



AFRICA OIL CORP.

Report to Shareholders

September 30, 2015

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, 2015 and 2014

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Oil Corp. and its subsidiaries (the "Company" or "AOC") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 and should also be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2014 and 2013 and related notes thereto.

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

The effective date of this MD&A is November 16, 2015.

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

PROFILE AND STRATEGY

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

AOC's long range plan is to increase shareholder value through the acquisition and exploration of oil and gas assets, located in under-explored geographic areas, in the early phase of the upstream oil and gas life-cycle. The Company is focused on high-impact exploration opportunities and has secured a portfolio of primarily East African oil and gas assets which provide the shareholders exposure to multiple identified prospects and leads, geographically and geologically diversified across multiple countries and four under-explored petroleum systems. AOC's mission is to de-risk this portfolio of oil and gas prospects and leads, while generating additional prospects and leads, through continuous oil and gas exploration activities.

The Company has acquired and commenced exploration activities on multiple exploration blocks in East Africa (refer to table below). The Company has encountered oil in multiple wells drilled in the Tertiary Rift trend. The East African Rift Basin system is one of the last great rift basins to be explored. The Company acquired its interests in East Africa as several multi-billion barrel oil fields had been discovered in multiple analogous oil fields on all sides of the Company's underexplored land position including the major Tullow Oil plc ("Tullow") Albert Graben oil discovery in neighboring Uganda. Similar to the Albert Graben play model, the Company's concessions had older wells, a legacy database, and host numerous oil seeps indicating a proven petroleum system. Good quality existing seismic showed robust leads and prospects throughout AOC's project areas. The Company holds extensive exploration acreage in this exciting new world-class exploration play fairway. The Company has completed significant seismic and drilling programs on the majority of the Company's blocks over the past three years. The Company plans to further improve resource certainty in respect of its existing discoveries while continuing to fully explore its extensive exploration

acreage. East Africa is a vastly under-explored region where renewed interest is being shown by a growing number of mid to large sized oil companies wishing to add to their oil and gas portfolios.

MAERSK FARMOUT

On November 9, 2015, the Company announced that it had entered into a definitive farmout agreement with Maersk Oil & Gas A/S, a Danish oil and gas company owned by the Maersk Group (“Maersk”) whereby Maersk will acquire 50% of Africa Oil’s interests in Blocks 10BB, 13T and 10BA in Kenya and the Rift Basin and South Omo Blocks in Ethiopia in consideration for reimbursement of a portion of Africa Oil’s past costs and a future carry on certain exploration and development costs.

Under the terms of the farmout agreement, upon closing of the transaction Maersk will pay Africa Oil US\$350 million as reimbursement of past costs incurred by Africa Oil prior to the agreed March 31, 2015 effective date. Maersk will also reimburse Africa Oil for its acquired working interest share of costs incurred between the effective date and the closing date. Commencing on the effective date, Maersk will also carry up to US\$75 million of the Company’s share of development expenditures upon confirmation of resources and US\$15 million of the Company’s share of exploration expenditures. In addition, upon Final Investment Decision (“FID”), Maersk will also carry up to US\$405 million of Africa Oil’s working interest share of development expenditures for the Lokichar Development Project. The total carry amount is contingent upon the Lokichar Development Project meeting certain thresholds of resource growth, and the timing of first oil. The transaction is subject to host government and applicable regulatory approvals.

WORKING INTERESTS

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

| Country | Block/Area | Operator | December 31, 2014 Net Working Interest % ⁽¹⁾ | September 30, 2015 Net Working Interest % ⁽¹⁾ |
|-------------------------|-----------------|--------------------|---|--|
| Kenya | Block 9 | AOC | 50% | 50% |
| Kenya ⁽⁵⁾ | Block 10BB | Tullow | 50% | 50% |
| Kenya | Block 12A | Tullow | 20% | 20% |
| Kenya ⁽⁵⁾ | Block 13T | Tullow | 50% | 50% |
| Kenya ⁽⁵⁾ | Block 10BA | Tullow | 50% | 50% |
| Ethiopia ⁽⁵⁾ | South Omo | Tullow | 30% | 30% |
| Ethiopia ⁽⁵⁾ | Rift Basin Area | AOC | 50% | 50% |
| Ethiopia ⁽³⁾ | Blocks 7/8 | New Age | 30% | 30% |
| Ethiopia ⁽⁴⁾ | Adigala | New Age | 10% | 10% |
| Puntland, Somalia | Dharoor Valley | Africa Energy Corp | 27% ⁽²⁾ | 24.5% ⁽²⁾ |
| Puntland, Somalia | Nugaal Valley | Africa Energy Corp | 27% ⁽²⁾ | 24.5% ⁽²⁾ |

Footnotes:

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

² During the second quarter of 2015, the Company and its joint venture partners notified the Government of Puntland (Somalia) of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs. AOC owns approximately

40.8% of Africa Energy Corp. ("Africa Energy" formerly Horn Petroleum Corporation). This figure represents the Company's Net Working Interest in the production sharing agreements, net of the 59.2% interest in Africa Energy Corp owned by third parties. As of June 2015, the Company maintains a significant influence in Africa Energy and will account for its share of the activity as an equity investment. Accordingly, the Company will no longer report the assets and liabilities associated with Africa Energy.

³ Under Operations Update, see update on Blocks 7/8 in Ethiopia. During the third quarter of 2014, the Company notified the Ethiopian Government and its partners of its decision to withdraw from Blocks 7 and 8.

⁴ Under Operations U5 Working interest has not been adjusted for farmout agreement entered into subsequent to September 30, 2015. Please refer to Maersk Farmout section above.

⁵ Working interest has not been adjusted for farmout agreement entered into subsequent to September 30, 2015. Please refer to Maersk Farmout section above.

UPDATED ASSESSMENT OF CONTINGENT RESOURCES

In September of 2014, the Company announced details of an updated independent assessment of the Company's contingent resources for the South Lokichar Basin in Blocks 10BB and 13T. The effective date of this assessment was July 31, 2014, and it was carried out in accordance with the standards established by the Canadian Securities Administrators in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The assessment confirmed that the South Lokichar Basin contains gross 2C contingent resources of 616 million barrels of oil, an increase of 67% over the assessment conducted in September 2013 and gross 3C contingent resources of 1.29 billion barrels of oil an increase of 52% over the prior assessment. Please refer to the Company's press release dated September 16, 2014 for details of the contingent resources by field. The Company is currently in the process of having its independent resource assessment updated.

OPERATIONS UPDATE

During the third quarter of 2015, three wells finalized drilling in the South Lokichar Basin in Blocks 10BB and 13T, Kenya. In addition, an extensive appraisal program of the Ngamia and Amosing fields in the South Lokichar Basin in Kenya Block 10BB continued. These oil fields are expected to form the foundation for a phased development of the South Lokichar Basin. One drilling rig is currently active in the South Lokichar Basin.

During the third quarter of 2015, the Company focused its efforts on appraisal in the South Lokichar Basin, Extended Well Tests (EWTs) in the Amosing and Ngamia fields, and reservoir and engineering studies. This focus for 2015 has the following objectives; confirming reservoir quality and deliverability, resource size and definition, and advancement of the development plans, including the export pipeline.

Tertiary Rift - Kenya

During the first quarter of 2015 in the Amosing field, the Amosing-3 appraisal well, located one kilometer northwest of the Amosing-1 discovery, well was drilled. The well encountered up to 140 meters of net oil pay and proved an extension of the field. Pressure data from the Amosing-3 well indicated connectivity in some reservoir horizons encountered in the Amosing-1, 2 & 2A wells. The Amosing-4 well, located approximately one kilometer southeast of the Amosing-1 well, was drilled to test the southern extent of the field and successfully encountered 27 meters of net oil pay in thick upper reservoir zones proving the significant down-dip extent of the field. In the third quarter of 2015, the Amosing-5A exploratory appraisal well was drilled as a test of an undrilled fault block. The well encountered an

estimated 15 to 28 metres of net oil pay in a downflank position and successfully proved a northern extension to the Amosing field.

During the first half of 2015, in preparation for the EWTs, the Amosing-1 and Amosing-2A wells were successfully completed in five separate zones. Initial rig-less flow testing during clean-up flowed at a cumulative maximum rate of 5,600 and 6,000 bopd respectively. These results exceeded expectations, and demonstrated high quality reservoir sands which flowed 31 to 38 degree API dry oil under natural conditions. During the test the wells produced at a cumulative average constrained rate of 4,300 bopd under natural flow conditions. Pressure data from the two wells supports significant connected oil volumes and confirms lateral reservoir continuity, which is positive for the future development. A cumulative volume of 30,000 barrels of oil has been produced into storage. Water injection tests are still to be completed to further validate the viability of water flood reservoir management and the oil recovery assumptions.

During the first quarter of 2015, in the Ngamia field, the Ngamia-7 and Ngamia-8 appraisal wells were drilled. The Ngamia-7 well was drilled 1.2 kilometers east of Ngamia-3 and encountered up to 130 meters of net oil pay identifying a large eastern extension of the field that had been identified from the new 3D seismic survey. The Ngamia-8 appraisal was drilled and encountered up to 200 meters of net oil pay in line with pre-drill expectations. The well was positioned in the center of the Ngamia structure and static pressure data indicates the well is in pressure communication with the oil discovered in the neighbouring Ngamia-1A, Ngamia-3, Ngamia-5, Ngamia-6 and Ngamia-7 wells. During the second quarter of 2015, the drilling of the Ngamia-9 well was completed and encountered between 90 and 110m of pay in the Lokone and Auwerwer horizons.

In preparation for the EWT activities in the Ngamia field, multi zone completions were installed in the Ngamia-8, Ngamia-3 and Ngamia-6 wells. The Ngamia-8 well will be the main production well for the Ngamia EWT. Flow testing of the Ngamia EWT wells is underway, results to date indicate well productivity in line with expectations and proven communication in one zone to date. Following the flow testing water injection tests will be undertaken to further validate the viability of water flood reservoir management and the oil recovery assumptions.

Elsewhere in the Lokichar basin, during the first quarter of 2015, the Ekales-2 appraisal well reached a total depth of 4,059 meters and encountered an estimated 60-100 meters of net oil pay in the primary shallower objectives. This highly deviated well was also deepened to test the basin center stratigraphic play where it intersected sandstones with elevated pressures and 50 meters of oil bearing sands; however, operating conditions precluded logging and confirmation of any oil pay in this section. This was the first test of this exploration target and is very positive for the future upside potential of the South Lokichar Basin, above the significant oil resources already discovered.

In the Twiga field the Twiga-3 exploratory appraisal well in Block 13T encountered sands within the Lokone Shale sequence that are interpreted as good quality oil bearing reservoir over a gross interval of 120 metres. This result will be assessed in future exploration and appraisal activities, stepping out into the South Lokichar basin to further define this encouraging additional oil potential.

During the first quarter of 2015, the Epir-1 exploration well was drilled to a total depth of 3,057 meters in the North Kerio Basin in Block 10BB, Kenya. The well encountered a 100 meter interval of wet hydrocarbon gas shows with fluorescence indicating the presence of an active petroleum system. The hydrocarbon shows were encountered primarily in rocks which are not of reservoir quality. The partnership is very encouraged the Epir-1 well has demonstrated a working hydrocarbon system in the Kerio Basin and technical work will now focus on identifying a prospect in the basin where there is a high chance of trapping hydrocarbons in reservoir quality rock.

The Engomo-1 well was drilled in the first quarter of 2015, which was the first test of the North Turkana Basin in Block 10BA, Kenya. This prospect is to the west of Lake Turkana where numerous naturally occurring oil slicks and seeps have been observed. The Engomo-1 exploration well in Block 10BA was drilled to a total depth of 2,353 meters. The well encountered interbedded siltstones, sandstones and claystones, becoming more tuffaceous and tight until reaching a total depth in basement. No significant oil or gas shows were encountered and the well has been plugged and abandoned. The prevalence of tight facies in the wellbore may be due to the well's close proximity to the basin bounding fault. Future analysis will be focused on understanding how this result impacts the remaining prospectivity in the basin.

Following completion of appraisal activities, the Marriot 46 drilling rig moved to the Emesek-1 basin opening well, which tested the undrilled North Lokichar basin. The well reached a total depth of 3,000 metres without encountering commercial hydrocarbons and will now be plugged and abandoned. Following completion of operations, the rig will move to the South Lokichar basin to drill the Etom-2 well in an undrilled fault block adjacent to the Etom oil discovery. The rig will then move to drill the Cheptuket-1 exploration well in Block 12A and will test a basin bounding structural closure in the undrilled Kerio Valley Basin, in a similar structural setting to the successful Ngamia and Amosing discoveries.

The full fast track processed data set for the 951 square kilometer 3D seismic survey over the series of significant discoveries along the western basin bounding fault in the South Lokichar Basin, is being interpreted. The 3D seismic indicates significantly improved structural and stratigraphic definition and additional prospectivity not evident from the 2D seismic.

In addition, the partnership has acquired over 1,100 meters of whole core from the wells drilled in the South Lokichar Basin, and an extensive program of detailed core analysis is ongoing that will provide results throughout the year. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands. Early core analysis results support the reservoir assumptions used in the contingent resource estimate and support the view of oil saturations in the reservoir.

The extensive appraisal activities in Kenya, including the EWTs, along with the development concept studies completed in 2014, are addressing key reservoir uncertainties around the South Lokichar contingent resource estimate. The results to date from the ongoing appraisal drilling program and early Amosing and Ngamia EWT results provides significant comfort that the reservoir sands are connected over an area larger than the assumed development well spacing which will help to further define recovery factors.

Discussions with the Government regarding the draft field development plan for the discoveries in the South Lokichar Basin continue positively, with targeted submission by year-end 2015. Preparation for FEED is also under way, and is expected to commence in 2016.

In August 2015, a bilateral agreement was reached between the Presidents of Uganda and Kenya adopting the Northern Kenya route for the regional crude oil pipeline, subject to certain conditions. Africa Oil continues to support both countries in moving this project forward as quickly and efficiently as possible taking into account the needs of all stakeholders.

Cretaceous Anza Rift – Kenya

In Block 9, the Company continues to assess the results of its 2014 drilling program. The Government of Kenya has granted an eighteen month extension to the second additional exploration period, which will now expire in June 2017.

Tertiary Rift – Ethiopia

During the third quarter of 2015 in the Rift Basin Area Block, a 2D seismic program was completed, which consisted of approximately 600 kilometers of land and lake seismic. Source rock outcrops and oil slicks on the lakes have been identified in the block where there was previously no existing seismic or wells.

RECENT DEVELOPMENTS

Financing

During February 2015, the Company completed a brokered private placement issuing an aggregate of 57,020,270 shares at a price of SEK 18.50 per share for gross proceeds of SEK 1,055 million or \$125.0 million. A cash commission was paid in the amount of \$4.5 million.

During May 2015, the Company completed a non-brokered private placement issuing an aggregate of 52,623,377 shares at a price of CAD \$2.31 for gross proceeds of \$100.0 million. Total costs related to the share issuance amounted to \$0.1 million.

During August 2015, the company completed a non-brokered private placement issuing an aggregate of 31,169,048 shares at a price of CAD \$2.10 for gross proceeds of \$50.0 million. Total costs related to the share issuance amounted to \$0.1 million.

Court Proceedings

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

Since 2012, IPL and certain of the related parties have also commenced numerous court applications and appeals in respect of these proceedings, including applications to appeal recent High Court decisions to the Kenyan Court of Appeal. These applications and appeals have either been struck by court order, or are the subject of further appeals and applications for stays of proceedings filed on behalf of the Company. In April 2014 certain applications to appeal decisions made in Judicial Review Number 30 of 2010, and which had been determined in favor of the Company, were denied and leave to appeal to the Supreme Court was denied. There has been no further action taken in respect of that matter since that time. In December 2014, the Company filed its record of appeal in respect of a High Court decision in Judicial Review Number 1 of 2012 allowing the Applicants to institute certain proceedings which the Company maintains have previously been adjudicated and settled. No date has been set for the hearing of the appeal.

The Company has initiated its own court proceedings against IPL and certain related parties, including various applications for costs and Winding-Up Cause No. 1 of 2014. The Winding-Up proceeding is an application to cause IPL to be wound-up or “dissolved”, which would terminate any further action in respect of the judicial review proceedings commenced by IPL. On July 2, 2015, by a Judgment issued by the High Court of Kenya in the winding up cause, the court ordered that IPL be wound up and the Official Receiver was appointed as the provisional liquidator. An appeal in respect of the winding up order was filed on behalf of IPL, however, because it was out of

date the Company has filed an application to have the appeal struck. In the interim, the Company is also proceeding with the execution of the winding up order.

All of these proceedings are working their way through the Kenyan judicial system. The Company will continue to pursue its remedies through the courts. In the interim, it will vigorously defend any application or appeal brought by the Applicants in any of these proceedings.

SELECTED QUARTERLY INFORMATION

| Three months ended (thousands, except per share amounts) | 30-Sep 2015 | 30-Jun 2015 | 31-Mar 2015 | 31-Dec 2014 | 30-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Operating expenses (\$) | 3,584 | 3,333 | 1,170 | 102,436 | 6,008 | 36,578 | 11,654 | 31,099 |
| Interest income (\$) | 99 | 80 | 130 | 157 | 287 | 387 | 436 | 184 |
| Foreign exchange gain (loss) (\$) | (184) | (117) | (15) | (7) | (207) | 41 | (116) | (7,660) |
| Fair market value gain (loss) - warrants (\$) | - | - | - | - | - | 5 | (4) | 28 |
| Net loss attributable to non-controlling interest (\$) ⁽¹⁾ | - | - | (249) | (48,028) | (245) | (294) | (206) | (282) |
| Net loss attributable to common shareholders (\$) | (3,681) | (3,370) | (811) | (54,257) | (5,686) | (35,856) | (11,138) | (38,272) |
| Weighted average shares - Basic | 435,412 | 391,130 | 338,312 | 312,333 | 312,290 | 310,528 | 309,967 | 291,366 |
| Weighted average shares - Diluted | 435,412 | 391,130 | 338,312 | 312,333 | 312,290 | 310,528 | 309,967 | 291,366 |
| Basic loss per share (\$) | (0.01) | (0.01) | (0.00) | (0.17) | (0.02) | (0.12) | (0.04) | (0.13) |
| Diluted loss per share (\$) | (0.01) | (0.01) | (0.00) | (0.17) | (0.02) | (0.12) | (0.04) | (0.13) |
| Oil and gas expenditures (\$) | 48,693 | 69,272 | 77,300 | 135,916 | 95,527 | 114,007 | 92,426 | 71,985 |

- ⁽¹⁾ AOC currently owns approximately 40.8% of Africa Energy and accounts for its share of Africa Energy as an equity investment. The change from control to equity investment occurred due to a change in the composition of the Board of Directors as well as a significantly reduced involvement from AOC management in the operations of the Company. The majority of the Board is now comprised of independent Board members. As the Board and management no longer have the power to direct the activities of Africa Energy, control of Africa Energy has been lost. Prior to the loss of control, which occurred during the first quarter of 2015, AOC owned approximately 44.6% of Africa Energy and accounted for Africa Energy on a consolidated basis.

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

Operating expenses

The \$19.4 million decrease in operating expenses from the fourth quarter of 2013 to the first quarter of 2014 can be mainly attributed to annual bonus incentives and the impairment charge on Block 10A incurred in the fourth quarter of 2013, offset partially by a \$7.4 million increase in stock-based compensation. The Company issued 5,958,500 stock options of AOC to directors, officers and employees in the first quarter of 2014 of which one-third vested immediately. The \$24.9 million increase in operating expenses from the first to the second quarter of 2014 can be mainly attributed to a \$30.8 million impairment of previously capitalized Blocks 7/8 exploration expenditures in Ethiopia and a \$0.7 million increase in stock exchange and filing fees as a result of costs associated with the graduation to the TSX in Canada and Nasdaq Stockholm, offset partially by a \$6.6 million decrease in stock-based compensation. Upon evaluating the results of EI Kuran-3 further, the Company wrote off previously capitalized intangible exploration assets related to Blocks 7&8. The decrease in stock-based compensation can be attributed to the options granted in the first quarter of 2014, of which one-third vested immediately. The \$30.6 million decrease in operating expenses from the second quarter to the third quarter of 2014 can be mainly attributable to the impairment of intangible

exploration assets relating to Blocks 7/8 and costs associated with graduation to the TSX in Canada and Nasdaq Stockholm, both which occurred in the second quarter of 2014. The \$96.4 million increase in operating expenses from the third quarter to the fourth quarter of 2014 can be mainly attributable to a \$90.6 million impairment of intangible exploration assets in the Dharoor and Nugaal exploration blocks in Puntland (Somalia) and a \$5.8 million impairment of intangible exploration assets in the Adigala Block in Ethiopia. During the second quarter of 2015, the Company and its joint venture partners notified the Government of Puntland (Somalia) of their decision to withdraw from the exploration Blocks. During the first quarter of 2015, the Company notified the Ethiopian Government and its partners of its decision to withdraw from the Adigala Block. An increase in salary costs associated with annual bonus incentives was offset by a reduction in stock-based compensation and donations. The decrease in stock-based compensation can be attributed to unvested options that were cancelled due to forfeiture in the fourth quarter of 2014. A \$0.5 million donation was made to the Lundin Foundation in the third quarter of 2014 versus nil in the fourth quarter of 2014. The \$101.3 million decrease in operating expenses from the fourth quarter of 2014 to the first quarter of 2015 primarily relates to the \$96.4 million in impairment losses recognized during the fourth quarter of 2014. The company recognized a \$4.2 million gain in the first quarter of 2015 as a result of the Company's investment in Africa Energy changing from a position of control to a position of significant influence. The Company is required to recognize its investment in its former subsidiary at fair market value on the date control ceases. These reductions were offset by increased stock-based compensation expense associated with the issuance of 5,194,000 stock options of AOC to directors, officers and employees in the first quarter of 2015, of which one-third vested immediately. Operating expenses increased by \$2.2 million from the first quarter of 2015 to the second quarter of 2015. The increase is due to a \$4.2 million gain being recognized in the first quarter of 2015, relating to the change in investment in Africa Energy, which was offset by the issuance of options in the first quarter, in which one-third vested immediately. Operating costs increased by \$0.3 million during the third quarter of 2015 compared to the second quarter of 2015 which was due to an increase in travel and office related costs during the quarter.

During the nine months ended September 30, 2015, the Company made \$1.3 million in donations to the Lundin Foundation. While the Company is committed to certain in-country expenditures on community development projects under the terms of our PSAs, the Company's approach has always been that community and economic development funding is a required investment. The Company's engagement with the Lundin Foundation is a key component of the Company's wider Corporate Social Responsibility strategy in East Africa. The contributions made are a long-term investment that underpins the essential good corporate responsibility that the Company believes is required in developing, new resource rich countries in which the Company operates.

Interest income

Interest income fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates.

Foreign exchange gains and losses

During October of 2013, the Company entered into an economic hedge in an effort to mitigate exposure to fluctuations in the US dollar versus the Swedish Krona exchange rate between the date a private placement was announced and the date the private placement closed, in which the Company issued shares for Swedish Krona. As a result, the Company incurred foreign exchange losses on the foreign currency instrument of \$7.4 million in the fourth quarter of 2013. The remaining foreign exchange gains and losses are primarily related to changes in the value of the Canadian dollar in comparison to the US dollar.

Fair market value adjustments – warrants

The fair market value adjustments to warrants were performed on a quarterly basis. The warrants entitled the holder to acquire a fixed number of common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the company's functional currency (US dollar for AOC and Africa Energy), and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations as they arise.

At September 30, 2015, nil warrants were outstanding. In June 2014, all of the remaining 9,546,248 Africa Energy warrants expired unexercised.

RESULTS OF OPERATIONS

| (thousands) | Three months ended September 30, 2015 | Three months ended September 30, 2014 | Nine months ended September 30, 2015 | Nine months ended September 30, 2014 |
|---|--|--|---|---|
| Salaries and benefits | \$ 515 | \$ 458 | \$ 1,318 | \$ 1,380 |
| Stock-based compensation | 1,243 | 3,046 | 6,366 | 15,553 |
| Travel | 345 | 647 | 876 | 1,244 |
| Office and general | 275 | 334 | 595 | 750 |
| Donation | 500 | 535 | 1,285 | 2,035 |
| Depreciation | 3 | 16 | 17 | 50 |
| Professional fees | 127 | 177 | 446 | 529 |
| Stock exchange and filing fees | 253 | 326 | 717 | 1,397 |
| Share of loss from equity investment | 323 | - | 622 | - |
| Gain on loss of control | - | - | (4,155) | - |
| Impairment of intangible exploration assets | - | 469 | - | 31,302 |
| Operating expenses | \$ 3,584 | \$ 6,008 | \$ 8,087 | \$ 54,240 |

Operating expenses decreased \$2.4 million for the three months ended September 30, 2015 compared to the same period in the prior year. The decrease is primarily due to a reduction in stock-based compensation. The decrease in stock-based compensation expense can be mainly attributed to a significant reduction in the fair value of each option granted in during 2015 compared to options granted during 2014. During 2015, 5,194,000 stock options of AOC were issued to directors, officers and employees at an average exercise price of CAD \$2.45 per option versus 6,078,500 stock options of AOC issued at an average price of CAD \$8.42 per option during 2014. The remaining decrease is due to the Company writing off an additional \$0.5 million of exploration expenditures during the third quarter of 2014 relating to Blocks 7/8 in Ethiopia as well as a \$0.3 million decrease in travel expenses due to a reduction of activity in the field.

Operating expenses decreased \$46.0 million for the nine months ended September 30, 2015 compared to the same period in the prior year. The majority of the decrease can be attributed to the write-off of \$31.3 million of previously capitalized Block 7/8 exploration expenditures in Ethiopia during the second and third quarters of 2014. The remaining decrease is due to a reduction in stock-based compensation, donations, stock exchange filing fees, and a gain on loss of control of Africa Energy. The decrease in stock-based compensation expense can be mainly attributed to a significant reduction in the fair value of each option granted in during 2015 compared to options granted during 2014. During 2015, 5,194,000 stock options of AOC were issued to directors, officers and employees at an average exercise price of CAD \$2.45 per option versus 6,078,500 stock

options of AOC issued at an average price of CAD \$8.42 per option during 2014. The Company made donations amounting to \$1.3 million to the Lundin Foundation during the nine months ended September 30, 2015 compared to donations amounting to \$2.0 million to the Lundin Foundation during the nine months ended September 30, 2014. Stock exchange and filing fees decreased \$0.7 million during the nine months ended September 30, 2015 compared to the same period in 2014 due to costs associated with the graduation to the TSX in Canada and the NASDAQ OMX Stockholm main board which occurred during 2014. The Company's investment in Africa Energy changed from a position of control to a position of significant influence during the first quarter of 2015, which required the Company's investment in Africa Energy to be recorded as an equity investment. The accounting for the equity investment resulted in the recognition of a gain for accounting purposes of \$4.2 million as well as a recognition of its shares of losses of \$0.6 million during the year. Travel expenses decreased by \$0.3 million during the year due to a reduction in activity in the field.

INTANGIBLE EXPLORATION ASSETS

| (thousands) | September 30, 2015 | | December 31, 2014 | |
|-------------------------------|---------------------------|---------|--------------------------|---------|
| Intangible exploration assets | \$ | 980,442 | \$ | 785,177 |

During the nine months ended September 30, 2015, intangible exploration assets increased by \$195.3 million.

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

| For the nine months ended (thousands) | September 30, 2015 | | | | September 30, 2014 | | | |
|--|--------------------|-----------------|-------------|-------------------|--------------------|----------|----------|------------------|
| | Kenya | Ethiopia | Puntland | Total | Kenya | Ethiopia | Puntland | Total |
| Drilling and completion | \$ 147,578 | \$ - | \$ - | \$ 147,578 | \$202,695 | \$41,856 | \$ 79 | \$244,630 |
| Development studies | 20,602 | - | - | 20,602 | - | - | - | - |
| Exploration surveys and studies | 6,723 | 2,234 | - | 8,957 | 36,254 | 1,174 | 24 | 37,452 |
| PSA and G&A related | 17,388 | 740 | - | 18,128 | 14,068 | 4,824 | 986 | 19,878 |
| Total | \$ 192,291 | \$ 2,974 | \$ - | \$ 195,265 | \$253,017 | \$47,854 | \$ 1,089 | \$301,960 |

AOC incurred \$192.3 million of intangible exploration expenditures in Kenya for the nine months ended September 30, 2015. Drilling and completion expenditures relate to the Epir exploration well (Block 10BB), the Engomo exploration well (Block 10BA), the Ekales exploration well (Block 13T), multiple South Lokichar Basin (Blocks 10BB and 13T) appraisal wells and completions relating to EWTs. The majority of development study spend relates to studies aimed at progressing towards project sanction for the South Lokichar Basin.

The Company incurred \$3.0 million of intangible exploration expenditures in Ethiopia for the nine months ended September 30, 2015, which consists of 2D seismic work being performed in the Rift Basin Area.

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

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015, the Company had cash of \$154.6 million and working capital of \$80.3 million as compared to cash of \$161.1 million and working capital of \$10.6 million at December 31, 2014. The Company's liquidity and capital resource position has increased since the end of 2014 due to the Company closing several private placements during the year for gross proceeds of \$275 million. It is anticipated that in excess of \$400 million will be received by the Company upon completion of the announced Maersk Farmout (see Maersk Section above) which will significantly improve the Company's liquidity and capital resource position. Completion of the farmout is subject to host government and applicable regulatory approvals.

The Company's current working capital position is not anticipated to provide it with sufficient capital resources to meet its minimum work obligations for all exploration periods under the various PSAs and PSCs and development activities being considered in the South Lokichar Basin (Kenya). To finance its future acquisition, exploration, development and operating costs, AOC may require financing from external sources, including issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to AOC.

OUTLOOK

In light of the current and forecast short term oil price environment, the Company has worked closely with Tullow to focus the 2015 work program and budget on advancing the discovered basin development in Blocks 10BB and 13T (Kenya) by undertaking activities aimed at increasing resource certainty and progressing development studies. The 2015 work program will include multiple appraisal and exploration wells in the discovered basin, EWT's in the Amosing and Ngamia fields and reservoir and engineering studies (including extensive core analysis). The Company is pleased that the Presidents of Uganda and Kenya reached a bilateral agreement in August 2015 adopting the Northern Kenya route for the regional crude oil pipeline, subject to certain conditions. Discussions with the Kenyan Government regarding the draft field development plan for the discoveries in the South Lokichar Basin continue positively, with a targeted submission by year-end 2015. Preparation for FEED is also underway, and is expected to commence in 2016. Outside of the South Lokichar Basin, the Africa Oil – Tullow joint venture new basin opening exploration drilling program includes the Emesek-1 well, recently completed drilling in Block 13T, and the Cheptuket well in Block 12A, a PSC commitment well that needs to be drilled before September 2016.

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers, consultants and employees whereby the fair value of all stock options granted is recorded as a charge to operations. The estimated fair value is recognized over the applicable vesting period. All options granted vest over a two-year period, of which one-third vest immediately, and expire three to five years after the grant date. Stock-based compensation for the nine months ended September 30, 2015 was \$6.4 million as compared to \$15.6 million during the same period in 2014. The decrease in stock-based compensation expense can be mainly attributed to a significant reduction in the fair value of each option granted in the first quarter of 2015 compared to the first quarter of 2014. Under the Black-Scholes option pricing model, the lower the exercise price of the option, the lower the fair value attributed to each option. During the nine months ended September 30, 2015, 5,194,000 stock options of AOC were issued to directors, officers and employees at an average exercise price of CAD \$2.45 per option versus 6,078,500

stock options of AOC issued at an average price of CAD \$8.42 per option during the nine months ended September 30, 2014. Under the terms of the Company's stock option plan under which the stock options were granted, one-third of the stock options granted vest immediately, resulting in a higher expense during the first quarter of the stock-option issuance.

RELATED PARTY TRANSACTIONS

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

On September 20, 2011, a Share Purchase Agreement was executed between the Company and Africa Energy which resulted in the Company owning 51.4% of the outstanding shares of Africa Energy. In June 2012, March 2014 and March 2015, Africa Energy completed non-brokered private placements reducing the Company's ownership interest in Africa Energy to 40.8%. The following transactions occurred during the period between the Company and Africa Energy.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy \$0.4 million during the nine months ended September 30, 2015 (nine months ended September 30, 2014 – \$0.6 million). At September 30, 2015, the outstanding balance receivable from Africa Energy was \$ nil (at December 31, 2014 – \$ nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

Under the terms of a Services Agreement between the Company and Africa Energy, the Company invoiced Africa Energy \$ nil during the nine months ended September 30, 2015 (nine months ended September 30, 2014 - \$0.04 million) for services provided by geologists and geophysicists employed by the Company. At September 30, 2015, the outstanding balance receivable from Africa Energy was \$ nil (at December 31, 2014 – \$ 0.03 million).

During the nine months ended September 30, 2015, the Company invoiced Africa Energy \$0.09 million for reimbursable expenses paid by the Company on behalf of Africa Energy (nine months ended September 30, 2014 – \$0.07 million). At September 30, 2015, the outstanding balance receivable from Africa Energy was \$0.06 million (at December 31, 2014 – \$0.07 million).

COMMITMENTS AND CONTINGENCIES

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

Kenya:

Under the terms of the Block 10BB PSC, the Company and its partners fulfilled the minimum work and financial obligations for the first additional exploration period which expired in July 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partner's entry into the second additional exploration period which expires in July 2017. During the second additional exploration period, the Company and its partner are obligated to complete G&G operations (including acquisition of 300 square kilometers of 3D seismic) with a minimum gross expenditure of \$7.0 million. Additionally, AOC and its partner are required to drill one exploration

well with a minimum gross expenditure of \$6.0 million. The Company's working interest in Block 10BB is currently 50%.

Under the terms of the Block 9 PSC, the Company and its partner entered into the second additional exploration period in Kenya which will expire on December 31, 2015. Under the terms of the PSC, AOC and its partner are required to drill one additional exploratory well to a minimum depth of 1,500 meters with a minimum gross expenditure of \$3.0 million. In addition, the Company is required to, in consultation with the Ministry of Energy in Kenya, determine how much 2D or 3D seismic, if any, is required. During May 2015, the Company received approval for an eighteen month extension to the second additional exploration period which will expire on June 30, 2017. The Company's working interest in Block 9 is currently 50%.

Under the terms of the Block 12A PSC, the Company and its partners entered into the first additional exploration period in Block 12A which expires in September 2016. During the first additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including 350 square kilometers of 2D seismic with a total minimum gross expenditure of \$6.0 million. Additionally, the Company and its partners are required to drill one exploration well with a minimum gross expenditure of \$15.0 million. The commitments in the Block 12A PSC are supported by an outstanding letter of credit of \$524,543 in favor of the Kenyan Government which is collateralized by bank deposit of \$524,543. At September 30, 2015, the Company's working interest in Blocks 12A was 20%.

Under the terms of the Block 13T PSC, the Company and its partners fulfilled the minimum work and financial obligations for the first additional exploration period which expired in September 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partner's entry into the second additional exploration period which expires in September 2017. During the second additional exploration period, the Company and its partner are obligated to complete G&G operations (including acquisition of 200 square kilometers of 3D seismic) with a minimum gross expenditure of \$6.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of \$15.0 million. The Company's working interest in Block 13T is currently 50%.

Under the terms of the Block 10BA PSC, the Company and its partners fulfilled the minimum work and financial obligations of the initial exploration period which expired in April 2014. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partners' entry into the first additional exploration period which expires in April 2016. During the first additional exploration period, the Company and its partner are obligated to complete geological and geophysical operations, including either 1,000 kilometers of 2D seismic or 50 square kilometers of 3D seismic. Additionally, the Company and its partner are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is \$17.0 million. The commitments in the Block 10BA PSC are supported by an outstanding letter of credit of \$1,275,000 in favor of the Kenyan Government which is collateralized by bank deposit of \$1,275,000. The Company's working interest in Block 10BA is currently 50%.

Ethiopia:

Under the terms of the Blocks 7/8 PSA, during the initial exploration period which was extended by the Ministry of Mines in Ethiopia and expired in April 2014, the Company and its partners were obligated to complete certain geological and geophysical ("G&G") operations (including acquisition of 1,250 kilometers of 2D seismic) with a minimum gross expenditure of \$11.0 million. In addition, the Company and its partners were required to drill one exploration well with a minimum gross expenditure of \$6.0 million. During 2014, the Company has notified its partners and the Ministry of Mines in Ethiopia of its decision to withdraw from the Blocks 7/8 PSA.

Under the terms of the Adigala Block PSA, AOC and its partners fulfilled the amended minimum work and financial obligations of the second exploration period which expired in July 2013. The Ministry of Mines in Ethiopia approved the Company and its partners' entry into the third exploration period with amended minimum work commitments. Under the third exploration period which expires in July 2015, AOC and its partners are obligated to complete acquisition of 500 kilometers of 2D seismic. In addition, the Company and its partners are required to drill one exploration well in the event that a viable prospect can be identified. During the first quarter of 2015, the Company has notified its partners and the Ministry of Mines in Ethiopia of its decision to withdraw from the Adigala Block PSA.

Under the terms of the South Omo PSA, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period which expired in January 2015. The Ministry of Mines in Ethiopia approved the Company's and its partners' entry into the second additional exploration period which expires in January 2017. During the second additional exploration period, the Company and its partners are obligated to complete G&G operations (including acquisition of 200 kilometers of 2D seismic) with a minimum gross expenditure of \$2.0 million. Additionally, the Company and its partners are required to drill one exploration well to a minimum depth of 3,000 meters with a minimum gross expenditure of \$8.0 million. The Company's working interest in the South Omo Block is currently 30%.

Under the Rift Basin Area PSA, during the initial exploration period which expires in February 2016, the Company and its partner are obligated to complete G&G operations (including the acquisition of 8,000 square kilometers of full tensor gravity and 400 kilometers of 2D seismic) with a minimum gross expenditure of \$5.0 million. The commitments in the Rift Basin Area PSA are supported by an outstanding letter of credit of \$1,250,000 in favor of the Ethiopian Government which is collateralized by bank deposit of \$1,250,000. The Company's working interest in the Rift Basin Area Block is currently 50%.

Puntland (Somalia):

The Company executed PSAs for the Nugaal Block and Dharoor Block through its wholly-owned subsidiary Canmex Holdings (Bermuda) II Ltd. With the completion of drilling Shabeel-1 and Shabeel North-1 in 2012, the Company and its partners fulfilled the minimum work obligations of the initial exploration period under both of the Dharoor Valley and Nugaal Valley PSAs and entered the second exploration period in each PSA expiring in October 2015. The minimum work obligations required during the second exploration period include an exploration well in each block with minimum exploration expenditures of \$5.0 million (gross) in each block. The Company had requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges to be resolved. The minimum work obligations under each of the PSAs are not supported by parent company or bank guarantees. In June 2015, the Company and its joint venture partners notified the Puntland State of Somalia of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs.

OUTSTANDING SHARE DATA

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

| | |
|--|-------------|
| Common shares outstanding | 456,417,074 |
| Outstanding share purchase options | 15,873,500 |
| Full dilution impact on common share outstanding | 472,290,574 |

USE OF PROCEEDS

The Company continues to utilize the proceeds from the following private placements to fund their operations:

| Date of placement | October 28, 2013 | February 23, 2015 | May 29, 2015 | August 31, 2015 |
|-------------------------------------|---|---|---|---|
| Net proceeds | \$447.4 million | \$120.3 million | \$99.9 million | \$49.9 million |
| Shares issued | 56,505,217 | 57,020,270 | 52,623,377 | 31,169,048 |
| Planned use of proceeds | East African work program and general working capital | East African work program and general working capital | East African work program and general working capital | East African work program and general working capital |
| Uses of proceeds other than planned | None | None | None | None |

OFF-BALANCE SHEET ARRANGEMENTS

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

NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

The accounting policy set out below has been applied to these consolidated financial statements.

Equity method:

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

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

- b) There are no new standards or amendments to existing standards effective January 1, 2015.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company's CEO and CFO have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on January 1, 2015 and ended on June 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

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", "will", "would have" 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.

Any statements regarding the following are forward-looking statements:

- expected closing dates for the completion of proposed transactions;
- planned exploration activity including both expected drilling and geological and geophysical related activities;
- anticipated future financing requirements
- future crude oil, natural gas or chemical prices;

- future sources of funding for our capital program;
- availability of potential farmout partners;
- government or other regulatory consent for exploration, development, farmout or acquisition activities;
- future production levels;
- future capital expenditures and their allocation to exploration and development activities;
- future earnings;
- future asset acquisitions or dispositions;
- future debt levels;
- availability of committed credit facilities;
- possible commerciality;
- development plans or capacity expansions;
- future ability to execute dispositions of assets or businesses;
- future sources of liquidity, cash flows and their uses;
- future drilling of new wells;
- ultimate recoverability of current and long-term assets;
- ultimate recoverability of reserves or resources;
- expected finding and development costs;
- expected operating costs;
- estimates on a per share basis;
- future foreign currency exchange rates;
- future market interest rates;
- future expenditures and future allowances relating to environmental matters;
- dates by which certain areas will be developed or will come on stream or reach expected operating capacity; and
- changes in any of the foregoing.

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

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

- market prices for oil and gas and chemical products;
- our ability to explore, develop, produce and transport crude oil and natural gas to markets;
- ultimate effectiveness of design or design modification to facilities;
- the results of exploration and development drilling and related activities;
- volatility in energy trading markets;
- foreign-currency exchange rates;
- economic conditions in the countries and regions in which we carry on business;
- governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations;
- renegotiations of contracts;
- results of litigation, arbitration or regulatory proceedings; and
- political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict,

- conflict between states.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on our assessment of all information at that time. Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements.

Undue reliance should not be placed on the statements contained herein, which are made as of the date hereof and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

AFRICA OIL CORP.

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

| | | September 30, 2015 | December 31, 2014 |
|---|-------------|-----------------------|----------------------|
| | Note | | |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 154,568 | \$ 161,162 |
| Accounts receivable | | 1,116 | 1,633 |
| Due from related party | 12 | 62 | - |
| Prepaid expenses | | 1,254 | 1,276 |
| | | 157,000 | 164,071 |
| Long-term assets | | | |
| Restricted cash | 4 | 3,049 | 1,250 |
| Equity investment | 13 | 5,651 | - |
| Property and equipment | 5 | 33 | 50 |
| Intangible exploration assets | 6 | 980,442 | 785,177 |
| | | 989,175 | 786,477 |
| Total assets | | \$ 1,146,175 | \$ 950,548 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 76,714 | \$ 153,502 |
| | | 76,714 | 153,502 |
| Total liabilities | | 76,714 | 153,502 |
| Equity attributable to common shareholders | | | |
| Share capital | 7(b) | 1,290,389 | 1,014,772 |
| Contributed surplus | | 44,612 | 39,947 |
| Deficit | | (265,540) | (257,673) |
| Total equity attributable to common shareholders | | 1,069,461 | 797,046 |
| Total liabilities and equity attributable to common shareholders | | \$ 1,146,175 | \$ 950,548 |
| Commitments and contingencies | 10 | | |
| Subsequent event | 19 | | |

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

Approved on behalf of the Board:

"ANDREW BARTLETT"

ANDREW BARTLETT, DIRECTOR

"KEITH HILL"

KEITH HILL, DIRECTOR

AFRICA OIL CORP.

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

| | | Three months ended September 30, 2015 | Three months ended September 30, 2014 | Nine months ended September 30, 2015 | Nine months ended September 30, 2014 |
|---|-------------|--|--|---|---|
| | Note | | | | |
| Operating expenses | | | | | |
| Salaries and benefits | | \$ 515 | \$ 458 | 1,318 | \$ 1,380 |
| Stock-based compensation | 8 | 1,243 | 3,046 | 6,366 | 15,553 |
| Travel | | 345 | 647 | 876 | 1,244 |
| Office and general | | 275 | 334 | 595 | 750 |
| Donation | 18 | 500 | 535 | 1,285 | 2,035 |
| Depreciation | 5 | 3 | 16 | 17 | 50 |
| Professional fees | | 127 | 177 | 446 | 529 |
| Stock exchange and filing fees | | 253 | 326 | 717 | 1,397 |
| Share of loss from equity investment | 13 | 323 | - | 622 | - |
| Gain on loss of control | 13 | - | - | (4,155) | - |
| Impairment of intangible exploration assets | 6 | - | 469 | - | 31,302 |
| | | 3,584 | 6,008 | 8,087 | 54,240 |
| Finance income | 11 | (99) | (287) | (309) | (1,111) |
| Finance expense | 11 | 196 | 210 | 338 | 296 |
| Net loss and comprehensive loss | | 3,681 | 5,931 | 8,116 | 53,425 |
| Net loss and comprehensive loss attributable to non-controlling interest | | - | 245 | 249 | 745 |
| Net loss and comprehensive loss attributable to common shareholders | | 3,681 | 5,686 | 7,867 | 52,680 |
| Net loss attributable to common shareholders per share | 15 | | | | |
| Basic | | \$ 0.01 | \$ 0.02 | 0.02 | \$ 0.17 |
| Diluted | | \$ 0.01 | \$ 0.02 | 0.02 | \$ 0.17 |
| Weighted average number of shares outstanding for the purpose of calculating earnings per share | 15 | | | | |
| Basic | | 435,411,846 | 312,289,884 | 388,640,246 | 310,932,713 |
| Diluted | | 435,411,846 | 312,289,884 | 388,640,246 | 310,932,713 |

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

AFRICA OIL CORP.

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

| For the nine months ended | | September 30, 2015 | September 30, 2014 |
|--|----------------------|-----------------------|-----------------------|
| | Note 7(b) | | |
| Share capital: | | | |
| Balance, beginning of period | | \$ 1,014,772 | \$ 1,007,414 |
| Private placement, net | | 270,071 | - |
| Exercise of options | | 5,546 | 7,466 |
| Balance, end of period | | 1,290,389 | 1,014,880 |
| Contributed surplus: | | | |
| Balance, beginning of period | | \$ 39,947 | \$ 24,396 |
| Stock based compensation | 8 | 6,366 | 15,553 |
| Exercise of options | 8 | (1,701) | (2,400) |
| Balance, end of period | | 44,612 | 37,549 |
| Deficit: | | | |
| Balance, beginning of period | | \$ (257,673) | \$ (150,736) |
| Net loss and comprehensive loss attributable to common shareholders | | (7,867) | (52,680) |
| Balance, end of period | | (265,540) | (203,416) |
| Total equity attributable to common shareholders | | 1,069,461 | 849,013 |
| Non-controlling interest: | | | |
| Balance, beginning of period | | \$ - | \$ 48,773 |
| Net loss and comprehensive loss attributable to non-controlling interest | | (249) | (745) |
| Derecognition of non-controlling interest on loss of control | | 249 | - |
| Balance, end of period | | - | 48,028 |
| Total equity | | \$ 1,069,461 | \$ 897,041 |

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

AFRICA OIL CORP.

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

| | | Three months ended September 30, 2015 | Three months ended September 30, 2014 | Nine months ended September 30, 2015 | Nine months ended September 30, 2014 |
|--|-------------|--|--|---|---|
| Cash flows provided by (used in): | | | | | |
| | Note | | | | |
| Operations: | | | | | |
| Net loss and comprehensive loss for the period | | \$ (3,681) | \$ (5,931) | \$ (8,116) | \$ (53,425) |
| Items not affecting cash: | | | | | |
| Stock-based compensation | 8 | 1,243 | 3,046 | 6,366 | 15,553 |
| Depreciation | 5 | 3 | 16 | 17 | 50 |
| Gain on loss of control | 13 | - | - | (4,155) | - |
| Impairment of intangible exploration assets | 6 | - | 469 | - | 31,302 |
| Share of loss from equity investment | 13 | 323 | - | 622 | - |
| Fair value adjustment - warrants | | - | - | - | (1) |
| Unrealized foreign exchange (gain) loss | | 184 | 207 | 316 | 282 |
| Changes in non-cash operating working capital | 17 | (38) | (166) | 28 | (846) |
| | | (1,966) | (2,359) | (4,922) | (7,085) |
| Investing: | | | | | |
| Property and equipment expenditures | 5 | - | (4) | - | (13) |
| Intangible exploration expenditures | 6 | (48,693) | (95,527) | (195,265) | (301,960) |
| Farmout proceeds | 6 | - | - | - | 13,207 |
| Due from related party | 12 | (39) | - | 47 | - |
| Equity investment | 13 | - | - | (1,000) | - |
| Reduction of cash from change of control | 13 | - | - | (254) | - |
| Changes in non-cash investing working capital | 17 | (1,404) | 19,868 | (77,001) | 71,932 |
| | | (50,136) | (75,663) | (273,473) | (216,834) |
| Financing: | | | | | |
| Common shares issued | 7(b) | 49,880 | 1,801 | 273,916 | 5,066 |
| Deposit of cash for bank guarantee | 4 | (524) | - | (1,799) | (450) |
| | | 49,356 | 1,801 | 272,117 | 4,616 |
| Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency | | (184) | (207) | (316) | (282) |
| Decrease in cash and cash equivalents | | (2,930) | (76,428) | (6,594) | (219,585) |
| Cash and cash equivalents, beginning of period | | \$ 157,498 | \$ 350,052 | \$ 161,162 | \$ 493,209 |
| Cash and cash equivalents, end of period | | \$ 154,568 | \$ 273,624 | \$ 154,568 | \$ 273,624 |
| Supplementary information: | | | | | |
| Interest paid | | Nil | Nil | Nil | Nil |
| Income taxes paid | | Nil | Nil | Nil | Nil |

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

AFRICA OIL CORP.

Notes to Consolidated Financial Statements

For the three and nine months ended September 30, 2015 and 2014

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

(Unaudited)

1) Incorporation and nature of business:

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

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

2) Basis of preparation:

a) Statement of compliance:

The Company prepares these condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles for interim periods, specifically International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all the information required for full annual financial statements, and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at November 16, 2015, the date the Board of Directors approved the statements.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the significant accounting policies in Note 3 of the annual financial statements for the year ended December 31, 2014. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the Company's consolidated financial statements for the year ended December 31, 2014.

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Those accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

c) Functional and presentation currency:

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

d) Use of estimates and judgments:

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

Significant estimates and judgment used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2014.

3) Significant accounting policies:

The accounting policy set out below has been applied to these consolidated financial statements.

a) Equity method:

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

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

b) There are no new standards or amendments to existing standards effective January 1, 2015.

4) Restricted cash:

At September 30, 2015, the Company has a restricted cash balance of \$3.0 million, (December 31, 2014 - \$1.3 million) which represents the following bank deposits securing outstanding letters of credit:

| Block | In favor of | September 30, 2015 | December 31, 2014 |
|------------|----------------------|--------------------|-------------------|
| Rift Basin | Republic of Ethiopia | \$ 1,250 | \$ 1,250 |
| 10BA | Republic of Kenya | 1,275 | - |
| 12A | Republic of Kenya | 524 | - |
| | | \$ 3,049 | \$ 1,250 |

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5) Property and equipment:

| | September 30, 2015 | December 31, 2014 |
|---|-----------------------|----------------------|
| Cost, beginning of period | \$ 396 | \$ 382 |
| Additions | - | 14 |
| Cost, end of period | 396 | 396 |
| Accumulated depreciation, beginning of period | (346) | (279) |
| Depreciation | (17) | (67) |
| Accumulated depreciation, end of period | (363) | (346) |
| Net carrying amount, beginning of period | \$ 50 | \$ 103 |
| Net carrying amount, end of period | \$ 33 | \$ 50 |

As at September 30, 2015, the Company has recorded \$0.03 million of property and equipment (December 31, 2014 - \$0.05 million) consisting primarily of office and computer equipment. The Company depreciates its property and equipment on a straight line basis over the useful life of the assets (one to three years).

Depreciation expense for the three and nine months ended September 30, 2015, was \$0.003 million and \$0.02, respectively (\$0.01 million and \$0.05 million for the three and nine months ended September 30, 2014, respectively).

6) Intangible exploration assets:

| | September 30, 2015 | December 31, 2014 |
|---|-----------------------|----------------------|
| Net carrying amount, beginning of period | \$ 785,177 | \$ 488,688 |
| Intangible exploration expenditures | 195,265 | 437,876 |
| Impairment of intangible exploration assets | - | (128,180) |
| Farmout proceeds | - | (13,207) |
| Net carrying amount, end of period | \$ 980,442 | \$ 785,177 |

As at September 30, 2015, \$980.4 million of exploration expenditures have been capitalized as intangible exploration assets (December 31, 2014 - \$785.2 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: geological and geophysical studies, exploratory and appraisal drilling, well testing, development studies and related general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments. At September 30, 2015, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated.

During the nine months ended September 30, 2015, the Company capitalized \$19.1 million of general and administrative expenses related to intangible exploration assets (nine months ended September 30, 2014 - \$13.9 million).

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In March 2014, the Company completed a farmout transaction with Marathon Oil Corporation (“Marathon”) whereby Marathon acquired a 50% interest in the Rift Basin Area leaving the Company with a 50% working interest. In accordance with the farmout agreement, Marathon was obligated to pay the Company \$3.0 million in consideration of past exploration expenditures, and has agreed to fund the Company’s working interest share of future joint venture expenditures to a maximum of \$15.0 million with an effective date of June 30, 2012. Upon closing of the farmout, Marathon paid the Company \$3.0 million in consideration of past exploration expenditures and \$10.2 million being Marathon’s and the Company’s share of exploration expenditures from the effective date to the closing date of the farmout.

During August 2014, the Company notified the Ethiopian Government and its partners of its decision to withdraw from Blocks 7&8. Accordingly, the Company wrote off \$31.8 million of capitalized intangible exploration assets related to Blocks 7&8. The remaining carrying value of the Blocks 7&8 intangible exploration assets is \$ nil.

During the first quarter of 2015, the Company notified the Ethiopian Government and its partners of its decision to withdraw from the Adigala Block. The Company wrote off \$5.8 million of capitalized intangible exploration assets related to the Adigala Block in the fourth quarter of 2014. The remaining carrying value of the Adigala Block intangible exploration assets is \$ nil.

During March 2015, the method of accounting for the Company’s ownership interest in Africa Energy Corp. (“Africa Energy”, formerly Horn Petroleum Corporation) changed to equity accounting. Accordingly, the Company will no longer report intangible exploration assets associated with the oil and gas properties held by Africa Energy (see Note 13). During the fourth quarter of 2014, the Company fully impaired \$90.6 million of previously capitalized intangible exploration assets relating to the Dharoor Valley and Nugaal Valley PSAs. During June 2015, the Company and its joint venture partners notified the Government of Puntland (Somalia) of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs.

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

7) Share capital:

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

b) Issued:

| | Note | September 30, 2015 | | December 31, 2014 | |
|--|------|--------------------|--------------|-------------------|--------------|
| | | Shares | Amount | Shares | Amount |
| Balance, beginning of period | | 312,333,279 | \$ 1,014,772 | 309,470,323 | \$ 1,007,414 |
| Private placements, net of issue costs | (i) | 140,812,695 | 270,071 | - | - |
| Exercise of options | 8 | 3,271,100 | 5,546 | 2,862,956 | 7,358 |
| Balance, end of period | | 456,417,074 | \$ 1,290,389 | 312,333,279 | \$ 1,014,772 |

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- i) During February 2015, the Company completed a brokered private placement issuing an aggregate of 57,020,270 common shares at a price of SEK 18.50 per share for gross proceeds of SEK 1,055 million or \$125.0 million. A cash commission was paid in the amount of \$4.7 million.

During May 2015, the Company completed a non-brokered private placement issuing an aggregate of 52,623,377 common shares, at a price of CAD \$2.31 per share for gross proceeds of CAD \$121.6 million or \$100.0 million. Total costs related to the share issuance amount to \$0.1 million.

During August 2015, the Company completed a non-brokered private placement issuing an aggregate of 31,169,048 common shares at a price of CAD \$2.10 per shares for gross proceeds of CAD \$65.5 million or \$50.0 million. Total costs related to the share issuance amount to \$0.1 million.

8) Share purchase options:

At the 2014 Annual General Meeting, held on June 3, 2014, the Company's shareholders approved the stock option plan ("the Plan"). 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, and option exercise prices will reflect current trading values of the Company's shares. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. Vesting periods are determined by the Board of Directors and no optionee shall be entitled to a grant of more than 5% of the Company's outstanding issued shares.

At the 2015 Annual General Meeting, held on June 11, 2015, the Company's shareholders considered, but did not approve, certain amendments to the Plan, including the proposed renewal of unallocated option entitlements under the Plan until June 11, 2018. Any options granted subsequent to the 2015 Annual General Meeting will be subject to shareholder approval of a stock option plan and ratification of the grants, and will not be exercisable until such approvals and ratifications have been obtained. Options granted pursuant to the Plan prior to the date of the 2015 Annual General Meeting continue to be valid, outstanding options of the Company, exercisable in accordance with their terms.

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

| | September 30, 2015 | | December 31, 2014 | |
|--------------------------------|--------------------|---|-------------------|---|
| | Number of shares | Weighted average exercise price (CAD\$) | Number of shares | Weighted average exercise price (CAD\$) |
| Outstanding, beginning of year | 15,893,767 | 6.19 | 13,395,222 | 4.35 |
| Granted | 5,194,000 | 2.45 | 6,078,500 | 8.42 |
| Expired | (1,943,167) | 7.94 | (716,999) | 7.91 |
| Exercised | (3,271,100) | 1.49 | (2,862,956) | 1.89 |
| Balance, end of period | 15,873,500 | 5.72 | 15,893,767 | 6.19 |

During the nine months ended September 30, 2015, 3.3 million options were exercised in which \$1.7 million in contributed surplus was transferred to share capital compared to 2.8 million options being exercised during the nine months ended September 30, 2014 in which \$2.4 million in contributed surplus was transferred to share capital.

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The weighted average closing share price on the day options were exercised during the nine months ended September 30, 2015 was CAD\$2.24 (twelve months ended December 31, 2014 - CAD\$8.02).

The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model and the fair value of the options granted is expensed over the vesting period of the options. The fair value of each option granted by the Company during the nine months ended September 30, 2015 and the year ended December 31, 2014 was estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

| | 2015 | 2014 |
|--|-----------|-----------|
| Number of options granted during the year | 5,194,000 | 6,078,500 |
| Fair value of options granted (CAD\$ per option) | 1.06 | 3.33 |
| Risk-free interest rate (%) | 0.94 | 1.01 |
| Expected life (years) | 3.00 | 2.25 |
| Expected volatility (%) | 64 | 67 |
| Expected dividend yield | - | - |

The following table summarizes information regarding the Company's stock options outstanding at September 30, 2015:

| Weighted Average Exercise price (CAD\$/share) | Number outstanding | Weighted average remaining contractual life in years |
|--|--------------------|---|
| 5.94 | 5,199,000 | 0.55 |
| 7.86 | 100,000 | 0.84 |
| 8.44 | 5,441,500 | 1.38 |
| 7.30 | 120,000 | 1.74 |
| 2.48 | 4,413,000 | 4.32 |
| 2.25 | 600,000 | 4.45 |
| 5.72 | 15,873,500 | 2.04 |

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. During the nine months ended September 30, 2015, the Company recognized \$6.4 million in stock-based compensation expense related to stock options of AOC and to stock options of Africa Energy prior to loss of control, (nine months ended September 30, 2014 - \$15.6 million).

9) Segment information:

The Company determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO") and Chief Financial Officer ("CFO"), who are the Company's chief operating decision makers. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results, for which discrete financial information is available, are reviewed regularly by the CEO, COO and CFO to make decisions about resources to be allocated to the segment and assess its performance. The Company has a single class of business which is international oil and gas exploration. The geographical areas are defined by the Company as operating segments in accordance with IFRS. The Company operates in a number of geographical areas based on location of operations, being Kenya and Ethiopia.

In the fourth quarter of 2014, the Company fully impaired \$90.6 million of previously capitalized intangible exploration expenditures in Puntland (Somalia), leaving a carrying value of nil.

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During March 2015, the Company's investment in Africa Energy changed from a position of control to a position of significant influence and, as such, the Company will account for Puntland (Somalia) as an equity investment on a go-forward basis.

| At September 30, 2015 | Kenya | Ethiopia | Puntland (Somalia) | Corporate | Total |
|-------------------------------|------------|-----------|-----------------------|------------|---------------------|
| Total assets | \$ 909,049 | \$ 97,475 | \$ - | \$ 139,651 | \$ 1,146,175 |
| Intangible exploration assets | 889,216 | 91,226 | - | - | 980,442 |
| Property and equipment | - | - | - | 33 | 33 |

| At December 31, 2014 | Kenya | Ethiopia | Puntland (Somalia) | Corporate | Total |
|-------------------------------|------------|-----------|-----------------------|------------|-------------------|
| Total assets | \$ 700,070 | \$ 90,788 | \$ 279 | \$ 159,411 | \$ 950,548 |
| Intangible exploration assets | 696,925 | 88,252 | - | - | 785,177 |
| Property and equipment | - | - | - | 50 | 50 |

| Three months ended September 30, 2015 | Kenya | Ethiopia | Puntland (Somalia) | Corporate | Total |
|--|------------------|-----------------|-----------------------|-----------------|------------------|
| Capital expenditures | | | | | |
| Intangible exploration assets, net | \$ 46,080 | \$ 2,613 | \$ - | \$ - | \$ 48,693 |
| Property and equipment | - | - | - | - | - |
| | \$ 46,080 | \$ 2,613 | \$ - | \$ - | \$ 48,693 |
| Statement of operations | | | | | |
| Expenses | \$ 10 | \$ 4 | \$ - | 3,570 | \$ 3,584 |
| Finance income | - | - | - | (99) | \$ (99) |
| Finance expense | - | - | - | 196 | \$ 196 |
| Segmented loss | \$ 10 | \$ 4 | \$ - | \$ 3,667 | \$ 3,681 |

| Three months ended September 30, 2014 | Kenya | Ethiopia | Puntland (Somalia) | Corporate | Total |
|--|------------------|------------------|-----------------------|-----------------|------------------|
| Capital expenditures | | | | | |
| Intangible exploration assets | \$ 83,469 | \$ 11,847 | \$ 211 | \$ - | \$ 95,527 |
| Property and equipment | - | - | - | 4 | 4 |
| | \$ 83,469 | \$ 11,847 | \$ 211 | \$ 4 | \$ 95,531 |
| Statement of operations | | | | | |
| Expenses | \$ 12 | \$ 474 | \$ 5 | \$ 5,517 | \$ 6,008 |
| Finance income | - | - | - | (287) | (287) |
| Finance expense | - | - | - | 210 | 210 |
| Segmented loss | \$ 12 | \$ 474 | \$ 5 | \$ 5,440 | \$ 5,931 |

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| Nine months ended September 30, 2015 | Kenya | Ethiopia | Puntland (Somalia) | Corporate | Total |
|---|------------|-----------|-----------------------|-----------|------------|
| Capital expenditures | | | | | |
| Intangible exploration assets | \$ 192,291 | \$ 2,974 | \$ - | \$ - | \$ 195,265 |
| Property and equipment | - | - | - | - | - |
| | \$ 192,291 | \$ 2,974 | \$ - | \$ - | \$ 195,265 |
| Statement of operations | | | | | |
| Expenses | \$ 39 | \$ 12 | \$ - | \$ 8,035 | \$ 8,087 |
| Finance income | - | - | - | (309) | (309) |
| Finance expense | - | - | - | 338 | 338 |
| Segmented loss | \$ 39 | \$ 12 | \$ - | \$ 8,064 | \$ 8,116 |
| Nine months ended September 30, 2014 | | | | | |
| Capital expenditures | | | | | |
| Intangible exploration assets | \$ 253,017 | \$ 47,854 | \$ 1,089 | \$ - | \$ 301,960 |
| Property and equipment | - | - | - | 13 | 13 |
| | \$ 253,017 | \$ 47,854 | \$ 1,089 | \$ 13 | \$ 301,973 |
| Statement of operations | | | | | |
| Expenses | \$ 34 | \$ 31,321 | \$ 17 | \$ 22,868 | \$ 54,240 |
| Finance income | - | - | - | (1,111) | (1,111) |
| Finance expense | - | - | - | 296 | 296 |
| Segmented loss | \$ 34 | \$ 31,321 | \$ 17 | \$ 22,053 | \$ 53,425 |

10) Commitments and contingencies:

a) Contractual obligations

i) Kenya:

Under the terms of the Block 10BB PSC, the Company and its partners fulfilled the minimum work and financial obligations for the first additional exploration period which expired in July 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partner's entry into the second additional exploration period which expires in July 2017. During the second additional exploration period, the Company and its partner are obligated to complete G&G operations (including acquisition of 300 square kilometers of 3D seismic) with a minimum gross expenditure of \$7.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of \$6.0 million. At September 30, 2015, the Company's working interest in Block 10BB was 50%.

Under the terms of the Block 9 PSC, the Company and its partner entered into the second additional exploration period in Kenya which was to expire on December 31, 2015. During May 2015, the Company received approval for an eighteen month extension to the second additional exploration period which will expire on June 30, 2017. Under the terms of the PSC, AOC and its partner are required to drill one additional exploratory well to a minimum depth of 1,500 meters with a minimum gross expenditure of \$3.0 million. In addition, the Company is required to, in consultation with the

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Ministry of Energy in Kenya, determine how much 2D or 3D seismic, if any, is required. At September 30, 2015, the Company's working interest in Block 9 was 50%.

Under the terms of the Block 12A PSC, the Company and its partners entered into the first additional exploration period in Block 12A which expires in September 2016. During the first additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including 350 square kilometers of 2D seismic with a total minimum gross expenditure of \$6.0 million. Additionally, the Company and its partners are required to drill one exploration well with a minimum gross expenditure of \$15.0 million. The commitments in the Block 12A PSC are supported by an outstanding letter of credit of \$524,543 in favor of the Kenyan Government which is collateralized by bank deposit of \$524,543 (see note 4). At September 30, 2015, the Company's working interest in Blocks 12A was 20%.

Under the terms of the Block 13T PSC, the Company and its partners fulfilled the minimum work and financial obligations for the first additional exploration period which expired in September 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partner's entry into the second additional exploration period which expires in September 2017. During the second additional exploration period, the Company and its partner are obligated to complete G&G operations (including acquisition of 200 square kilometers of 3D seismic) with a minimum gross expenditure of \$6.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of \$15.0 million. At September 30, 2015, the Company's working interest in Block 13T was 50%.

Under the terms of the Block 10BA PSC, the Company and its partners fulfilled the minimum work and financial obligations of the initial exploration period which expired in April 2014. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partners' entry into the first additional exploration period which expires in April 2016. During the first additional exploration period, the Company and its partner are obligated to complete geological and geophysical operations, including either 1,000 kilometers of 2D seismic or 50 square kilometers of 3D seismic. Additionally, the Company and its partner are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is \$17.0 million. The commitments in the Block 10BA PSC are supported by an outstanding letter of credit of \$1,275,000 in favor of the Kenyan Government which is collateralized by bank deposit of \$1,275,000 (see note 4). At September 30, 2015, the Company's working interest in Block 10BA was 50%.

ii) Ethiopia:

Under the terms of the Blocks 7/8 PSA, during the initial exploration period which was extended by the Ministry of Mines in Ethiopia and expired in April 2014, the Company and its partners were obligated to complete certain geological and geophysical ("G&G") operations (including acquisition of 1,250 kilometers of 2D seismic) with a minimum gross expenditure of \$11.0 million. In addition, the Company and its partners were required to drill one exploration well with a minimum gross expenditure of \$6.0 million. During 2014, the Company has notified its partners and the Ministry of Mines in Ethiopia of its decision to withdraw from the Blocks 7/8 PSA.

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Under the terms of the Adigala Block PSA, AOC and its partners fulfilled the amended minimum work and financial obligations of the second exploration period which expired in July 2013. The Ministry of Mines in Ethiopia approved the Company and its partners' entry into the third exploration period with amended minimum work commitments. Under the third exploration period which expired in July 2015, AOC and its partners were obligated to complete acquisition of 500 kilometers of 2D seismic. In addition, the Company and its partners were required to drill one exploration well in the event that a viable prospect could be identified. During the first quarter of 2015, the Company notified its partners and the Ministry of Mines in Ethiopia of its decision to withdraw from the Adigala Block PSA.

Under the terms of the South Omo PSA, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period which expired in January 2015. The Ministry of Mines in Ethiopia approved the Company's and its partners' entry into the second additional exploration period which expires in January 2017. During the second additional exploration period, the Company and its partners are obligated to complete G&G operations (including acquisition of 200 kilometers of 2D seismic) with a minimum gross expenditure of \$2.0 million. Additionally, the Company and its partners are required to drill one exploration well to a minimum depth of 3,000 meters with a minimum gross expenditure of \$8.0 million. At September 30, 2015, the Company's working interest in the South Omo Block was 30%.

Under the Rift Basin Area PSA, during the initial exploration period which expires in February 2016, the Company and its partner are obligated to complete G&G operations (including the acquisition of 8,000 square kilometers of full tensor gravity and 400 kilometers of 2D seismic) with a minimum gross expenditure of \$5.0 million. The commitments in the Rift Basin Area PSA are supported by an outstanding letter of credit of \$1,250,000 in favor of the Ethiopian Government which is collateralized by bank deposit of \$1,250,000 (see note 4). At September 30, 2015, the Company's working interest in the Rift Basin Area Block was 50%.

iii) Puntland (Somalia):

The following commitments relate to blocks held by Africa Energy, in which the Company has a significant influence through its 40.8% equity ownership.

The Company executed PSAs for the Nugaal Block and Dharoor Block through its wholly-owned subsidiary Canmex Holdings (Bermuda) II Ltd. With the completion of drilling Shabeel-1 and Shabeel North-1 in 2012, the Company and its partners fulfilled the minimum work obligations of the initial exploration period under both of the Dharoor Valley and Nugaal Valley PSAs and entered the second exploration period in each PSA which expired in October 2015. The minimum work obligations required during the second exploration period included an exploration well in each block with minimum exploration expenditures of \$5.0 million (gross) in each block. The Company had requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges in Somalia to be resolved. The minimum work obligations under each of the PSAs are not supported by parent company or bank guarantees. In June 2015, the Company and its joint venture partners notified the Puntland State of Somalia of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs.

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11) Finance income and expense:

Finance income and expense for the three and nine months ended September 30, 2015 and 2014 is comprised of the following:

| | Three months ended September 30, 2015 | Three months ended September 30, 2014 | Nine months ended September 30, 2015 | Nine months ended September 30, 2014 |
|------------------------------------|--|--|---|---|
| Fair value adjustment - w warrants | \$ - | \$ - | \$ - | \$ 1 |
| Interest and other income | 99 | 287 | 309 | 1,110 |
| Bank charges | (12) | (3) | (22) | (14) |
| Foreign exchange loss | (184) | (207) | (316) | (282) |
| Finance income | \$ 99 | \$ 287 | \$ 309 | \$ 1,111 |
| Finance expense | \$ (196) | \$ (210) | \$ (338) | \$ (296) |

12) Related party transactions:

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

On September 20, 2011, a Share Purchase Agreement was executed between the Company and Africa Energy which resulted in the Company owning 51.4% of the outstanding shares of Africa Energy. In June 2012, March 2014 and March 2015, Africa Energy completed non-brokered private placements reducing the Company's ownership interest in Africa Energy to 40.8%. The following transactions occurred during the period between the Company and Africa Energy.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy \$0.4 million during the nine months ended September 30, 2015 (nine months ended September 30, 2014 – \$0.6 million). At September 30, 2015, the outstanding balance receivable from Africa Energy was \$ nil (at December 31, 2014 – \$ nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

Under the terms of a Services Agreement between the Company and Africa Energy, the Company invoiced Africa Energy \$ nil during the nine months ended September 30, 2015 (nine months ended September 30, 2014 - \$0.04 million) for services provided by geologists and geophysicists employed by the Company. At September 30, 2015, the outstanding balance receivable from Africa Energy was \$ nil (at December 31, 2014 – \$ 0.03 million).

During the nine months ended September 30, 2015, the Company invoiced Africa Energy \$0.09 million for reimbursable expenses paid by the Company on behalf of Africa Energy (nine months ended September 30, 2014 – \$0.07 million). At September 30, 2015, the outstanding balance receivable from Africa Energy was \$0.06 million (at December 31, 2014 – \$0.07 million).

AFRICA OIL CORP.

Notes to Consolidated Financial Statements

For the three and nine months ended September 30, 2015 and 2014

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

(Unaudited)

13) Equity Investment:

During March 2015, the Company's investment in Africa Energy changed from a position of control to a position of significant influence due to the changes to the composition of Africa Energy's board of directors and the Company's ownership interest being reduced as a result of a private placement. As a result of the change, the Company's investment in Africa Energy is recorded as an equity investment. Under equity accounting, the Company is required to recognize its investment in its former subsidiary at fair market value on the date control ceases. The fair value of Africa Energy at the date control ceased was \$5.3 million. On loss of control, the Company derecognized \$1.1 million of net assets in Africa Energy, resulting in the recognition of a gain of \$4.2 million for accounting purposes on the loss of control. During March 2015, Africa Energy completed a private placement in which the Company invested \$1.0 million.

For the three and nine months ended September 30, 2015, Company recognized losses of \$0.3 million and \$0.6 million, respectively, in its investment in Africa Energy.

As a result of the value attributed to the Company's investment in Africa Energy at March 2015, the value of additional investments made in Africa Energy since March 2015 and the Company's share of losses recognized since March 2015, \$5.7 million is recorded as an equity investment as at September 30, 2015.

14) Subsidiaries:

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

15) Earnings per share:

| For the three months ended | September 30, 2015 | | | September 30, 2014 | | |
|--|--------------------|------------------|-------------------|--------------------|------------------|-------------------|
| | Weighted Average | | | Weighted Average | | |
| | Earnings | Number of shares | Per share amounts | Earnings | Number of shares | Per share amounts |
| Basic earnings per share | | | | | | |
| Net loss attributable to common shareholders | \$ 3,681 | 435,411,846 | \$ 0.01 | \$ 5,686 | 312,289,884 | \$ 0.02 |
| Effect of dilutive securities | - | - | - | - | - | - |
| Dilutive loss per share | \$ 3,681 | 435,411,846 | \$ 0.01 | \$ 5,686 | 312,289,884 | \$ 0.02 |

AFRICA OIL CORP.

Notes to Consolidated Financial Statements

For the three and nine months ended September 30, 2015 and 2014

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

(Unaudited)

| For the nine months ended | September 30, 2015 | | | September 30, 2014 | | |
|--|--------------------|------------------|-------------------|--------------------|------------------|-------------------|
| | Earnings | Weighted Average | | Earnings | Weighted Average | |
| | | Number of shares | Per share amounts | | Number of shares | Per share amounts |
| Basic earnings per share | | | | | | |
| Net loss attributable to common shareholders | \$ 7,867 | 388,640,246 | \$ 0.02 | \$ 52,680 | 310,932,713 | \$ 0.17 |
| Effect of dilutive securities | - | - | - | - | - | - |
| Dilutive loss per share | \$ 7,867 | 388,640,246 | \$ 0.02 | \$ 52,680 | 310,932,713 | \$ 0.17 |

For the three and nine months ended September 30, 2015, the Company used an average market price of CAD\$1.89 and CAD\$2.24 per share, respectively (three and nine months ended September 30, 2014 – CAD\$6.52 and CAD\$7.73, respectively) to calculate the dilutive effect of stock options. For the three and nine months ended September 30, 2015, 15,873,500 options were anti-dilutive and were not included in the calculation of dilutive loss per share (nine months ended September 30, 2014 – 16,143,766).

16) Financial Instruments:

Assets and liabilities at September 30, 2015 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's cash and cash equivalents, receivables and payables are assessed on the fair value hierarchy described above. The Company's cash and cash equivalents, receivables and payables are classified as Level 2. The fair value of the investment in Africa Energy at the time of loss of control was determined by a quoted stock price and is classified as Level 1. The investment in Africa Energy does not require any revaluation after the time of loss of control. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. There were no transfers between levels in the fair value hierarchy in the period.

AFRICA OIL CORP.

Notes to Consolidated Financial Statements

For the three and nine months ended September 30, 2015 and 2014

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

(Unaudited)

17) Supplementary information:

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

| | Three months ended September 30, 2015 | Three months ended September 30, 2014 | Nine months ended September 30, 2015 | Nine months ended September 30, 2014 |
|--|--|--|---|---|
| Changes in non-cash working capital | | | | |
| Accounts receivable | \$ 1,944 | \$ 1,441 | \$ 517 | \$ 2,740 |
| Prepaid expenses | (27) | (127) | 22 | (114) |
| Accounts payable and accrued liabilities | (3,359) | 18,388 | (76,788) | 68,460 |
| | (1,442) | 19,702 | (76,249) | 71,086 |
| Non-cash working capital derecognized upon loss of control | - | - | (724) | - |
| | (1,442) | 19,702 | (76,973) | 71,086 |
| Relating to: | | | | |
| Operating activities | (38) | (166) | \$ 28 | \$ (846) |
| Investing activities | (1,404) | 19,868 | \$ (77,001) | \$ 71,932 |
| Changes in non-cash working capital | \$ (1,442) | \$ 19,702 | \$ (76,973) | \$ 71,086 |

18) Donation:

As part of the Company's Community Social Responsibility commitment, the Company made donations to the Lundin Foundation of \$0.5 million and \$1.3 million for the three months ended and nine months ended September 30, 2015, respectively (\$0.5 million and \$2.0 million for the three and nine months ended September 30, 2014, respectively). The Lundin Foundation is a registered Canadian non-profit organization that provides grants and risk capital to organizations dedicated to alleviating poverty in developing countries.

19) Subsequent event:

On November 9, 2015, the Company announced that it had entered into a definitive farmout agreement with Maersk Oil & Gas A/S, a Danish oil and gas company owned by the Maersk Group ("Maersk") whereby Maersk will acquire 50% of Africa Oil's interests in Blocks 10BB, 13T and 10BA in Kenya and the Rift Basin and South Omo Blocks in Ethiopia in consideration for reimbursement of a portion of Africa Oil's past costs and a future carry on certain exploration and development costs.

Under the terms of the farmout agreement, upon closing of the transaction Maersk will pay Africa Oil US\$350 million as reimbursement of past costs incurred by Africa Oil prior to the agreed March 31, 2015 effective date. Maersk will also reimburse Africa Oil for its acquired working interest share of costs incurred between the effective date and the closing date. Commencing on the effective date, Maersk will also carry up to US\$75 million of the Company's share of development expenditures upon confirmation of resources and US\$15 million of the Company's share of exploration expenditures. In addition, upon Final Investment Decision ("FID"), Maersk will also carry up to US\$405 million of Africa Oil's working interest share of development expenditures for the Lokichar Development Project. The total carry amount is contingent upon the Lokichar Development Project meeting certain thresholds of resource growth, and the timing of first oil. The transaction is subject to host government and applicable regulatory approvals.