Consolidated Financial Statements
(Expressed in United States dollars)

AFRICA OIL CORP.

For the years ended December 31, 2008 and 2007

Prepared by Management

Africa Oil Corp.

To our shareholders,

Africa Oil has secured a major acreage position within the prolific petroleum systems of East Africa. Located in Somalia, Kenya and Ethiopia, the projects lie within a vastly underexplored tract of the petroleum-rich East African rift system. The projects include an 85% working interest in Blocks 2, 6, 7 and 8 and a 50% working interest in the Adigala Block in Ethiopia, a 100% interest in Block 10A and a 30% interest in Block 9 in Kenya as well as an 80% interest in the Dharoor and Nogal Blocks in Somalia. The Company's total land package in this prolific region is in excess of 200,000 square kilometers – an area roughly the size of Great Britain. Africa Oil is the operator of all of these projects except Block 9 in Kenya.

The East African Rift system contains some of the few remaining great rift basins yet to be explored. New discoveries have been announced on all sides of Africa Oil's virtually unexplored land position including the major Heritage/Tullow Albert Graben oil discovery in neighbouring Uganda. Similar to the Albert Graben play model, Africa Oil's concessions have older wells, a legacy database, and host numerous oil seeps indicating an active petroleum system. Good quality existing seismic data show robust leads and prospects throughout Africa Oil's project areas.

Although exploration activity is starting to pick up in the area, fewer than 200 wells have been drilled over the years in Ethiopia, Kenya and Somalia's hydrocarbon basins which occupy an area greater than 2.3 million square kilometers. For scale of reference, the North Sea basin encompasses 210,000 square kilometers and has seen over 4,600 wells (61 wells drilled before commercial oil). The North Sea reserve estimates are approximately 50 billion barrels of oil equivalent and current production is approximately 5.5 million barrels of oil equivalent per day. The Gulf of Suez has over 3,096 wells drilled within an area of 26,000 square kilometers. Reserves here are estimated at 8 billion barrels with production currently estimated at 700,000 barrels of oil per day.

Africa Oil has an aggressive exploration program planned for the next two years which will include seismic and drilling in both Ethiopia and Kenya, as well as a drill program on its blocks in Somalia. In Somalia, a seismic program was completed earlier in 2008 on the Dharoor block and, in fact, Africa Oil became the first operator to record seismic data in Somalia for over 20 years. The data is now in the final stages of interpretation and the Company's technical staff is extremely encouraged by the data so far. In the Nogal Basin, Africa Oil has acquired all of the more than 4,000 kilometres of good quality 2D data which was recorded in the late 1980's.

The newest additions to the Company's portfolio are the Kenyan and Ethiopian concessions. These are being acquired pursuant to a Share Purchase Agreement with Lundin Petroleum AB. Africa Oil will pay as consideration to Lundin Petroleum AB approximately US $20 million which will be funded through a convertible loan from Lundin Petroleum AB maturing December 31, 2011 and at 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 Africa Oil or Lundin Petroleum AB, into shares of Africa Oil on the basis of CAD $0.90 per common share.

The Company's existing CAD $6 million loan (plus accrued interest) from a shareholder of the Company will be converted to Units of the Company on the basis of CAD $0.95 per Unit. Each Unit will comprise one common share and one share purchase warrant. Each warrant is exercisable into one common share of Africa Oil at a price of $1.50 per share over a period of two years. In the event that Africa Oil trades at or above CAD $2.00 for a period of 30 consecutive days, a forced exercise provision will come into effect.

Concurrent with the Share Purchase Agreement, Africa Oil agreed to sell, on a non-brokered, private placement basis, an aggregate of up to 37,368,421 million subscription receipts, at $0.95 per receipt, for gross proceeds of approximately Cdn $35.5 million. Each subscription receipt will entitle the holder to receive one unit of the Company without further payment upon completion of the acquisition from Lundin Petroleum AB. One unit shall comprise one common share plus one share purchase warrant exercisable at Cdn $1.50 per share for a period of three years. In the event that Africa Oil trades at or above Cdn $2.00 for a period of 20 consecutive days, a forced exercise provision will come into effect.

With funding now in place, the Company will be able to evaluate each of these plays in the next two years. The highly prolific nature of the on-trend discoveries gives us encouragement that major accumulations could be present in several of our large acreage holdings.

The Production Sharing Agreements provide excellent fiscal terms for exploration and development. The Company has identified numerous large and robust prospects on seismic and looks forward to the opportunity of exploring within a truly world class exploration play fairway.

On Behalf of the Board,

Richard Schmitt
President

April 29, 2009

AFRICA OIL CORP.

Management's Discussion and Analysis

Prepared by Management

AFRICA OIL CORP.
(Formerly Canmex Minerals Corporation)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Amounts expressed in United States dollars unless otherwise indicated)
For the YEARS ENDED December 31, 2008 and 2007

On August 20, 2007, the Company changed its name from Canmex Minerals Corporation to Africa Oil Corp.

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 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 April 29, 2009.

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

GENERAL

Africa Oil Corp. ("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 Somalia.

During the first quarter of 2007, AOC entered into Production Sharing Agreements ("PSAs") and Joint Venture Agreements acquiring an 80% interest in licenses covering an area of 81,000 square kilometers 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.

AOC acquired its 80% participating interest in the blocks from Range Resources Ltd. ("Range"), a public company listed on the Australian Stock Exchange. As consideration for its participating interest, the Company paid Range $5,000,000 and assumed the obligation to solely fund $22,750,000 of joint venture costs on each of the blocks ($45,500,000 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 $22,750,000, 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 $22,750,000 during the two three-year exploration periods, the Company's interest in the block would be forfeited. An additional $3,500,000 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 (approximately 30,000 square kilometers) and thus has earned its 80% working interest. As a result, Range will pay its 20% participating interest share of future exploration costs related to this.

OPERATIONS UPDATE

Exploration Drilling

During the first quarter of 2008, AOC entered into a contract for a drilling rig to begin drilling in its Puntland concessions in 2008. The contract covered the drilling of two wells with an option to drill two additional wells.

AOC has made the decision to delay the start of its 2008 drilling programme, originally scheduled to start in July, 2008, due to logistical and security difficulties in and around Somalia. As a result of the delay, AOC has come to terms with the rig contractor to release the $1.3 million pre-mobilization payment made to the contractor in order to discharge itself from the original contract. AOC continues to be in contact with the rig contractor and other potential drill rig companies to identify the best alternative for the 2009/2010 drilling campaign.

Seismic Program

In the Nogal Block, AOC has acquired all of the 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 two well locations will be selected.

At the Dharoor Block, the acquisition of 2D seismic commenced on July 9, 2008. A total of 782 kilometers of good quality data has been acquired, comprised of 15 grid lines. The Company is now moving forward in processing the new survey and combining the 555 km of earlier data into the seismic database. Mapping of this combined survey has commenced and future drilling locations will be selected before the end of Q2, 2009.

Selected Annual Information

	Year ended December 31 2008	Year ended December 31 2007	Year ended December 31 2006
Statement of Operations Data			
Interest income	77,921	354,134	174,698
Net (loss) earnings	(3,662,005)	1,163,590	(782,915)
Data per Common Share			
Basic and diluted (loss) earnings per share ($/share)	(0.21)	0.07	(0.06)
Balance Sheet Data			
Net working capital	(9,712,788)	17,807,961	5,786,342
Total assets	35,211,634	25,035,587	5,823,228
Long term liabilities	-	-	-

Selected Quarterly Information

Three months ended	31-Dec 2008	30-Sep 2008	30-Jun 2008	Mar 31 2008	Dec 31 2007	Sept 30, 2007	Jun 30, 2007	Mar 31, 2007
Interest Income ($'000)	5	11	18	44	96	121	112	25
Net earnings (loss) ($'000)	(1,314)	(1,376)	(1,016)	(471)	(241)	656	783	(34)
Weighted average shares - Basic ('000)	17,913	17,760	17,552	17,306	17,251	17,236	17,104	13,230
Weighted average shares - Diluted ('000)	17,913	17,760	17,552	17,306	17,251	17,593	17,355	13,230
Basic and diluted earnings (loss) per share ($)	(0.05)	(0.08)	(0.05)	(0.03)	(0.02)	0.04	0.05	0.00
Oil and Gas Interest Expenditures ($'000)	4,529	6,923	7,445	8,822	594	1,203	32	5,040

The Company recorded net losses during each quarter of 2008. The continued losses reported in 2008, compared to previous quarters are mainly the result of computed finance expense related to bonus shares issued related to short term borrowings (refer to related party section for additional details), increased stock based compensation charges and increased office and salaries cost due to increased staff levels.

Positive earnings during the second and third quarter of 2007 were 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

	For the year ended December 31, 2008	For the year ended December 31, 2007
Loss (profit) for the period	3,662,005	(1,163,590)
Less: exchange loss/(gain)	(375,769)	(2,546,989)
Loss before foreign exchange	4,037,774	1,383,399

Before exchange gains and losses the Company incurred a $4,037,774 loss during the year ended December 31, 2008. Total expenses were $4,115,695 during the year ended December 31, 2008, compared to $1,737,533 during the same period of 2007. The increase in expenses relates primarily to increased salaries and wages, stock based compensation, finance expense associated with short term borrowing, travel and office costs.

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

	December 31, 2008	December 31, 2007
Oil and Gas Interests	$34,587,729	$6,869,106

During the year ended December 31, 2008, AOC incurred $27,718,623 (net) of expenditures related to oil and gas interest in Somalia. These costs relate to expenditures towards the 2-D seismic acquisition on the Dharoor Valley, rig mobilization fees, costs related to deferring the drilling program, drilling materials and supplies, annual bonuses under the terms of the PSAs and other intangible capital items. These costs will not be subject to depletion until such time that proved oil and gas reserves are identified.

The Company has acquired long-lead items, including wellheads, casing and other drilling materials in order to complete the drilling of four exploration wells. These items are being stored at offsite locations in Dubai and Djibouti. As at December 31, 2008, the Company has incurred costs of $5,285,682 related to these items, which are included in Oil and Gas Interest.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2008, the Company had cash of $0.3 million and negative working capital of $9.7 million as compared to cash of $18.1 million and working capital of $17.8 million at December 31, 2007. The decrease of $27.5 million in working capital during 2008 is primarily due to the expenditures incurred related to the ongoing 2D seismic acquisition in Somalia and purchases of drilling materials and supplies. During 2008, the Company obtained additional financing from a significant shareholder; these funds have and will be used to cover additional seismic acquisition costs and working capital (refer to related party and subsequent events sections below). Subsequent to year-end, the Company has undertaken a significant business acquisition, raised approximately CDN$35.5 million of gross proceeds in a private placement and negotiated the conversion of the shareholder loan into Company shares. These events will enable the Company to increases its cash position, reduce the working capital deficiency and provide cash flow for future exploration program expenditures (refer to subsequent event note below).

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 Production Sharing Arrangements, participation agreement 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 farm-out 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 year ended December 31, 2008 $1,334,113, as compared to $761,300 for the year ended December 31, 2007. 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 CDN$4,000,000 (USD$3,271,200) 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 with a value of USD$770,564, which has been recorded as finance expense.

During the fourth quarter of 2008, a company affiliated with a significant shareholder, provided an additional loan to the Company in the amount of CDN$2,000,000 (USD$1,653,600) 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 with a value of USD$315,582 which has been recorded as finance expense.

During the year ended December 31, 2008, the Company paid $76,000 (2007 - $33,000) to Tanganyika Oil Company Ltd (“Tanganyika”) for administrative and other services accounted for at their exchange amount. As at December 31, 2008, the Company had an outstanding payable balance of $6,675 to Tanganyika. The Company and Tanganyika have certain directors in common during 2008.

During the year ended December 31, 2008, the Company was charged $171,153 in executive management and support services fees from Namdo Management Services Ltd (“Namdo”). Namdo is a private corporation owned by a significant shareholder.

COMMITMENTS AND CONTINGENCIES

Under the PSAs for the Nogal and Dharoor Block, the contractor is required to drill one exploration 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, in exchange for the 80% working interest in each block, the Company is obligated to solely fund $22,750,000 of joint venture costs on each of the blocks ($45,500,000 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 $22,750,000, 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 $22,750,000 during the two three-year exploration periods, the Company’s interest in the block would be forfeited. An additional $3,500,000 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 will pay its 20% participating interest share of future exploration costs related to this block.

SUBSEQUENT EVENT

Subsequent to year end the Company signed a Share Purchase Agreement to acquire a large portfolio of East African oil exploration projects from Lundin Petroleum AB. The projects are located within a vastly underexplored region of the rich 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 will assume operatorship of these projects excluding Block 9 in Kenya.

Pursuant to the Share Purchase Agreement, Africa Oil will pay as consideration to Lundin Petroleum AB approximately US $23.7 million which will be funded through a convertible loan from Lundin Petroleum AB maturing December 31, 2011 and at 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 Africa Oil or Lundin Petroleum AB, into shares of Africa Oil on the basis of CAD $0.90 per common share.

The Company’s existing CAD $6 million loan (plus accrued interest) from a shareholder of the Company will be converted to Units of the Company on the basis of CAD $0.95 per Unit. Each Unit will comprise one common share and one-half of a share purchase warrant. Each whole warrant is exercisable into one common share of Africa Oil at a price of $1.50 per share over a period of two years. In the event that Africa Oil trades at or above CAD $2.00 for a period of 30 consecutive days, a forced exercise provision will come into effect.

Concurrent with the Share Purchase Agreement, Africa Oil has agreed to sell, on a non-brokered, private placement basis, an aggregate of up to 37 million Units of the Company at a price of CAD $0.95 per Unit for gross proceeds of CAD $35.5 million. Each Unit will comprise one common share and one share purchase warrant. Each whole warrant is exercisable into one common share of Africa Oil at a price of $1.50 per share over a period of two years. In the event that Africa Oil trades at or above CAD $2.00 for a period of 30 consecutive days, a forced exercise provision will come into effect. A 5% finder's fee may be payable on all or a portion of the private placement. Net proceeds of the private placement will be used towards the planned work programs on the Company's projects in Ethiopia, Kenya and Somalia, as well as for general corporate purposes.

DISCUSSION OF PROPOSED TRANSACTIONS

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

FINANCIAL INSTRUMENTS

The carrying amount of financial instruments comprising cash, accounts receivable 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 April 24, 2009 the Company had 17,975,543 common shares outstanding and 3,280,000 stock options outstanding under its stock based compensation plan.

OFF-BALANCE SHEET ARRANGEMENTS

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

New Accounting Pronouncements and Changes in Accounting Policies

As disclosed in the December 31, 2007 annual audited Consolidated Financial Statements, on January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants handbook Sections 1400 "Assessing Going Concern", section 3031 "Inventories", section 3862 "Financial Instruments – Disclosures", section 3863 "Financial Instruments – Presentation", and section 1535 "Capital Disclosures".

Section 1400 was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Sections 3862 and 3863 replaced section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks.

Section 3031, Inventories, replaced section 3030, Inventories. This new standard provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The Company's accounting policy for inventories is consistent with measurement requirements in the new standard and therefore results of the Company will not be impacted; however, additional disclosures will be required in relation to inventories carried at net realizable value, the amount of inventories recognized as an expense, and the amount of any write downs of inventories.

International Financial Reporting Standards
In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting in 2011, the Company is currently assessing the impact of these new accounting standards on its financial statements. A preliminary review of potential areas of impact has been completed to aid in the management of this transition, with the aim to ensure successful implementation within the required timeframe. The results of this preliminary review indicate that the significant impact to the Company's results of operations, financial position and disclosures will be on Oil and Gas Interests, as it relates to the Company's policy of full cost method for accounting for its exploration assets and the continued ability to utilize this policy, how these assets are ultimately depreciated and how impairment is ultimately determined and measured. The Company continues to develop an implementation plan, including the consideration of the resources required to complete the conversion to IFRS and the impact to its' financial systems.

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 Somalia. Oil and gas exploration, development and production activities in these emerging markets, including Somalia, 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 other entities 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 sale of equity and debt securities. 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 will include seismic and drilling in both Ethiopia and Kenya, as well as a drill program on its blocks in Somalia. In Somalia, a seismic program was completed earlier in 2008 on the Dharoor block and AOC became the first operator to record seismic data in Somalia for over 20 years. The data is now in the final stages of interpretation and the Company's technical staff is extremely encouraged by the data so far. In the Nogal block, AOC has acquired all of the more than 4,000 kilometers of good quality 2D data which was recorded in the late 1980's.

Forward Looking Statements
This MD&A may contain forward-looking statements and information. Forward-looking statements are statements that are not historical fact and are generally identified by words such as believes, anticipates, expects, estimates 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.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
Suite 3100, 111 – 5th Avenue SW
Calgary, Alberta
T2P 5L3
Telephone +1 403 509 7500
Facsimile +1 403 781 1825

April 29, 2009

Auditors' Report

To the Shareholders of Africa Oil Corp.

We have audited the consolidated balance sheet of Africa Oil Corp. (the "Company") as at December 31, 2008 and the consolidated statements of operations, comprehensive (loss) income and deficit, shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2007 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 16, 2008.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

AFRICA OIL CORP.

Consolidated Balance Sheets
(Expressed in United States dollars)

	December 31, 2008	December 31, 2007
ASSETS		
Current assets		
Cash	$ 253,324	$ 18,141,474
Accounts receivable (note 10)	370,581	25,007
	623,905	18,166,481
Long-term assets		
Oil and Gas interest (note 5)	34,587,729	6,869,106
	34,587,729	6,869,106
	$ 35,211,634	$ 25,035,587
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 5,429,893	$ 358,520
Notes payable (note 11)	4,906,800	$ -
	10,336,693	358,520
Shareholders' equity		
Share capital (note 6)	31,586,737	28,496,473
Contributed surplus	2,164,112	1,394,497
Deficit	(8,692,642)	(5,030,637)
Accumulated comprehensive income	(183,266)	(183,266)
	24,874,941	24,677,067
	$ 35,211,634	$ 25,035,587

Going Concern (note 1)

Commitments and contingencies (note 10)

Subsequent event (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"RICHARD SCHMITT" *"KEITH HILL"*

RICHARD SCHMITT, Director KEITH HILL, Director

AFRICA OIL CORP.

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

	For the year ended December 31, 2008	For the year ended December 31, 2007
Expenses		
Salaries and benefits	$ 571,387	$ 333,250
Stock-based compensation (note 6(b))	1,334,113	761,300
Finance expense (note 11)	1,086,146	-
Interest and bank charges	75,462	3,232
Travel	380,673	252,853
Management fees (note 11)	171,153	153,962
Office and general	369,408	105,141
Professional fees	75,592	64,576
Stock exchange and filing fees	51,761	63,219
	4,115,695	1,737,533
Other (income) expenses		
Interest and other income	(77,921)	(354,134)
Foreign exchange gain	(375,769)	(2,546,989)
(Loss)/income and Comprehensive (loss)/income for the year	(3,662,005)	1,163,590
Deficit, beginning of year	(5,030,637)	(6,194,227)
Deficit, end of year	$ (8,692,642)	$ (5,030,637)
Basic and diluted (loss)/income per share	$ (0.21)	$ 0.07
Weighted average number of shares outstanding		
Basic	17,617,766	16,219,097
Diluted	17,617,766	16,503,559

See accompanying notes to consolidated financial statements

AFRICA OIL CORP.

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

		December 31, 2008		December 31, 2007
Share capital:				
Balance, beginning of year	$	28,496,473	$	11,492,546
Private placement, net (note 6(a))				16,872,350
Bonus shares on notes payable (note 11)		1,086,146		-
Exercise of options		2,004,118		131,577
Balance, end of year		31,586,737		28,496,473
Contributed surplus				
Balance, beginning of year	$	1,394,497	$	671,289
Stock based compensation (note 6(b))		1,334,113		761,300
Exercise of options		(564,498)		(38,092)
Balance, end of year		2,164,112		1,394,497
Accumulated other comprehensive income:				
Balance, beginning of year	$	(183,266)	$	(183,266)
Change		-		-
Balance, end of year		(183,266)		(183,266)
Deficit:				
Balance, beginning of year	$	(5,030,637)	$	(6,194,227)
(Loss) income for the period		(3,662,005)		1,163,590
Balance, end of year		(8,692,642)		(5,030,637)
Shareholders' equity	$	24,874,941	$	24,677,067

See accompanying notes to consolidated financial statements.

AFRICA OIL CORP.

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

	For the year ended December 31, 2008	For the year ended December 31, 2007
Cash flows provided by (used in):		
Operations:		
(Loss) income for the year	$ (3,662,005)	$ 1,163,590
Stock-based compensation	1,334,113	761,300
Finance expense (note 11)	1,086,146	-
Unrealized foreign exchange (gain)	(375,769)	(2,546,989)
Changes in non-cash operating working capital:		
Accounts receivable and prepaid expenses	(345,574)	16,999
Accounts payable and accrued liabilities	155,582	321,634
	(1,807,507)	(283,466)
Investments:		
Investment in oil and gas interests (net)	(27,718,623)	(6,869,106)
Term deposit	-	2,831,889
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	4,915,791	-
	(22,802,832)	(4,037,217)
Financing:		
Common shares issued, net of issuance costs	1,439,620	16,965,835
Proceeds from notes payable (note 11)	5,444,625	-
	6,884,245	16,965,835
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	(162,056)	2,546,989
(Decrease)/increase in cash and cash equivalents	(17,888,150)	15,192,141
Cash and cash equivalents, beginning of year	18,141,474	2,949,333
Cash and cash equivalents, end of year	$ 253,324	$ 18,141,474
Supplementary information:		
Interest paid	Nil	Nil
Taxes paid	Nil	Nil

See accompanying notes to consolidated financial statements.

1. Going Concern:

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.

The Company changed its name from Canmex Minerals Company to Africa Oil Corp. ("AOC") on August 20, 2007.

AOC is a development stage enterprise that participates in oil and gas projects located in emerging markets, including Somalia. To date, AOC has not found proved reserves and is considered to be in the development stage. Oil and gas exploration, development and production activities in these emerging markets, including Somalia, 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 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.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company incurred a loss of $3,662,005 and a decrease in cash of $17,888,150 during the year ended December 31, 2008 and currently does not have any operating assets that generate revenues. Consequently, the Company's ability to continue as a going concern is dependent on the Company's ability to obtain additional financing if, as and when required, and, ultimately, the attainment of profitable operations.

Management's assessment of the Company, based on its current cash flow forecast and financial model, is that there is significant doubt as to whether it is a going concern because of the following factors:

a) The Company's current negative working capital position raises doubt over the Company's ability to pay its obligations as they become due.
b) The current global recession and resulting equity market decline has hampered the Company's ability to raise funds for its exploration program.

Management's plans for addressing the above factors are as follows:

a) The Company has successfully completed an equity private placement to raise approximately CDN$35.5 of gross proceeds (see note 12), which will be utilized to address the current negative working capital position and to fund the Company's exploration program
b) The Company has completed a strategic business acquisition to further strengthen its current exploration initiative and to increase the future upside potential of the Company (see note 12).
c) The Company has negotiated to convert the existing shareholder loans (see note 11) for Company Units in order to reduce the current cash requirements to repay the existing debt (see note 12).

There can be no assurance that the steps management is taking will be successful and any adjustments necessary to the financial statements if the Company ceases to be a going concern could be material. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. Presentation:

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

3. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which include the following:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

All intercompany transactions and balances have been eliminated.

(b) Foreign currency translation:

The Company's functional and reporting currency is United States dollars.

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. 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 the average rate of exchange in effect during the period other than depreciation which is translated at historical rates. Exchange gains or losses arising from translation are included in operations.

(c) Oil and gas interests:

The Company follows the full cost method of accounting for its oil and gas interests. In accordance with Accounting Guideline 16 (AcG 16) issued by the CICA, all costs relating to the exploration for and development of oil and gas reserves are capitalized in country-by-country cost centers and charged against income as set out below. Capitalized costs include expenditures for geological and geophysical surveys, concession acquisition, drilling exploration and development wells, gathering and production facilities and other development expenditures.

Capitalized costs along with estimated future capital costs to develop proved reserves are depleted on a unit-of-production basis using estimated proved oil and gas reserves. Costs of acquiring and evaluating unproved properties are excluded from costs subject to depletion until it is determined whether proved reserves are attributable to the properties or impairment occurs. Unproved properties are evaluated for impairment on at least an annual basis. If an unproved property is considered to be impaired, the amount of the impairment is added to costs subject to depletion.

The Company engages independent reservoir engineers in order to determine its share of reserves and resources.

3. Significant accounting policies (continued):

Proceeds from the sale or farm-out of oil and gas interests are offset against the related capitalized costs and any excess of net proceeds over capitalized costs is recorded in the statement of operations. Gains or losses from the sale or farm-out of oil and gas interests in the producing stage are recognized only when the effect of crediting the proceeds to capitalized costs would result in a change of 20 percent or more in the depletion rate.

The net amount at which oil and gas interests are carried is subject to a cost recovery test (the ceiling test). The ceiling test is a two-stage process which is performed at least annually. The first stage is a recovery test whereby undiscounted estimated future cash flows from proved reserves at oil and gas prices in effect at the balance sheet date (forecast prices) plus the cost of unproved properties less any impairment is compared to the net book value of the oil and gas interests to determine if the assets are impaired. An impairment loss exists if the net book value of the oil and gas interests exceeds such undiscounted estimated cash flows. The second stage determines the amount of the impairment loss to be recorded. The impairment is measured as the amount by which the net book value of the oil and gas interests exceeds the future estimated discounted cash flows from proved plus probable reserves at the forecast prices. Any impairment is recorded as additional depletion cost.

(d) Stock-based compensation:

The Company has a stock option plan as described in note 6(b). 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, except for stock options granted to consultants which are expensed immediately, as stock-based compensation expense and an increase to contributed surplus. When the stock options are exercised, the proceeds received and the applicable amounts recorded in contributed surplus are credited to share capital.

(e) Income taxes:

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(f) Income/(loss) per share:

Income/(loss) per share is calculated using the weighted average number of common shares outstanding during the year. For all periods presented, income/(loss) attributable to common shareholders are the same as reported net income/(loss). For calculating diluted income/(loss) per share, the treasury stock method is used for the purposes of determining the common share equivalents with respect to outstanding stock options and warrants to be included in the weighted average number of common shares outstanding, if dilutive. For the period ended December 31, 2008, dilutive loss per share is the same as basic loss per share, as the effect of the outstanding share options would be anti-dilutive.

3. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

In the accounting for oil and gas interests, amounts recorded for depletion and amounts used for impairment test calculations are based on estimates of oil and gas reserves and future cash flows, including development costs. By their nature, the estimates of reserves and the related future cash flows are subject to measurement uncertainty and the impact on the consolidated financial statements of future periods could be material.

(h) Financial Instruments:

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities” as defined by the accounting standard. Financial assets and financial liabilities “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values recognized in Other Comprehensive Income (“OCI”). Financial assets “held-to-maturity”, “loans and receivables” and “other financial liabilities” are measured at amortized cost using the effective interest method of amortization. Cash and cash equivalents are designated as “held-for-trading” and are measured at fair value. Accounts receivable are designated as “loans and receivables”. Accounts payable and accrued liabilities are designated as “other financial liabilities”. Transactions costs associated with financial liabilities are recognized in net income.

4. Changes in accounting policy:

On January 1, 2008, the Company adopted five new or amended accounting standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1400, Assessing Going Concern, Section 3031, Inventories, Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These standards have been applied prospectively; accordingly, comparative amounts for prior periods have not been restated.

Assessing going concern

In June 2007, CICA Section 1400 was amended to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. The adoption of this standard has had no impact on the Company’s Consolidated Financial Statements (see note 1).

Capital Disclosures and Financial Instruments – Presentation and Disclosure

Sections 3862 and 3863 replaced section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks. The adoption of this standard has had no impact on the Company’s Consolidated Financial Statements.

(Expressed in United States dollars unless otherwise indicated)

4. Changes in accounting policy (continued):

Section 1535 establishes disclosure requirements about the Company's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital (see note 9).

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting in 2011, the Company is currently assessing the impact of these new accounting standards on its financial statements. A preliminary review of potential areas of impact has been completed to aid in the management of this transition, with the aim to ensure successful implementation within the required timeframe. The results of this preliminary review indicate that the significant impact to the Company's results of operations, financial position and disclosures will be on Oil and Gas Interests, as it relates to the Company's policy of full cost method for accounting for its exploration assets and the continued ability to utilize this policy, how these assets are ultimately depreciated and how impairment is ultimately determined and measured. The Company continues to develop an implementation plan, including the consideration of the resources required to complete the conversion to IFRS and the impact to its' financial systems.

Inventories

Section 3031, Inventories, which replaced section 3030, Inventories provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The adoption of this standard has had no impact on the Company's Consolidated Financial Statements.

5. Oil and Gas Interest:

	December 31, 2008	December 31, 2007
Oil and Gas Interests	$34,587,729	$6,869,106

As at December 31, 2008 $34,587,729 (December 31, 2007 $6,869,106) of accumulated expenditures have been capitalized in oil and gas interests. These expenditures represent acquisition costs, seismic acquisition, geological and geophysical expenditures, materials and supplies and other intangible capitalized costs incurred to date in the exploration phase. These costs will not be subject to depletion until such time that proved oil and gas reserves are identified.

As at December 31, 2008, $5,285,682 (December 31, 2007 - $nil) of materials and supplies have been included in Oil and Gas Interest. 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.

(Expressed in United States dollars unless otherwise indicated)

6. Share capital:

(a) The authorized and issued share capital is as follows:

Authorized:
100,000,000 common shares without par value

	December 31, 2008			December 31, 2007		
	Shares		Amount	Shares		Amount
Balance, beginning of year	17,257,412	$	28,496,473	13,229,912	$	11,492,546
Private placements, net	-		-	4,000,000		16,872,350
Bonus shares on note payable (note 10)	295,631		1,086,146			
Exercise of options	422,500		2,004,118	27,500		131,577
Balance, end of year	17,975,543	$	31,586,737	17,257,412	$	28,496,473

(i) During the second quarter ended June 30, 2007, the Company completed a private placement consisting of 4,000,000 common shares at CDN $5.00 per share for net proceeds of $16.9 million (CAD $19.5 million).

(b) 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.

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

	December 31, 2008		December 31, 2007	
	Number of shares	Weighted average exercise price (CAD$)	Number of shares	Weighted average exercise price (CAD$)
Outstanding, beginning of year	1,067,500	3.93	500,000	3.43
Granted	870,000	5.23	595,000	4.33
Expired	(5,000)	6.25	-	-
Exercised	(422,500)	3.43	(27,500)	3.43
Balance, end of year	1,510,000	4.80	1,067,500	3.93

During the year ended December 31, 2008, 422,500 options were exercised resulting in cash proceeds of $1,439,620 and an allocation of $564,498 from Contributed Surplus to Share Capital.

(Expressed in United States dollars unless otherwise indicated)

6. Share capital (continued):

The fair value of each option granted during the years ended December 31, 2008 and 2007 is estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2008	2007
Fair value of options granted	1.64 - 2.69	1.52 - 2.09
Risk-free interest rate (%)	2.93 - 3.10	4.29 - 4.83
Expected life (years)	2.00 - 2.50	2.00 - 3.00
Expected volatility (%)	63 - 72	55 - 63
Expected dividend yield	-	-

The following table summarizes information regarding stock options outstanding at December 31, 2008.

Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life
3.43	345,000	0.79
3.80	375,000	2.75
5.00	50,000	1.50
5.26	250,000	1.81
5.84	75,000	2.15
6.25	415,000	2.48
4.56	1,510,000	2.00

7. Income taxes:

Substantially all of the difference between the actual income tax expense (recovery) of nil and the expected federal, AB and BC statutory corporate income tax recovery relates to losses not recognized. The Company has non-capital loss carry forwards of CDN$2,602,223 which expire through 2009 and 2018.

The significant components of the Company's future income tax assets and liabilities at December 31, 2008 and 2007 are as follows:

			2008		2007
Combined federal and provincial statutory income tax rate			25.26%		28.12%
Future income tax assets:					
	Capital assets	$	207,982	$	225,708
	Capital losses carried forward		488,956		666,962
	Non-capital losses carried forward		537,558		360,193
	Total future income tax assets		1,234,495		1,252,864
Valuation Allowance			(1,234,495)		(1,252,864)
Future income tax assets, net of allowance		$	-	$	-

8. Financial Instruments and Financial Risk:

As at December 31, 2008 and 2007, the fair values of the Company's cash, amounts receivable, accounts payable, accrued liabilities and notes payable approximate their carrying amounts due to the immediate or short term to nature of these items.

The main risk arising from the Company's financial instruments relates to interest rate risk. As described in note 12, the Company's outstanding notes payable incur interest charges at prime rate plus 2%. The Company is at risk of changes in the prime lending rate, which could negatively impact the interest component of the notes payable. Due to the short term nature of these notes 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.

9. 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. Consistent with other oil and gas exploration companies, which are capital intensive in nature, the Company monitors its capital structure and cash requirements on the basis of current working capital position and future exploration expenditures.

10. Commitments and contingencies:

During the first quarter of 2007, the Company entered into Production Sharing Agreements (PSAs) and Joint Operating Agreements acquiring an 80% interest in licenses covering the Dharoor Valley and Nogal Valley Blocks in the state of Puntland in northern Somalia.

The Company acquired its 80% participating interest in the blocks from Range Resources Ltd. (Range), a public company listed on the Australian Stock Exchange. As consideration for its participating interest, the Company paid Range $5.0 million and assumed the obligation 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 the Company spending $22.8 million, the Company 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 the Company does not fund the required $22.8 million during the two three-year exploration

10. Commitments and contingencies (continued):

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 will pay its 20% participating interest share of future exploration costs related to this block. As at December 31, 2008, the Company had an outstanding receivable balance of $369,882, these amounts were received subsequent to year-end.

11. 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 CDN$4,000,000 (USD$3,271,200) 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 with a value of USD$770,564, which has been recorded as finance expense.

During the fourth quarter of 2008, a company affiliated with a significant shareholder, provided an additional loan to the Company in the amount of CDN$2,000,000 (USD$1,635,600) 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 with a value of USD$315,582 which has been recorded as finance expense.

During the year ended December 31, 2008, the Company paid $76,000 (2007 - $33,000) to Tanganyika Oil Company Ltd ("Tanganyika") for administrative and other services accounted for at their exchange amount. As at December 31, 2008, the Company had an outstanding payable balance of $6,675 to Tanganyika. The Company and Tanganyika have certain directors in common during 2008.

During the year ended December 31, 2008, the Company was charged $171,153 in executive management and support services fees from Namdo Management Services Ltd ("Namdo"). Namdo is a private corporation owned by a significant shareholder.

12. Subsequent event:

Subsequent to year end the Company signed a Share Purchase Agreement to acquire a large portfolio of East African oil exploration projects from Lundin Petroleum AB. The projects are located within a vastly underexplored region of the rich 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 will assume operatorship of these projects excluding Block 9 in Kenya.

Pursuant to the Share Purchase Agreement, Africa Oil will pay as consideration to Lundin Petroleum AB approximately US $23.7 million which will be funded through a convertible loan from Lundin Petroleum AB maturing December 31, 2011 and at 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 Africa Oil or Lundin Petroleum AB, into shares of Africa Oil on the basis of CAD $0.90 per common share.

12. Subsequent event (continued):

The Company's existing CAD $6 million loan (plus accrued interest) from a shareholder of the Company will be converted to Units of the Company on the basis of CAD $0.95 per Unit. Each Unit will comprise one common share and one-half of a share purchase warrant. Each whole warrant is exercisable into one common share of Africa Oil at a price of $1.50 per share over a period of two years. In the event that Africa Oil trades at or above CAD $2.00 for a period of 30 consecutive days, a forced exercise provision will come into effect.

Concurrent with the Share Purchase Agreement, Africa Oil has agreed to sell, on a non-brokered, private placement basis, an aggregate of up to 37 million Units of the Company at a price of CAD $0.95 per Unit for gross proceeds of CAD $35.5 million. Each Unit will comprise one common share and one share purchase warrant. Each warrant is exercisable into one common share of Africa Oil at a price of $1.50 per share over a period of two years. In the event that Africa Oil trades at or above CAD $2.00 for a period of 30 consecutive days, a forced exercise provision will come into effect. A 5% finder's fee may be payable on all or a portion of the private placement. Net proceeds of the private placement will be used towards the planned work programs on the Company's projects in Ethiopia, Kenya and Somalia, as well as for general corporate purposes.

AFRICA OIL CORP.
(formerly Canmex Minerals Company)
CORPORATE DIRECTORY
April 29, 2009

OFFICERS
Richard Schmitt
President
Keith Hill
Chief Executive Officer
Darren Moulds
Chief Financial Officer
Kathy Love
Corporate Secretary

DIRECTORS
Richard Schmitt
Corporate Governance and Nominating Committee
J. Cameron Bailey
Audit Committee
Compensation Committee
Corporate Governance and Nominating Committee
Ian Gibbs
Audit Committee

Gary Guidry
Audit Committee
Compensation Committee
Corporate Governance and Nominating Committee

Keith Hill
Compensation Committee

AUDITORS
PricewaterhouseCoopers LLP
Calgary, AB, Canada

BANKERS
CIBC
Calgary, AB, Canada

Bank of Montreal
Vancouver, BC. Canada

SUBSIDIARIES
Canmex Holdings (Bermuda) I Ltd.
Canmex Holdings (Bermuda) II Ltd.
Africa Oil Holdings (Bermuda) Ltd.
0845379 BC Ltd