Consolidated Financial Statements
(Expressed in United States dollars)

AFRICA OIL CORP.

For the three and six months ended June 30, 2009 and 2008

Unaudited
Prepared by Management

Africa Oil Corp.

Second Quarter Highlights

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

- During the quarter, the Company raised CAD$35.5 million by way of a private placement of 37.4 million subscription receipts at $0.95 per unit. Each subscription receipt entitled the holder to receive one unit of the Company without further payment upon completion of the acquisition of the East African properties from Lundin Petroleum AB. One unit comprised one common share plus one share purchase warrant exercisable at CAD $1.50 per share for a period of three years. In the event that Africa Oil trades at or above CAD $2.00 for a period of 20 consecutive days, a forced exercise provision will come into effect.

- The Company signed a farmout agreement with Black Marlin Energy Limited's East Africa Exploration Limited ("EAX") unit for their entry into the production sharing contracts in both Ethiopia and Kenya. In Ethiopia, Africa Oil will transfer a 30% license interest to EAX in the Blocks 2/6 and 7/8 Production Sharing Agreements located in the highly under-explored Ogaden Basin of southern Ethiopia. In Kenya, Africa Oil will transfer a 20% license interest to EAX in the prospective Block 10A Production Sharing Contract, located in the Anza Basin of northern Kenya. EAX, in both areas, will pay a disproportionate share of costs associated with the planned 2D seismic programs to be carried out in 2009-10 as well as paying a portion of Africa Oil's past costs and future operational costs. Africa Oil has executed a seismic contract with Upstream Petroleum Services Limited (UPSL) to undertake the seismic acquisition in both Ethiopia and Kenya. This farmout transaction is subject to approvals of the appropriate regulatory authorities from the Government of the Federal Democratic Republic of Ethiopia and Republic of Kenya in addition to waiver of pre-emptive rights by an existing partner in the Ethiopian licenses.

- Subsequent to the end of the quarter, the Company completed the acquisition of all of the issued and outstanding shares of Turkana Energy Inc., a privately held oil and gas exploration company. Turkana's principal asset was a 100% interest Block 10BB (subject to a 20% back-in right in favor of the Kenyan government), a highly prospective oil exploration block in northwestern Kenya. Turkana was acquired by way of a plan of arrangement in consideration for 7.5 million common shares of Africa Oil. In addition, existing Turkana convertible loans owing to Turkana shareholders, to a maximum of CAD $1 million, were exchanged into common shares of Africa Oil on the basis of CAD$1.27 per share. Block 10BB is a large block encompassing approximately 13,000 square kilometers located in the Rift Valley of northwestern Kenya. The block is within the Tertiary rift trend of East Africa which has recently yielded major oil discoveries by operators such as Heritage and Tullow which are active in the Lake Albert region of Uganda. Block 10BB is located immediately west of Africa Oil's Kenyan Block 10A and Block 9 and further consolidated the Company's holdings in the highly prospective Anza Basin petroleum system.

- In addition, the Company signed a farmout letter of intent with Raytec Metals Corp. ("Raytec") for their entry into the Production Sharing Contracts in the State of Puntland, Somalia and the Republic of Kenya. In Puntland, Somalia, Africa Oil will transfer a 15% license interest to Raytec in the Nogal and Dharoor Petroleum Production Sharing Agreements. In Kenya, Africa Oil will transfer a 10% interest in the Block 9 Production Sharing Agreement, a 20% license interest in Block 10BB and a 25% license interest in Block 10A. Raytec will pay a disproportionate share of costs associated with the planned work programs to be carried out in 2009 and 2010. This farmout transaction is subject to government, exchange, and partner approvals if required.

- Assuming completion of all farm-out agreements, the Company's interests in the various blocks will be:

Country	Concession	Working Interest	Paying Interest
Somalia	Dharoor Nogal	65% 65%	50% 70%
Ethiopia	2, 6, 7, 8 Adigala	55% 50%	30% 0%
Kenya	10A 10BB 9	55% 80% 20%	20% 60% 26.67%

Looking Forward

- A 500 kilometre 2D seismic acquisition program is currently underway in the Adigala block in Ethiopia. Processing and interpretation will continue into the fall.
- In the Ogaden area (Blocks, 2, 6, 7, 8), a 500 kilometre 2D seismic program will commence in the fall with processing and interpretation expected to be completed by the spring of 2010.
- During the fourth quarter of 2009 the Bogal well in Block 9 in Kenya is expected to spud.
- In the Dharoor block in Somalia, interpretation of newly acquired seismic is nearing completion. Drilling of the first well is anticipated in the first quarter of 2010.
- Africa Oil's mission is to build a leading oil exploration and production company focused on the outstanding opportunities available in Africa. The Company and its internationally recognized exploration team will seek large-scale opportunities that exhibit world-class potential that will create shareholder value and create positive economic and social impacts on the local communities where we operate.

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

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Oil Corp. and its subsidiaries (the "Company" or "AOC") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2008 and 2007 and related notes thereto. The unaudited consolidated financial statements for the three and six months ended June 30, 2009 and 2008 have not been reviewed by the Company's external auditors.

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

The effective date of this MD&A is August 19, 2009.

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

RECENT ACTIVITIES

Acquisition from Lundin Petroleum AB

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

Pursuant to the Share Purchase Agreement (SPA), AOC paid as consideration to LPAB approximately $23.7 million which was funded through a convertible loan from LPAB maturing December 31, 2011 and at an interest rate of six-month LIBOR plus 3%. The loan, including any accrued and unpaid interest, will be convertible, at the option of either AOC or LPAB, into shares of AOC on the basis of CAD$0.90 per common share.

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

East Africa Exploration Limited Farmout

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

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

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

Shareholder Loan Conversion

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

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

Turkana Energy Inc. Acquisition

Subsequent to the quarter ended June 30, 2009, the Company closed an acquisition of all of the issued and outstanding shares of Turkana Energy Inc. (Turkana). Turkana's principal asset is a 100% interest in Block 10BB, a highly prospective oil exploration block in northwest Kenya. The block is within the Tertiary rift trend of East Africa which has recently yielded major oil discoveries by operators such as Heritage and Tullow. Block 10BB is located immediately west of the Company's holdings in the prospective Anza rift basin petroleum system.

The shares of Turkana were acquired in consideration for 7.5 million common shares, with each share of Turkana being exchanged for 0.20647 per AOC share. In addition, Turkana's previously outstanding convertible loans of CAD$1.0 million were exchanged into common shares of AOC at CAD$1.27 per share.

Raytec Metals Corp. Farmout Agreement

Subsequent to the quarter ended June 30, 2009 the Company signed a farmout agreement with Raytec Metals Corp. (Raytec) for their entry into the production sharing contracts in the State of Puntland, Somalia and the Republic of Kenya (Kenya).

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

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

Raytec, in both areas, will pay a disproportionate share of future costs associated with the planned exploration work programs to be carried out in 2009 and 2010. This farmout transaction is subject to government, exchange, AOC board and partner approvals if required.

GENERAL

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

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

During the second quarter of 2009, the Company completed an acquisition of a large portfolio of East African oil exploration projects. The projects are located within a vastly underexplored region of the East African rift basin petroleum system. The projects acquired include an 85% working interest in Blocks 2, 6, 7 and 8 and a 50% working interest in the Adigala Block in Ethiopia plus a 100% interest in Block 10A and a 30% interest in Block 9 in Kenya. Africa Oil assumed operatorship of these projects, excluding Block 9 in Kenya. These new acreages are complementary to AOC's existing Somalia Blocks and the Company's existing holdings in what is considered a truly world-class exploration play fairway.

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

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

The following table summarizes the Company's net working interest in the various production sharing contracts/agreements, based on current working interest ownership and pending closing of farmout agreements (noted above);

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

OPERATIONS UPDATE

Seismic Program

In Ethiopia, in the Adigala Block, AOC plans to acquire approximately 500 kilometres of 2D seismic. The seismic crew and equipment has mobilized and acquisition commenced inmid-August, 2009. Following completion of the seismic acquisition in Adigala, the seismic crew will move to Blocks 7/8, where AOC plans to acquire approximately 200 kilometres of 2D seismic data. In Blocks 2/6, the Company plans to acquire 300 kilometres with plans to commence after the completion of Blocks 7/8.

In Kenya, in Block 10A, the Company plans to acquire approximately 750 kilometres of 2D seismic data which is expected to commence in Q2 2010. Subsequent to the 10A seismic acquisition, approximately 500 kilometres of 2D seismic is planned for the newly acquired Turkana 10BB Block. Seismic data related to Block 9 was previously acquired and has led to identification of various leads and prospects.

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

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

Exploration Drilling

The Company has assigned a full time Drilling Manager to commence efforts on the procurement and mobilization of a drill rig for the proposed Somalia exploration drilling campaign.

In the Kenyan non-operated Block 9, the operator has plans to spud a well during Q4 2009.

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

Selected Quarterly Information

Three months ended	30-Jun 2009	31-Mar 2009	31-Dec 2008	30-Sep 2008	30-Jun 2008	Mar 31 2008	Dec 31 2007	Sept 30, 2007
Interest Income ($'000)	7	2	5	11	18	44	96	121
Net earnings (loss) ($'000)	15	(555)	(1,314)	(1,376)	(1,016)	(471)	(241)	656
Weighted average shares - Basic ('000)	47,752	17,975	17,913	17,760	17,552	17,306	17,251	17,236
Weighted average shares - Diluted ('000)	48,123	17,975	17,913	17,760	17,552	17,306	17,251	17,593
Basic and diluted earnings (loss) per share ($)	-	(0.03)	(0.05)	(0.08)	(0.05)	(0.03)	(0.02)	0.04
Oil and Gas Interest Expenditures ($'000)	2,709	395	4,529	6,923	7,445	8,822	594	1,203

AOC has reported net earnings for the quarter ended June 30, 2009, due to foreign exchange gains associated with its Canadian dollar private placement completed during the quarter. Excluding the foreign exchange impact, the Company recorded a net loss of $1.3 million

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

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

RESULTS OF OPERATIONS

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
(Profit)/loss for the period	(14,948)	1,016,270	540,454	1,487,419
Less: exchange (gain)/loss	(1,348,069)	(22,855)	(1,445,105)	83,769
Loss before foreign exchange	1,333,121	1,039,125	1,985,559	1,403,650

Before exchange gains and losses the Company incurred a $1.3 million and $2.0 million loss during the three and six months ended June 30, 2009. Total expenses were $1.3 million and $2.0 million during the three and six months ended June 30, 2009, compared to $1.1 million and $1.5 million during the same period in 2008. The increase in expenses relates primarily to increased salaries and wages, stock based compensation, and office costs associated with the Company's continued operational growth.

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

OIL AND GAS INTEREST

	June 30, 2009	December 31, 2008
Oil and Gas Interests	$62,061,246	$34,587,729

During the six months ended June 30, 2009, AOC incurred $2.9 million (net) of expenditures related to oil and gas interests in Somalia, Ethiopia and Kenya. In addition, the Company's Oil and Gas Interests were increased by $24.6 million as a result of the acquisition of the LPAB projects, including capitalized accretion and interest expense related to the convertible debenture. These costs will not be subject to depletion until such time that proved oil and gas reserves are identified.

The Company has acquired wellheads, casing and other drilling materials to be used for its planned exploration drilling program. These items are being stored at offsite locations in Dubai and Djibouti. As at June 30, 2009, the Company has incurred costs of $5.3 million related to these items, which are included in Oil and Gas Interests.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2009, the Company had cash of $22.9 million and working capital of $20.2 million as compared to cash of $0.3 million and negative working capital of $9.7 million at December 31, 2008.

During the second quarter of 2009, the Company closed a significant business acquisition, raised approximately CAD$35.5 million of gross proceeds in a private placement and negotiated the conversion of the shareholder loans into Company shares. These events have enabled the Company to increase its cash position, improve its working capital position and provide cash flow for future exploration program expenditures. The Company's current working capital position may not provide it with sufficient capital resources to meet its minimum work obligations for the initial exploration period under the various PSAs and PSCs and for general corporate purposes. To finance its future acquisition, exploration, development and operating costs, AOC may require financing from external sources, including issuance of new shares, issuance of debt or executing working interest farmout arrangements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to AOC.

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers and employees whereby the fair value of all stock options granted is recorded as a charge to operations. Stock based compensation for the three and six months ended June 30, 2009 was $0.8 and $1.0 million, respectively, as compared to $0.6 and $0.7 million for the three and six months ending June 30, 2008. The Company continues to utilize its stock option plan as a method of recruiting, retaining and motivating key personnel.

RELATED PARTY TRANSACTIONS

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

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

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

During the six months ended June 30, 2009, the Company incurred costs of $0.1 million (2008 - $0.1 million) in executive management and support services fees to Namdo Management Services Ltd ("Namdo"). Namdo is a private corporation owned by a significant shareholder.

COMMITMENTS AND CONTINGENCIES

Somalia

Under the PSAs for the Nogal and Dharoor Blocks, the Company is required to drill one exploration well in each block in each exploration period. The first three-year exploration period expires in January 2010 and the second optional three-year exploration period would be expected to expire in January 2013.

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

During the fourth quarter of 2008, the Company fulfilled its sole funding obligation related to the Dharoor Valley Block. As a result, Range is paying its 20% participating interest share of ongoing exploration costs related to this Block. In the Nogal Valley Block, the Company has spent approximately $4.1 million towards sole funding obligation as of June 30, 2009.

Ethiopia

Under the terms of the Blocks 7/8 PSA, the initial 4 year exploration period expires in July 2011, the Company and its partners are obligated to complete certain geological and geophysical (G&G) operations (including acquisition of 1,250 kilometres of 2D seismic) with a minimum expenditure of $11.0 million gross ($6.0 million net). In addition, AOC is required to drill one exploration well with a minimum expenditure of $6.0 million gross ($3.3 million net).

In accordance with the PSA for Blocks 2/6, the initial 4 year exploration period expires in November 2010, AOC and its partners are obligated to complete certain G&G operations (including acquisition of 1,250 kilometres of 2D seismic) with a minimum expenditure of $10.8 million gross ($9.2 million net). This commitment is supported by an outstanding bank guarantee of $3.5 million in favour of the Ethiopian Government.

Kenya

Under the terms of the Block 10A PSC, the initial 4 year exploration period expires in October 2011, the Company and its partners are obligated to complete G&G operations (including acquisition of 750 kilometres of 2D seismic) with a minimum expenditure of $7.8 million ($4.3 million net after farmout execution). Additionally, AOC is required to drill one exploration well with a minimum expenditure of $8.5 million ($6.4 million net after farmout execution). This commitment is supported by an outstanding bank guarantee of $2.4 million in favour of the Kenyan Government.

In accordance with the terms of the Block 10BB PSC, the initial exploration period expires in October 2010, the Company and its partners are obligated to complete G&G operations (including acquisition of 200 kilometers of 2D seismic and 200 square kilometres of 3D seismic) with a minimum expenditure of $6.0 million gross ($4.8 million net after farmout execution). In addition, the

Company is required to drill one exploration well with a minimum expenditure of $6.0 million ($4.8 million net after farmout execution). This commitment is supported by an outstanding letter of credit for $1.8 million in favour of the Kenyan Government, which is collateralized by a bank deposit of $1.8 million.

DISCUSSION OF PROPOSED TRANSACTIONS

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

FINANCIAL INSTRUMENTS

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

OUTSTANDING SHARE DATA

As at August 11, 2009 the Company had 70,205,496 common shares and 43,952,013 share purchase warrants outstanding, in addition the Company has 3,505,000 stock options outstanding under its stock based compensation plan. The following table outlines the maximum potential impact of share dilution upon full execution of outstanding convertible instruments:

Common shares outstanding	70,205,496
Outstanding share purchase options	3,505,000
Outstanding share purchase warrants	43,952,013
Assumed conversion of convertible debenture	22,877,330
Full dilution impact on common shares outstanding	140,539,839

OFF-BALANCE SHEET ARRANGEMENTS

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

New Accounting Pronouncements and Changes in Accounting Policies

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

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

International Financial Reporting Standards

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

The Company is assessing the potential impacts of this changeover and is developing its implementation plan accordingly, however, at this time, the impact on our future financial position and results of operations is not reasonably determinable.

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

We have completed the impact assessment which included a diagnostic of the major differences between current Canadian GAAP and IFRS. The area which will have the highest impact on the financial statements and require the highest implementation effort will be accounting for and assessing impairment of oil and gas interests and foreign currency exchange. We are currently in the planning & solution development phase which has included working on examining the elective exemptions from retroactive restatement offered in IFRS 1 and defining changes required to accounting and operations information systems.

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

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

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

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

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

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

RISK FACTORS

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

International Operations

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

Uncertainty of Title

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

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

Competition

The petroleum industry is intensely competitive in all aspects including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. AOC competes with numerous other companies in the search for and acquisition of prospects.

Risks Inherent in Oil and Gas Exploration and Development

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

Capital Requirements

To finance its future acquisition, exploration, development and operating costs, AOC may require financing from external sources, including from the issuance of new shares, issuance of debt or executing working interest farm-out agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to AOC. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of AOC may be diluted. If unable to secure financing on acceptable terms, AOC may have to cancel or postpone certain of its planned exploration and development activities and may not be able to take advantage of acquisition opportunities.

OUTLOOK

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

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

Forward Looking Statements

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

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

AFRICA OIL CORP.

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

		June 30, 2009		December 31, 2008
ASSETS				
Current assets				
Cash	$	22,943,110	$	253,324
Accounts receivable		51,437		370,581
Prepaid expenses		199,200		-
		23,193,747		623,905
Long-term assets				
Other property and equipment (note 6)		37,308		-
Oil and Gas interest (note 6)		62,061,246		34,587,729
		62,098,554		34,587,729
Total assets	$	85,292,301	$	35,211,634
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	2,970,293	$	5,429,893
Loans payable (note 13)		-		4,906,800
		2,970,293		10,336,693
Long term liabilities				
Convertible debenture (note7)		2,714,614		-
		2,714,614		-
Total liabilities		5,684,907		10,336,693
Shareholders' equity				
Share capital (note 8(b))		52,582,382		31,586,737
Warrants (note 8(c))		11,861,903		-
Equity portion of convertible debenture (note 7)		21,408,010		-
Contributed surplus		3,171,461		2,164,112
Deficit		(9,233,096)		(8,692,642)
Accumulated comprehensive income		(183,266)		(183,266)
Total shareholders' equity		79,607,394		24,874,941
Total liabilities and equity	$	85,292,301	$	35,211,634

Commitments and contingencies (note 12)

Subsequent events (note 14)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"RICHARD SCHMITT" ______________________________
RICHARD SCHMITT, DIRECTOR

"KEITH HILL" ______________________________
KEITH HILL, DIRECTOR

AFRICA OIL CORP.

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

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Expenses				
Salaries and benefits	$ 200,387	$ 161,386	$ 379,382	$ 242,096
Stock-based compensation (note 8(d))	800,133	562,019	1,007,349	658,749
Interest and bank charges	82,879	4,966	160,183	4,996
Travel	6,550	138,801	65,485	206,066
Management fees (note 13)	60,155	64,948	100,510	111,611
Office and general	172,312	90,444	235,602	172,592
Professional fees	14,437	25,064	42,462	39,781
Stock exchange and filing fees	3,417	9,234	3,417	29,942
	1,340,270	1,056,862	1,994,390	1,465,833
Other (income) expenses				
Interest and other income	(7,149)	(17,737)	(8,831)	(62,183)
Foreign exchange (gain)/loss	(1,348,069)	(22,855)	(1,445,105)	83,769
Income/(loss) and Comprehensive income/(loss) for the period	14,948	(1,016,270)	(540,454)	(1,487,419)
Deficit, beginning of period	(9,248,044)	(5,501,786)	(8,692,642)	(5,030,637)
Deficit, end of period	$ (9,233,096)	$ (6,518,056)	$ (9,233,096)	$ (6,518,056)
Basic and diluted income/(loss) per share	$ 0.00	(0.06)	$ (0.02)	$ (0.09)
Weighted average number of shares outstanding				
Basic	47,752,363	17,551,615	32,946,209	17,428,885
Diluted	48,122,786	17,551,615	32,946,209	17,428,885

See accompanying notes to consolidated financial statements.

AFRICA OIL CORP.

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

	June 30, 2009	December 31, 2008
Share capital:		
Balance, beginning of period	$ 31,586,737	$ 28,496,473
Private placement, net (note 8(b))	17,230,449	-
Conversion of shareholder loan (note (8(b))	3,765,196	-
Bonus shares on loans payable (note 13)	-	1,086,146
Exercise of options (note 8(d))	-	2,004,118
Balance, end of period	52,582,382	31,586,737
Warrants:		
Balance, beginning of period	$ -	$ -
Private placement, net (note 8(b))	10,078,390	-
Converted loans payable	1,783,513	-
Balance, end of period	11,861,903	-
Equity portion of convertible debenture:		
Balance, beginning of period	$ -	$ -
Convertible debenture issuance (note 7)	21,408,010	-
Balance, end of period	21,408,010	-
Contributed surplus:		
Balance, beginning of period	$ 2,164,112	$ 1,394,497
Stock based compensation (note 8(d))	1,007,349	1,334,113
Exercise of options	-	(564,498)
Balance, end of period	3,171,461	2,164,112
Deficit:		
Balance, beginning of period	$ (8,692,642)	$ (5,030,637)
Loss for the period	(540,454)	(3,662,005)
Balance, end of period	(9,233,096)	(8,692,642)
Accumulated other comprehensive income:		
Balance, beginning of period	$ (183,266)	$ (183,266)
Change	-	-
Balance, end of period	(183,266)	(183,266)
Shareholders' equity	$ 79,607,394	$ 24,874,941

See accompanying notes to consolidated financial statements.

AFRICA OIL CORP.

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

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Cash flows provided by (used in):				
Operations:				
Income/(loss) for the period	$ 14,948	$ (1,016,270)	$ (540,454)	$ (1,487,419)
Stock-based compensation	800,133	562,019	1,007,349	658,749
Unrealized foreign exchange (gain)/loss	(1,815,893)	17,472	(1,912,929)	84,958
Changes in non-cash operating working capital:				
Accounts receivable and prepaid expenses	(250,590)	(21,502)	119,944	(22,309)
Accounts payable and accrued liabilities	(46,088)	(80,656)	197,680	(20,697)
	(1,297,490)	(538,937)	(1,128,410)	(786,718)
Investments:				
Investment in property and equipment	(37,308)	-	(37,308)	-
Investment in oil and gas interests (net)	(2,314,052)	(7,444,748)	(2,708,984)	(16,267,129)
Changes in non-cash operating working capital:				
Accounts payable and accrued liabilities	(2,681,234)	537,587	(2,783,834)	766,429
	(5,032,594)	(6,907,161)	(5,530,126)	(15,500,700)
Financing:				
Common shares issued, net of issuance costs (note 8(b))	27,308,839	526,990	27,308,839	1,185,595
Changes in non-cash operating working capital:				
Accounts payable and accrued liabilities	126,554	-	126,554	-
	27,435,393	526,990	27,435,393	1,185,595
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	1,815,893	(17,472)	1,912,929	(84,958)
Decrease in cash and cash equivalents	22,921,202	(6,936,580)	22,689,786	(15,186,781)
Cash and cash equivalents, beginning of period	$ 21,908	$ 9,891,273	$ 253,324	$ 18,141,474
Cash and cash equivalents, end of period	$ 22,943,110	$ 2,954,693	$ 22,943,110	$ 2,954,693
Supplementary information:				
Interest paid	Nil	Nil	Nil	Nil
Taxes paid	Nil	Nil	Nil	Nil

See accompanying notes to consolidated financial statements.

1. Incorporation and Nature of Business:

Africa Oil Corp. (collectively with its subsidiaries, AOC or the Company) was incorporated on March 29, 1993 under the laws of British Columbia and is an international oil and gas exploration and development company based in Canada with oil interests in Somalia, Ethiopia, and Kenya, referred to as, East Africa (see note 6).

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

2. Significant Accounting Policies:

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

3. Presentation:

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

4. Changes in Accounting Policy:

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

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

5. Future Accounting Pronouncements:

International Financial Reporting Standards

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

The Company is assessing the potential impacts of this changeover and is developing its implementation plan accordingly, however, at this time; the impact on our future financial position and results of operations is not reasonably determinable.

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

The Company has completed the impact assessment which included a diagnostic of the major differences between current Canadian GAAP and IFRS. The area which will have the highest impact on the financial statements and require the highest implementation effort will be accounting for and assessing impairment of oil and gas interests and foreign currency exchange. We are currently in the planning & solution development phase which has included working on examining the elective exemptions from retroactive restatement offered in IFRS 1 and defining changes required to accounting and operations information systems.

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

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

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

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

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

(Expressed in United States dollars unless otherwise indicated)

5. Future Accounting Pronouncements (continued):

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

6. Oil and Gas Interests:

						June 30, 2009
		Cost	Accumulated depletion			Net book value
Oil and Gas Interests	$	62,061,246	-		$	62,061,246

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

Acquisition from Lundin Petroleum AB

On April 28, 2009, the Company closed an acquisition of two oil exploration Companies (with operations in Ethiopia and Kenya) from Lundin Petroleum AB (LPAB) for a total consideration of approximately $23.8 million plus acquisition costs. The purchase price was paid through a convertible debenture and was accounted for as a business combination using the purchase method of accounting. During the three months ended June 30, 2009, the Company capitalized $333,373 of accretion and $163,006 of interest expense related to this transaction to oil and gas interests (see note 7).

Net Assets acquired		
Working capital	$	229,197
Oil and gas interests		23,764,826
Total net assets acquired	$	23,994,023

Consideration		
Convertible debenture	$	23,789,251
Acquisition costs		204,772
Total purchase price	$	23,994,023

As at June 30, 2009, $62,061,246 (December 31, 2008 - $ 34,587,729) of accumulated expenditures have been capitalized in oil and gas interests. These expenditures represent acquisition costs, seismic acquisition, geological and geophysical expenditures, materials and supplies and other intangible capitalized costs incurred to date in the exploration phase. These costs will not be subject to depletion until such time that proved oil and gas reserves are identified. For the six months ended June 30, 2009, the Company capitalized $13,227 (June 20, 2008 – nil) general and administrative expenses related to exploration activities.

(Expressed in United States dollars unless otherwise indicated)

6. Oil and Gas Interests (continued):

As at June 30, 2009 $5,325,793 (December 31, 2008 - $5,285,682) of materials and supplies have been included in Oil and Gas Interest. These materials and supplies represent casing, wellheads and other items which will be utilized in the planned exploration drilling program. All materials and supplies are being held at warehouses in Djibouti and Dubai until required for exploration drilling.

Other property and equipment consists primarily of office equipment.

7. Convertible Debenture:

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

The Company has separately valued the conversion option on the issuance from convertible debentures, in accordance with CICA 3862. The liability component $2,714,614 represents the present value of the future interest payments plus accretion and the equity component $21,408,010 represents the fair value of the holder's conversion feature.

	June 30, 2009	December 31, 2008
Face value of convertible debt issued during the year	$23,789,251 (1)	$ -
Equity component	(21,408,010)	-
Liability accretion	333,373	-
Liability component	$ 2,714,614	$ -
(1) Interest accrued (capitalized)	163,006	-

8. Share capital:

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

Authorized:
Unlimited common shares without par value

(b) Issued:

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

	June 30, 2009		December 31, 2008	
	Shares	Amount	Shares	Amount
Balance, beginning of period	17,975,543	$ 31,586,737	17,257,412	$ 28,496,473
Private placements, net of issue costs (i)	37,421,018	17,230,449	-	-
Conversion of shareholder loans (ii)	6,521,601	3,765,196	-	-
Bonus shares on loans payable	-	-	295,631	1,086,146
Exercise of options	-	-	422,500	2,004,118
Balance, end of period	61,918,162	$ 52,582,382	17,975,543	$ 31,586,737

(Expressed in United States dollars unless otherwise indicated)

8. Share capital (continued):

i) On April 28, 2009, the Company closed a non-brokered private placement, with an aggregate of 37,421,018 million Units of the Company at a price of CAD$0.95 per Unit for gross proceeds of CAD$35,549,967. Each Unit is comprised of one common share and one full share purchase warrant. Each share purchase warrant is exercisable into one common share of AOC at a price of CAD$1.50 per share over a period of three years. In the event that AOC trades at or above CAD$2.00 for a period of 30 consecutive days, a forced exercise provision will come into effect. The Company incurred finder's fees of CAD$1,723,505 thereby realizing net proceeds of CAD$33,826,462.

Each whole share purchase warrant entitles the holder to purchase an additional common share at CAD$1.50 until April 29, 2012. The Company allocates the fair value of the net proceeds received upon the sale of the units between the underlying common shares and the common share purchase warrants. The common share purchase warrants' fair value related to the private placement was determined to be $10.2 million. The fair value was determined by separately evaluating the fair value of the common shares and share purchase warrants and allocating the values on a pro rata basis. The share purchase warrants fair values were determined by using the Black Scholes option pricing model and assuming an expected volatility of 89% and a risk free interest rate of 0.80%.

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

Each whole share purchase warrant entitles the holder to purchase an additional common share at CAD$1.50 until May 8, 2012. The common share purchase warrants' fair value related to the loans payable conversion was determined to be $1.8 million. The fair value was determined by separately evaluating the fair value of the common shares and share purchase warrants and allocating the values on a pro rata basis. The share purchase warrants fair values were determined by using the Black Scholes option pricing model and assuming an expected volatility of 90% and a risk free interest rate of 0.91%.

(c) Warrants:

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

	Number of Warrants	Amount ($)
Balance, December 31, 2008:		
Issued in Private Placement	37,421,018	$ 10,078,390
Converted Loans Payable	6,521,601	1,783,513
Exercised	-	-
Expired (transferred to Contributed Surplus)	-	-
Balance, June 30, 2009:	43,942,619	$ 11,861,903

(Expressed in United States dollars unless otherwise indicated)

8. Share capital (continued):

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

Issue Date	Number of Warrants		Exercise Price	Expiration Date
April 29, 2009	37,421,018	(1)	$ 1.50	April 29, 2012
May 8, 2009	6,521,601	(2)	$ 1.50	May 8, 2012

(1) Warrants represent the number of whole warrants outstanding based on private placement

(2) Warrants represent the number of whole warrants outstanding based on conversion of loans payable

(d) Share purchase options:

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

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

	June 30, 2009		December 31, 2008	
	Number of shares	Weighted average exercise price (CAD$)	Number of shares	Weighted average exercise price (CAD$)
Outstanding, beginning of period	1,510,000	4.80	1,067,500	3.93
Granted	1,995,000	1.23	870,000	5.23
Expired	-	-	(5,000)	6.25
Exercised	-	-	(422,500)	3.43
Balance, end of period	3,505,000	2.76	1,510,000	4.80

For the three and six months ended June 30, 2009, no options were exercised.

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

	2009	2008
Fair value of options granted	0.55 - 0.73	1.64 - 2.69
Risk-free interest rate (%)	1.10 - 0.80	2.93 - 3.10
Expected life (years)	2.25	2.00 - 2.50
Expected volatility (%)	81	63 - 72
Expected dividend yield	-	-

8. Share capital (continued):

The following table summarizes information regarding stock options outstanding at June 30, 2009.

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life
3.43	345,000	0.29
3.80	375,000	2.25
5.00	50,000	1.00
5.26	250,000	1.31
5.84	75,000	1.65
6.25	415,000	1.98
1.18	1,770,000	2.75
1.62	175,000	2.84
1.50	50,000	2.89
2.76	3,505,000	2.22

9. Financial Instruments and Financial Risk:

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

Foreign currency exchange rate risk

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to change in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. AOC has no forward exchange contracts in place as at or during the period ending June 30, 2009.

Interest rate risk

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

10. Capital structure:

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

The Company manages its capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the issuance of new shares, issuance of new debt, executing working interest farm-out arrangements and making adjustments to its capital expenditures program. In addition, the Company manages its cash and cash equivalents balances based on forecasted capital outlays and foreign exchange risks in order to ensure that the risk of negative foreign exchange effects are minimized while ensuring that interest yields on account balances are appropriate.

10. Capital structure (continued):

The Company does not have externally imposed capital requirements. Consistent with other oil and gas exploration companies, which are capital intensive in nature, the Company monitors its capital structure and cash requirements on the basis of current working capital position and future exploration expenditures.

11. Segment Information:

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

Six month period ended June 30,	Somalia		Ethiopia		Kenya		Corporate		Total	
(000's)	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenues										
Oil and gas	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	9	62	9	62
Segmented expenses										
Operating	-	-	-	-	-	-	-	-	-	-
General & administration	-	-	-	-	-	-	827	802	827	802
Interest expense	-	-	-	-	-	-	160	5	160	5
Foreign exchange (gain)/loss	-	-	-	-	-	-	(1,445)	84	(1,445)	84
Other	-	-	-	-	-	-	1,007	659	1,007	659
Net Loss	-	-	-	-	-	-	(540)	(1,488)	(540)	(1,488)
Capital expenditures (net)										
Investments in Oil and Gas Interest	1,202	16,267	1,066	-	441	-	-	-	2,709	16,267
Investments in property and equipment	-	-	-	-	-	-	37	-	37	-
Total capital expenditure	1,202	16,267	1,066	-	441	-	37	-	2,746	16,267
As at June 30, 2009 and December 31, 2008										
Total assets	35,790	34,588	14,114	-	12,830	-	22,558	624	85,292	35,212

12. Commitments and contingencies:

Somalia:

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

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

(Expressed in United States dollars unless otherwise indicated)

12. Commitments and contingencies (continued):

During the fourth quarter of 2008, the Company fulfilled its sole funding obligation related to the Dharoor Valley Block. As a result, Range is paying its 20% participating interest share of ongoing exploration costs related to this Block. In the Nogal Valley Block, the Company has spent approximately $4.1 million towards sole funding obligation as of June 30, 2009.

Ethiopia:

Under the terms of the Blocks 7/8 PSA, the initial 4 year exploration period expires in July 2011, the Company and its partners are obligated to complete certain geological and geophysical (G&G) operations (including acquisition of 1,250 kilometres of 2D seismic) with a minimum expenditure of $11.0 million gross ($6.0 million net). In addition, AOC is required to drill one exploration well with a minimum expenditure of $6.0 million gross ($3.3 million net).

In accordance with the PSA for Blocks 2/6, the initial 4 year exploration period expires in November 2010, AOC and its partners are obligated to complete certain G&G operations (including acquisition of 1,250 kilometres of 2D seismic) with a minimum expenditure of $10.8 million gross ($9.2 million net). This commitment is supported by an outstanding bank guarantee of $3.5 million in favour of the Ethiopian Government.

Kenya:

Under the terms of the Block 10A Production Sharing Contract (PSC), the initial 4 year exploration period expires in October 2011, the Company and its partners are obligated to complete G&G operations (including acquisition of 750 kilometres of 2D seismic) with a minimum expenditure of $7.8 million ($4.3 million net after farmout execution). Additionally, AOC and its partners are required to drill one exploration well with a minimum expenditure of $8.5 million ($6.4 million net after farmout execution). This commitment is supported by an outstanding bank guarantee of $2.4 million in favour of the Kenyan Government.

Office Lease Costs:

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

	As at June 30,	
	2009	**2008**
2009	78,219	-
2010	156,438	-
2011	156,438	-
2012	156,438	-
2013	78,219	-
Total minimum payments	625,752	-

13. Related Party Transactions:

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

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

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

At June 30, 2009, the Company incurred costs of $100,510 (June 30, 2008 - $111,611) for executive management and support services fees to Namdo Management Services Ltd ("Namdo"). Namdo is a private corporation owned by a significant shareholder.

14. Subsequent events:

Turkana:

Effective July 21, 2009, the Company closed an acquisition of all the issued and outstanding shares of Turkana Energy Inc (Turkana). The principle asset acquired is 100% working interest in Block 10BB in Kenya and AOC will assume operatorship of this asset.

Pursuant to the plan of arrangement, the shares of Turkana were acquired in consideration for 7,500,000 common shares of AOC with each share of Turkana being exchanged for .20647 per AOC share. In addition, Turkana convertible loans of CAD$1,000,000 were exchanged for common shares of the Company at CAD$1.27 per share.

Raytec Farmout:

On August 19, 2009, the Company signed a farmout agreement with Raytec Metals Corp (Raytec) for their entry into the production sharing contracts of the state of Puntland, Somalia and Kenya.

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

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

14. Subsequent events (continued):

Raytec, in both areas, will pay a disproportionate share of costs associated with the planned work programs to be carried out in 2009 and 2010.This farmout transaction is subject to government, exchange, and partner approvals if required.