AFRICA OIL CORP.

Report to Shareholders

December 31, 2017

AFRICA OIL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the years ended December, 2017 and 2016

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

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

The effective date of this MD&A is February 28, 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.

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, including extended well testing, appraisal drilling and engineering studies are being undertaken 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.

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 first quarter of 2016, the Company completed its previously announced (November 9, 2015) farmout transaction with Maersk Olie og Gas A/S, a Danish oil and gas company owned by the Maersk Group ("Maersk") whereby Maersk acquired 50% of AOC's interests in Blocks 10BB, 13T and 10BA in Kenya and the Rift Basin and South Omo Blocks in Ethiopia in consideration for reimbursement of a portion of AOC's past costs and a future carry on certain exploration and development costs.

At closing, $439.4 million of farmout related proceeds were received from Maersk: $350.0 million as reimbursement of past costs incurred by the Company prior to the agreed March 31, 2015 effective date and $89.4 million representing Maersk's share of costs incurred between the effective date and closing, including a carry reimbursement of $15.0 million related to exploration expenditures.

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. These proceeds were 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 %
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%

During the fourth quarter of 2016, the Company elected to relinquish its 15% working interest in the South Omo Block (Ethiopia) at the end of the exploration period, resulting in a $6.5 million impairment of previously capitalized intangible exploration assets.

During February 2017, the Company notified its Partners of its decision to withdraw from Block 12A (Kenya). During the fourth quarter of 2016, Company wrote off $2.0 million of previously capitalized intangible exploration assets related to Block 12A.

OPERATIONS UPDATE

Tertiary Rift – Kenya

Exploration and Appraisal (Blocks 10BB and 13T)

The 2017 exploration and appraisal drilling campaign was completed in the fourth quarter, following the drilling of the Amosing-7 appraisal well. The PR Marriott Rig-46 has been demobilized. Two discoveries were made during the campaign.

In January 2017, the Erut-1 well resulted in a discovery, proving that oil has migrated to the northern limit of the South Lokichar basin. The second discovery was made during May 2017, at Emekuya-1, encountering significant oil sands, demonstrating oil charge across an extensive part of the Greater Etom structure and further de-risking the northern area of the basin.

The Etiir-1 exploration well, which targeted a large, shallow, structural closure immediately to the west of the Greater Etom structure, spudded in late June and was unsuccessful with no material reservoir development or shows encountered. Although dry, drilling results will be utilized in defining the westerly extent of the Greater Etom Structure. The Etiir-1 well has been plugged and abandoned.

The Ekales-3 well was drilled to a total measured depth of 2,721 meters and finished drilling during the third quarter of 2017. The well targeted an undrilled fault block adjacent to the Ekales field. While reservoir and oil shows were encountered, and oil sampled, the well was deemed non-commercial.

Multiple appraisal wells have been drilled in the Ngamia, Amosing and Etom fields during 2017: Ngamia-10 (65 meters of net oil pay), Amosing-6 (35 meters of net oil and gas pay), Amosing-7 (25 meters of net oil and gas pay) and Etom-3 (25 meters of net oil and gas pay). An extensive wireline evaluation program, including sampling has been undertaken on all appraisal wells. The Ngamia-10, Amosing-6 and 7 and Etom-3 wells have all improved the definition of the limits of their respective fields. However, the presence of rift edge facies has limited their net pay. These drilling results will be incorporated into the geological models that will be utilized for potential field development plans.

The Auwerwer and Lokone reservoirs in the Etom-2 well were tested utilising artificial lift and flowed at 752 bopd and 580 bopd respectively which was lower than anticipated. As a result, the Joint Venture Partners will undertake further technical work to assess how representative the tests may have been and identify potential options to increase flow rates from the Etom field.

Activity is now focused on collecting dynamic field data through extended production and water injection testing. The Ngamia-11 appraisal well (143 meters of net oil pay) has been completed and 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, the partnership aims to initiate extended well testing on wells in the Amosing and Ngamia fields, commencing early in 2018, with produced oil from testing initially being stored in the field and later transported as part of the Early Oil Production

Scheme (EOPS). The first production from EOPS is expected to commence in the first half of 2018, subject to receiving the necessary consents and approvals.

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

Field Development (Blocks 10BB and 13T)

In January 2018 the Joint Venture Partners have proposed to the Government of Kenya that the Amosing and Ngamia fields be developed as the initial stage of the South Lokichar development. This phase of the 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. It is anticipated that Front End Engineering and Design (FEED) for the initial stage will commence in 2018, with FID targeted for 2019 and first oil in 2021/22.

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 JDA allows important studies to commence such as FEED, Environmental and Social Impact Assessments ("ESIA"), as well as studies on pipeline financing and ownership. These have been initiated and will be continue throughout 2018.

Exploration Blocks 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 Government of Kenya has granted a twelve-month extension to the second additional exploration period, which will now expire in June 2018. The Company plans to re-process and reevaluate existing geological and geophysical data while completing gas development and commercialization studies.

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 expired in February 2018. The Company has submitted a formal request for an extension to the initial exploration period.

EQUITY INVESTMENTS

The Company currently holds the following equity investments:

	December 31, 2017	December 31, 2016
Investment in Africa Energy	$ 5,976	$ 7,330
Investment in Eco	11,077	-
Total Investment	$ 17,053	$ 7,330

Africa Energy

The Company currently holds a 28.5% shareholding interest in Africa Energy (AFE:TSXV). Africa Energy is an international oil and gas exploration and production 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”), as well as 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.

RECENT DEVELOPMENTS

Investment in Impact Oil and Gas Limited (“Impact”)

On February 7, 2018, the Company announced that it has 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 has 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 currently held by Helios in the capital of Impact (the "Helios Warrants") in exchange for 13,946,545 common shares of AOC (the "AOC Shares"). Upon completion of the transactions contemplated by the Helios SPA, 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.

Finally, the Company has 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.

The transactions contemplated by the Subscription Agreement and Helios SPA are subject to certain customary conditions to closing, including approval of the Toronto Stock Exchange and shareholder approval of Impact. The Helios SPA is subject to concurrent closing of the transactions contemplated by the Subscription Agreement, provided that the transactions contemplated by the Subscription Agreement are not conditional on the transactions contemplated by the Helios SPA.

The transactions contemplated by the Helios SPA constitute a "related party transaction" within the meaning of Multilateral Instrument 61-101- Protection of Minority Security Holders in Special Transactions ("MI 61-101") as Helios is a "related party" of AOC because it beneficially owns or controls more than 10% of the outstanding AOC Shares. The Company is relying on the exemptions from the formal valuation and minority approval requirements of MI 61-101 contained in subsections 5.5(a)(iv) and 5.7(1)(a), respectively, of MI 61-101, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transactions contemplated by the Helios SPA exceeds 25 percent of AOC's market capitalization. The AOC Shares to be issued to Helios will have a hold period in accordance with applicable Canadian securities law for a period of four (4) months and one day from their date of issuance.

The investment will provide the Company with an approximately 25.2% equity interest in Impact.

Impact Oil and Gas 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 (Namibia and South Africa). It is currently seeking a partner in its Gabonese assets. The company's current portfolio covers a combined area of over 90,000 km² (gross).

Impact is a pure exploration company with a strategic focus on large scale, mid to deep water plays of sufficient size to be of interest to major companies. Its management is committed to further expanding this attractive portfolio of exploration assets and securing these large independent and major oil companies as partners. The company's objective is to build a world class portfolio, in a number of different geologic and geographic locations to minimise risk and with a large enough portfolio to ultimately enhance the chance of drilling success. Management believes that by doing so, and by having oil industry partners validate its exploration concepts and ideas, it aims to deliver substantial shareholder value in the medium to longer term. Impact is currently privately owned.

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-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**	**31-Mar 2017**	**31-Dec 2016**	**30-Sep 2016**	**30-Jun 2016**	**31-Mar 2016**
Operating expenses ($)	2,442	2,309	1,892	2,411	12,094	2,505	2,314	3,672
Interest income ($)	1,723	1,288	802	769	804	925	845	366
Net loss attributable to common shareholders ($)	(796)	(944)	(1,150)	(1,641)	(11,322)	(1,593)	(1,485)	(3,362)
Weighted average shares - Basic	456,617	456,617	456,617	456,562	456,417	456,417	456,417	456,417
Weighted average shares - Diluted	456,617	456,617	456,617	456,562	456,417	456,417	456,417	456,417
Basic loss per share ($)	(0.00)	(0.00)	(0.00)	0.00	(0.02)	(0.00)	(0.00)	(0.01)
Diluted loss per share ($)	(0.00)	(0.00)	(0.00)	0.00	(0.02)	(0.00)	(0.00)	(0.01)
Oil and gas expenditures ($)	13,790	15,861	16,201	14,871	16,946	8,395	10,969	12,266

(1) AOC currently owns approximately 28.5% of Africa Energy Corp. ("Africa Energy") and accounts for its share of Africa Energy as an equity investment.

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

Operating expenses

Decreased operating expenses, recorded during the second quarter of 2016, primarily relate to the decreased professional fees, which were being incurred during 2015 and the first quarter of 2016 relating to the Company's farmout efforts.

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-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**	**31-Mar 2017**	**31-Dec 2016**	**30-Sep 2016**	**30-Jun 2016**	**31-Mar 2016**
Options granted	1,192	-	-	-	1,611	-	-	-
Performance share units granted	-	-	-	848	-	-	-	1,024
Restricted share units granted	-	-	-	1,083	-	-	-	1,270
Exercise price per share ($CAD)	1.38	-	-	-	2.12	-	-	-
Equity-based compensation expense ($)	122	740	676	455	1,074	774	786	690

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 year ended December 31, 2017 was $0.7 million compared to $1.9 million during the same period in 2016. The decrease in equity-based compensation expense can be mainly attributed to the decrease in the number of stock options granted and the vesting of costs associated with options granted during 2014 being fully amortized by the end of 2016. 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. 1,191,500 stock options granted during the year ended December 31, 2017 compared to 1,610,500 stock options being granted during the same period in 2016.

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:

	December 31, 2017 Number of PSUs	December 31, 2016 Number of PSUs
Outstanding, beginning of the year	1,024,000	-
Granted	848,000	1,024,000
Forfeited	(143,000)	-
Exercised	-	-
Balance, end of the year	1,729,000	1,024,000

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 year ended December 31, 2017, the Company recognized $0.4 million in equity-based compensation relating to the PSUs (December 31, 2016 - $0.5 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:

	December 31, 2017 Number of RSUs	December 31, 2016 Number of RSUs
Outstanding, beginning of the period	1,270,000	-
Granted	1,083,024	1,270,000
Forfeited	(95,333)	-
Vested	(341,334)	-
Balance, end of the period	1,916,357	1,270,000

During the first quarter of 2017, 235,024 RSUs (2016 – 246,000) were granted to Non-Executive Directors and 848,000 RSUs (2016 – 1,024,000) were granted to other plan participants. The Company accounts for RSUs as cash settled awards whereby the estimated fair value of the grant is revalued on a quarterly basis, recorded as a liability on the balance sheet and expensed evenly throughout the remaining vesting period. During the year ended December 31, 2017, the Company recognized $0.9 million in equity-based compensation relating to the RSUs (December 31, 2016 - $0.9 million). $0.6 million of RSUs are accounted for as a short term liability and will be revalued and settled in March 2018. $0.6 million of RSUs are accounted for as a long term liability and will be revalued quarterly.

During the first quarter of 2017, 341,334 RSUs had vested and were settled for a cash payment of $0.5 million. No RSUs had vested during 2016.

During the year ended December 31, 2017, the Company recognized a total of $2.0 million in equity-based compensation relating to the LTIP and Stock Option Plan (December 31, 2016 - $3.3 million).

Donations

Three months ended (thousands)	**31-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**	**31-Mar 2017**	**31-Dec 2016**	**30-Sep 2016**	**30-Jun 2016**	**31-Mar 2016**
Donation expense	-	-	-	850	300	350	100	550

During the year ended December 31, 2017, the Company made $0.9 million in donations to the Lundin Foundation compared to $1.3 million in 2016. 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.

RESULTS OF OPERATIONS

(thousands)	**Three months ended December 31, 2017**	**Three months ended December 31, 2016**	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Salaries and benefits	$ 1,068	$ 1,452	$ 2,057	$ 2,716
Equity-based compensation	122	1,074	1,993	3,324
Travel	335	130	911	815
Office and general	38	175	480	318
Donation	-	300	850	1,300
Depreciation	27	26	105	34
Professional fees	170	134	625	1,605
Stock exchange and filing fees	45	89	512	691
Share of loss from equity investment	637	244	1,521	1,312
Impairment of intangible exploration assets	-	8,470	-	8,470
Operating expenses	$ 2,442	$ 12,094	$ 9,054	$ 20,585

Operating expenses decreased $9.7 million during the fourth quarter of 2017 compared to the same period in 2016. Salaries and benefits decreased $0.4 million during the three months ended December 31, 2017 which is primarily due to a reduction in annual short-term incentive pay. Equity-based compensation decreased $1.0 million which can be mainly attributed to the decrease in the number of stock options granted and the vesting of costs associated with options granted during 2014 being fully amortized by the end of 2016. 1,191,500 stock options were granted during the three months ended December 31, 2017 compared to 1,610,500 stock options being granted during the same period in 2016. Donations decreased as the Company made a donation of $0.3 million during the fourth quarter of 2016 compared $ nil during the fourth quarter of 2017. The remaining decrease is due to the Company recognizing an impairment relating to the Company's intangible exploration assets in Ethiopia of $6.5 million during the fourth quarter of 2016 as well as a $2.0 million impairment in intangible exploration assets in Block 12A (Kenya). Travel increased by $0.2 million which is due to an increase in activity within the Company. The share of loss from equity investment increased $0.4 million during the three

months ended December 31, 2017 compared to the same period in 2016. This is due to the company recognizing losses from its investment in Africa Energy as well as losses from its investment in Eco. The Eco investment was completed during November 2017.

Operating expenses decreased $11.5 million during the year ended December 31, 2017 compared to the same period in 2016. Salaries and benefits decreased $0.7 million during 2017 compared to the same period in 2016 which is due to the recovery of costs relating to the secondment of an employee, a reduced headcount as well as a reduction in annual short-term incentive pay. Equity-based compensation expense decreased by $1.3 million which can be mainly attributed to the decrease in the number of stock options granted and the vesting of costs associated with options granted during 2014 being fully amortized by the end of 2016. 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. 1,191,500 stock options were granted during the year ended December 31, 2017 compared to 1,610,500 stock options being granted during the same period in 2016. The $1.0 million decrease in professional fees relates to the completion of the farmout transaction with Maersk during the first quarter of 2016 compared to a lower fee associated with the settlement of the advance development carry with Maersk during 2017. Donations decreased by $0.4 million as a result of the Company donating $0.9 million to the Lundin Foundation during the year ended December 31, 2017 compared to $1.3 million during the year ended December 31, 2016. Stock exchange and filing fees decreased by $0.2 million which is primarily due to a decrease in investor relation activities during the year ended December 31, 2017 compared to the same period in 2016. The remaining decrease is due to the Company recognizing an impairment relating to the Company's intangible exploration assets in Ethiopia of $6.5 million during the fourth quarter of 2016 as well as a $2.0 million impairment in intangible exploration assets in Block 12A (Kenya). These decreases were offset by an increase in the Company's share of losses of $0.2 million from its equity investments in Africa Energy and in Eco. The Eco investment was completed during November 2017. Office and general expenses increased by $0.2 million which primarily relates to an increase in consulting fees associated with the corporate activities within the Company. Travel increased by $0.1 million due to an increase in activity within the Company during the last quarter of 2017.

SELECTED ANNUAL INFORMATION

For the years ended December 31, (thousands, except per share amounts)	**2017**	**2016**	**2015**
Statement of Operations Data			
Interest income	$ 4,582	$ 2,940	$ 415
Net loss and comprehensive loss attributable to non-controlling interest	-	-	(249)
Net loss and comprehensive loss attributable to common shareholders	(4,531)	(17,762)	(87,190)
Data per Common Share			
Basic loss per share ($/share)	(0.01)	(0.04)	(0.21)
Diluted loss per share ($/share)	(0.01)	(0.04)	(0.21)
Balance Sheet Data			
Net w orking capital	436,292	434,985	49,518
Total assets	1,006,312	1,006,942	1,100,691
Long term liabilities	$ 648	$ -	$ 52,500

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

Interest income increased in 2017 and 2016 compared to 2015 due to the increase in cash upon closing of the farmout agreement with Maersk and increasing interest rates on short-term U.S. dollar deposits.

The net loss attributable to non-controlling interest represents the Company's non-ownership percentage of Africa Energy's net loss. The Company's investment in Africa Energy changed from a position of control to a position of significant influence during March 2015. As a result of the change, the Company's investment in Africa Energy is recorded as an equity investment.

The net loss attributable to common shareholders decreased by $13.2 million in 2017 compared to the year ended 2016 due to a decrease in operating expenses, as described above. The net loss attributable to common shareholders decreased by $69.6 million in 2016 compared to the year ended 2015 which is primarily due to the Company recognizing an impairment relating to the Company's intangible exploration assets in Ethiopia and Kenya of $8.5 million during 2016 compared to $70.7 during the same period in 2015.

Net working capital was consistent between 2016 and 2017. Cash decreased primarily due to capital expenditures and general and administrative expenses which was offset by a $75.0 million advance development carry settlement from Maersk that is currently accounted for as a short term receivable. The increase in net working capital from 2015 to 2016 is primarily due to the completion of the farmout agreement with Maersk in which the Company received proceeds of $439.4 million.

The Company recognized $0.6 million in long term liabilities during 2017 which reflect the fair value of the cash-settled RSUs. During the fourth quarter of 2015, Africa Oil received a deposit in relation to the Maersk farmout transaction which amounted to $52.2 million which was recorded as a long-term liability. The bank guarantee was released at the beginning of 2016.

INTANGIBLE EXPLORATION ASSETS

(thousands)	December 31, 2017	December 31, 2016
Intangible exploration assets	$ 520,652	$ 534,929

During 2017, intangible exploration assets decreased by $14.3 million. Expenditures of $60.7 million were incurred during the year which was offset by a $75.0 million advance development carry settlement from Maersk. 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, 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 years ended	**December 31, 2017**			**December 31, 2016**		
(thousands)	**Kenya**	**Ethiopia**	**Total**	**Kenya**	**Ethiopia**	**Total**
Drilling and completion	$ 26,123	$ 239	**$ 26,362**	$ 21,806	$ -	**$ 21,806**
Development studies	20,109	-	**20,109**	8,411	-	**8,411**
Exploration surveys and studies	1,160	217	**1,377**	2,242	232	**2,474**
PSA and G&A related	11,920	955	**12,875**	14,190	1,695	**15,885**
Total	$ 59,312	$ 1,411	**$ 60,723**	$ 46,649	$ 1,927	**$ 48,576**

AOC incurred $59.3 million of intangible exploration expenditures in Kenya for year ended December 31, 2017. Drilling and completion expenditures primarily relate to the drilling of the Erut-1, Emekuya-1 and Etiir-1 exploration wells in Block 13T, the drilling of the Ngamia-10, Amosing-6, Ngamia-11 and Amosing-7 appraisal wells in Block 10BB, the drilling of the Etom-3 and Ekales-3 appraisal wells in Block 13T, as well as the completion of the water injection testing on the Amosing-2A, Amosing-3, and Ngamia-5 wells in Block 10BB. Development study expenditures are associated with studies aimed at progressing towards project sanction for the South Lokichar Basin. Exploration studies costs continue to be incurred in Kenya in conjunction with the exploration and appraisal drilling campaign which recommenced in the fourth quarter of 2016 and has been completed during the fourth quarter of 2017.

The Company incurred $1.4 million of intangible exploration expenditures in Ethiopia for the year ended December 31, 2017, 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 December 31, 2017, the Company had cash of $392.3 million and working capital of $436.3 million as compared to cash of $463.1 million and working capital of $435.0 million at December 31, 2016.

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). With the completion of the 2017 exploration and appraisal drilling campaign, activity will now move to focus on collecting further dynamic data from the fields through extended production and water injection testing. A waterflood pilot test is planned in the Ngamia field for 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 aims to initiate extended well testing in the Amosing and Ngamia fields, commencing in early 2018. Produced oil from testing will be stored and is planned to be transported as part of the EOPS which is expected to commence in the first half of 2018, subject to receiving the necessary consents and approvals. 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. Planned activities associated with the pipeline include FEED, ESIA and studies on financing and ownership. The Company also continues to evaluate potential acquisitions and mergers, focusing on Africa.

RELATED PARTY TRANSACTIONS

Transactions with Africa Energy

During November 2016, the Company invested $2.4 million in a non-brokered private placement, diluting the Company's ownership interest in Africa Energy to 28.5%.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.1 million during 2017 (2016 – $0.1 million). At December 31, 2017, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2016 – $ 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 2017, the Company invoiced Africa Energy $0.1 million for reimbursable expenses paid by the Company on behalf of Africa Energy (2016 - $0.1 million). At December 31, 2017, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2016 – $0.06 million).

Remuneration of Directors and Senior Management

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

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

For the years ended December 31, (thousands)		**2017**		**2016**
Directors' fees	$	264	$	247
Directors' equity-based compensation		163		226
Management's short-term wages, bonuses and benefits		1,621		2,194
Management's equity-based compensation		1,429		1,864
	$	3,477	$	4,531

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 December 31, 2017, the Company's working interest in Block 10BB was 25%.

Under the terms of the Block 13T PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At December 31, 2017, 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 December 31, 2017, 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 December 31, 2017, the Company's working interest in Block 10BA was 25%.

Under the terms of the Block 12A PSC, the Company and its partners entered into the first additional exploration period in Block 12A which was scheduled to expire in September 2016. During July 2016, the Company received approval for a fifteen-month extension to the first additional exploration period which expires in December 2017. All work and financial obligations to the end of the first additional exploration period have been satisfied. During February 2017, the Company notified its Partners of its decision to withdraw from its 20% working interest in Block 12A.

Ethiopia:

Under the terms of Rift Basin Area PSA the Company and its partners, during the initial exploration period which expired in February 2018, are 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. The Company has submitted a formal request for an extension to the initial exploration period. At December 31, 2017, the Company's working interest in the Rift Basin Area Block was 100%.

Under the terms of the South Omo PSA, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period which expired in January 2015 and the second additional exploration period which expired in January 2017. During the fourth quarter of 2016, the Company elected to relinquish its 15% interest in the South Omo Block.

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	456,617,074
Outstanding share purchase options	9,539,333
Outstanding performance share units	1,729,000
Outstanding restricted share units	1,916,357
Full dilution impact on common shares outstanding	469,801,764

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change. The Company believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. The Company' significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2017.

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 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

NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

IFRS 9: Financial instruments

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

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 assessed the impact of IFRS 15 and has determined that it will not affect the current financial statements as the Company currently does not have any revenue contracts, however it may impact the Company's revenue recognition in the future.

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.

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure controls and procedures

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2015, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

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

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2017, 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.

For the year ended December 31, 2017, a 5% increase or decrease on an annualized basis in the value of the Canadian dollar in relation to the US dollar, which is the Company's functional currency, would have resulted in an approximately $0.05 million (2016 - $0.07 million) increase or decrease in foreign exchange gains, respectively.

At December 31, 2017, the Company had $1.3 million Canadian dollars (2016 - $0.9 million Canadian dollars) in cash and cash equivalents.

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.

February 28, 2018

Independent Auditor's Report

To the Shareholders of
Africa Oil Corp.

We have audited the accompanying consolidated financial statements of Africa Oil Corp. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of net loss and comprehensive loss, equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers LLP
111 5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: 403 509 7500, F:403 781 1825, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Africa Oil Corp. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

AFRICA OIL CORP.

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

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 392,290	$ 463,061
Accounts receivable	5	75,052	213
Due from related party	16	-	57
Prepaid expenses		1,160	1,155
		468,502	464,486
Long-term assets			
Equity investment	8	17,053	7,330
Property and equipment	6	105	197
Intangible exploration assets	7	520,652	534,929
		537,810	542,456
Total assets		$ 1,006,312	$ 1,006,942
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 31,658	$ 29,501
Equity-based compensation liability	10	552	-
		32,210	29,501
Long-term liabilities			
Equity-based compensation liability	10	648	-
		648	-
Total liabilities		32,858	29,501
Equity attributable to common shareholders			
Share capital	9(b)	1,290,796	1,290,389
Contributed surplus		49,814	49,677
Deficit		(367,156)	(362,625)
Total equity attributable to common shareholders		973,454	977,441
Total liabilities and equity attributable to common shareholders		$ 1,006,312	$ 1,006,942
Commitments and contingencies	14		
Subsequent event	23		

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

Approved on behalf of the Board:

"ANDREW BARTLETT" *"KEITH HILL"*

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

AFRICA OIL CORP.

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

For the years ended	Note		December 31, 2017		December 31, 2016
Operating expenses					
Salaries and benefits			2,057	$	2,716
Equity-based compensation	10		1,993		3,324
Travel			911		815
Office and general			480		318
Donation	22		850		1,300
Depreciation	6		104		34
Professional fees			625		1,605
Stock exchange and filing fees			512		691
Share of loss from equity investments	8		1,522		1,312
Impairment of intangible exploration assets	7		-		8,470
			9,054		20,585
Finance income	15		(4,582)		(2,940)
Finance expense	15		59		117
Net loss and comprehensive loss attributable to common shareholders			4,531		17,762
Net loss attributable to common shareholders per share	18				
Basic		$	0.01	$	0.04
Diluted		$	0.01	$	0.04
Weighted average number of shares outstanding for the purpose of calculating earnings per share	18				
Basic			456,603,586		456,417,074
Diluted			456,603,586		456,417,074

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

AFRICA OIL CORP.

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

	Note	December 31, 2017	December 31, 2016
Share capital:	**9(b)**		
Balance, beginning of the year		$ 1,290,389	$ 1,290,389
Exercise of options		407	-
Balance, end of the year		1,290,796	1,290,389
Contributed surplus:			
Balance, beginning of the year		$ 49,677	$ 46,353
Equity-based compensation	10	1,993	3,324
Settlement of Restricted Share Units	10	(553)	-
Reclass of Restricted Share Units from Equity Settled to Cash Settled	10	(1,200)	-
Exercise of options	10	(103)	-
Balance, end of the year		49,814	49,677
Deficit:			
Balance, beginning of the year		$ (362,625)	$ (344,863)
Net loss and comprehensive loss attributable to common shareholders		(4,531)	(17,762)
Balance, end of the year		(367,156)	(362,625)
Total equity		$ 973,454	$ 977,441

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

AFRICA OIL CORP.

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

For the years ended		December 31, 2017	December 31, 2016
Cash flows provided by (used in):	**Note**		
Operations:			
Net loss and comprehensive loss for the year		$ (4,531)	$ (17,762)
Items not affecting cash:			
Equity-based compensation	10	1,993	3,324
Depreciation	6	104	34
Impairment of intangible exploration assets	7	-	8,470
Share of loss from equity investments	8	1,522	1,312
Unrealized foreign exchange loss		24	80
Changes in non-cash operating working capital	21	24	118
		(864)	(4,424)
Investing:			
Property and equipment expenditures	6	(12)	(199)
Intangible exploration expenditures	7	(60,723)	(48,576)
Farmout proceeds received on closing	7	-	386,970
Farmout proceeds released from restricted cash	7	-	52,500
Equity investment	8	(11,245)	(2,380)
Changes in non-cash investing working capital	21	2,346	(26,729)
		(69,634)	361,586
Financing:			
Common shares issued	9(b)	304	-
Settlement of Restricted Share Units	10	(553)	-
Release of bank guarantee		-	1,774
		(249)	1,774
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(24)	(80)
Increase (decrease) in cash and cash equivalents		(70,771)	358,856
Cash and cash equivalents, beginning of the year		$ 463,061	$ 104,205
Cash and cash equivalents, end of the year		$ 392,290	$ 463,061
Supplementary information:			
Interest paid		Nil	Nil
Income taxes paid		Nil	Nil

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

1) Incorporation and nature of business:

Africa Oil Corp. (collectively with its subsidiaries, "AOC" or the "Company") was incorporated on March 29, 1993 under the laws of British Columbia and is an international oil and gas exploration 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 its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at February 28, 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. Where there are assets and liabilities calculated on a different basis, this fast is disclosed in the relevant accounting policy.

c) Functional and presentation currency:

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

d) Use of estimates and judgments:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

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

i) Exploration and evaluation costs:

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount (see note 7).

ii) Equity-based compensation:

Charges for share purchase options are based on the fair value at the date of the award. Share purchase options are valued using the Black-Scholes model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding (see note 10).

The estimated fair value of Performance share units (“PSUs”) is calculated based on non-market performance conditions set by the Company which are initially determined at the time of grant. The Company assesses the progress of reaching the individual performance conditions during each reporting period. PSUs cliff vest three years from the date of grant, at which time the Board of Directors will assign a performance multiple ranging from nil to two hundred percent to determine the ultimate vested number of PSUs. It is anticipated that PSU settlements will be made by issuing shares from treasury (see note 10).

The estimated fair value of the Restricted share units (“RSUs”) is initially determined at the time of grant. The awards are revalued every quarter based on the Company’s share price (see note 10).

iii) Consolidation of entities:

When assessing control over a subsidiary, the Company is required to consider the nature of its relationship with the subsidiary, and whether strategic and operating decisions made by the subsidiary are made independently without the significant influence or control of the Company. Factors considered when assessing for control include share ownership, board composition and management involvement in the business. The determination of whether strategic and operating decisions made by the Company’s subsidiaries are made independently without the significant influence or control of the Company requires judgment (see note 8 and 17).

iv) Valuation of investments:

Investments in associates are initially recorded at cost. The Company assesses investments in associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable (see note 8).

3) Significant accounting policies:

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

a) Basis of consolidation:

i) Subsidiaries:

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

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

ii) Jointly controlled operations and jointly controlled assets:

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

iii) Transactions eliminated on consolidation:

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

b) Equity method:

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

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

c) Foreign currency:

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

d) Property and equipment and Intangible exploration assets:

i) Pre-exploration expenditures:

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

ii) Exploration expenditures:

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

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

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

iii) Development and production costs:

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

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

e) Depreciation:

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

f) Impairment:

i) Financial assets carried at amortized cost:

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

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

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

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

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

ii) Non-financial assets:

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. In determining fair

value less costs of disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

g) Share purchase options:

The Company has a stock option plan as described in note 10. The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing share purchase options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period, commencing from the date of employee service, as stock-based compensation expense and an increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. When the share purchase options are exercised, the proceeds received and the applicable amounts recorded in contributed surplus are credited to share capital.

h) Performance share units ("PSUs"):

The Company has a long term incentive plan as described in note 10. Eligible plan participants may be granted PSUs. PSUs are accounted for as equity based awards. The estimated fair value of the awards is calculated based on non-market performance conditions set by the Company which are initially determined at the time of grant. The Company assesses the progress of reaching the individual performance conditions during each reporting period. PSUs cliff vest three years from the date of grant and the estimated fair value of the grant will be expensed evenly throughout the remaining vesting period. PSUs are expected to be settled in equity.

i) Restricted share units ("RSUs"):

The Company has a long term incentive plan as described in note 10. Eligible plan participants may be granted RSUs. RSUs are accounted for as cash based awards and recorded as a liability. The estimated fair value of the awards is initially determined at the time of grant. The awards are revalued every quarter based on the Company's share price and the change is recorded as equity-based compensation in the statement of operations. RSUs granted to Non-Executive Directors cliff vest three years from the date of grant. RSUs granted to all other eligible plan participants vest over three years (1/3 on the first, second and third anniversary of grant). The estimated fair value of RSUs are expensed evenly throughout the remaining vesting period.

j) Finance income and expenses:

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

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

k) Income tax:

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

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

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

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

l) Earnings per share:

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

m) Financial instruments:

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

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

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

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

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

ii) Available-for-sale investments:

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

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

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

iii) Loans and receivables:

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

iv) Financial liabilities at amortized cost:

Financial liabilities at amortized cost include accounts payables and are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payables are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

v) Derivative financial instruments:

The Company has issued warrants that are treated as derivative liabilities. All derivatives have been classified as held-for-trading, are included on the balance sheet within warrants liabilities, and are classified as current or non-current based on the contractual terms specific to the instrument.

n) Provisions:

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

Decommissioning obligations:

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

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

4) New accounting standards:

There are no new standards or amendments to existing standards effective January 1, 2017.

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, 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 assessed the impact of IFRS 9 and has determined that the adjustments to the measurement of financial instruments are not expected to have a material impact on the disclosures in the financial statements.

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 assessed the impact of IFRS 15 and has determined that it will not affect the current financial statements as the Company currently does not have any revenue contracts, however it may impact the Company's revenue recognition in the future.

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.

5) Accounts receivable:

	December 31, 2017	December 31, 2016
Advance development carry	$ 75,000	$ -
Other	52	213
	$ 75,052	$ 213

Please refer to Note 7 for details relating to the Advance development carry receivables.

6) Property and equipment:

		December 31, 2017		December 31, 2016
Cost, beginning of the year	$	597	$	398
Additions		12		199
Cost, end of the year		609		597
Accumulated depreciation, beginning of the year		(400)		(366)
Depreciation		(104)		(34)
Accumulated depreciation, end of the year		(504)		(400)
Net carrying amount, beginning of the year	$	197	$	32
Net carrying amount, end of the year	$	105	$	197

As at December 31, 2017, the Company has recorded $0.1 million of property and equipment (December 31, 2016 - $0.2 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).

7) Intangible exploration assets:

		December 31, 2017		December 31, 2016
Net carrying amount, beginning of the year	$	534,929	$	934,293
Intangible exploration expenditures		60,723		48,576
Impairment of intangible exploration assets		-		(8,470)
Advance development carry		(75,000)		-
Farmout proceeds		-		(439,470)
Net carrying amount, end of the year	$	520,652	$	534,929

As at December 31, 2017, $520.7 million of expenditures have been capitalized as intangible exploration assets (December 31, 2016 - $534.9 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: geological and geophysical studies, exploratory and appraisal drilling, well testing, development studies and related general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments. At December 31, 2017, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated.

On February 4, 2016, the Company completed the Kenyan portion of the farmout with Maersk whereby Maersk acquired 50% of the Company's interests in Blocks 10BB, 13T and 10BA in Kenya. At completion, AOC received $426.6 million (inclusive of the deposit of $52.5 million previously received) from Maersk. This amount represents $343.6 million of reimbursed past costs incurred by AOC prior to the agreed March 31, 2015 effective date of the farmout and $83.0 million representing Maersk's share of costs incurred between the effective date and December 31, 2015, including a carry reimbursement of $15.0 million of exploration expenditures. 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. These proceeds were 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.

On February 22, 2016, the Company completed the Ethiopian portion of the farmout with Maersk whereby Maersk acquired 50% of the Company's interests in the South Omo and Rift Basin blocks in Ethiopia. At completion, AOC received $12.8 million from Maersk. This amount represents $6.4 million of reimbursed past cost incurred by AOC prior to the agreed March 31, 2015 effective date of the farmout and $6.4 million representing Maersk's share of costs incurred between the effective date and December 31, 2015.

During the year ended December 31, 2017, the Company capitalized $12.4 million of general and administrative expenses related to intangible exploration assets (December 31, 2016 – $16.0 million).

During the fourth quarter of 2016, the Company elected to relinquish its interest in the South Omo Block (Ethiopia) at the end of the current exploration period, resulting in a $6.5 million impairment of previously capitalized intangible exploration assets.

During February 2017, the Company notified its Partners of its decision to withdraw from Block 12A (Kenya). The Company wrote off $2.0 million of previously capitalized intangible exploration assets related to Block 12A during the fourth quarter of 2016.

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.

8) Equity investment:

The Company currently holds the following equity investments:

	December 31, 2017		December 31, 2016	
Investment in Africa Energy	$	5,976	$	7,330
Investment in Eco		11,077		-
Total Investment	$	17,053	$	7,330

The Company has determined that the investments in Africa Energy and Eco are not impaired.

a) Africa Energy:

On November 16, 2016, Africa Energy announced a non-brokered private placement, in which the Company participated, investing $2.4 million, diluting the Company's ownership interest in Africa Energy to 28.5%. Africa Energy holds participating interests in exploration blocks located offshore South Africa and offshore Namibia.

	December 31, 2017	December 31, 2016
Balance, beginning of the year	$ 7,330	$ 6,262
Fair value of investment in Africa Energy upon loss of control	-	-
Share of loss from equity investments	(1,354)	(1,312)
Additional investment through private placements	-	2,380
Balance, end of the year	$ 5,976	$ 7,330

During the year ended December 31, 2017, the Company recognized losses of $1.4 million related to its investment in Africa Energy (December 31, 2016 - $1.3 million).

The fair value of the Company's investment in Africa Energy as at December 31, 2017 is $12.3 million.

The following table summarizes Africa Energy's financial information for the year ended December 31, 2017. The information is based on audited financial information.

	December 31, 2017	December 31, 2016
Other current assets	$ 331	$ 432
Cash and cash equivalents included in current assets	3,132	10,179
Non-current assets [(1)]	22,810	15,640
Current liabilities	(5,335)	(566)
Non-current liabilities	-	-
Net assets of Africa Energy	20,938	25,685
Percentage ownership	28.5%	28.5%
Proportionate share of Africa Energy's net assets	5,976	7,330

	December 31, 2017	December 31, 2016
Finance income	456	172
Net loss and comprehensive loss from continuing operations	(4,744)	(4,198)
Net loss and comprehensive loss	(4,744)	(4,198)
Proportionate share of Africa Energy's net loss [(2)]	(1,354)	(1,312)

(1) At December 31, 2017, the carrying value of non-current assets includes an increase in fair market value of $9.0 million relating to the purchase price discrepancy at the time of transition to equity accounting.

(2) During 2016, the Company's ownership in Africa Energy changed from 32.1% to 28.5% which impacted the Company's share of net losses.

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 Guyana and Namibia.

	December 31, 2017	December 31, 2016
Balance, beginning of the year	$ -	$ -
Acquisition of common shares	11,003	-
Fees associated with the acquisition of common shares	242	-
Share of loss from equity investments	(168)	-
Balance, end of the year	$ 11,077	$ -

During the year ended December 31, 2017, the Company capitalized $0.2 million in fees relating to the acquisition of shares and recognized losses of $0.2 million relating to its investment in Eco (December 31, 2016 - $ nil).

The fair value of the Company's investment in Eco as at December 31, 2017 is $9.8 million.

The following tables summarize Eco's financial information for the year ended December 31, 2017. The information is based on financial information for the nine months ended December 31, 2017. Africa Oil is not aware of any material changes to the financial information.

	December 31, 2017
Other current assets	$ 747
Cash and cash equivalents included in current assets	11,452
Non-current assets [(1)]	46,845
Current liabilities	(346)
Non-current liabilities	-
Net assets of Eco	58,698
Percentage ownership	18.9%
Proportionate share of Eco's net assets	11,077

	December 31, 2017
Finance income	40
Net loss and comprehensive loss from continuing operations	2,405
Net loss and comprehensive loss	2,620
Proportionate share of Eco's net loss [(2)]	(168)

(1) At December 31, 2017, the Company increased the carrying value of non-current assets, which consists of intangible exploration assets, by $45.7 million in consideration of the purchase price discrepancy at the time of initial investment.

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

9) Share capital:

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

b) Issued:

		December 31, 2017			December 31, 2016		
	Note	Shares		Amount	Shares		Amount
Balance, beginning of the year		456,417,074	$	1,290,389	456,417,074	$	1,290,389
Exercise of options	10	200,000		407	-		-
Balance, end of the year		456,617,074	$	1,290,796	456,417,074	$	1,290,389

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.

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

	December 31, 2017		December 31, 2016	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the year	14,748,500	4.58	18,452,500	5.20
Granted	1,191,500	1.38	1,610,500	2.12
Expired	(6,200,667)	7.79	(5,314,500)	5.97
Exercised	(200,000)	1.99	-	-
Balance, end of the year	9,539,333	2.15	14,748,500	4.58

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. No share purchase options were exercised during the year ended December 31, 2016.

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 and the year ended December 31, 2016 was estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2017	2016
Number of options granted	1,191,500	1,610,500
Fair value of options granted (CAD$ per option)	0.49	0.75
Risk-free interest rate (%)	1.41	0.69
Expected life (years)	3.00	3.00
Expected volatility (%)	49	52
Expected dividend yield	-	-

The following table summarizes information regarding the Company's share purchase options outstanding at December 31, 2017:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
2.48	3,885,000	2.06
2.25	600,000	2.20
2.12	1,538,333	3.96
1.99	2,174,500	2.98
1.98	150,000	2.88
1.38	1,191,500	4.97
2.15	9,539,333	2.96

As at December 31, 2017, 8,243,003 share purchase options were exercisable.

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. During the year ended December 31, 2017, the Company recognized $0.7 million in equity-based compensation (December 31, 2016 - $1.9 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; and
iii) additional milestones related to South Lokichar development, pipeline development and financing associated with these developments.

The Company's PSUs outstanding are as follows:

	December 31, 2017 Number of PSUs	December 31, 2016 Number of PSUs
Outstanding, beginning of the year	1,024,000	-
Granted	848,000	1,024,000
Forfeited	(143,000)	-
Exercised	-	-
Balance, end of the year	1,729,000	1,024,000

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 year ended December 31, 2017, the Company recognized $0.4 million in equity-based compensation relating to the PSUs (December 31, 2016 - $0.5 million).

c) Restricted share units ("RSUs")

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

The Company's RSUs outstanding are as follows:

	December 31, 2017 Number of RSUs	December 31, 2016 Number of RSUs
Outstanding, beginning of the year	1,270,000	-
Granted	1,083,024	1,270,000
Forfeited	(95,333)	-
Vested	(341,334)	-
Balance, end of the year	1,916,357	1,270,000

During the first quarter of 2017, 235,024 RSUs (2016 – 246,000) were granted to Non-Executive Directors and 848,000 RSUs (2016 – 1,024,000) 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 year ended December 31, 2017, the Company recognized $0.9 million in equity-based compensation relating to the RSUs (December 31, 2016 - $0.9 million). As at December 31, 2017, $0.6 million of short term liabilities are recorded related to RSUs (December 31, 2016: nil) and $0.6 million of long term liabilities are recorded related to RSUs (December 31, 2016: nil). These liabilities will be revalued quarterly.

During the first quarter of 2017, 341,334 RSUs had vested and were settled for a cash payment of $0.5 million. No RSUs had vested during 2016.

During the year ended December 31, 2017, the Company recognized a total of $2.0 million in equity-based compensation relating to the LTIP and Stock Option Plan (December 31, 2016 - $3.3 million).

11) Financial risk management:

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

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

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

a) Credit risk:

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of our credit exposure relates to amounts due from our joint venture partners. The risk of our joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash and accounts receivable. As at December 31, 2017, the Company held $6.7 million of cash in financial institutions outside of Canada where there could be increased exposure to credit risk.

b) Liquidity risk:

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

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

c) Market risk:

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

i) Foreign currency exchange rate risk:

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure to foreign currency exchange risk is mitigated by the fact that the Company sources the majority of its capital projects and expenditures in US dollars.

For the year ended December 31, 2017, a 5% increase or decrease on an annualized basis in the value of the Canadian dollar in relation to the US dollar, which is the Company's functional currency, would have resulted in an approximately $0.05 million (2016 - $0.07 million) increase or decrease in net income, respectively.

At December 31, 2017, the Company had $1.3 million Canadian dollars (2016 - $0.9 million Canadian dollars) in cash and cash equivalents.

ii) Interest rate risk:

As at December 31, 2017, the Company's has no outstanding debt. The Company further has not entered into any derivative instruments or borrowing arrangements in which exposure to fluctuations in interest rates exists.

iii) Commodity price risk:

The Company is not currently directly exposed to fluctuations in commodity prices as AOC is currently in the exploration phase and has no production.

12) Capital management:

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

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

For the years ended	December 31, 2017	December 31, 2016
Equity	$ 973,454	$ 977,441
Net w orking capital [(1)]	(436,292)	(434,985)
Total capitalization	$ 537,162	$ 542,456

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

13) 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 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**

At December 31, 2016	Kenya	Ethiopia	Corporate	**Total**
Total assets	$ 539,901	$ 6,073	$ 460,968	**$ 1,006,942**
Intangible exploration assets	533,931	998	-	**534,929**
Property and equipment	-	-	197	**197**

Year ended December 31, 2017	Kenya	Ethiopia	Corporate	**Total**
Capital expenditures				
Intangible exploration assets	$ 59,312	$ 1,411	$ -	**$ 60,723**
Property and equipment	-	-	12	**12**
	$ 59,312	$ 1,411	$ 12	**$ 60,735**
Statement of operations				
Expenses	$ 72	$ 16	$ 8,966	**$ 9,054**
Finance income	-	-	(4,582)	**(4,582)**
Finance expense	-	-	59	**59**
Segmented loss	$ 72	$ 16	$ 4,443	**$ 4,531**

Year ended December 31, 2016	Kenya	Ethiopia	Corporate	Total
Capital expenditures				
Intangible exploration assets	$ 46,649	$ 1,927	$ -	**$ 48,576**
Property and equipment	-	-	199	**199**
	$ 46,649	$ 1,927	$ 199	**$ 48,775**
Statement of operations				
Expenses	$ 2,043	$ 6,491	$ 12,051	**$ 20,585**
Finance income	-	-	(2,940)	**(2,940)**
Finance expense	-	-	117	**117**
Segmented loss	$ 2,043	$ 6,491	$ 9,228	**$ 17,762**

14) 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 December 31, 2017, the Company's working interest in Block 10BB was 25%.

Under the terms of the Block 13T PSC, during July 2016, the Company received approval from the Ministry of Energy and Petroleum for the Republic of Kenya for an extension to the second additional exploration period which expires in September 2020. During the extension to the second additional exploration period, the Company and its partners are required to drill a minimum of four exploration wells between Blocks 10BB and 13T. At December 31, 2017, 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 December 31, 2017, 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 December 31, 2017, the Company's working interest in Block 10BA was 25%.

Under the terms of the Block 12A PSC, the Company and its partners entered into the first additional exploration period in Block 12A which was scheduled to expire in September 2016. During July 2016, the Company received approval for a fifteen-month extension to the first additional exploration period which expires in December 2017. All work and financial obligations to the end of the first additional exploration period have been satisfied. During February 2017, the Company notified its Partners of its decision to withdraw from its 20% working interest in Block 12A.

ii) Ethiopia:

Under the terms of Rift Basin Area PSA the Company and its partners, during the initial exploration period which expired in February 2018, are 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. The Company has submitted a formal request for an extension to the initial exploration period. At December 31, 2017, the Company's working interest in the Rift Basin Area Block was 100%.

Under the terms of the South Omo PSA, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period which expired in January 2015 and the second additional exploration period which expired in January 2017. During the fourth quarter of 2016, the Company elected to relinquish its 15% interest in the South Omo Block.

b) Office Lease Costs:

The Company has committed to future minimum payments at December 31, 2017 under a Canadian operating lease that includes the rental of office space and proportionate share of operating costs and office equipment as follows:

2018	218
2019	218
2020	216
2021	214
2022	214
2023	37
Total minimum payments	1,117

c) Title disputes:

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

15) Finance income and expense:

Finance income and expense for the years ended December 31, 2017 and 2016 is comprised of the following:

For the years ended		December 31, 2017		December 31, 2016
Interest and other income	$	4,582	$	2,940
Bank charges		(35)		(37)
Foreign exchange loss		(24)		(80)
Finance income	$	4,582	$	2,940
Finance expense	$	(59)	$	(117)

16) Related party transactions:

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

During November 2016, the Company invested $2.4 million in a non-brokered private placement, diluting the Company's ownership interest in Africa Energy to 28.5%.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.1 million during 2017 (2016 – $0.1 million). At December 31, 2017, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2016 – $ 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 2017, the Company invoiced Africa Energy $0.1 million for reimbursable expenses paid by the Company on behalf of Africa Energy (2016 - $0.1 million). At December 31, 2017, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2016 – $0.06 million).

b) Remuneration of Directors and Senior Management

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

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

For the years ended December 31, (thousands)	2017	2016
Directors' fees	$ 264	$ 247
Directors' equity-based compensation	163	226
Management's short-term w ages, bonuses and benefits	1,621	2,194
Management's equity-based compensation	1,429	1,864
	$ 3,477	$ 4,531

17) Subsidiaries:

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

18) Net loss per share:

For the year ended	December 31, 2017			December 31, 2016		
		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	$ 4,531	456,603,586	$ 0.01	$ 17,762	456,417,074	$ 0.04
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ 4,531	456,603,586	$ 0.01	$ 17,762	456,417,074	$ 0.04

During the year ended December 31, 2017, the Company used an average market price of CAD$1.97 per share (December 31, 2016 - CAD$1.97 per share) to calculate the dilutive effect of share purchase options. For the year ended December 31, 2017, 9,539,333 options, 1,729,000 PSUs and 1,916,357 RSUs were anti-dilutive and were not included in the calculation of dilutive loss per share (December 31, 2016 – 14,748,500 options, 1,024,000 PSUs and 1,270,000 RSUs).

19) Financial instruments:

Assets and liabilities at December 31, 2017 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, due from related party 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 investment in Africa Energy at the time of loss of control was determined by a quoted stock price and is classified as Level 1. The investment in Africa Energy does not require any revaluation after the time of loss of control. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. There were no transfers between levels in the fair value hierarchy in the year.

20) Income Taxes:

Substantially all of the differences between actual income tax expense (recovery) of nil and the expected federal, AB and BC statutory corporate income tax recovery related to losses not recognized and share issue costs. The Company has estimated non-capital losses carry forward of $72.6 million which expire from 2026 through 2036.

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

For the years ended December 31,	2017	2016
Net loss and comprehensive loss	4,531	17,762
Combined federal and provincial statutory income tax rate	27.0%	27.0%
Expected tax recovery	1,223	4,796
Equity-based compensation	(538)	(897)
Non-taxable expense items	(547)	(4,663)
Unrecognized tax losses	(138)	764
Tax recovery	-	-

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

At December 31,	2017	2016
Unbooked deductible temporary differences		
Capital assets	$ (18)	$ 367
Share issuance costs	232	350
Capital losses carried forward	12,896	12,872
Non-capital losses carried forward	72,691	65,692
Charitable donations	10,888	10,038
	$ 96,689	$ 89,319

21) Supplementary information:

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

		December 31, 2017		December 31, 2016
Changes in non-cash working capital				
Accounts receivable	$	161	$	180
Prepaid expenses		(5)		(10)
Due from related party		57		30
Accounts payable and accrued liabilities		2,157		(26,811)
		2,370		(26,611)
Relating to:				
Operating activities	$	24	$	118
Investing activities		2,346		(26,729)
Changes in non-cash working capital	$	2,370	$	(26,611)

22) Donation:

During the year ended December 31, 2017, as part of the Company's Community Social Responsibility commitment, the Company made donations of $0.9 million to the Lundin Foundation (December 31, 2016 - $1.3 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.

23) Subsequent event:

The Company has 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 has 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 currently held by Helios in the capital of Impact (the "Helios Warrants") in exchange for 13,946,545 common shares of AOC (the "AOC Shares"). Upon completion of the transactions contemplated by the Helios SPA, 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.

Finally, the Company has 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.

The transactions contemplated by the Subscription Agreement and Helios SPA are subject to certain customary conditions to closing, including approval of the Toronto Stock Exchange and shareholder approval of Impact. The Helios SPA is subject to concurrent closing of the transactions contemplated by the Subscription Agreement, provided that the transactions contemplated by the Subscription Agreement are not conditional on the transactions contemplated by the Helios SPA.

The transactions contemplated by the Helios SPA constitute a "related party transaction" within the meaning of Multilateral Instrument 61-101- Protection of Minority Security Holders in Special Transactions ("MI 61-101") as Helios is a "related party" of AOC because it beneficially owns or controls more than 10% of the outstanding AOC Shares. The Company is relying on the exemptions from the formal valuation and minority approval requirements of MI 61-101 contained in subsections 5.5(a)(iv) and 5.7(1)(a), respectively, of MI 61-101, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transactions contemplated by the Helios SPA exceeds 25 percent of AOC's market capitalization. The AOC Shares to be issued to Helios will have a hold period in accordance with applicable Canadian securities law for a period of four (4) months and one day from their date of issuance.

The investment will provide the Company with an approximately 25.2% equity interest in Impact.

Impact is a pure exploration company with assets located offshore South Africa and West Africa.