(4,434)		3,083
		(4,493)		3,022
Relating to:				
Operating activities	$	(55)	$	155
Investing activities		(4,438)		2,867
Changes in non-cash working capital	$	(4,493)	$	3,022

18) Donation:

During the three months ended March 31, 2018, as part of the Company's Community Social Responsibility commitment, the Company made a $ nil donation to the Lundin Foundation (three months ended March 31, 2017 - $0.9 million). 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.