Consolidated Financial Statements
(Expressed in United States dollars)

AFRICA OIL CORP.

For the three and nine months ended September 30, 2009 and 2008

Unaudited
Prepared by Management

Africa Oil Corp.

Third Quarter Highlights

- In Block 9, Kenya, the CNOOC-operated Bogal-1 oil exploration well was spud on October 28, 2009. The well is expected to reach total depth of 5,500 meters within approximately 6 months. Block 9 covers an area of 27,778 square kilometers in the centre of the Anza Basin. The Anza Basin is a NW-SE trending rift basin along trend with the prolific Mesozoic play of southern Sudan. The basin is over 580 kilometers long and 150 kilometers wide with a potential prospective area in excess of 50,000 square kilometers. The basin is filled in places with more than 6,000 meters of Mesozoic and Cenozoic sediments and locally by Plio-Pleistocene basalts. Bouger and residual gravity anomalies have highlighted several sub-basins separated by intra-basin highs. Historic wells drilled in the block have proven the existence of natural gas and possibly oil. The Company holds a 20% working interest in the Block (subject to the completion of the Lion farmout discussed below).

- In Block 10A, Kenya, the Company plans to acquire approximately 750 kilometres of 2D seismic data during 2010. In Block 10BB, Kenya, the Company plans to acquire approximately 600 kilometres of 2D seismic data during 2010. Seismic data related to Block 9 was previously acquired and has led to identification of various leads and prospects.

- In Ethiopia, in the Adigala Block, 500 kilometres of 2D seismic has been acquired. Processing and interpretation of the seismic is currently underway.

- The Company is planning to commence seismic acquisition in the Ogaden region of Ethiopia. In Blocks 7/8, Africa Oil plans to acquire approximately 150 kilometres of 2D seismic data. In Blocks 2/6, the Company plans to acquire 350 kilometres.

- In the Nogal Block in Puntland, Somalia, Africa Oil acquired more than 4,000 kilometres of existing good quality 2D data which was recorded in the late 1980's. This has enabled the Company to work up an inventory of drilling prospects from which the first exploration well locations will be selected. During 2008, in the Dharoor Block of Puntland, Somalia, the acquisition of 782 kilometres of good quality new 2D seismic (comprised of 15 grid lines) was completed. The Company has combined 555 kilometres of previously acquired data into the seismic database and is currently being mapped to finalize exploration well locations.

- On July 21, 2009, the Company completed the acquisition of all of the issued and outstanding common shares of Turkana Energy Inc. ("Turkana"). Turkana's principal asset is a 100% interest in Block 10BB, a highly prospective oil exploration block in northwest Kenya. The block is within the Tertiary rift trend of East Africa which has recently yielded major oil discoveries by operators such as Heritage and Tullow. Block 10BB is located immediately west of the Company's holdings in the prospective Anza rift basin petroleum system.

  The shares of Turkana were acquired in consideration for 7.5 million common shares of Africa Oil. In addition, Turkana's previously outstanding convertible loans of CAD$1.0 million were exchanged for 787,400 common shares of Africa Oil.

- In addition, the Company executed a farmout agreement with Lion Energy Corp. (formerly named Raytec Metals Corp.) ("Lion") for their entry into the production sharing contracts in the State of Puntland, Somalia and the Republic of Kenya (Kenya).

In Puntland, the Company will transfer a 15 percent license interest to Lion in the Nogal and Dharoor PSAs.

In Kenya, the Company will transfer a 10 percent interest in the Block 9 PSA, a 20 percent interest in the Block 10BB PSC and a 25 percent license interest in the Block 10A PSC.

- Lion, in both areas, will pay a disproportionate share of future costs associated with the planned exploration work programs to be carried out in 2009 and 2010. Completion of this farmout is subject to government, TSX Venture exchange, and partner approvals.
- Rick Schmitt resigned as President of the Company and from the Board of Directors in order to pursue other endeavors. Mr. Keith Hill has assumed Mr. Schmitt's responsibilities as President in addition to his current role as CEO.
- Ian Gibbs was appointed Chief Financial Officer of the Company.
- John Craig and Bryan Benitz joined the Board of Directors.

Looking Forward

- An aggressive drill program is planned on its Kenyan and Ethiopian Blocks upon completion of seismic acquisition, processing, and interpretation. New discoveries have been announced on all sides of the Company's virtually unexplored land position in both countries including the major Heritage/Tullow Albert Graben oil discovery in neighbouring Uganda. Similar to the Albert Graben play model, the Company's concessions have older wells, a legacy database, and host numerous oil seeps indicating a proven petroleum system. Good quality existing seismic show robust leads and prospects throughout Africa Oil's project areas.
- In Somalia the Company intends to commence drilling on its two blocks as soon as political and safety conditions allow. Seismic interpretation indicates the presence of large, excellent prospects within both the Nogal and Dharoor blocks.

Africa Oil's mission is to build a leading oil exploration and production company focused on the outstanding opportunities available in Africa. The Company and its internationally recognized exploration team will seek large-scale opportunities that exhibit world-class potential that will create shareholder value and create positive economic and social impacts on the local communities where we operate.

AFRICA OIL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Amounts expressed in United States dollars unless otherwise indicated)
For the THREE AND NINE MONTHS ENDED September 30, 2009 and 2008

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, 2008 and 2007 and related notes thereto. The unaudited consolidated financial statements for the three and nine months ended September 30, 2009 and 2008 have not been reviewed by the Company's external auditors.

The financial information in this MD&A is derived from the Company's unaudited consolidated financial statements which are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are outlined within Note 2 to the consolidated financial statements of the Company.

The effective date of this MD&A is November 27, 2009.

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

MAJOR DEVELOPMENTS DURING 2009

Acquisition from Lundin Petroleum AB

Effective April 28, 2009, the Company completed the acquisition of a portfolio of East African oil exploration projects from Lundin Petroleum AB ("LPAB"). The projects are located within a vastly underexplored region of the East African rift basin petroleum system. The projects acquired include an 85% working interest in Blocks 2, 6, 7 and 8 and a 50% working interest in the Adigala Block in Ethiopia plus a 100% interest in Block 10A and a 30% interest in Block 9 in Kenya. AOC has assumed operatorship of these projects excluding Block 9 in Kenya.

Pursuant to the Share Purchase Agreement ("SPA"), AOC paid as consideration to LPAB approximately $24.0 million which was funded through a convertible loan from LPAB maturing December 31, 2011, at an interest rate of six-month LIBOR plus 3%. The loan, including any accrued and unpaid interest, will be convertible, at the option of either AOC or LPAB, into shares of AOC on the basis of CAD$0.90 per common share.

Concurrent with the SPA, AOC completed a non-brokered, private placement consisting of an aggregate of 37.4 million Units of the Company at a price of CAD$0.95 per Unit for net proceeds of approximately CAD$33.8 million (USD$27.3 million). Each Unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share of AOC at a price of CAD$1.50 per share over a period of three years. In the event that AOC trades at or above CAD$2.00 for a period of 30 consecutive days, a forced exercise provision will come into effect. Net proceeds of the private placement are being used towards the exploration work programs on the Company's projects in Puntland (Somalia), Ethiopia, and Kenya as well as for general corporate purposes.

East Africa Exploration Limited Farmout

On May 27, 2009 the Company executed a farmout agreement with Black Marlin Energy Limited's East Africa Exploration Limited ("EAX") for their entry into the production sharing contracts in both the Federal Democratic Republic of Ethiopia (Ethiopia) and Kenya.

In Ethiopia, the Company transferred a 30 percent license interest to EAX in the Block 2/6 and 7/8 Production Sharing Agreements ("PSA") located in the Ogaden Basin of Southern Ethiopia.

In Kenya, the Company transferred a 20 percent license interest to EAX in the Block 10A Production Sharing Contract ("PSC") located in the Anza Basin of northern Kenya.

Completion of this farmout transaction is subject to Ethiopia and Kenya government approvals.

Shareholder Loan Conversion

On May 12, 2009, the Company's outstanding CAD$6.0 million loans (plus accrued interest) from a shareholder of the Company were converted to approximately 6.5 million Units of the Company on the basis of CAD$0.95 per Unit. Each Unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share of AOC at a price of CAD$1.50 per share over a period of three years. In the event that AOC trades at or above CAD$2.00 for a period of 30 consecutive days, an accelerated exercise provision will come into effect.

The originating loans were issued during 2008 in two tranches, CAD$4.0 million and CAD$2.0 million, with an interest rate of prime plus 2%. As consideration for the loans, the lender received bonus consideration of 188,679 and 106,952 common shares respectively of the Company.

Turkana Energy Inc. Acquisition

On July 21, 2009, the Company completed the acquisition of all of the issued and outstanding common shares of Turkana Energy Inc. ("Turkana"). Turkana's principal asset is a 100% interest in Block 10BB, a highly prospective oil exploration block in northwest Kenya. The block is within the Tertiary rift trend of East Africa which has recently yielded major oil discoveries by operators such as Heritage and Tullow. Block 10BB is located immediately west of the Company's holdings in the prospective Anza rift basin petroleum system.

The shares of Turkana were acquired in consideration for 7.5 million common shares of AOC. In addition, Turkana's previously outstanding convertible loans of CAD$1.0 million were exchanged for 787,400 common shares of AOC.

Lion Energy Corp. Farmout Agreement

On May 27, 2009 the Company executed a farmout agreement with Lion Energy Corp. (formerly named Raytec Metals Corp.) ("Lion") for their entry into the production sharing contracts in the State of Puntland, Somalia and the Republic of Kenya (Kenya).

In Puntland, the Company will transfer a 15 percent license interest to Lion in the Nogal and Dharoor PSAs.

In Kenya, the Company will transfer a 10 percent interest in the Block 9 PSA, a 20 percent interest in the Block 10BB PSC and a 25 percent license interest in the Block 10A PSC.

Lion, in both areas, will pay a disproportionate share of future costs associated with the planned exploration work programs to be carried out in 2009 and 2010. Completion of this farmout is subject to government, TSX Venture exchange, and partner approvals.

GENERAL

AOC is a Canadian-based company whose common shares are traded on the TSX Venture Exchange 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 Puntland (Somalia), Ethiopia and Kenya.

During the first quarter of 2007, AOC entered into PSAs and Joint Venture Agreements acquiring an 80% interest in licenses covering an area of 81,000 square kilometres in the two highly prospective Dharoor Valley and Nogal Valley Blocks in the state of Puntland in northern Somalia. These blocks are considered world-class exploration plays with a petroleum system identical to and formerly contiguous with those within the Republic of Yemen.

During the second quarter of 2009, the Company acquired a large portfolio of East African oil exploration projects from Lundin Petroleum AB. The projects are located within a vastly underexplored region of the East African rift basin petroleum system. The projects acquired include an 85% working interest in Blocks 2, 6, 7 and 8 and a 50% working interest in the Adigala Block in Ethiopia plus a 100% interest in Block 10A and a 30% interest in Block 9 in Kenya. Africa Oil assumed operatorship of these projects, excluding Block 9 in Kenya. These new acreages were complementary to AOC’s existing Puntland (Somalia) Blocks.

During the third quarter of 2009, the Company completed the Turkana acquisition. Turkana’s principal asset is a 100% interest in Block 10BB, a highly prospective oil exploration block in northwest Kenya. The block is within the Tertiary rift trend of East Africa which has recently yielded major oil discoveries by operators such as Heritage and Tullow. Block 10BB is located immediately west of the Company’s holdings in the East African Anza rift basin petroleum system.

The East African Rift Basin system is one of the last great rift basins to be explored. New discoveries have been announced on all sides of the Company's virtually unexplored land position including the major Heritage/Tullow Albert Graben oil discovery in neighbouring Uganda. Similar to the Albert Graben play model, the Company's concessions have older wells, a legacy database, and host numerous oil seeps indicating a proven petroleum system. Good quality existing seismic show robust leads and prospects throughout the AOC's project areas. The Company now holds over 200,000 gross acres in this exciting new world-class exploration play fairway.

The following table summarizes the Company's net working interests in the various production sharing contracts/agreements, based on current working interest ownership, subject to pending partner, exchange and government farmout approvals (noted above);

Country	Block/Area	Net Working Interest % (2)
Puntland, Somalia	Dharoor Valley (1)	65%
Puntland, Somalia	Nogal Valley (1) (3)	65%
Kenya	Block 10A (1)	55%
Kenya	Block 9 (non-operated) (1)	20%
Kenya	Block 10BB (1)	80%
Ethiopia	Blocks 2/6 (1)	55%
Ethiopia	Blocks 7/8 (1)	55%
Ethiopia	Adigala	50%

Footnotes:
[1] Net Working Interest assumes government, exchange and partners approval, as required, are obtained for the East Africa Exploration Limited farmout and Lion farmout
[2] Net Working Interests are subject to back-in rights, if any, of the respective governments
[3] Nogal Valley net working interest is subject to AOC fulfilling its sole funding obligation during the exploration period (see Commitments and Contingencies section below)

OPERATIONS UPDATE

Exploration Drilling

In Block 9, Kenya, the CNOOC-operated Bogal-1 oil exploration well was spud on October 28, 2009. The well is expected to reach total depth of 5,500 meters within approximately 6 months. Block 9 covers an area of 27,778 square kilometers in the centre of the Anza Basin. The Anza Basin is a NW-SE trending rift basin along trend with the prolific Mesozoic play of southern Sudan. The basin is over 580 kilometers long and 150 kilometers wide with a potential prospective area in excess of 50,000 square kilometers. The basin is filled in places with more than 6,000 meters of Mesozoic and Cenozoic sediments and locally by Plio-Pleistocene basalts. Bouger and residual gravity anomalies have highlighted several sub-basins separated by intra-basin highs. Historic wells drilled in the block have proven the existence of natural gas and possibly oil.

Additional drilling activity in the Kenya Blocks and the Ethiopian Blocks will await completion of seismic acquisition, processing, and interpretation.

Seismic Program

In Ethiopia, in the Adigala Block, 500 kilometres of 2D seismic has been acquired. Processing and interpretation of the Adigala seismic is ongoing.

Upon completion of the seismic acquisition in Adigala, the Company is planning to commence seismic acquisition in the Ogaden region of Ethiopia. In Blocks 7/8, AOC plans to acquire approximately 150 kilometres of 2D seismic data. In Blocks 2/6, the Company plans to acquire approximately 350 kilometres.

In Block 10A, Kenya, the Company plans to acquire approximately 750 kilometres of 2D seismic data during 2010. In Block 10BB, Kenya, the Company plans to acquire approximately 600 kilometres of 2D seismic data during 2010. Seismic data related to Block 9 was previously acquired and has led to identification of various leads and prospects.

In the Nogal Block in Puntland, Somalia, AOC acquired more than 4,000 kilometres of existing good quality 2D data which was recorded in the late 1980's. This has enabled the Company to work up an inventory of drilling prospects from which the first exploration well locations will be selected.

During 2008, in the Dharoor Block of Puntland, Somalia, the acquisition of 782 kilometres of good quality 2D seismic (comprised of 15 grid lines) was completed. The Company has combined 555 kilometres of previously acquired data into the seismic database and is currently being mapped to finalize exploration well locations.

Selected Quarterly Information

Three months ended	30-Sep 2009	30-Jun 2009	31-Mar 2009	31-Dec 2008	30-Sep 2008	30-Jun 2008	Mar 31 2008	Dec 31 2007
Interest Income ($'000)	18	7	2	5	11	18	44	96
Net earnings (loss) ($'000)	(80)	15	(555)	(1,314)	(1,376)	(1,016)	(471)	(241)
Weighted average shares - Basic ('000)	68,404	47,752	17,975	17,913	17,760	17,552	17,306	17,251
Weighted average shares - Diluted ('000)	68,404	48,123	17,975	17,913	17,760	17,552	17,306	17,251
Basic and diluted earnings (loss) per share ($)	-	-	(0.03)	(0.05)	(0.08)	(0.05)	(0.03)	(0.02)
Oil and Gas Interest Expenditures ($'000)	8,980	27,472	395	4,529	6,923	7,445	8,822	594

AOC's net loss remained constant during the second and third quarters of 2009. Both expenses and foreign exchange gains remained relatively constant during this time. The Company continued to record foreign exchange gains associated with its holding of Canadian dollars. The company does not hedge its foreign currency exchange exposure.

The Company recorded net losses during each quarter of 2008 and the first quarter of 2009. The continued losses reported are mainly the result of interest expense (refer to related party section for additional details), increased stock based compensation charges and increased office and salaries cost due to increased staff levels associated with the Company's continued operational growth.

Positive earnings during the third quarter of 2007 was due to recognized exchange gains, mostly attributable to the Company's large Canadian dollar cash position during these periods and the strengthening of the Canadian dollar versus the US dollar.

RESULTS OF OPERATIONS

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
(Profit)/loss for the period	80,152	1,375,587	620,606	2,863,006
Less: exchange (gain)/loss	(1,320,869)	(60,498)	(2,765,974)	23,271
Loss before foreign exchange	1,401,021	1,436,085	3,386,580	2,839,735

Before exchange gains and losses the Company incurred a $1.4 million and $3.4 million loss during the three and nine months ended September 30, 2009 compared to a loss of $1.4 million and $2.8 million during the same period in 2008. The increase in expenses relates primarily to increased salaries and wages, stock based compensation, and office costs associated with the Company's continued operational growth.

The Company is currently non-revenue generating international oil and gas company with interests in exploration stage oil properties. Accordingly, losses are expected to continue.

OIL AND GAS INTEREST

	September 30, 2009	December 31, 2008
Oil and Gas Interests	$71,039,793	$34,587,729

During the nine months ended September 30, 2009, AOC incurred $36.5 million (net) of expenditures related to oil and gas interests in Puntland (Somalia), Ethiopia and Kenya. The majority of the increase is the result of the acquisition of the LPAB and Turkana projects, including capitalized accretion related to the convertible debenture. These costs will not be subject to depletion until such time that proved oil and gas reserves are identified.

The Company has acquired wellheads, casing and other drilling materials to be used for its planned exploration drilling program. These items are being stored at offsite locations in Dubai and Djibouti. As at September 30, 2009, the Company has incurred costs of $5.5 million related to these items, which are included in Oil and Gas Interests.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2009, the Company had cash of $21.8 million and working capital of $19.0 million as compared to cash of $0.3 million and negative working capital of $9.7 million at December 31, 2008.

During the second quarter of 2009, the Company closed a significant business acquisition, raised approximately $27.3 million of gross proceeds in a private placement and negotiated the conversion of the shareholder loans into Company shares. These events have enabled the Company to increase its cash position, improve its working capital position and provide cash flow for future exploration program expenditures. The Company's current working capital position may not provide it with sufficient capital resources to meet its minimum work obligations for the initial exploration period under the various PSAs and PSCs and for general corporate purposes. 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 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.

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers and employees whereby the fair value of all stock options granted is recorded as a charge to operations. Stock based compensation for the three and nine months ended September 30, 2009 was $0.3 and $1.3 million, respectively, as compared to $0.2 and $0.9 million for the three and nine months ending September 30, 2008. The Company continues to utilize its stock option plan as a method of recruiting, retaining and motivating key personnel.

RELATED PARTY TRANSACTIONS

During the third quarter of 2008, a company affiliated with a significant shareholder, provided a loan to the Company in the amount of CAD$4.0 million (USD$3.2 million) at an interest rate of prime plus 2% for short term working capital purposes. As consideration of the loan, the lender received a bonus payment of 188,679 common shares of the Company.

During the fourth quarter of 2008, a company affiliated with a significant shareholder, provided an additional loan to the Company in the amount of CAD$2.0 million (USD$1.6 million) at an interest rate of prime plus 2% for short term working capital purposes. As consideration of the loan, the lender received a bonus payment of 106,952 common shares of the Company.

Effective May 12, 2009 the Company's existing CAD$6.0 million loans (plus accrued interest in the amount of CAD$0.2 million) from a significant shareholder was converted to 6,521,601 units of AOC on the basis of CAD$0.95 per Unit. Each Unit comprises one common share and one share purchase warrant. Each whole warrant is exercisable into one common share of AOC at a price of CAD$1.50 per share over a period of three years.

During the nine months ended September 30, 2009, the Company incurred costs of $0.2 million (2008 - $0.2 million) in executive management and support services fees to Namdo Management Services Ltd ("Namdo"). Namdo is a private corporation owned by a significant shareholder.

COMMITMENTS AND CONTINGENCIES

Puntland (Somalia)

Under the PSAs for the Nogal and Dharoor Blocks, the Company and its partners are required to drill one exploration well in each block in each exploration period. The first three-year exploration period expires in January 2010 and the second optional three-year exploration period would be expected to expire in January 2013. The Company is currently in discussions with the Puntland authorities seeking an extension to the first three-year exploration period.

Under the Joint Venture Agreement with Range Resources Ltd. (Range), in exchange for the 80% working interest in each block, the Company is obligated to solely fund $22.8 million of joint venture costs on each of the blocks ($45.5 million in total for both blocks) during the exploration period. In the event that a commercial discovery is declared on a block prior to AOC spending $22.8 million, AOC shall be deemed to have earned its interest in the block and the Company and Range will be responsible for future expenditures on the block in proportion to their respective working interests. In the event that AOC does not fund the required $22.8 million during the two three-year exploration periods, the Company's interest in the block would be forfeited. An additional $3.5 million will be payable to Range upon commencement of commercial production. The Company's net share of funding obligations under the Joint Venture Agreement with Range will be reduced as a result of the Lion farmout (subject to pending government approval of the Lion farmout).

During the fourth quarter of 2008, the Company fulfilled its sole funding obligation related to the Dharoor Valley Block. As a result, Range is paying its 20% participating interest share of ongoing exploration costs related to this Block. In the Nogal Valley Block, the Company has spent approximately $4.3 million towards sole funding obligation as of September 30, 2009.

Ethiopia

Under the terms of the Blocks 7/8 PSA, the initial 4 year exploration period expires in July 2011, the Company and its partners are obligated to complete certain geological and geophysical (G&G) operations (including acquisition of 1,250 kilometres of 2D seismic) with a minimum expenditure of $11.0 million gross ($4.0 million net – subject to pending government approval of the EAX farmout).

In addition, AOC and its partners are required to drill one exploration well with a minimum expenditure of $6.0 million gross ($3.3 million net).

In accordance with the PSA for Blocks 2/6, the initial 4 year exploration period expires in November 2010, AOC and its partners are obligated to complete certain G&G operations (including acquisition of 1,250 kilometres of 2D seismic) with a minimum expenditure of $10.8 million gross ($4.0 million net – subject to pending government approval of the EAX farmout). This commitment is supported by an outstanding bank guarantee of $3.5 million in favour of the Ethiopian Government.

Under the terms of the Adigala Block PSA, AOC and its partners have fulfilled the minimum work and financial obligations of the initial 4 year exploration period which expires in July 2011.

Kenya

Under the terms of the Block 10A PSC, the initial 4 year exploration period expires in October 2011, the Company and its partners are obligated to complete G&G operations (including acquisition of 750 kilometres of 2D seismic) with a minimum expenditure of $7.8 million ($1.8 million net – subject to pending government approvals of the EAX and Lion farmouts). Additionally, AOC and its partners are required to drill one exploration well with a minimum expenditure of $8.5 million ($4.7 million net – subject to pending government approvals of the EAX and Lion farmouts). This commitment is supported by an outstanding bank guarantee of $2.4 million in favour of the Kenyan Government.

In accordance with the terms of the Block 10BB PSC, the initial exploration period expires in October 2010, the Company and its partners are obligated to complete G&G operations (including acquisition of 200 kilometers of 2D seismic and 200 square kilometres of 3D seismic) with a minimum expenditure of $6.0 million gross ($3.8 million net – subject to pending government approvals of the Lion farmout). In addition, the Company is required to drill one exploration well with a minimum expenditure of $6.0 million ($3.6 million net – subject to pending government approvals of the Lion farmout). This commitment is supported by an outstanding letter of credit for $1.8 million in favour of the Kenyan Government, which is collateralized by a bank deposit of $1.8 million.

Under the terms of the Block 9 PSA, with the drilling of the Bogal-1 well, which is currently ongoing, AOC and its partners have fulfilled and exceeded the minimum work and financial obligations of the initial exploration period.

DISCUSSION OF PROPOSED TRANSACTIONS

The Company is currently evaluating new business opportunities in East Africa and the Middle East.

FINANCIAL INSTRUMENTS

The carrying amount of financial instruments comprising cash, accounts receivable, prepaid expenses and accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term nature of these items.

OUTSTANDING SHARE DATA

As at September 30, 2009 the Company had 70,205,496 common shares and 43,952,013 share purchase warrants outstanding, in addition the Company has 4,207,500 stock options outstanding under its stock based compensation plan. The following table outlines the maximum potential impact of share dilution upon full execution of outstanding convertible instruments:

Common shares outstanding	70,205,496
Outstanding share purchase options	4,207,500
Outstanding share purchase warrants	43,952,013
Assumed conversion of convertible debenture	28,021,309
Full dilution impact on common shares outstanding	146,386,318

OFF-BALANCE SHEET ARRANGEMENTS

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

New Accounting Pronouncements and Changes in Accounting Policies

On January 1, 2009, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections:

- The CICA issued section 3064, "Goodwill and Other Intangible Assets", replacing section 3062, "Goodwill and Other Intangible Assets". Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. The adoption of this standard has had no material impact of the Company's financial statements.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed that the transition date to International Financial Reporting Standards ("IFRS") from Canadian GAAP will be January 1, 2011 for publicly accountable enterprises. Therefore the Company will be required to report its results in accordance with IFRS starting in 2011, with comparative IFRS information for the 2010 fiscal year.

The Company is assessing the potential impacts of this changeover and is developing its implementation plan accordingly, however, at this time; the impact on our future financial position and results of operations is not reasonably determinable. The impact assessment of the major differences between current Canadian GAAP and IFRS is currently ongoing.

The Company has commenced the conversion project and is establishing a functional steering committee to oversee the conversion. Regular reporting is provided to our executive management team and to the Audit Committee of our Board of Directors. Our project consists of four phases: impact assessment, planning & solution development, implementation and post implementation review.

During the implementation phase, activities will include executing the required changes to accounting and operational information systems as well as to disclosure controls and internal controls over financial reporting, writing accounting policies and training employees.

The post implementation review will include the compilation of IFRS compliant financial statements and make any required process changes. The Company will also continue to monitor the IFRS conversion efforts of many of its peers and will participate in any related industry initiatives, as appropriate.

AOC will be required to adopt the following CICA Handbook sections as of Jan 1, 2011:

(a) The CICA issued Handbook Section 1582, “Business Combinations” which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration, and certain acquired contingencies to be measured at their fair value as of the date of the acquisition. The adoption of this standard will only impact the accounting treatment of future business combinations.

(b) “Consolidated Financial Statements”, Section 1601, which together with Section 1602 replace the former consolidated financial statement standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. It is not anticipated that the adoption of this standard will have a material impact on AOC’s Consolidated Financial Statements.

(c) “Non-controlling Interests, Section 1602, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on AOC's Consolidated Financial Statements.

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 Filing for further risk factor disclosures.

International Operations

AOC participates in oil and gas projects located in emerging markets, including Puntland (Somalia), Ethiopia and Kenya (East Africa). Oil and gas exploration, development and production activities in these emerging markets, including East Africa, are subject to significant political and economic uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, 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 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 acquires an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that AOC will be able to obtain all necessary licenses and permits when required.

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 AOC’s interest in the concession. Any uncertainty with respect to one or more of AOC’s concession interests could have a material adverse effect on the Company’s business, prospects and results of operations.

The Company has been made aware that previous operators in Somalia have made claims concerning areas covered by the Company's concessions. The Company believes that there is no merit to any of these claims. Accordingly, the Company proposes to proceed with its exploration and development program as previously disclosed

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 prospects.

Risks Inherent in Oil and Gas Exploration and Development

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.

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 and may not be able to take advantage of acquisition opportunities.

OUTLOOK

AOC has an aggressive exploration program planned for the next two years, which is anticipated to include seismic and drilling in both Ethiopia and Kenya, as well as a drilling program on its blocks in Puntland (Somalia).

New discoveries have been announced on all sides of the Company's virtually unexplored land position in Ethiopia and Kenya including the major Heritage/Tullow Albert Graben oil discovery in neighbouring Uganda. Similar to the Albert Graben play model, the Company's concessions have older wells, a legacy database, and host numerous oil seeps indicating a proven petroleum system. Good quality existing seismic show robust leads and prospects throughout the AOC's project areas.

Forward Looking Statements

Certain statements in this document are “forward-looking statements”. Forward-looking statements are statements that are not historical fact and are generally identified by words such as “believes”, “anticipates”, “expects”, “estimates”, “pending”, “intends”, “plans” or similar words suggesting future outcomes. By their nature, forward-looking statements and information 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 and information. 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.

AFRICA OIL CORP.

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

	September 30, 2009	December 31, 2008
ASSETS		
Current assets		
Cash	$ 21,800,640	$ 253,324
Accounts receivable	195,315	370,581
Prepaid expenses	552,551	-
	22,548,506	623,905
Long-term assets		
Restricted cash (note 6)	1,800,000	-
Other property and equipment (note 8)	102,962	-
Oil and Gas interest (note 8)	71,039,793	34,587,729
	72,942,755	34,587,729
Total assets	$ 95,491,261	$ 35,211,634
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,172,882	$ 5,429,893
Current portion of convertible debenture (note 9)	934,681	-
Loans payable (note 10(b)(ii))	-	4,906,800
	4,107,563	10,336,693
Long term liabilities		
Convertible debenture (note 9)	1,229,940	-
	1,229,940	-
Total liabilities	5,337,503	10,336,693
Shareholders' equity		
Share capital (note 10(b))	62,712,759	31,586,737
Warrants (note 10(c))	11,862,296	-
Equity portion of convertible debenture (note 9)	21,578,987	-
Contributed surplus	3,496,230	2,164,112
Deficit	(9,313,248)	(8,692,642)
Accumulated comprehensive income	(183,266)	(183,266)
Total shareholders' equity	90,153,758	24,874,941
Total liabilities and equity	$ 95,491,261	$ 35,211,634

Commitments and contingencies (note 14)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"CAMERON BAILEY" *"KEITH HILL"*

CAMERON BAILEY, DIRECTOR **KEITH HILL, DIRECTOR**

AFRICA OIL CORP.

Consolidated Statements of Operations, Comprehensive Loss and Deficit
(Expressed in United States dollars)
(Unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Expenses				
Salaries and benefits	$ 269,909	$ 184,136	$ 649,291	$ 426,232
Stock-based compensation (note 10(d))	324,769	243,465	1,332,118	902,214
Finance expense (note 10(b))	-	770,564	-	770,564
Interest and bank charges	4,879	18,660	165,062	23,626
Travel	119,670	57,657	185,155	263,723
Management fees (note 15)	48,330	46,037	148,840	157,648
Office and general	483,266	84,311	718,868	256,933
Depreciation (note 8)	18,343	-	18,343	-
Professional fees	104,942	26,828	147,404	66,609
Stock exchange and filing fees	44,678	15,850	48,095	45,792
	1,418,786	1,447,508	3,413,176	2,913,341
Other (income) expenses				
Interest and other income	(17,765)	(11,423)	(26,596)	(73,606)
Foreign exchange (gain)/loss	(1,320,869)	(60,498)	(2,765,974)	23,271
Loss and Comprehensive loss for the period	(80,152)	(1,375,587)	(620,606)	(2,863,006)
Deficit, beginning of period	(9,233,096)	(6,518,056)	(8,692,642)	(5,030,637)
Deficit, end of period	$ (9,313,248)	$ (7,893,643)	$ (9,313,248)	$ (7,893,643)
Basic and diluted loss per share	$ (0.00)	$ (0.08)	$ (0.01)	$ (0.16)
Weighted average number of shares outstanding				
Basic	68,403,902	17,759,998	44,895,322	17,540,061
Diluted	68,403,902	17,759,998	44,895,322	17,540,061

See accompanying notes to consolidated financial statements.

AFRICA OIL CORP.

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

	September 30, 2009	December 31, 2008
Share capital:		
Balance, beginning of period	$ 31,586,737	$ 28,496,473
Private placement, net (note 10(b))	17,230,449	-
Conversion of shareholder loan (note 10(b))	3,765,196	-
Turkana Acqusition (note 10(b))	10,130,377	-
Bonus shares on loans payable (note 10(b))	-	1,086,146
Exercise of options (note 10(d))	-	2,004,118
Balance, end of period	62,712,759	31,586,737
Warrants:		
Balance, beginning of period	$ -	$ -
Private placement, net (note 10(b))	10,078,390	-
Converted loans payable (note 10(b))	1,783,513	-
Turkana Acqusition (note 10(b))	393	-
Balance, end of period	11,862,296	-
Equity portion of convertible debenture:		
Balance, beginning of period	$ -	$ -
Convertible debenture issuance (note 9)	21,408,010	-
Balance, end of period	21,408,010	-
Contributed surplus:		
Balance, beginning of period	$ 2,164,112	$ 1,394,497
Stock based compensation (note 10(d))	1,332,118	1,334,113
Exercise of options	-	(564,498)
Balance, end of period	3,496,230	2,164,112
Deficit:		
Balance, beginning of period	$ (8,692,642)	$ (5,030,637)
Loss for the period	(620,606)	(3,662,005)
Balance, end of period	(9,313,248)	(8,692,642)
Accumulated other comprehensive income:		
Balance, beginning of period	$ (183,266)	$ (183,266)
Change	-	-
Balance, end of period	(183,266)	(183,266)
Shareholders' equity	$ 89,982,781	$ 24,874,941

See accompanying notes to consolidated financial statements.

AFRICA OIL CORP.

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

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Cash flows provided by (used in):				
Operations:				
Loss for the period	$ (80,152)	$ (1,375,587)	$ (620,606)	$ (2,863,006)
Stock-based compensation (note 10(d))	324,769	243,465	1,332,118	902,214
Depreciation (note 8)	18,343	-	18,343	-
Finance expense (note 10(b))	-	770,564	-	770,564
Unrealized foreign exchange (gain)/loss	(1,319,640)	61,687	(3,232,569)	23,271
Changes in non-cash operating working capital:				
Accounts receivable and prepaid expenses	257,341	39,257	377,285	16,948
Accounts payable and accrued liabilities	(97,315)	30,301	100,365	9,604
	(896,654)	(230,313)	(2,025,064)	(1,140,405)
Investments:				
Investment in property and equipment	(83,997)	-	(121,305)	-
Investment in oil and gas interests (net)	(1,944,363)	(6,923,491)	(4,653,347)	(23,190,620)
Changes in non-cash operating working capital:				
Accounts payable and accrued liabilities	492,598	2,481,165	(2,291,236)	3,247,594
	(1,535,762)	(4,442,326)	(7,065,888)	(19,943,026)
Financing:				
Common shares issued, net of issuance costs (note 10(b))	-	254,025	27,308,839	1,439,620
Proceeds from notes payable (note 10(b))	-	3,779,664	-	3,779,664
Repayment of liability portion of convertible d	163,000	-	163,000	-
Changes in non-cash operating working capital:				
Accounts payable and accrued liabilities	(192,694)	-	(66,140)	-
	(29,694)	4,033,689	27,405,699	5,219,284
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	1,319,640	(61,687)	3,232,569	(23,271)
Decrease in cash and cash equivalents	(1,142,470)	(700,637)	21,547,316	(15,887,418)
Cash and cash equivalents, beginning of period	$ 22,943,110	$ 2,954,693	$ 253,324	$ 18,141,474
Cash and cash equivalents, end of period	$ 21,800,640	$ 2,254,056	$ 21,800,640	$ 2,254,056
Supplementary information:				
Interest paid	Nil	Nil	Nil	Nil
Taxes paid	Nil	Nil	Nil	Nil

See accompanying notes to 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 and development company based in Canada with oil interests in Somalia, Ethiopia, and Kenya, referred to as, East Africa.

AOC is an exploration stage enterprise that participates in oil and gas projects located in emerging markets, including East 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, expropriation, 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 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. Significant Accounting Policies:

The interim consolidated financial statements for the Company have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods of computation as set out in note 3 and 4 to the audited consolidated financial statements in the Company's Annual Report for the period ended December 31, 2008. The disclosures provided herein are incremental to those included with the audited consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the period ended December 31, 2008.

3. Presentation:

Certain figures for prior periods have been reclassified in the financial statements to conform to the current year's presentation.

4. Changes in Accounting Policy:

On January 1, 2009, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections:

- The CICA issued section 3064, "Goodwill and Other Intangible Assets", replacing section 3062, "Goodwill and Other Intangible Assets". Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. The adoption of this standard has had no material impact of the Company's consolidated financial statements.

5. Future Accounting Pronouncements:

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed that the transition date to International Financial Reporting Standards (“IFRS”) from Canadian GAAP will be January 1, 2011 for publicly accountable enterprises. Therefore the Company will be required to report its results in accordance with IFRS starting in 2011, with comparative IFRS information for the 2010 fiscal year.

The Company is assessing the potential impacts of this changeover and is developing its implementation plan accordingly, however, at this time; the impact on our future financial position and results of operations is not reasonably determinable. The Company’s impact assessment of major differences between current Canadian GAAP and IFRS is currently ongoing.

The Company has commenced the conversion project and is establishing a functional steering committee to oversee the conversion. Regular reporting is provided to our executive management team and to the Audit Committee of our Board of Directors. Our project consists of four phases: impact assessment, planning & solution development, implementation and post implementation review.

During the implementation phase, activities will include executing the required changes to accounting and operational information systems as well as to disclosure controls and internal controls over financial reporting, writing accounting policies and training employees.

The post implementation review will include the compilation of IFRS compliant financial statements and make any required process changes. The Company will also continue to monitor the IFRS conversion efforts of many of its peers and will participate in any related industry initiatives, as appropriate.

AOC will be required to adopt the following CICA Handbook sections as of Jan 1, 2011:

(a) The CICA issued Handbook Section 1582, “Business Combinations” which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration, and certain acquired contingencies to be measured at their fair value as of the date of the acquisition. The adoption of this standard will only impact the accounting treatment of future business combinations.

(b) “Consolidated Financial Statements”, Section 1601, which together with Section 1602 replace the former consolidated financial statement standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. It is not anticipated that the adoption of this standard will have a material impact on AOC’s Consolidated Financial Statements.

(c) “Non-controlling Interests”, Section 1602, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on AOC's Consolidated Financial Statements.

(Expressed in United States dollars unless otherwise indicated)

6. Restricted Cash:

At September 30, 2009, the company has a restricted cash balance of $1,800,000 (December 31, 2008 - $ Nil) which represents a bank deposit securing an outstanding letter of credit in connection with Block 10BB due to the Kenyan Government.

7. Business Acquisitions:

Lundin Petroleum AB

On April 28, 2009, the Company acquired all of the common shares of two exploration companies (with operations in Ethiopia and Kenya) from Lundin Petroleum AB ("LPAB") for total consideration of approximately $24.0 million including estimated acquisition costs. The result of these companies' operations has been included in the financial statements since that date. The purchase price was paid through a convertible debenture and was accounted for as a business combination using the purchase method of accounting.

Purchase Price Allocation:

Net Assets acquired		
Working capital	$	229,197
Oil and gas interests		23,745,320
Total net assets acquired	$	23,974,517

Consideration		
Convertible debenture (note 9)	$	23,789,251
Acquisition costs		185,266
Total purchase price	$	23,974,517

Turkana Energy Ltd.

On July 21, 2009, the Company acquired of all of the issued and outstanding common shares of Turkana Energy Ltd. ("Turkana") (with operations in Kenya) for total consideration of approximately $10.7 million including estimated acquisition costs. The results of the company's operations have been included in the financial statements since acquisition date. The purchase price was paid through the issuance of approximately 7.5 million common shares of the Company, in addition to exchanging an additional 787,400 common shares of the company to extinguish Turkana's outstanding convertible loans of CAD$1.0 million. The Turkana acquisition was accounted for as a business combination using the purchase method of accounting.

(Expressed in United States dollars unless otherwise indicated)

Purchase Price Allocation:

Net Assets acquired		
Working capital	$	(226,841)
Restricted cash		1,800,000
Oil and gas interests		9,147,021
Total net assets acquired	$	10,720,180

Consideration		
Shares issued	$	10,130,377
Warrants issued		393
Acquisition costs		589,410
Total purchase price	$	10,720,180

8. Oil and Gas Interests:

					September 30, 2009
		Cost	Accumulated depletion		Net book value
Oil and Gas Interests	$	71,039,793	-	$	71,039,793

					December 31, 2008
		Cost	Accumulated depletion		Net book value
Oil and Gas Interests	$	34,587,729	-	$	34,587,729

As at September 30, 2009, $71,039,793 of accumulated expenditures have been capitalized in oil and gas interests (December 31, 2008 - $ 34,587,729). These expenditures represent acquisition costs, geological and geophysical expenditures, materials and supplies and other intangible capitalized costs incurred to date. These costs will not be subject to depletion until such time that proved oil and gas reserves are identified. For the nine months ended September 30, 2009, the Company capitalized $72,883 of general and administrative expenses related to exploration activities (September 30, 2008 – $ Nil).

As at September 30, 2009 $5,455,403 of materials and supplies have been included in Oil and Gas Interest (December 31, 2008 - $5,285,682). These materials and supplies; represent casing, wellheads and other items which will be utilized in the planned exploration drilling program. All materials and supplies are being held at warehouses in Djibouti and Dubai until required for exploration drilling.

At September 30, 2009, the Company has recorded $121,305 of other property and equipment (December 31, 2008 - $ Nil) 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). During the nine months ended September 31, 2009, AOC recorded $18,343 of depreciation expense related to this equipment (December 31, 2008 - $ Nil)

(Expressed in United States dollars unless otherwise indicated)

During the nine months ended September 30, 2009, the Company capitalized $117,357 of accretion, in relation to its convertible debt, to oil and gas interests.

9. Convertible Debenture:

In accordance with CICA 3861 and 3862, the Company has separately valued a convertible loan from LPAB maturing December 31, 2011 with an interest rate of USD six-month LIBOR plus 3%. The loan, including any accrued and unpaid interest, will be convertible, at the option of either AOC or LPAB, into shares of the Company on the basis of CAD$0.90 per common share.

	September 30, 2009		December 31, 2008	
Face value of convertible debt issued during the year	$	23,789,251	$	-
Equity portion		(21,578,987)		-
Liability portion	$	2,210,264	$	-
Accretion		117,357		-
Liability portion of convertible debenture	$	2,327,621	$	-
Repayment of liability portion of convertible debenture		(163,000)		-
Liability, September 30, 2009	$	2,164,621	$	-
Less current portion		(934,681)		-
Liability portion of convertible debenture, end of period	$	1,229,940	$	-

The Company has separately valued the conversion option on the issuance from convertible debentures, in accordance with CICA 3862. The liability component represents the present value of the contractual payments of the debenture and the equity component represents the fair value of the holder's conversion feature. The convertible debenture discount is accreted over the term of the loan.

10. Share capital:

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

(b) Issued:

The following table sets forth the Company's common share activity during the nine months ended September 30, 2009:

	September 30, 2009			December 31, 2008		
	Shares		Amount	Shares		Amount
Balance, beginning of period	17,975,543	$	31,586,737	17,257,412	$	28,496,473
Private placements, net of issue costs (i)	37,421,018		17,230,449	-		-
Conversion of shareholder loans (ii)	6,521,601		3,765,196	-		-
Turkana Acquisition (note 8)	8,287,334		10,130,377	-		-
Bonus shares on loans payable	-		-	295,631		1,086,146
Exercise of options	-		-	422,500		2,004,118
Balance, end of period	70,205,496	$	62,712,759	17,975,543	$	31,586,737

i) On April 28, 2009, the Company closed a non-brokered private placement, with an aggregate of 37,421,018 million Units of the Company at a price of CAD$0.95 per Unit for gross proceeds of CAD$35,549,967. Each Unit is comprised of one common share and one full share purchase warrant. Each share purchase warrant is exercisable into one common share of AOC at a price of CAD$1.50 per share over a period of three years. In the event that AOC trades at or above CAD$2.00 for a period of 30 consecutive days, an accelerated exercise provision will come into effect. The Company incurred finder's fees of $1,543,571 thereby realizing net proceeds of $27,308,839.

Each whole share purchase warrant entitles the holder to purchase an additional common share at CAD$1.50 until April 29, 2012. The Company allocated the fair value of the net proceeds received upon the sale of the units between the underlying common shares and the common share purchase warrants. The common share purchase warrants' fair value related to the private placement was determined to be $10.1 million. The fair value was determined by separately evaluating the fair value of the common shares and share purchase warrants and allocating the values on a pro rata basis.

ii) On May 8, 2009, the Company converted its' loans payable in the amount of CAD$6,000,000 plus accrued interest of CAD$195,521, from an existing shareholder to 6,521,601 Units of the Company on the basis of CAD$0.95 per Unit. Each Unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share of AOC at a price of CAD$1.50 per share over a period of three years (see Note 13).

Each whole share purchase warrant entitles the holder to purchase an additional common share at CAD$1.50 until May 8, 2012. The common share purchase warrants' fair value related to the loans payable conversion was determined to be $1.8 million. The fair value was determined by separately evaluating the fair value of the common shares and share purchase warrants and allocating the values on a pro rata basis.

iii) On July 21, 2009, the Company issued 9,394 whole share purchase warrants to existing Turkana warrant holders as part of the business acquisition (see note 7).

Each whole share purchase warrant entitles the holder to purchase an additional common share at CAD$4.84 until July 7, 2010. The share purchase warrants' fair value related to the issuance was determined to be $393. The share purchase warrants fair values were determined by using the Black Scholes option pricing model and assuming an expected volatility of 90% and a risk free interest rate of 0.50%.

(Expressed in United States dollars unless otherwise indicated)

(c) Warrants:

The following table outlines the Company's activity related to common share purchase warrants during the nine months ended September 30, 2009:

	Number of Warrants	Amount ($)
Balance, December 31, 2008:	-	-
Issued in Private Placement	37,421,018	$ 10,078,390
Converted Loans Payable	6,521,601	1,783,513
Turkana Acquisition	9,394	393
Balance, September 30, 2009:	43,952,013	11,862,296

The following table outlines the exercise price and expiration dates of outstanding common share purchase warrants at September 30, 2009:

Issue Date	Number of Warrants	Exercise Price	Expiration Date
April 29, 2009	37,421,018 (1)	$ 1.50	April 29, 2012
May 8, 2009	6,521,601 (2)	$ 1.50	May 8, 2012
July 24, 2009	9,394 (3)	$ 4.84	July 7, 2010

(1) Warrants represent the number of whole warrants outstanding based on private placement
(2) Warrants represent the number of whole warrants outstanding based on conversion of loans payable
(3) Warrants represent the number of whole warrants outstanding based on Turkana acquisition

(d) Share purchase options:

At the 2008 Annual General Meeting, held on June 23, 2008, the Company had an amended stock option plan ("the Plan") approved. The Plan provides that an aggregate number of common shares which may be reserved for issuance as incentive stock options shall not exceed 10% of the common shares outstanding. Option exercise prices, when granted; reflect current trading values of the Company's shares and all options are subject to a four-month "hold" period from the date of grant. 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. No optionee shall be entitled to a grant of more than 5% of the Company's outstanding issued shares.

(Expressed in United States dollars unless otherwise indicated)

Share purchase options outstanding, all of which are exercisable, are as follows:

	September 30, 2009		December 31, 2008	
	Number of shares	Weighted average exercise price (CAD$)	Number of shares	Weighted average exercise price (CAD$)
Outstanding, beginning of period	1,510,000	4.80	1,067,500	3.93
Granted	2,697,500	1.15	870,000	5.23
Expired	-	-	(5,000)	6.25
Exercised	-	-	(422,500)	3.43
Balance, end of period	4,207,500	2.46	1,510,000	4.80

For the three and nine months ended September 30, 2009, no options were exercised.

The fair value of each option granted during the periods ended September 30, 2009 and 2008 is estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2009	2008
Fair value of options granted	0.42 - 0.73	1.64 - 2.69
Risk-free interest rate (%)	1.33 - 0.80	2.93 - 3.10
Expected life (years)	2.25	2.00 - 2.50
Expected volatility (%)	81 - 84	63 - 72
Expected dividend yield	-	-

The following table summarizes information regarding stock options outstanding at September 30, 2009:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life
6.25	415,000	1.73
5.84	75,000	1.40
5.26	250,000	1.06
5.00	50,000	0.75
3.80	375,000	2.00
3.43	345,000	0.04
1.62	175,000	2.59
1.50	50,000	2.64
1.18	1,770,000	2.50
1.05	200,000	2.88
1.00	100,000	3.00
0.89	402,500	2.96
2.45	4,207,500	2.13

11. Financial Instruments and Financial Risk:

As at September 30, 2009 and 2008, the fair values of the Company's cash, amounts receivable, prepaid expenses, accounts payable and accrued liabilities approximate their carrying amounts due to the immediate or short term to nature of these items.

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 change in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. AOC has no forward exchange contracts in place as at or during the period ending September 30, 2009.

Interest rate risk

The main risk arising from the Company's financial instruments relates to interest rate risk. As described in note 7, the Company's outstanding convertible debenture will incur interest charges at a rate of USD six-month LIBOR plus 3%. The Company is at risk of changes in the LIBOR lending rate, which could negatively impact the interest component of the convertible debenture. Due to the nature of the convertible debenture and the current market condition, the Company does not believe that entering into interest rate swaps or other risk management contracts as necessary to mitigate this risk.

12. Capital structure:

The Company's objective when managing capital structure is to maintain balance sheet strength in order to ensure the Company's strategic exploration 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, the Company may adjust the issuance of new shares, issuance of new debt, executing working interest farm-out arrangements and making adjustments to 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 does not have externally imposed capital requirements.

13. Segment Information:

At September 30, 2009, the Company and its subsidiaries operated in three reportable segments, for the exploration of oil and gas resources in East Africa:

	Somalia		Ethiopia		Kenya		Total	
	Nine Months Ended September 30							
(000s)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenue								
Interest Revenue	**-**	-	**-**	-	**-**	-	(27)	(74)
Total revenue	**-**	-	**-**	-	**-**	-	**(27)**	**(74)**
Other income and expenses								
Foreign exchange (gain)/loss	**-**	-	**-**	-	**-**	-	(2,766)	23
Total segmented expenses	**-**	-	**-**	-	**-**	-	(2,766)	23
Segmented income	**-**	-	**-**	-	**-**	-	**(2,793)**	**(50)**
Non-segmented expenses								
Non-segmented expenses							3,413	2,913
Loss and Comprehensive loss for the period							**621**	**2,863**
Capital expenditures								
Investment in oil and gas interests	1,202	23,191	13,103	-	22,146	-	36,452	23,191
Investment in property and equipment							121	-
Total capital expenditures							**36,573**	**23,191**

	Somalia		Ethiopia		Kenya		Total	
	Three Months Ended September 30							
(000s)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenue								
Interest Revenue	**-**	-	**-**	-	**-**	-	(18)	(11)
Total revenue	**-**	-	**-**	-	**-**	-	**(18)**	**(11)**
Segmented expenses								
Foreign exchange (gain)/loss	**-**	-	**-**	-	**-**	-	(1,321)	(61)
Total segmented expenses	**-**	-	**-**	-	**-**	-	(1,321)	(61)
Segmented income	**-**	-	**-**	-	**-**	-	**(1,339)**	**(72)**
Non-segmented expenses								
Non-segmented expenses							1,419	1,448
Loss and Comprehensive loss for the period							**80**	**1,376**
Capital expenditures								
Investment in oil and gas interests	400	6,923	(746)	-	9,326	-	8,980	6,923
Investment in property and equipment							121	-
Total capital expenditures							**9,101**	**6,923**
	Sept. 30	Dec. 31	**Sept. 30**	Dec. 31	**Sept. 30**	Dec. 31	**Sept. 30**	Dec. 31
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Oil and gas interest	36,190	34,588	12,898	-	21,952	-	71,040	34,588
Other	-	-	1,703	-	2,325	-	4,028	-
Segmented assets							75,068	34,588
Non-segmented assets							20,423	624
Total assets							**95,491**	**35,212**

14. Commitments and contingencies:

Puntland (Somalia):

Under the Production Sharing Agreements ("PSA") for the Nogal and Dharoor Blocks, the contractor is required to drill one exploration well in each block in each exploration period. The first three-year exploration period expires in January 2010 and the second optional three-year exploration period would be expected to expire in January 2013.

Under the Joint Venture Agreement with Range Resources Ltd. ("Range"), in exchange for the 80% working interest in each block, the Company is obligated to solely fund $22.8 million of joint venture costs on each of the blocks ($45.5 million in total for both blocks) during the exploration period. In the event that a commercial discovery is declared on a block prior to AOC spending $22.8 million, AOC shall be deemed to have earned its interest in the block and the Company and Range will be responsible for future expenditures on the block in proportion to their respective working interests. In the event that AOC does not fund the required $22.8 million during the two three-year exploration periods, the Company's interest in the block would be forfeited. An additional $3.5 million will be payable to Range upon commencement of commercial production.

During the fourth quarter of 2008, the Company fulfilled its sole funding obligation related to the Dharoor Valley Block. As a result, Range is paying its 20% participating interest share of ongoing exploration costs related to this Block. In the Nogal Valley Block, the Company has spent approximately $4.3 million towards sole funding obligation as of September 30, 2009.

Ethiopia:

Under the terms of the Blocks 7/8 PSA, the initial 4 year exploration period expires in July 2011, the Company and its partners are obligated to complete certain geological and geophysical (G&G) operations (including acquisition of 1,250 kilometers of 2D seismic) with a minimum expenditure of $11.0 million gross ($7.7 million net). In addition, The Company and its partners are required to drill one exploration well with a minimum expenditure of $6.0 million gross ($5.1 million net).

In accordance with the PSA for Blocks 2/6, the initial 4 year exploration period expires in November 2010, AOC and its partners are obligated to complete certain G&G operations (including acquisition of 1,250 kilometers of 2D seismic) with a minimum expenditure of $10.8 million gross ($7.7 million net). This commitment is supported by an outstanding bank guarantee of $3.5 million in favor of the Ethiopian Government.

Under the terms of the Adigala Block PSA, AOC and its partners have fulfilled the minimum work and financial obligations of the initial 4 year exploration period which expires in July 2011.

Kenya:

Under the terms of the Block 10A Production Sharing Contract ("PSC"), the initial 4 year exploration period expires in October 2011; the Company is obligated to complete G&G operations (including acquisition of 750 kilometers of 2D seismic) with a minimum expenditure of $7.8 million. Additionally, AOC is required to drill one exploration well with a minimum expenditure of $8.5 million. This commitment is supported by an outstanding bank guarantee of $2.4 million in favor of the Kenyan Government.

Under the terms of the Block 10BB PSC, the initial exploration period expires in October 2010; the Company is obligated to complete G&G operations (including acquisition of 200 kilometers of 2D seismic and 200 square kilometers of 3D seismic) with a minimum expenditure of $6.0 million. Additionally, AOC is required to drill one exploration well with a minimum expenditure of $6.0 million. This commitment is supported by an outstanding letter of credit of $1.8 million in favor of the Kenyan Government, which is collateralized by a bank deposit of $1.8 million (see note 6).

Under the terms of the Block 9 PSA, with the drilling of the Bogal-1 well, which is currently ongoing, AOC and its partners have fulfilled and exceeded the minimum work and financial obligations of the initial exploration period.

The company has executed the following farm out agreements. The farmouts will be effective and close once all relevant approvals are obtained. The farmouts will reduce the Company's net commitments under the PSCs.

Lion Energy Corp.

On May 27, 2009 the Company executed a farmout agreement with Lion Energy Corp. (formerly named Raytec Metals Corp.) ("Lion") for their entry into the production sharing contracts in the State of Puntland, Somalia and the Republic of Kenya (Kenya).

In Puntland, the Company will transfer a 15 percent license interest to Lion in the Nogal and Dharoor PSAs.

In Kenya, the Company will transfer a 10 percent interest in the Block 9 PSA, a 20 percent interest in the Block 10BB PSC, and a 25 percent license interest in the Block 10A PSC.

Lion, in both areas, will pay a disproportionate share of future costs associated with the planned exploration work programs to be carried out in 2009 and 2010. A finder's fee of one million common shares of the Company will be payable upon the successful completion of the Lion farmout, subject to TSX Venture Exchange approval. Completion of this farmout transaction is also subject to government, and partner approvals if required.

East Africa Limited

On May 27, 2009 the Company executed a farmout agreement with Black Marlin Energy Limited's East Africa Exploration Limited ("EAX") for their entry into the production sharing contracts in both the Federal Democratic Republic of Ethiopia (Ethiopia) and Kenya.

In Ethiopia, the Company transferred a 30 percent license interest to EAX in the Block 2/6 and 7/8 Production Sharing Agreements (PSA) located in the Ogaden Basin of Southern Ethiopia.

In Kenya, the Company transferred a 20 percent license interest to EAX in the Block 10A Production Sharing Contract (PSC) located in the Anza Basin of northern Kenya.

(Expressed in United States dollars unless otherwise indicated)

Office Lease Costs:

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

	As at September 30,	
	2009	**2008**
2009	40,478	-
2010	161,910	-
2011	161,910	-
2012	161,910	-
2013	80,955	-
Total minimum payments	607,163	-

15. Related Party Transactions:

During the third quarter of 2008, a company affiliated with a significant shareholder, provided a loan to the Company in the amount of CAD$4,000,000 at an interest rate of prime plus 2% for short term working capital purposes. As consideration of the loan, the lender received a bonus payment of 188,679 common shares of the Company.

During the fourth quarter of 2008, a company affiliated with a significant shareholder, provided an additional loan to the Company in the amount of CAD$2,000,000 at an interest rate of prime plus 2% for short term working capital purposes. As consideration of the loan, the lender received a bonus payment of 106,952 common shares of the Company.

On May 8, 2009, the Company's loans payable in the amount of CAD$6,000,000 plus accrued interest of $195,521, from an existing shareholder was converted to 6,521,601 Units of the Company on the basis of CAD$0.95 per Unit. Each Unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share of AOC at a price of CAD$1.50 per share over a period of three years. In the event that AOC trades at or above CAD$2.00 for a period of 30 consecutive days, a forced exercise provision will come into effect.

At September 30, 2009, the Company incurred costs of $148,840 (September 30, 2008 - $157,648) for executive management and support services fees to Namdo Management Services Ltd ("Namdo"). Namdo is a private corporation owned by a significant shareholder.