AfricaOil Corp.

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# ANNUAL INFORMATION FORM

For the Year
Ended December 31, 2013

March 26, 2014

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## GLOSSARY OF TERMS

**"10BA Farmout Agreement"** means the Farmout Agreement made September 27, 2010 between Centric Energy (Kenya) Limited and Tullow Kenya B.V., in respect of the PSC covering Block 10BA, Kenya.

**"12A/13T Farmout Agreement"** means the Farmout Agreement made December 9, 2010 between, among others, the Company and Tullow Kenya B.V., in respect of the PSCs covering Block 12A and Block 13T, Kenya.

**"12A/13T Amending Agreement"** means the amendment to the Platform Assignment Agreement, made May 27, 2010.

**"2D"** means two dimensional.

**"3D"** means three dimensional.

**"Africa Oil" "AOC" "Company"** or the **"Corporation"** means Africa Oil Corp., including Africa Oil and its subsidiaries.

**"Agriterra"** means Agriterra Limited (formerly White Nile Ltd.)

**"Agriterra Farmout Agreement"** means the Farmout Agreement made June 14, 2010 between AOEBV and Agriterra, in respect of the South Omo Block in Ethiopia.

**"AIF"** or **"Annual Information Form"** means this Annual Information Form prepared for the year ended December 31, 2013 and dated March 26, 2014.

**"AOEBV"** means Africa Oil Ethiopia B.V.

**"BCABC"** means the *Business Corporations Act* (British Columbia) S.B.C. 2002 c.57, as amended, including the regulations promulgated thereunder.

**"Canmex I"** means Canmex Holdings (Bermuda) I Ltd.

**"Centric"** means Centric Energy Corp.

**"Centric Arrangement Agreement"** means the Arrangement Agreement dated as of November 29, 2010, as amended by Amending Agreements dated December 23, 2010 and January 4, 2011, between the Company and Centric, including the disclosure letters of Centric and the Company.

**"Centric Plan of Arrangement"** means the arrangement completed pursuant to the provisions of Part 9, Division 5 of the BCABC in accordance with the terms and conditions set forth in the Plan of Arrangement attached as Schedule A to the Centric Arrangement Agreement pursuant to which the Company acquired all of the issued and outstanding shares of Centric on the basis of 0.3077 shares of the Company and $0.0001 in cash for each one share of Centric.

"**commercial discovery**" means a discovery that is potentially commercial when taking into account all technical, operational, commercial and financial data collected when carrying out appraisal work or similar operations, including recoverable reserves of petroleum, sustainable regular production levels and other material technical, operational, commercial and financial parameters, all in accordance with prudent international petroleum industry practices.

"**common shares**" means the common shares in the capital of the Company.

"**Contractor Group**" means the parties, including joint venture partners, that hold a working interest in a PSA or a PSC.

**"Convertible Loan"** means the convertible loan provided by Lundin Services pursuant to a loan agreement dated April 29, 2009 between the Company and Lundin Services, as amended on March 1, 2011, in the approximate amount of $10.8 million. The Convertible Loan had a maturity date of December 31, 2011 and bore interest at the rate of USD six-month LIBOR plus 3%. The Convertible Loan, including any accrued and unpaid interest, was convertible on or before December 31, 2011, at the option of either Africa Oil or Lundin Services, into common shares of Africa Oil, issuable at a deemed price of CAD$0.90 per share.

“**crude oil**” means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.

“**Denovo**” means Denovo Capital Corp.

“**development costs**” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs or support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

“**development well**” means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive;

“**EAX**” means East African Exploration Limited, a wholly-owned subsidiary of Black Marlin Energy Holdings Limited. Black Marlin Energy Holdings Limited was acquired by Afren plc on October 7, 2010.

**“EAX Farmout Agreement”** means the Farmout Agreement made May 29, 2009 between, among others, the Company and EAX, in respect of the PSAs covering Blocks 2 and 6 and 7 and 8, Ethiopia and the PSC covering Block 10A, Kenya.

**“Ethiopian Government”** means the Government of the Federal Democratic Republic of Ethiopia.

**“First North”** means the First North exchange at NASDAQ OMX-Stockholm.

“**Farmout Agreement**” means a contractual agreement between parties whereby the holder of an interest in an oil and gas concession agrees to assign all or part of that interest to another entity in exchange for fulfilling contractually specified conditions.

“**gross**” means:

(a) in relation to wells, the total number of wells in which the Company has an interest; and

(b) in relation to properties, the total area of properties in which the Company has an interest.

“**Horn Petroleum**” mean Horn Petroleum Corporation

**“Kenyan Government”** means the Government of the Republic of Kenya

**“Komodo Capital”** means Komodo Capital Pty. Ltd.

**“Lion Energy”** means Lion Energy Corp. (formerly Raytec Metals Corp.).

**“Lion Energy Arrangement Agreement”** means the Arrangement Agreement dated as of April 3, 2011, as amended by Amending Agreement dated June 20, 2011, between the Company and Lion Energy, including the disclosure letters of Lion Energy and the Company.

**"Lion Energy Farmout Agreement"** means the Farmout Agreement made August 19, 2009 between, among others, the Company and Lion Energy, in respect of the PSAs covering Dharoor Valley Block and the Nugaal Valley Block, located in Puntland (Somalia), the PSAs covering Block 9, Block 10A and Block 10BB, Kenya.

**"Lion Energy Farmout Amendment"** means the amendment to the Lion Energy Farmout Agreement made July 29, 2010.

**"Lundin Services"** means Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB.

**"Marathon"** means Marathon Oil Corporation.

**"MD&A"** means Management's Discussion and Analysis of results of operations and financial condition of the Company for the period ended December 31, 2013 dated March 26, 2014.

"**natural gas**" means all gaseous petroleum and inerts.

"**net**" means:

(a) in relation to the Company's interest in wells, the number of wells obtained by aggregating the Company's working interest in each of its gross wells; and

(b) in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

**"New Age"** means New Age (African Global Energy) Limited.

"**operating costs**" mean costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

"**NI 51-101**" means the National Instrument 51-101 — *Standard of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time.

**"Peninsula"** means Peninsula Merchant Syndications Corp.

"**petroleum**" means: (i) any naturally occurring hydrocarbons in gaseous or liquid state; (ii) any mixture of naturally occurring hydrocarbons in gaseous or liquid state; or (iii) any petroleum (as defined in (i) or (ii) above) that has been returned to a reservoir.

"**petroleum operations**" means all exploration, gas marketing, development, production and decommissioning operations, as well as any other activities or operations directly or indirectly related or connected with said operations (including health, safety and environmental operations and activities) and authorized or contemplated by, or performed in accordance with PSC's.

**"Platform"** means Platform Resources Inc.

**"Platform Assignment Agreement"** means the agreement made January 11, 2010 between, among others, the Company and Platform, in respect of Blocks 12A and 13T in Kenya.

"**production**" means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

"**PSC**", "**PSA**", "**Production Sharing Contract**" or "**Production Sharing Agreement**" means contracts or agreements entered into with a host government providing for petroleum operations in a defined area and the division of petroleum production from the petroleum operations.

"**Profit Oil**" means the amount of production, after deducting cost oil production allocated to costs and expenses that would be divided between the participating parties and the host government under a Production Sharing Contract.

“**prospect**” means a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.

“**prospective resources**” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.

**“Puntland Oil”** means Puntland Oil Pty Ltd. , a wholly-owned subsidiary of Red Emperor.

**“Range”** means Range Resources Ltd.

**“Red Emperor”** means Red Emperor Resources NL.

**“Red Emperor Farmout Agreement”** means the Farmout Agreement made August 12, 2010 between, among others, the Company and Red Emperor, in respect of the PSAs covering Dharoor Valley Block and the Nugaal Valley Block, located in Puntland (Somalia).

**“Red Emperor Farmout Amendment”** means the amendment to the Red Emperor Farmout Agreement made March 23, 2011.

**“SEDAR”** means the Canadian Securities Administrator’s System for Electronic Document Analysis and Retrieval.

**“TSX-V”** means the TSX Venture Exchange.

**“Tullow”** means Tullow Oil plc .

**“Tullow Farmout Agreement”** means the Farmout Agreement made September 1, 2011 between, among others, the Company, Tullow Kenya B.V. and Tullow Ethiopia B.V., in respect of the PSAs covering Blocks 10A and 10BB, Kenya and the South Omo Block, Ethiopia.

“**working interest**” means a percentage of the ownership in an oil and gas concession granting its owner the right to explore and develop oil and gas from a specific property which normally bears its proportionate share of the costs of exploration, development and operations as well as any royalties or other production burdens.

### CURRENCY

The Company's functional and reporting currency is the United States dollar. All currency amounts in this AIF are expressed in United States dollars, unless otherwise indicated. The Bank of Canada exchange rates for the purchase of one United States dollar with Canadian dollars for the specified year ends are as follows:

| | **Year Ended December 31** | | |
|---|---|---|---|
| Bank of Canada Noon Exchange Rate: USD$/CAD$ | **2011** | **2012** | **2013** |
| | 1.017 | 0.9949 | 1.0636 |

### ACCOUNTING POLICIES AND FINANCIAL INFORMATION

Financial information contained in this AIF is presented in accordance with accounting principles generally accepted in Canada.

### CONVERSION TABLE

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

| **To Convert From** | **To** | **Multiply By** |
|---|---|---|
| Mcf | Cubic meters | 28.174 |
| Cubic meters | Cubic feet | 35.315 |
| Bbls | Cubic meters | 0.159 |
| Cubic meters | Bbls | 6.289 |
| Feet | Meters | 0.305 |
| Meters | Feet | 3.281 |
| Miles | Kilometers | 1.609 |
| Kilometers | Miles | 0.621 |
| Acres | Hectares | 0.405 |
| Hectares | Acres | 2.471 |
| Gigajoules | MMbtu | 0.950 |
| MMbtu | Gigajoules | 1.0526 |

### ABBREVIATIONS

| **Oil and Natural Gas Liquids** | | **Natural Gas** | |
|---|---|---|---|
| Bbls | Barrels of crude oil | Mcf | Thousand cubic feet of natural gas |
| Bbls/d | Barrels of crude oil per day | MMcf | Million cubic feet of natural gas |
| Boe | Barrels of oil equivalent | Bcf | Billion cubic feet of natural gas |
| Boe/d | Barrels of oil equivalent per day | Mcfd | Thousand cubic feet of natural gas per day |
| Mbbl | Thousands of barrels of crude oil | Mcfe | Thousand cubic feet of gas equivalent |
| NGLs | Natural gas liquids | MMbtu | Million British Thermal Units |

Note: The calculations of barrels of oil equivalent (boe) and thousand cubic feet of gas equivalent (Mcfe) are based on the standard of 6Mcf: 1 bbl when converting natural gas to oil and 1 bbl: 6 Mcf when converting oil to natural gas. Boe and Mcfe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl or a Mcfe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

### PRESENTATION OF OIL AND GAS INFORMATION

All oil and gas information contained in this AIF has been prepared and presented in accordance with NI 51-101. The actual oil and gas resources may be greater or less than any estimates provided herein.

**CAUTIONARY STATEMENTS REGARDING WELL TEST RESULTS**

Drill stem tests are commonly based on flow periods of 1 to 5 days and build up periods of 1 to 3 days. Pressure transient analysis has not been carried out on all well tests and the results should therefore be considered as preliminary. Well test results are not necessarily indicative of long-term performance or of ultimate recovery.

**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 explored or 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;
- short term well test results on exploration and appraisal wells do not necessarily indicated the long term performance or ultimate recovery that may be expected from a well;
- 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;
- political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; and
- internal conflicts within states or regions.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management’s future course of action would depend on 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.

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## ITEM 1 INTRODUCTION

### INCORPORATION BY REFERENCE AND DATE OF INFORMATION

Specifically incorporated by reference and forming a part of this AIF are the Company's material change reports from January 1, 2013 to the date of this AIF, copies of which have been filed with the Canadian Securities Administrators in each of the Provinces of British Columbia and Alberta and can be found on the SEDAR website at www.sedar.com under the Company's profile.

All information contained in this AIF is as of December 31, 2013, unless otherwise indicated.

## ITEM 2 CORPORATE STRUCTURE

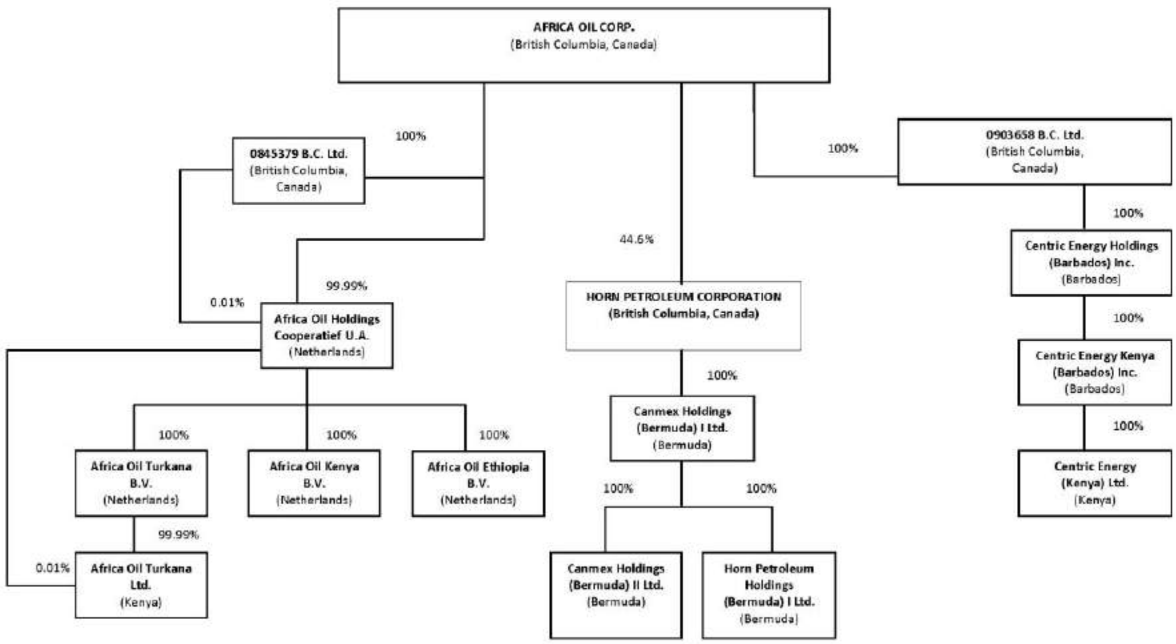
### INCORPORATION AND REGISTERED OFFICE

Africa Oil Corp. was incorporated under the BCABC on March 29, 1993 under the name "Canmex Minerals Corporation" with an authorized capital of 100,000,000 common shares. On July 2, 1999 the issued and outstanding shares of the Company were consolidated on a one-for-five basis and the authorized capital was increased, post-consolidation to 100,000,000 common shares. On August 20, 2007 the Company changed its name to Africa Oil Corp. On June 19, 2009 the shareholders of AOC passed a special resolution increasing the Company's authorized share capital to an unlimited number of common shares. On June 3, 2013, the shareholders of AOC passed a special resolution authorization an alteration of the Company's articles to include advance notice provisions for the nomination of directors.

Africa Oil's registered and records office is located at Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1. The Company's corporate office is located at 2000 – 885 West Georgia Street, Vancouver, B.C. V6C 3E8. The Company also has an office located at 1750, 300 – 5th Avenue SW, Calgary, AB, Canada T2P 3C4.

#### INTER-CORPORATE RELATIONSHIPS

The material subsidiaries owned by Africa Oil, as at the date of this AIF, are as set out in the following organizational chart:



## ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Africa Oil is an independent international upstream oil and gas exploration company whose head office is in Canada with oil and gas interests in Ethiopia, Kenya and, through Horn Petroleum, Puntland (Somalia). The Company holds interests in over 215,000 $km^2$ (gross) of exploration property throughout several African rift basins, focusing primarily on East Africa. A summary of the Company's current partnership interests is set out in the following table:

| Country | Concession | Gross Acreage ($km^2$) | Working Interests[5] | |
|---|---|---|---|---|
| **Ethiopia** | 7 and 8 (Ogaden) | 21,767 | AOI<br>New Age (Operator)<br>EAX | 30%<br>40%<br>30% |
| | Adigala | 20,200 | AOI<br>New Age (Operator)<br>Genel Energy plc | 10%[3]<br>50%<br>40% |
| | South Omo | 22,034 | AOI<br>Tullow (Operator)<br>Marathon Oil | 30%<br>50%<br>20% |
| | Rift Basin Area | 42,519 | AOI (Operator)<br>Marathon Oil | 50%[4]<br>50% |
| **Kenya** | 10A[1] | Nil - Relinquished | AOI<br>Tullow (Operator)<br>EAX | 30%<br>50%<br>20% |
| | 10BA | 21,084 | AOI<br>Tullow (Operator) | 50%<br>50% |
| | 10BB | 8,834 | AOI<br>Tullow (Operator) | 50%<br>50% |
| | 9 | 15,782[2] | AOI (Operator)<br>Marathon Oil | 50%<br>50% |
| | 12A | 20,365 | AOI<br>Tullow (Operator)<br>Marathon Oil | 20%<br>65%<br>15% |
| | 13T | 6,296 | AOI<br>Tullow (Operator) | 50%<br>50% |
| **Puntland (Somalia)** | Dharoor | 14,384 | Horn Petroleum (Operator)<br>Range<br>Red Emperor | 60%<br>20%<br>20% |
| | Nugaal | 21,784 | Horn Petroleum (Operator)<br>Range<br>Red Emperor | 60%<br>20%<br>20% |

(1) The exploration period for Block 10A expired on January 4, 2014. The Company and its partners have decided not to enter the next exploration period.
(2) The Company submitted a request to enter the Second Additional Exploration phase which includes a 50% relinquishment which is under review and pending Ministry approval. The gross acreage reflected in the table above is measured taking into consideration the relinquishment proposed to the ministry.
(3) Subsequent to December 31, 2013, the Company completed a farmout of 40% participating interest to New Age, reducing the Company's interest to 10%.
(4) Subsequent to December 31, 2013, the Company completed a farmout of 50% participating interest to Marathon Oil, reducing the Company's interest to 50%.
(5) 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.

### THREE YEAR HISTORY

The following describes the development of Africa Oil's business over the last three completed financial years.

### FISCAL YEAR ENDED DECEMBER 31, 2011

*Significant transactions in the year*

On January 17, 2011, the Company, together with its partners entered into amending agreements with the Government of Puntland, represented by the Puntland Petroleum and Mineral Agency, in respect of the Dharoor Valley and Nugaal Valley

PSAs. Under these PSAs, as amended, the expiry of the First Exploration Period was extended from January 2011 to January 2012 and then further extended to October 2012 (See "Production Sharing Contracts Overview - Dharoor and Nugaal Blocks, Puntland (Somalia)" for further details). In January 2011, the Company completed the Red Emperor Farmout Agreement following receipt of ministerial approval (see "Overview of Farmout and Joint Venture Agreements – Red Emperor Farmout Agreement" for further details).

On January 26, 2011, the Company completed a farmout to Tullow in respect of Blocks 10BB and 10A, Kenya, and closed the amended farmout arrangements with Lion Energy, contemplated under the Lion Energy Farmout Amendment. As a result, the Company paid Lion Energy $2.5 million and issued to Lion Energy a total of 2,500,000 common shares of the Company (see "Overview of Farmout and Joint Venture Agreements - Tullow Farmout Agreements" and "Lion Energy Farmout and Lion Energy Farmout Amendment" for further details).

On February 22, 2011, following receipt of government approvals, the Company closed on the 12A/13T Farmout Agreement at which time Tullow paid the Company an aggregate of $1,686,432 (see "Overview of Farmout and Joint Venture Agreements - Tullow Farmout Agreements" for further details).

On February 23, 2011, the Company completed the Centric Arrangement Agreement. As a result of the business combination with Centric, the Company acquired a 50% working interest in Block 10BA in Kenya and a 25% interest in two exploration licenses (Blocks 7 and 11) in the Republic of Mali. The Company issued 30,155,524 common shares to the shareholders of Centric (based on an exchange ratio of 0.3077 Africa Oil share and $0.0001 for each one Centric share).

On March 3, 2011, the Company completed an amendment to the Convertible Loan and received a Notice of Conversion from Lundin Services. As a result, the Company issued to Lundin Services a total of 14,000,000 common shares in respect of the conversion by Lundin Services of a portion of the loan amount, being $12,957,840. On April 11, 2011, the Company and Lundin Services agreed to convert the remaining $10.8 million of the convertible loan plus $0.2 million of accrued interest into 11,850,150 shares of the Company.

On March 23, 2011, the Company entered into the Red Emperor Farmout Amendment amending certain terms of the Red Emperor Farmout Agreement (see "Overview of Farmout and Joint Venture Agreements – Red Emperor Farmout and Amendment Agreement" for further details).

On June 20, 2011, the Company completed the acquisition of all of the issued and outstanding common shares of Lion Energy. Pursuant to the Lion Energy Arrangement Agreement, the Company acquired all of the issued and outstanding shares of Lion Energy in consideration for 14,962,447 shares of the Company, net of 2,500,000 shares of the Company that Lion Energy owned at the date of the acquisition. The Company also issued 287,250 stock options, of which 237,250 were subsequently exercised and 50,000 expired between 30 and 90 days from the effective date of the transaction, and 2,289,000 share purchase warrants that expired unexercised on June 29, 2011 (see "Overview of Farmout and Joint Venture Agreements – Lion Energy Farmout Agreement and Lion Energy Farmout Amendment" for further details).

In July 2011, the Dharoor Valley and Nugaal Valley PSCs were further amended requiring execution of a drilling contract by July 31, 2011, drilling operations to commence on the first well by November 15, 2011 and drilling operations to commence on a second well by January 17, 2012. The Company agreed to relinquish 15,627km$^2$ (gross) of the Nugaal Valley Exploration Area, perform a surface geochemistry survey in the Nugaal Valley Exploration Area, and pay the Puntland State of Somalia $1,000,000 in infrastructure and development support fees.

On September 20, 2011, the Company completed a share exchange transaction with Denovo Capital Corp. whereby Denovo acquired all of the issued and outstanding shares of Canmex I, a wholly owned subsidiary of the Company in consideration for 27,777,778 (post-consolidation) shares of Denovo. Canmex I held the Company's 60% interest in the Dharoor Valley and Nugaal Valley PSCs. Prior to closing, Denovo effected a consolidation of its share capital on a basis of 0.65 new shares for each old share, and changed its name to "Horn Petroleum Corporation". Horn also completed a non-brokered private placement of an aggregate of 45,535,195 subscription receipts at a price of CAD$0.90 per subscription receipt for gross proceeds of $41.3 million. The subscription receipts were converted into common shares and warrants of Horn on September 20, 2011. The Company acquired 11,111,111 post-consolidated shares and 11,111,111 post-consolidation share purchase warrants in the Horn private placement. In connection with the private placement, Horn paid a finder's fee consisting of the issuance of an aggregate of 812,517 common shares and the payment of $0.9 million in cash.

Subsequent to the Horn Transaction, the Company owned 51.4% of the outstanding shares of Horn. As well, a management services arrangement was agreed to between Horn and the Company in which the management of the Company assumed responsibility for the operating decisions of Horn. As such, the Company is deemed to control Horn.

During 2011, the Company relinquished Blocks 2/6 and the Ministry of Mines in Ethiopia agreed to waive remaining commitments. The Company paid $2.135 million to the Ministry of Mines in Ethiopia, in lieu of unfulfilled commitments with respect to Blocks 2/6.

*Operational activity in the year*

During 2011, the Company with its partners implemented an active exploration work program spanning six contract areas in Kenya, four in Ethiopia including a joint study area, and two in Puntland, Somalia.

In Block 10BB, Kenya, the Company and its operating partner, Tullow Oil, interpreted 610 km of newly acquired and legacy 2D seismic data. A number of prospects and leads were evaluated and the Ngamia-1 prospect was selected for the initial well in Block 10BB. In addition, a full tensor gravity (FTG) survey was acquired over the majority of the block to further define prospective areas that lacked sufficient 2D seismic data.

In Block 10A, Kenya, the Company with Tullow as operator reprocessed available legacy seismic data and completed acquiring 812 km of 2D seismic data. The Company and its partner identified several prospects and leads and further augmented the seismic data set with a full tensor gravity (FTG) survey over key prospects. In the fourth quarter, the Paipai prospect was selected as the first exploration well to be drilled in the block.

In Block 10BA, Kenya, the Company with Tullow as operator, completed the acquisition of an FTG survey over the majority of the block. The FTG survey was used along with existing seismic data to identify prospects and leads both onshore and within Lake Turkana. In the fourth quarter, the Company and its partner prepared a program to acquire 1,350 km of 2D seismic data over prospective areas which included both marine and onshore seismic data acquisition.

In Block 13T, Kenya, the Company with partner Tullow completed acquisition of an FTG survey over the majority of the block. The FTG survey in combination with legacy 2D seismic was used to plan a 500 km 2D seismic program that commenced in the fourth quarter and was completed in the first quarter of 2012. Interpretation of early lines in the program, along with reprocessed legacy seismic data further confirmed a string of prospects on trend with the Ngamia-1 prospect of Block 10BB, and the acquisition program was modified while in progress to focus on those leads.

In Block 12A, Kenya, the Company and its partner Tullow, completed acquisition of an FTG survey over the majority of the block. The FTG survey in combination with field work in the Kerio Valley was used to plan a 500 km 2D seismic program.

In Block 9, Kenya, the Company as operator acquired 750 km of 2D seismic data in the oil-prone Kaisut Sub-basin. The Company combined the new seismic data with legacy and selected reprocessed data to identify several large oil-prone prospects with large upside resource potential. The Company also continued evaluating resource estimates for the Bogal gas discovery and contracted a third-party consulting group to evaluate potential gas markets and commercialization of the Bogal gas resources.

In the South Omo Block of Ethiopia, the Company, with Tullow as operator, completed an FTG survey over the majority of the block with a focus on the Turkana and Chew Bahir Basins. The FTG survey identified a number of promising leads and was the basis for planning a 1,000 km 2D seismic program that commenced in the fourth quarter of 2011.

In the Adigala Block of Ethiopia, the Company continued to evaluate gravity and seismic data acquired in the initial exploration period, and with partners submitted an application and received approval to enter the next exploration period with a work commitment consisting of an FTG acquisition program, seismic reprocessing, and geological studies. Reprocessing efforts commenced in the fourth quarter, along with planning for a surface geological field program. Start-up of the 9,218 line-kilometer FTG survey began in December 2011 and was completed in January 2012.

In the Ogaden Basin of Ethiopia, the Company and its partners integrated and interpreted all newly acquired and legacy 2D seismic data over Blocks 7 & 8. The Company completed a reservoir characterization study over the El Kuran structure that focused on the light oil resources within the Jurassic carbonate reservoirs. The reservoir study identified between 4 to 8 zones that could potentially be productive with the application of effective completion techniques. Following those encouraging results, the Company continued to evaluate various completion applications and cost estimates for various well designs and completion methods. The Company analyzed how best to re-drill and test El Kuran to commercialize the light oil resources. The Company also submitted notice to relinquish Ogaden Blocks 2/6 that was subsequently approved. The Company paid $2.135 million to the Ministry of Mines in Ethiopia, in lieu of unfulfilled commitments with respect to Blocks 2/6

In the autonomous region of Puntland, Somalia, the Company, through its ownership in Horn Petroleum, pursued an aggressive exploration program that was focused on interpreting 782 km of newly acquired 2D seismic data. From this data the partnership identified several prospects and leads and selected Shabeel-1 and Shabeel North-1 as primary prospects for a 2012 drilling campaign. In the Nugaal Block, work continued to refine the subsurface interpretation of prospective areas based on a close integration of well control with seismic data.

**Fiscal Year Ended December 31, 2012**

*Significant transactions in the year*

In February 2012, the Company, together with its partners, entered into amending agreements with the Government of Puntland, represented by the Puntland Petroleum and Mineral Agency, in respect of the Dharoor Valley and Nugaal Valley PSAs. Under the PSAs, as amended, the First Exploration Period expiry date was further extended by the Puntland Government to October 17, 2012 in order to provide sufficient time to evaluate drilling results. In October 2012, the Company and its partners entered into the next exploration period in both the Dharoor Valley and Nugall Valley PSAs which each carry a commitment to drill one exploration well in each block by October 2015. (See "Production Sharing Contracts Overview - Dharoor and Nugaal Blocks, Puntland (Somalia)" for further details.)

In March 2012, 6,521,601 common share purchase warrants outstanding at an exercise price of CAD$1.50 per warrant were converted into common shares of the Company for proceeds of $9.8 million.

In June of 2012, the Company's subsidiary, Horn completed a non-brokered private placement issuing an aggregate of 18.75 million units at a price of CAD$0.80 per unit for gross proceeds of CAD$15 million. Each unit was comprised of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable over a period of two years at a price of CAD$1.20 per share. A finder's fee was paid, consisting of the issuance of an aggregate of 342,500 units and the payment of $0.1 million in cash. All securities issued under the private placement were subject to a statutory hold period which expired on October 9, 2012. The Company acquired 4,315,000 of the units issued for gross proceeds of $3.5 million and currently owns 44.6% of the outstanding shares of Horn.

During the third quarter of 2012, the Company issued a total 420,000 common shares to Lockwood Financial Ltd. and Peninsula Merchant Syndications Corp. as a settlement of claimed professional fees relating to previously completed farmout transactions.

In July 2012, the Company completed a farmout transaction with Tullow. In accordance with the farmout agreement (the "2012 Tullow Farmout Agreement"), Tullow paid the Company $1.1 million in consideration of past exploration expenditures to acquire an additional 15% interest in Block 12A in Kenya. Tullow also agreed to fund 15% of the Company's working interest share of expenditures related to the acquisition of 520 Kilometers of 2D seismic until an expenditure cap of $10.3 million on a gross basis, following which the Company will be responsible for its working interest share of seismic acquisition costs. Tullow previously acquired a 50% interest in, and operatorship of, Block 12A in a transaction that was completed in February 2011.

In October 2012, the Company completed a farmout transaction with Marathon whereby Marathon acquired a 50% interest in Block 9 and a 15% interest in Block 12A, both in Kenya. In accordance with the farmout agreement, Marathon paid the Company $32.0 million in consideration of past exploration expenditures, and agreed to fund the Company's working interest share of future joint venture expenditures on these blocks to a maximum of $25 million. The Company will maintain operatorship in Block 9, but Marathon has the right to assume operatorship if a commercial discovery is made. In addition, the Company and Marathon have agreed to jointly pursue exploration activities on an additional area in Ethiopia.

In October 2012, the Company completed a farmout transaction with New Age whereby New Age acquired an additional 25% interest in the Company's Blocks 7 & 8 in Ethiopia, together with operatorship of Blocks 7 & 8 and the Adigala Area. In accordance with the farmout agreement, New Age paid the Company $1.5 million in consideration of past exploration expenditures.

In December 2012, the Company completed a private placement in two tranches issuing an aggregate of 30 million common shares of the Company at a price of CAD$7.75 per share for gross proceeds of CAD$232.5 million. The common shares issued pursuant to the closing of the first tranche of the private placement on December 7, 2012 were subject to a hold period that expired on April 8, 2013. The shares issued pursuant to the closing of the second tranche of the private placement today were subject to a hold period that expired on April 14, 2013. A 4% finder's fee was paid on a portion of the private placement.

*Operational activity in the year*

During the first quarter of 2012, the Company discovered over 100 meters of net oil pay in the Ngamia-1 well in Block 10BB (Kenya), the first Tullow-Africa Oil joint venture exploration well drilled. In response to the successful Ngamia-1 well, the Company together with its partners ramped up its exploration program in Kenya and Ethiopia, and at year-end had two rigs operating in Kenya and one rig operating in Ethiopia. The Company and its partner agreed to source a fourth rig to commence testing and drilling operations in the second half of 2013.

Following completion of the Ngamia-1 well, the Company and its partner Tullow moved the rig to drill the Twiga South-1 exploration well in Block 13T (Kenya) which is on trend with Ngamia-1. Twiga South-1 successfully encountered 30 meters of net oil pay. The Company and its partners commenced a drill stem test ("DST") near the end of 2012.

The first additional rig was mobilized to Block 10A (Kenya) to drill Paipai-1 which spud in the fourth quarter of 2012 and was completed in the first quarter of 2013. Light hydrocarbons were encountered while drilling a 55 meter thick gross sandstone interval; however attempts to recover samples were unsuccessful. The Company and its partners were not able to test the well due to the unavailability, in country, of testing equipment capable of handling the higher reservoir pressures encountered. As a result, the well was temporarily suspended pending further data evaluation. The rig was then mobilized to the South Lokichar Basin in Block 10BB to drill the Etuko prospect in the undrilled flank play.

The Company continued to actively acquire, process, and interpret 2D seismic over Blocks 10BA, 10BB, 12A, 13T and South Omo with three seismic crews active during the year.

In Puntland (Somalia), the Company, through its 44.6% ownership interest in Horn, completed a two well exploration drilling program. Both well sites have been restored to original condition and demobilization of drilling equipment from Puntland has been completed. While the Company was disappointed that the first two exploration wells in Puntland did not flow oil, the Company remains highly encouraged that all of the critical elements exist for oil accumulations, and based on this encouragement, the Company and its partners entered into the next exploration period in both the Dharoor Valley and Nugaal Valley PSC's which carry a commitment to drill one exploration well in each block.

**FISCAL YEAR ENDED DECEMBER 31, 2013**

*Significant transactions in the year*

In February 2013, the Company entered into a PSA on the Rift Basin Area in Ethiopia with the Ministry of Mines, Government of Ethiopia. Under the Rift Basin Area PSA, during the initial exploration period which expires in February 2016, the Company is obligated to complete geological and geophysical 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.

During October 2013, the Company completed a brokered private placement issuing an aggregate of 56,505,217 common shares at a price of 51.75 Swedish Kronas ("SEK") per common share for net proceeds of $440 million. The common shares were placed through a syndicate comprising of Citigroup Global Markets Limited, Dundee Securities Europe LLP and Pareto Securities AS, who together acted as joint bookrunners (the "Joint Bookrunners"). A cash commission equal to 3% of the gross proceeds was paid to the Joint Bookrunners.

*Operational activity in the year*

On the back of the successful exploration activities in Kenya during 2012, the Company, together with its partners, continued to ramp up its exploration program in Kenya and Ethiopia. Entering the year, two Tullow-Africa Oil joint venture rigs were operating in Kenya and one joint venture rig was operating in Ethiopia. Two additional Tullow-Africa Oil joint venture rigs (one of which is a testing and completion unit) were mobilized in Kenya during November 2013. The Company, as operator, and its partner in Block 9 (Kenya) secured a sixth rig, which commenced drilling operations in September 2013. In addition, the Company and its partners in Block 7/8 (Ethiopia) mobilized a seventh rig for a one well commitment, which commenced drilling operations in October 2013. The Company completed seven exploration wells and two multi-zone well tests across its blocks and exited the year with three wells drilling and one well under test.

During the first quarter of 2013, the Company and its partner, Tullow, conducted well testing operations at Twiga South-1, which resulted in a cumulative flow rate of 2,812 bopd from three zones, despite being constrained by surface equipment. With optimized production equipment, the cumulative flow rate is anticipated to have increased to a cumulative rate of approximately 5,200 bopd. High quality 37 degree API waxy sweet crude flowed from all three zones in the Auwerwer formation with good quality reservoir sands encountered. The well was suspended as a potential future production well.

Also during the first quarter of 2013, the Company and its operating partners on Block 10A completed drilling the Paipai-1 exploration well. The Paipai-1 well tested a large four-way closed structure with Cretaceous-age sandstone targets at multiple depths. Paipai-1 spudded in September 2012 and completed drilling in the first quarter of 2013 to a total depth of 4,255 meters. Light hydrocarbons were encountered while drilling a 55 meter thick gross sandstone interval. Attempts to sample the reservoir fluid were unsuccessful and the hydrocarbons encountered while drilling were not recovered to surface. The Company and its partners were unable to test the well at the time due to the unavailability, in country, of testing equipment capable of handling the higher reservoir pressures encountered at this depth.

During the second quarter of 2013, the Company completed a series of six well tests at the Ngamia-1 discovery. The cumulative flow rate from the six well tests was over 3,200 bopd constrained by completion techniques and surface equipment. With optimized completion techniques and surface equipment it is estimated that these combined flow rates would increase to a rate of 5,400 bopd. Five of the well tests were completed over the Auwerwer sandstones to verify reservoir quality and fluid content which appears of similar quality to those tested at the Twiga South-1 well in the same basin. High quality waxy sweet crude (25-35 degrees API) was flowed from all five zones in the Auwerwer formation with good quality reservoir sands encountered. One well test was conducted in the Lower Lokhone sandstone proving it to be a productive reservoir with 30 degree API oil. All zones produced dry oil with no water produced and no pressure depletion. As a result of testing several previously indeterminate zones in the well, net oil pay in the Ngamia-1 well doubled to over 200 meters over a gross oil column of over 1,100 meters.

Transient Pressure Analysis has been conducted on the Twiga South-1 and Ngamia-1 well tests. No pressure depletion was recorded over the duration of the tests. The Ministry of Energy agreed to a proposal by Tullow, as operator of Blocks 10BB and 13T, to carry out a combined exploration and evaluation program over a defined Area of Interest ("AOI") including all of the mapped prospects and leads along the basin bounding fault on the western edge of the Lokichar Basin. The basis of the AOI approach is to adopt a basin-wide approach to concurrently explore and evaluate the area as opposed to undertaking well-by-well appraisals for each discovery well. This basin-wide approach, with regards to the AOI, is mutually agreed to be the most efficient and quickest approach to moving the exploration and evaluation work program forward towards reaching a commercial threshold of reserves required to justify any large scale oil development. In July, the Company announced a new oil discovery at Etuko-1. Etuko-1 is located 14 kilometers east of Twiga South-1 in Block 10BB and is the first test of the Basin Flank Play in the eastern part of the discovered basin in Northern Kenya. The well encountered approximately 40 meters of net oil pay in the Auwerwer and Upper Lokhone targets and approximately 50 meters of additional potential net pay in the Lower Lokhone interval based on log analysis.

Also in July, the Company completed drilling the Sabisa-1 well in the South Omo Block. The well encountered reservoir quality sands, oil shows and heavy gas shows indicating an oil prone source rock and thick shale section which may provide a good seal for the numerous fault bounded traps identified in the basin; however, only the lowermost sands appeared to be in trapping configuration at Sabisa-1. Based on the encouragement of the results of this well, the Company decided to drill the nearby Tultule prospect next.

In September, the Company announced a new oil discovery at Ekales-1 located in the Basin Bounding Fault Play between the Ngamia-1 and Twiga South-1 discoveries. Logs indicated a potential pay zone of 60 to 100 meters to be confirmed by flow testing.

Also in September, the Company announced details of an updated independent assessment of the Company's contingent and prospective resources on its Kenyan and Ethiopian exploration properties. The effective date of this assessment was 31 July 2013 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. Please refer to the Company's press release dated September 3, 2013 for details of the prospective and contingent resources by prospect and lead, including the geologic chance of success.

All operations in Block 10BB and Block 13T in Northern Kenya were temporarily suspended on October 28, 2013 as a precautionary measure following demonstrations by members of local communities. Operations resumed on November 8, 2013 after successful discussions relating to the operating environment with central and regional government and local community leaders. These discussions led to the signing of a Memorandum of Understanding which clearly lays out a plan for the Government of Kenya, county government, local communities in Northern Kenya and the Tullow-Africa Oil joint venture to work together inclusively over the long-term and to ensure operations can continue without disruption in the future.

In November, the Company announced a new oil discovery at Agete-1 located seven kilometers north of the Twiga South-1 discovery along the Basin Bounding Fault Play in Block 13T. Logs indicate a significant oil column with an estimated 100 meters of net oil pay in good quality sandstone reservoirs.

Given the significant volumes discovered and the extensive exploration and appraisal program planned to fully assess the upside potential of the basin, the Tullow-Africa Oil joint venture has agreed with the Government of Kenya to commence development studies. In addition, the partnership is involved in a comprehensive pre-FEED study of the export pipeline. The current ambition of the Government of Kenya and the joint venture partnership is to reach project sanction for development, including an export pipeline, by the end of 2015 or early 2016.

In December, the Company completed drilling the Bahasi-1 well in Block 9 to a depth of 2,900 meters, encountering metamorphic basement at 2850 meters. A thick section of Tertiary and Cretaceous interbedded sands and shales were encountered with only minor shows of gas throughout the section, accordingly the well was plugged and abandoned. Subsequent to the completion of Bahasi-1, the rig moved to the Sala-1 well which has a planned total depth of 3,450 meters and is expected to complete in April 2014. The Sala prospect is a large three way dip closed structure against the rift bounding fault in the Cretaceous Anza Basin in a similar structural setting to the Tertiary Ngamia discovery in Block 10BB. The Sala prospect is up-dip of the Bogal-1 and Nduvo-1 wells both of which encountered significant hydrocarbon shows.

Also in December, the Company completed the Tutule-1 well which reached a total depth of 2101 meters. The well encountered a section similar to the nearby Sabisa-1 well in the upper portion of the well but the sands which appeared to be hydrocarbon bearing in the Sabisa well were not present on the Tultule horst block feature with multiple volcanic units and shales in this section. There were gas shows in the section which point to a potential hydrocarbon source and the results of these two wells will be analyzed to determine the future exploration program direction in the North Turkana Basin.

Also in December, the previously planned test of the Paipai-1 well in Block 10A was cancelled due to concerns over economic viability. Further, the Company and its partners have elected not to continue into the next exploration phase on this block.

The Company and its partners continued to actively acquire, process and interpret an extensive 2D seismic program totaling approximately 3,044 kilometers during 2013 over Blocks 10BA, 10BB, 12A, 13T in Kenya and the South Omo Block in Ethiopia with two onshore and one offshore 2D seismic crews operating throughout the remainder of the year. A third onshore 2D seismic crew operating in the South Omo Block was released in May 2013 after completing 1,174 kilometers of 2D seismic. In addition, the Company and its partner in Blocks 10BB and 13T mobilized a 3D seismic crew to begin a 550 square kilometer 3D seismic survey over the Ngamia-1 and Twiga South-1 discoveries. The Company completed acquiring an extensive Full Tensor Gradiometry survey in December over the Rift Basin Area in Ethiopia, and is conducting an exhaustive environmental and social impact assessment over the block in preparation for a seismic program in 2014.

**Subsequent to Fiscal Year Ended December 31, 2013**

In January, the Company announced a new discovery at the Amosing-1 exploration well, located south of the Ngamia discovery and also along the Basin Bounding Fault Play. Based on results of drilling, wireline logs and samples of reservoir fluid, the well has intersected potential net oil pay of 160 to 200 meters.

Also in January, the Company announced a new discovery at the Ewoi-1 exploration well, the second exploration well drilled by the Tullow-Africa Oil joint venture in the Basin Flank Play on the eastern side of the South Lokichar Basin in Block 10BB. Logs indicate potential net pay of 20 to 80 meters to be confirmed by well testing.

In February, well testing at Etuko-1 from five identified Lokhone pay intervals confirmed the previously announced discovery. Light 36 degree API waxy crude oil was successfully flowed from three zones at a combined average rate of over 550 barrels of oil equivalent per day.

In March, the Company announced the results of the Etuko-2 exploration well drilled to test the upper Auwerwer sands overlying the previously announced Etuko discovery. Etuko-2 penetrated a potential significant oil column identified from formation pressure data and oil shows while drilling and in core, with good quality reservoir but flowed only water on drill stem test. The results are considered inconclusive and analysis is underway to consider further options to evaluate this reservoir.

Also in March 2014, the company announced the results of testing operations on the Ekales-1 well which confirmed this significant discovery. Two drill stem tests were completed and flowed at a combined rate of over 1,000 bopd from a combined 41 meter net pay interval. The upper zone had a very high productivity index of 4.3 stb/d/psi.

Also in March, the Company announced the results of the Emong-1 well located four kilometers northwest of Ngamia-1 field discovery in Block 13T. The well encountered oil and gas shows while drilling, however the Auwerwer sandstones that are the primary reservoirs in the Ngamia field were thin and poorly developed in Emong-1 and the well was plugged and abandoned. It is believed that the reservoir was poorly developed due to its proximity to the basin bounding fault and its location within what appears to be a local isolated slumped fault margin. The results are not expected to impact the thickness and quality of reservoir throughout the main Ngamia field area.

Also in March, the Company and its partners announced that drilling of the El Kuran-3 well, in the Somali region of Ethiopia, reached a total depth of 3528 meters and is currently undergoing logging and evaluation prior to taking a decision on the way forward on the well. There have been numerous oil and gas shows in the well which is a follow up to a discovery made by Tenneco in the 1970’s. There appears to be a significant amount of oil and gas in several intervals and the primary issues are the quality of the reservoir and potential commerciality give the remote location.

Also in March 2014, the Company completed a farmout transaction with Marathon whereby Marathon acquired a 50% interest in Rift Basin Area leaving AOC with 50% working. In accordance with the farmout agreement, Marathon is 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. The Company will maintain operatorship in Rift Basin Area, but Marathon has the right to assume operatorship if a commercial discovery is made.

Also in March, the Company completed a farmout transaction with New Age whereby New Age acquired an additional 40% interest in the Company's Adigala Block leaving AOC with 10% working interest. In accordance with the farmout agreement, New Age is obligated to fund 10% of the Company's working interest share of expenditures related to the acquisition of a planned 1,000 kilometer 2D seismic program to a maximum expenditure of $10.0 million on a gross basis, following which the Company would be responsible for its working interest share of expenditures.

## ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

*Summary*
Africa Oil's strategy and 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 African oil and gas assets, focused primarily in East Africa, which provide shareholders with exposure to multiple identified prospects and leads, geographically and geologically diversified across multiple East African countries and under-explored petroleum systems. Africa Oil'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 aims to pursue a leveraged farmout strategy allowing it to leverage its large working interest holdings in each of its operated blocks. Africa Oil aims to continue to identify highly prospective exploration targets in geologically favorable settings. Africa Oil will continue to consider acquisition and merger opportunities with a focus on North Africa and the Middle East. In general, Africa Oil will continue its portfolio approach to exploring a large number of oil and gas opportunities with the goal of increasing shareholder value.

The board of directors of Africa Oil may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to the guidelines discussed above based upon the board's consideration of the qualitative and quantitative aspects of the subject properties, including risk profile, technical upside, resource potential, reserve life and asset quality.

*Specialized Skill and Knowledge*
The Company relies on specialized skills and knowledge to gather, interpret and process geological and geophysical data, design, drill and complete wells, and numerous additional activities required to explore for, and potentially produce, oil and natural gas. The Company has employed a strategy of contracting consultants and other service providers to supplement the skills and knowledge of its permanent staff in order to provide the specialized skills and knowledge to undertake its oil and natural gas operations efficiently and effectively.

*Competitive Conditions*
The petroleum industry is immensely competitive in all of its phases. Africa Oil competes with other participants in the search for, and the acquisition of, oil and natural gas interests located in North Africa and the Middle East. Africa Oil's competitors include other resource companies which may have greater financial resources, staff and facilities than those of the Company. Competitive factors which may come into play in the future include the distribution and marketing of oil and natural gas, pricing, and methods of improving reliability of delivery.

*Economic Dependence*
The Company is heavily dependent upon the results obtained under agreements, including production sharing agreements, joint venture agreements and farmout agreements that it has entered into for the exploration and extraction of hydrocarbons.

## OVERVIEW OF FARMOUT AND JOINT VENTURE AGREEMENTS

The following narrative provides an overview of the Company's farmout and joint venture agreements:

**Lion Energy Farmout Agreement and Lion Energy Farmout Amendment**
Pursuant to the terms of the Lion Energy Farmout Agreement, AOC agreed to transfer to Lion Energy an interest in the Nugaal Valley and Dharoor Valley PSAs, Puntland (Somalia) and in the PSCs covering Block 9, Block 10A and Block 10BB, Kenya.

Under the terms of the Lion Energy Farmout Agreement, AOC agreed to transfer the following interests to Lion Energy upon satisfaction of certain closing conditions, including the receipt of TSX-V approval and ministerial approval in both Puntland (Somalia) and Kenya:

- a 15% license interest in the Nugaal and Dharoor Valley PSAs;
- a 10% license interest in the Block 9 PSC;
- a 25% license interest in the Block 10A PSC; and,
- a 20% license interest in the Block 10BB PSC.

In consideration for such interests, Lion Energy agreed to pay a disproportionate share of costs associated with the planned work programs to be carried out in the subject areas and to deposit in escrow, as security for its payment obligations, $4 million.

Pursuant to an allocation agreement dated April 20, 2010 (the "Allocation Agreement") the Company, together with Lion Energy, Peninsula and Lockwood Financial Ltd. ("Lockwood") agreed to the allocation of a finders' fee payable to Lockwood and Peninsula in respect of the Lion Energy Farmout Agreement. The Company agreed to pay a finder's fee equal to CAD$842,900 to Peninsula in connection with the Lion Energy Farmout Agreement based upon aggregate expenditures of $26,208,000, payable in common shares of the Company. The Company issued a total of 730,240 common shares to Peninsula. Lion Energy agreed to pay a finder's fee equal to CAD$500,000 comprised of a cash payment of $150,000 and the issuance of an aggregate of 1,277,777 shares of Lion Energy to Lockwood. Lion Energy paid Lockwood $150,000 and issued 444,444 shares of Lion Energy, with the Company issuing a further 95,000 common shares to Lockwood to settle the amount remaining under the Allocation Agreement.

Ministerial approval of the Lion Energy Farmout Agreement was obtained from the Puntland Government on December 8, 2010 and from the Kenyan Government on December 9, 2010. Requisite TSX-V approval to the Lion Energy Farmout Agreement was received on March 15, 2010 and to the Peninsula finder's fee arrangement on April 26, 2010.

On July 29, 2010, Lion Energy and AOC entered into the Lion Energy Farmout Amendment. Pursuant to the terms of the Lion Energy Farmout Amendment, Lion Energy agreed to relinquish all of its interest in the Block 10A PSC and relinquish a ten percent (10%) participating interest in the Block 10BB PSC in consideration for which AOC agreed to:

(a) release to Lion Energy the $4 million that had been deposited into escrow under the terms of the Lion Energy Farmout Agreement;

(b) issue to Lion Energy 2,500,000 common shares of AOC which shares were subject to a voluntary six month hold period from the date of closing of the Lion Energy Farmout Amendment;

(c) pay Lion Energy $2.5 million in cash; and

(d) release Lion Energy from its obligation to pay a disproportionate share of costs associated with the planned work programs to be carried out in the remaining subject areas.

The transaction contemplated under the Lion Energy Farmout Amendment was subject to requisite ministerial and TSX-V approvals and was also subject to completion of the transactions contemplated under the Tullow Farmout Agreements in respect of South Omo, Ethiopia, and Blocks 10A and 10BB, Kenya. On January 26, 2011, following receipt of the necessary approvals and satisfaction of the conditions precedent related to the Tullow Farmout Agreements, the Company closed the transactions contemplated under the Lion Energy Farmout Amendment and paid Lion Energy $2.5 million and issued to Lion Energy 2,500,000 common shares. The Company also released to Lion Energy the $4 million held in escrow under the terms of the Lion Energy Farmout Agreement.

Effective June 20, 2011, the Company completed the acquisition of all of the issued and outstanding common shares of Lion Energy. Pursuant to the Lion Energy Arrangement Agreement, the Company acquired all of the issued and outstanding shares of Lion Energy in consideration for 14,962,447 shares of the Company, net of 2,500,000 shares of the Company that

Lion Energy owned at the date of the acquisition. The Company also issued 287,250 stock options of which 237,250 were subsequently exercised and 2,289,000 share purchase warrants that expired unexercised on June 29, 2011.

**Farmout Agreement with EAX**

On May 29, 2009, AOC entered into the EAX Farmout Agreement with EAX, pursuant to which the Company agreed to transfer to EAX, effective as at December 9, 2009, a 30% license interest in the PSAs covering Blocks 2 and 6 and 7 and 8 in Ethiopia and a 20% license interest in the PSC covering Block 10A in Kenya.

Under the terms of the EAX Farmout Agreement, EAX was obligated to pay a disproportionate share of costs associated with the planned work programs carried out in 2009 and 2010 and to pay a portion of AOC's past costs and future operational costs. As consideration for past costs incurred by the Company, EAX paid the Company $1,700,000.

During 2011, the Company relinquished Blocks 2/6 and the Ministry of Mines in Ethiopia agreed to waive remaining commitments. The Company paid $2.135 million to the Ministry of Mines in Ethiopia, in lieu of unfulfilled commitments with respect to Blocks 2/6.

**Assignment Agreement and 12A/13T Amending Agreement with Platform**

On January 11, 2010, AOC entered into the Platform Assignment Agreement with Platform. Under the Platform Assignment Agreement, AOC agreed to purchase from Platform all of Platform's right, title and interest in and to, and all of its obligations under (collectively, the "Platform Interest"), two production sharing contracts (the "Blocks 12A and 13T PSCs"), each made September 17, 2008 between Platform and the Kenyan Government.

The terms of the Platform Assignment Agreement provided that it would automatically terminate if the closing date for the purchase and sale of the Platform Interest had not occurred by June 1, 2010.

On May 27, 2010, AOC entered into the 12A/13T Amending Agreement with Platform. Under the 12A/13T Amending Agreement, Platform and AOC agreed to certain amendments to the Platform Assignment Agreement including the extension of the date by which the purchase and sale of the Platform Interest was required to be completed, i.e., from June 1, 2010 to September 30, 2010. AOC also agreed to provide bank and parent company guarantees to the Kenyan Government in accordance with the terms of the Blocks 12A and 13T PSCs.

The Kenyan Government consented to the Company's acquisition of Blocks 12A and 13T on August 17, 2010 by signing deeds of assignment in respect of each Block. The Platform Assignment Agreement, as amended by the 12A/13T Amending Agreement, was approved by the TSX-V on August 18, 2010 and the transactions contemplated by the Platform Assignment Agreement, as amended by the 12A/13T Agreement completed on September 9, 2010.

The purchase price for the Platform Interest was comprised of 2,500,000 common shares of AOC and 1,500,000 share purchase warrants. Each warrant entitled Platform to acquire one additional common share of the Company at a price of $1.50 per share for a period of two years, i.e. on or before September 9, 2012. On November 22, 2010, the Company elected to exercise its rights to accelerate the expiry date of the warrants to May 22, 2011. All 1,500,000 share purchase warrants were exercised on April 20, 2011.

**Red Emperor Farmout Agreement and Red Emperor Farmout Amendment**

On August 12, 2010, the Company entered into the Red Emperor Farmout Agreement under which Puntland Oil agreed to acquire a 10% participating interest in respect of the Nugaal and Dharoor Valley PSAs, with an option to increase its participating interest in both of the Nugaal and Dharoor Valley PSAs to 20%. The option was exercised by Puntland Oil on October 21, 2010. In consideration for the 20% participating interest, Puntland Oil agreed to pay 30% of all drilling costs associated with the drilling of two wells under the Nugaal and Dharoor Valley PSAs, being one exploration well under each of the production sharing agreements, or, if AOC chooses, two wells in the Dharoor Valley Exploration Area, in each case for the initial US$25 million of gross costs. Thereafter Puntland Oil shall be responsible for its proportionate share of such costs.

Also pursuant to the Red Emperor Farmout Agreement, Red Emperor entered into an escrow agreement under which it has deposited US$2 million into an escrow account, to be offset against the last US$2 million cash call made by AOC in respect of the work programs for the exploration areas, based on approved budgets.

Completion of the Red Emperor Farmout Agreement was subject to the approval of the Government of Puntland, which was received in January 2011. Pursuant to a finder's fee agreement dated June 10, 2010 between the Company and Komodo Capital (the "Komodo Finder's Fee Agreement"), the Company was obligated to pay an aggregate of $125,000 in cash and $125,000 in common shares (103,306 common shares a deemed price of $1.21/share) in connection with the Red Emperor Farmout Agreement. The finder's fee was payable in two tranches, 50% upon receipt of confirmation that the escrow arrangements under the Red Emperor Farmout Agreement had been satisfied (the "First Tranche") and the remaining 50% (the "Second Tranche") upon the entering into of a drilling rig contract in respect of either the Dharoor Valley or Nugaal Valley exploration areas. On January 6, 2011 and September 21, 2011, the Company satisfied its obligations to Komodo Capital in respect of the First and Second Tranches, respectively.

On March 23, 2011 the Company and Red Emperor entered into the Red Emperor Farmout Amendment under which Red Emperor acknowledged that it had made the election to increase the interests assigned to it in the PSCs covering the Dharoor Valley Block and the Nugaal Valley Block assigned to it from a 10% participating interest to a 20% participating interest. In addition, Red Emperor's initial obligation in respect of the initial exploration well drilled pursuant to the Nugaal Valley PSC, or the second exploration well drilled pursuant to the Dharoor Valley PSC, as applicable, was reduced to 20% of pre-spud costs. Red Emperor also elected to maintain its 20% participating interest in the PSCs covering the Nugaal Valley Block and the Dharoor Valley Block, after reviewing certain data relating to the first exploration well, and was committed to paying 30% of the drilling costs related to the one well drilling commitment included in the first exploration period of both the Dharoor and Nugaal Valley PSCs.

**Farmout Agreement with Agriterra**

On June 14, 2010, AOC entered into the Agriterra Farmout Agreement under which AOC agreed to acquire an 80% participating interest in respect of the petroleum production sharing agreement (the "South Omo Block PPSA") made January 2008 between Agriterra and the Ethiopian Government relating to the South Omo Block.

In consideration for the 80% participating interest, AOC agreed to pay to Agriterra 80% of past costs, to a maximum of $2,517,000, incurred by Agriterra in connection with the South Omo Block PSA and 100% of the costs associated with certain seismic and geological and geochemical work. The $2,517,000 of past costs owing to Agriterra under the Agriterra Farmout Agreement will be offset against cash calls made by AOC in its capacity as operator, in respect of Agriterra's participation share of all costs under the South Omo Block joint operating agreement.

AOC received ministerial consent of Ethiopian Government to the Agriterra Farmout Agreement on August 19, 2010.

**Farmout Agreements with Tullow**

On September 1, 2010, AOC and Tullow entered into the Tullow Farmout Agreement. Under the Tullow Farmout Agreement, AOC agreed to assign to Tullow a 50% interest in and operatorship of, each of the Block 10A PSC, the Block 10BB PSC and the South Omo Block PSA. Tullow was also granted an option to acquire a 50% interest in the Blocks 12A and 13T PSCs, which it subsequently exercised (see below).

In consideration of the assignment, Tullow has paid AOC $9.5 million, representing 50% of AOC's audited past costs in the blocks. In addition, Tullow agreed to fund its 50% working interest and AOC's working interest share of joint venture expenditures on Blocks 10A, 10BB, and South Omo from July 1, 2010, the effective date, until the cap of $23.75 million (based on AOC's carried interest) was reached. Upon reaching the expenditure cap, AOC was responsible for its working interest share of future joint venture expenditures.

The South Omo portion of the farmout to Tullow was completed on December 9, 2010. The farmout of Blocks 10A and 10BB to Tullow was completed in January 2011.

Tullow exercised its option in respect of the Blocks 12A and 13T PSCs on September 1, 2010 and entered into the 12A/13T Farmout Agreement with AOC in respect of those blocks, on December 9, 2010. Under the 12A/13T Farmout Agreement, AOC agreed to assign to Tullow 50% interest in, and operatorship of, each of Blocks 12A and 13T in consideration of $1.55 million, being 50% of AOC's past costs in respect of the blocks plus 50% of gross petroleum costs incurred by AOC from September 9, 2010, to a maximum of $500,000. On February 22, 2011, the Company closed on the 12A/13T farmouts at which time Tullow paid the Company an aggregate of $1,686,432. Tullow and AOC are responsible for their working interest share of joint venture expenditures in these blocks going forward.

As a result of the completion of the Centric Plan of Arrangement, the Company acquired an interest in Block 10BA, Kenya. Block 10BA is the subject of the 10BA Farmout Agreement. Pursuant to the terms of the 10BA Farmout Agreement, Tullow acquired a 50% interest in, and operatorship of, Block 10BA in consideration of the reimbursement of 50% of Centric's acquisition costs, being approximately $750,000, and the payment of 80% of the first $30 million of expenditures required under the Block 10BA PSC. Upon reaching the expenditure cap, each joint venture partner was responsible for its working interest share of future costs. On November 4, 2010, Kenyan Government approval to the 10BA Farmout Agreement was received and on January 26, 2011, the transaction closed at which time Tullow paid to Centric an amount of $1.0 million in respect of estimated historic costs related to the acquisition of the PSC and exploration of Block 10BA.

In July 2012, the Company completed a farmout transaction with Tullow whereby Tullow paid the Company $1.1 million in consideration of past exploration expenditures to acquire an additional 15% interest in Block 12A in Kenya. Tullow agreed to fund 15% of the Company's working interest share of expenditures related to the acquisition of 520 Kilometers of 2D seismic until an expenditure cap of $10.3 million on a gross basis, following which the Company would be responsible for its working interest share of seismic acquisition costs.

**Joint Venture with Range**

Pursuant to a joint venture arrangement with Range (the "Range Joint Venture") relating to the Dharoor and Nugaal Valley Exploration Blocks, Puntland (Somalia), 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 exchange for a 80% working interest in each block. 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 did not fund the required $22.8 million during the initial exploration periods, the Company's interest in the block would be forfeited. An additional $3.5 million will be payable to Range upon commencement of commercial production. The Company fulfilled its sole funding obligation related to both the Dharoor Valley and Nugaal Valley Blocks. As a result, Range is currently obligated to pay its 20% participating interest share of ongoing exploration costs related to both Blocks.

**Rift Basin Area, Ethiopia**

In December 2010, the Company signed a definitive agreement (the "Joint Study Agreement") with the Ethiopian Government to jointly study the Rift Basin Area (formerly referred to as the "Rift Valley Block"). The Company committed to carry out an airborne geophysical survey over the Block. The Joint Study Agreement had an 18 month term, following which the Company could enter into negotiations for a production sharing agreement for all or part of the Rift Basin Area.

In February 2013, the Company entered into a PSA on the Rift Basin Area in Ethiopia with the Ministry of Mines, Government of Ethiopia. Under the Rift Basin Area PSA, during the initial exploration period which expires in February 2016, the Company is obligated to complete geological and geophysical operations (including the acquisition of 8,000 square kilometers of full tensor gravity and 400 kilometers of 2D seismic) with a minimum gross expenditure of $5.0 million. The Company's current working interest in the Rift Basin Area is 100%.

**Farmout Agreement with Marathon Oil Corporation**

In October 2012, the Company completed a farmout transaction with Marathon whereby Marathon acquired a 50% interest in Block 9 and a 15% interest in Block 12A, both in Kenya. In accordance with the farmout agreement, Marathon paid the company $32.0 million in consideration of past exploration expenditures, and has agreed to fund the Company's working interest share of future joint venture expenditures on these blocks to a maximum of $25 million. The Company will maintain operatorship in Block 9, but Marathon has the right to assume operatorship if a commercial discovery is made.

In March 2014, the Company completed another farmout transaction with Marathon whereby Marathon acquired a 50% interest in the Rift Basin Area of Ethiopia. Africa Oil will maintain operatorship of the block, but Marathon has the right to assume operatorship if a commercial discovery is made. In consideration for the assignment of this interest, Marathon will pay the Company an entry payment of $3.0 million in respect of past costs, and has agreed to fund $15.0 million of Africa Oil's working interest share of joint venture expenditures in the Rift Basin Area. Africa Oil and Marathon each hold a 50% working interest in the Rift Basin Area.

**Farmout Agreement with New Age (Africa Global Energy) Limited**

In October 2012, the Company completed a farmout transaction with New Age whereby New Age acquired an additional 25% interest in the Company's Blocks 7 & 8 in Ethiopia, together with operatorship of Blocks 7 & 8 and the Adigala Area. In accordance with the farmout agreement, New Age paid the Company $1.5 million in consideration of past exploration expenditures. New Age already held a 15% interest in Blocks 7 & 8, bringing its total interest to 40%.

In March 2014, the Company completed another farmout transaction with New Age whereby New Age acquired an additional 40% working interest in the Adigala Block, in Ethiopia. The Company's interest has now been reduced to 10%. In consideration of the assignment New Age will carry Africa Oil's working interest share of a planned 1,000 kilometer 2D seismic work program in the Adigala Block.

## PRODUCTION SHARING CONTRACTS OVERVIEW

***Block 10BB, Kenya (50% working interest)***

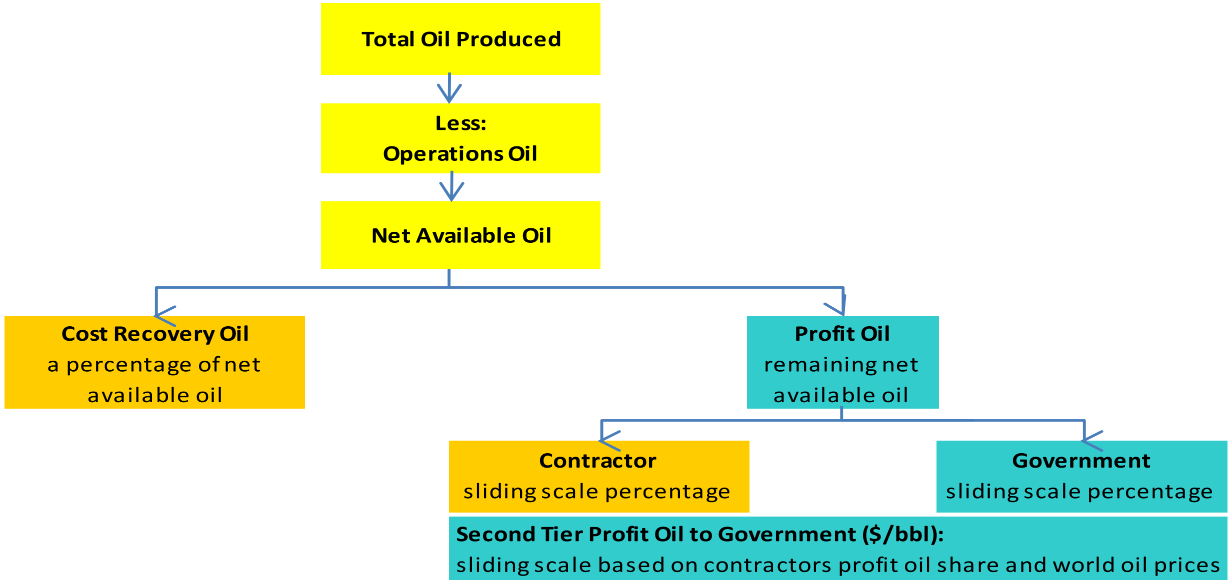
The Block 10BB PSC contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The Contractor Group is currently in the first additional exploration period which expires in July 2014. During the first additional exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 300 $km^2$ of 3D seismic with a minimum required expenditure of $7.0 million. In addition, the Contractor Group is required to drill one well to a vertical depth of at least 3,000 meters with a minimum required expenditure of $6.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish 30% of the remaining contract area.

During the second additional exploration period, the Contractor Group is required to acquire and interpret 250 $km^2$ of 3D seismic at a minimum cost of $7.0 million. In addition, the Contractor Group is required to drill three exploratory wells, to a vertical depth of at least 3,000 meters per well. The minimum required expenditure for each well is $6.0 million.

The Kenyan Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 20% of the total interest in that development area. The Kenyan Government may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Block 10BB PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

A second tier Profit Oil payment is due to the Government when oil prices exceed a stated world oil price. The amount payable per barrel is calculated by multiplying the Contractor Group's share of Profit Oil by a stated percentage and by the prevailing oil price in excess of the contractually agreed threshold world oil price.

***Block 10A, Kenya (30% working interest)***
The Block 10A PSC contemplated an initial four year exploration period which was extended to January 2014 by the Ministry of Energy for the Republic of Kenya. The Contractor group has fulfilled its minimum work obligations of the first exploration period, and has elected not to enter the first additional exploration period.

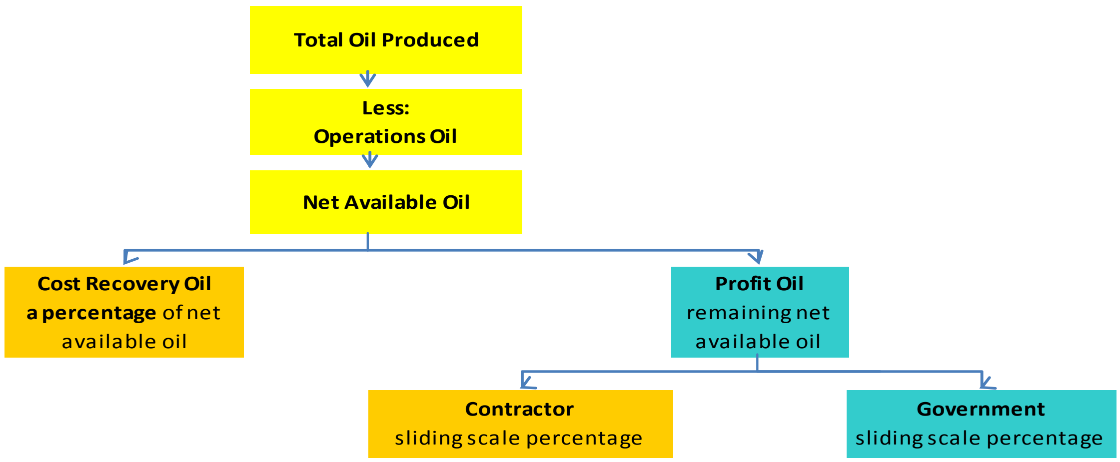
***Block 9, Kenya (50% working interest)***
The Company completed drilling the Bogal-1 well in May 2010 and entered the first additional exploration phase under the Block 9 PSC. Although the Company was required to relinquish 25% of the original contract area at the end of the first exploration period, the Kenyan Ministry asked the Company maintain the contract area 100% and waived the requirement to relinquish.

The Company completed drilling the Bahasi-1 well in December 2013 and entered the second additional exploration period under the Block 9 PSC. The Company has proposed a relinquishment of 50% of the original contract area.

During the second additional exploration period, which has a two year term, the Company is required to, in consultation with the Ministry of Energy for the Republic of Kenya, determine how much 2D or 3D seismic work, if any, is required. In addition, the Company is required to drill one well, to a vertical depth of at least 1,500 meters. The minimum required expenditure for the well is $3.0 million.

The Kenyan Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 13% of the total interest in that development area. The Kenyan Government may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A development and production period commences once the Company has made a commercial discovery and a development plan is adopted. The development and production period is 25 years with a possible 10 year extension.
The following diagram illustrates the allocation of production under the terms of the Block 9 PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Company for operational needs for the work performed under the PSC. Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Company for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Company is based on a sliding scale with the portion allocated to the Company declining as the volume of Profit Oil increases.

***Block 13T, Kenya (50% working interest)***

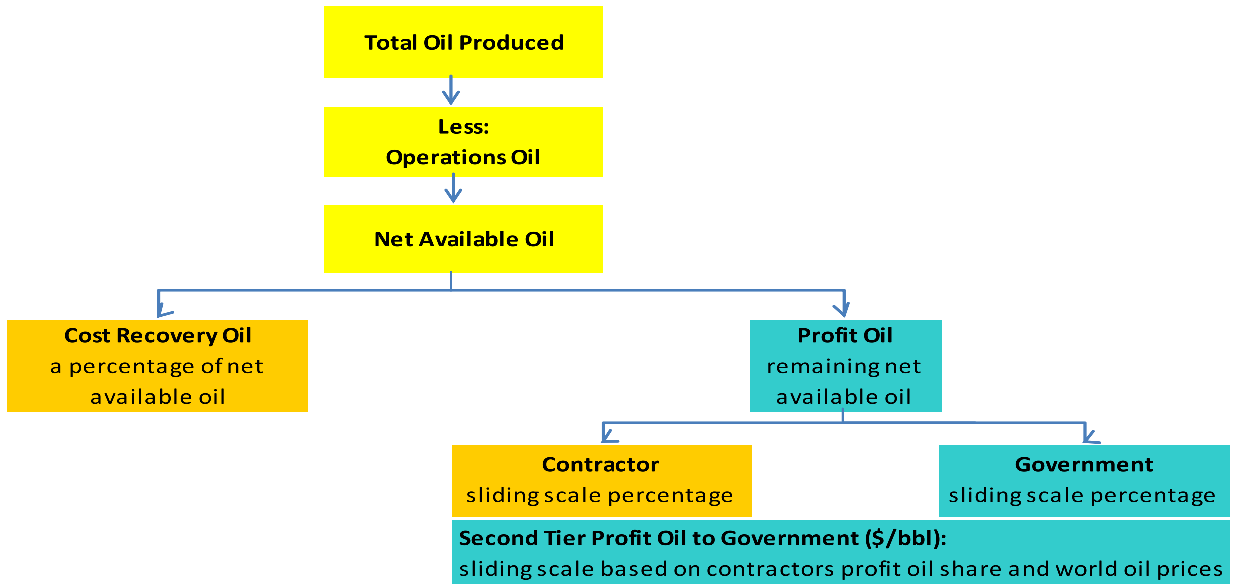
The Block 13T PSC contemplates an initial three year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The Contractor Group is currently in the first additional exploration period which expires in September 2014. During the first additional exploration period, the Contractor Group is required to acquire and interpret an additional 200 km2 of 3D seismic at a minimum cost of $6.0 million. In addition, the Contractor Group is required to drill one well exploratory well to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $15.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25% of the remaining contract area in the each Block.

During the second additional exploration period, the Contractor Group is required to acquire and interpret an additional 200 $km^2$ of 3D seismic at a minimum cost of $6.0 million. In addition, the Contractor Group is required to drill one exploratory well to a vertical depth of at least 3,000 meters. The minimum required expenditure for each well is $15.0 million.

The Kenyan Government may elect to participate in any petroleum operations in any development area in the Block and acquire an interest of up to 22.5% of the total interest in that development area, 15% of which will be held by the Kenyan Government and 7.5% which will be held by the National Oil Corporation of Kenya. The Kenyan Government and the National Oil Corporation of Kenya may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government and the National Oil Corporation of Kenya would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Block 13T PSC:




***Block 12A, Kenya (20% working interest)***

The Block 12A PSC contemplates an initial three year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The first exploration period expiry date has been extended to September 2014. During the first exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 500km of 2D seismic or 100 square kilometers of 3D seismic, reprocess existing seismic, acquire an air borne gravity survey and complete block-wide surface geology mapping and sampling. The minimum required expenditure of geological and geophysical activities is $3.6 million. At the end of the first exploration period, the Contractor Group must relinquish 25% of the original contract area.

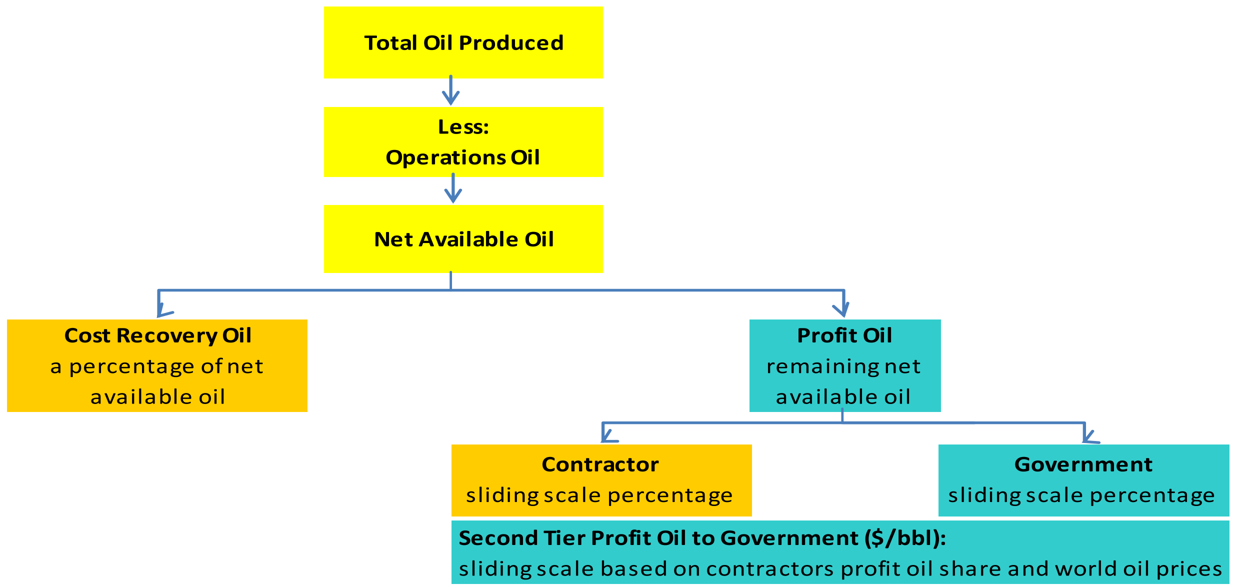
During the first additional exploration period, the Contractor Group is required to acquire and interpret an additional 200 $km^2$ of 3D seismic at a minimum cost of $6.0 million. In addition, the Contractor Group is required to drill one well exploratory well to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $15.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25% of the remaining contract area.

During the second additional exploration period, the Contractor Group is required to acquire and interpret an additional 200 $km^2$ of 3D seismic at a minimum cost of $6.0 million. In addition, the Contractor Group is required to drill one exploratory well to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $15.0 million.

The Kenyan Government may elect to participate in any petroleum operations in any development area in the Block and acquire an interest of up to 22.5% of the total interest in that development area, 15% of which will be held by the Kenyan Government and 7.5% which will be held by the National Oil Corporation of Kenya. The Kenyan Government and the National Oil Corporation of Kenya may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government and the National Oil Corporation of Kenya would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the term the PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

A second tier Profit Oil payment is due to the Government when oil prices exceed a stated world oil price. The amount payable per barrel is calculated by multiplying the Contractor Group's share of Profit Oil by a stated percentage and by the prevailing oil price in excess of the contractually agreed threshold world oil price.

***Block 10BA, Kenya (50% working interest)***

The Block 10BA PSC contemplates an initial three year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The first exploration period expiry date has been extended to April 2014. During the first exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 200km of 2D seismic and the reprocessing of existing seismic data. The minimum required expenditure of geological and geophysical activities is $3.0 million. At the end of the first exploration period, the Contractor Group must relinquish 25% of the original contract area.

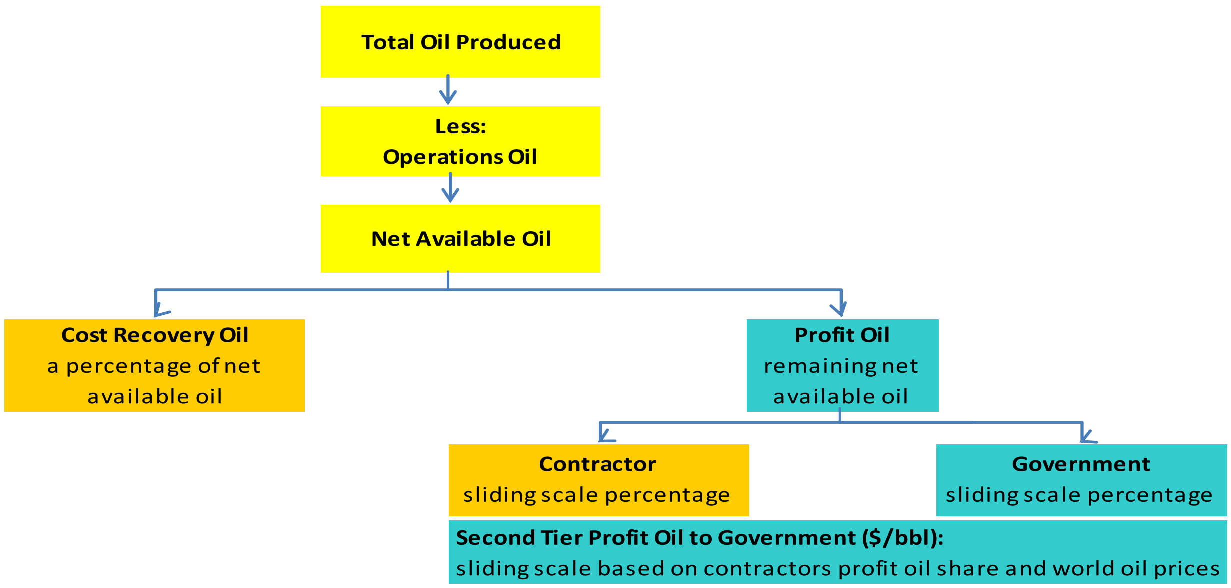
During the first additional exploration period, the Contractor Group is required to acquire and interpret 1,000 kilometers of 2D seismic or carry out surveys of 50 $km^2$ of 3D seismic and drill one well or carry out surveys of 45 $km^2$ of 3D seismic at a minimum cost of $17.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25% of the remaining contract area.

During the second additional exploration period, the Contractor Group is required to carry out surveys of 500 kilometers of 2D seismic or carry out surveys of 25 $km^2$ of 3D seismic and drill two exploratory wells at a minimum cost of $19.0 million.

The Kenyan Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 10% of the total interest in that development area. The Kenyan Government may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Block 10BA PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

A second tier Profit Oil payment is due to the Government when oil prices exceed a stated world oil price. The amount payable per barrel is calculated by multiplying the Contractor Group's share of Profit Oil by a stated percentage and by the prevailing oil price in excess of the contractually agreed threshold world oil price.

***Blocks 7 and 8, Ethiopia (30% working interest)***

The Block 7&8 PSC contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The initial exploration period expiry date has been extended to April 2014. During the first exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 1,250km of 2D seismic, reprocessing existing seismic, acquire an air borne gravity survey and conduct a multi-disciplinary geophysical and geological study. The minimum required expenditure of geological and geophysical activities is $11.0 million. In addition, the Contractor Group is required to drill one well, to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $6.0 million. At the end of the first exploration period, the Contractor Group must relinquish 25% of the original contract area.

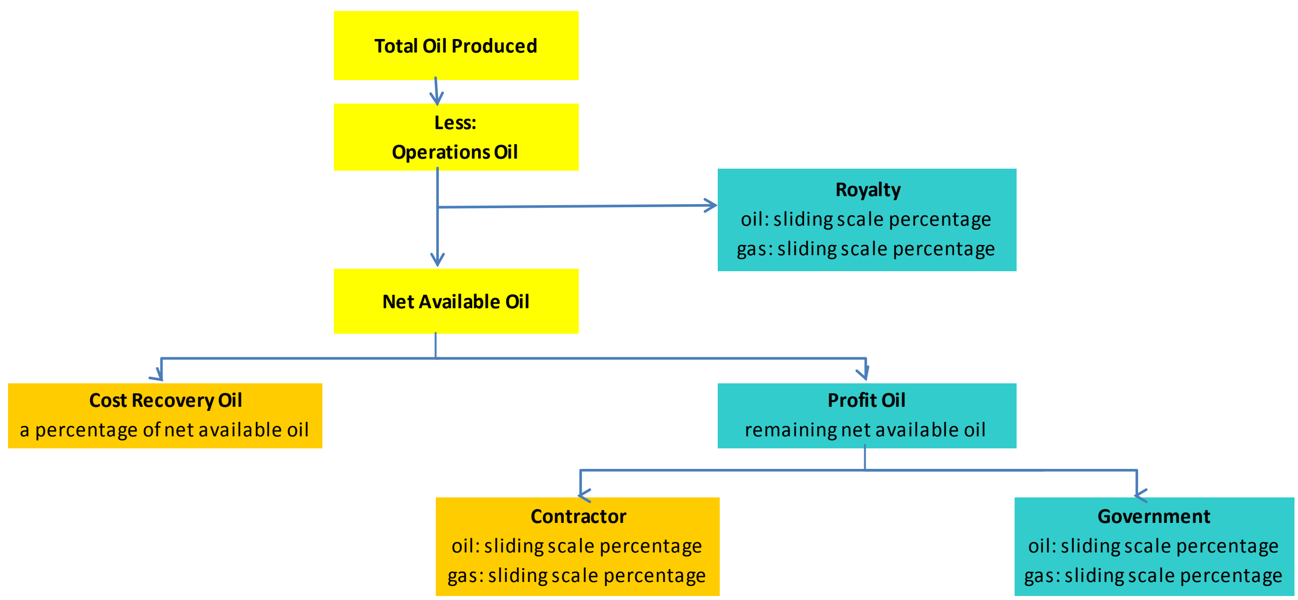
During the first additional exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 1,300km of 2D seismic. The minimum required expenditure of geological and geophysical activities is $11.0 million. In addition, the Contractor Group is required to drill one well, to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $6.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25% of the original contract area.

During the second additional exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 200km of seismic. The minimum required expenditure of geological and geophysical activities is $1.0 million. In addition, the Contractor Group is required to drill two wells, to a minimum vertical depth of at least 3,000 meters per well. The minimum required expenditure for each well is $6.0 million.

The Ethiopian Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 15% of the total interest in that development area. The Ethiopian Government may exercise its participation rights within 120 days from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Blocks 7 and 8 PSC:




Of the “Total Oil Produced”, “Operations Oil” is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a royalty, payable to the Ethiopian Minister of Mines and Energy, based on an increasing sliding scale as the rate of oil and/or gas increases

Up to a stated maximum percentage of the “Net Available Oil” is available for cost recovery with the remainder allocated to “Profit Oil”. Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

***Adigala Block, Ethiopia (10% working interest)***

The Adigala PSC contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The Contractor Group is currently in the second additional exploration period.

In July 2013, the Ministry of Mines in Ethiopia approved the Contractor Group’s entry into the second additional exploration period, with amended minimum work commitments, which expires July 2015. During the second additional exploration period, the Contractor Group is required to complete the acquisition of 500 kilometers of 2D seismic. In addition, the Contractor Group is required to drill one exploration well in the event that a viable prospect can be identified.

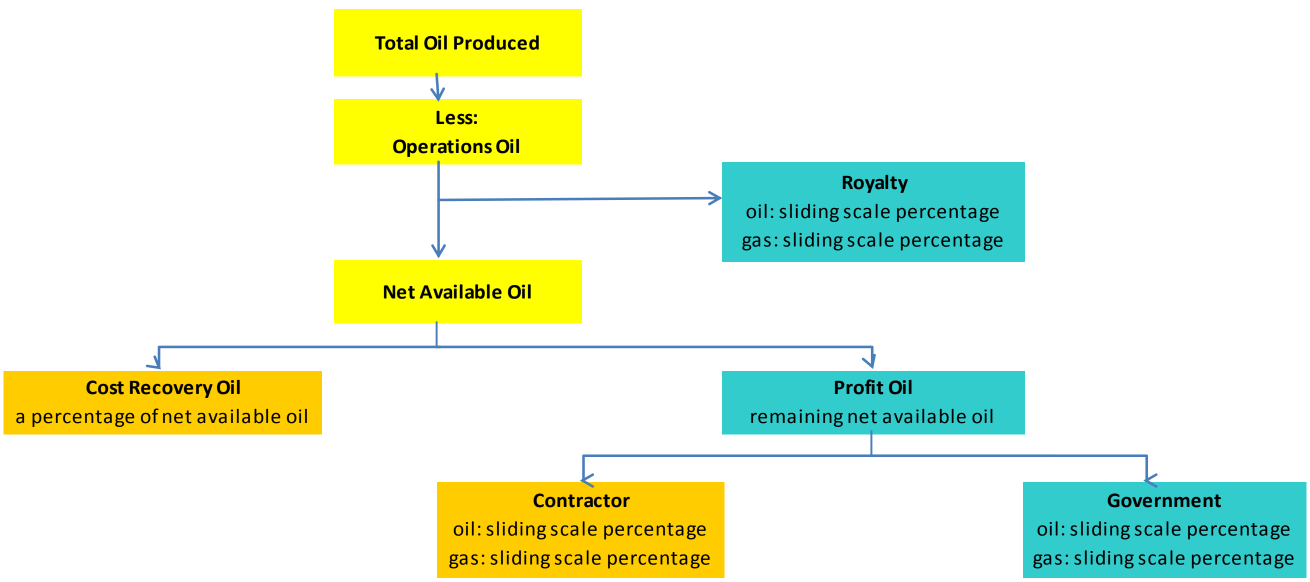
At the end of the first additional exploration period, the Contractor Group relinquished approximately 25% of the original contract area.

At the end of the second additional exploration period, the Contractor Group will be required to relinquish the remainder of the contract area which is not included within an appraisal or development area.

The Ethiopian Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 15% of the total interest in that development area. The Ethiopian Government may exercise its participation rights within 120 days from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Adigala Block PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a royalty, payable to the Ethiopian Minister of Mines and Energy, based on an increasing sliding scale as the rate of oil and/or gas increases

Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

***South Omo Block, Ethiopia (30% working interest)***

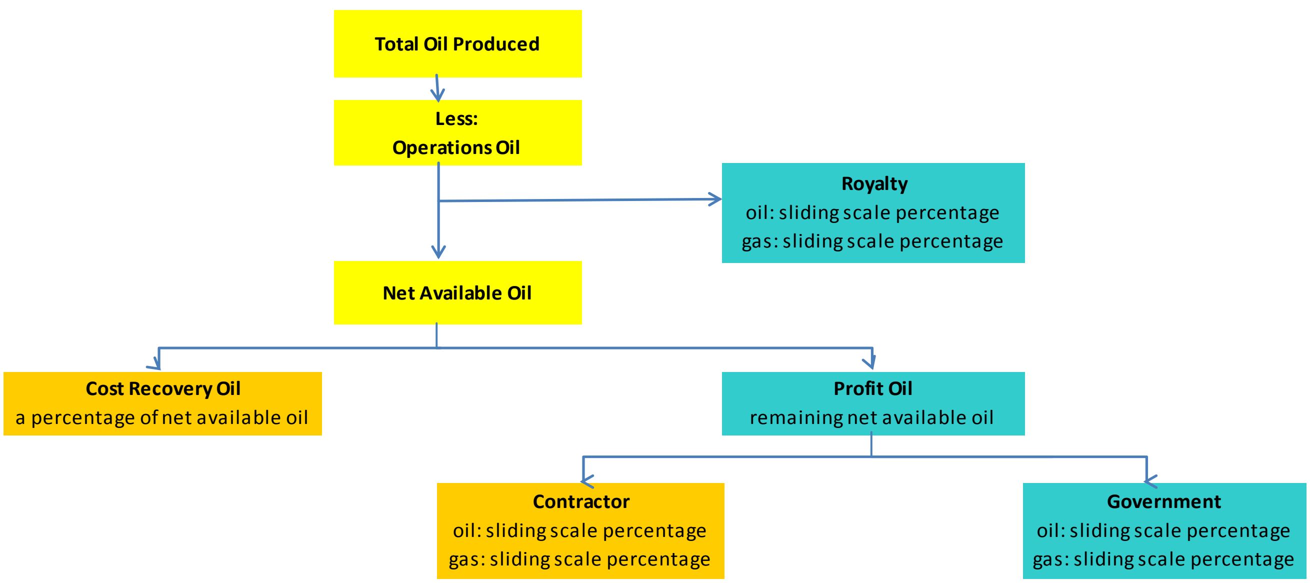
The South Omo Block PSA contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. In January 2013, the Contractor Group elected to enter the first additional exploration period which includes the requirement to relinquish 25% of the original contract area. During the first additional exploration period, the Contractor Group is required to acquire an additional 200 kilometers of 2D seismic at a minimum expenditure of $2.0 million. In addition, the Contractor Group is required to drill one exploratory well to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $8.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish 45% of the original contract area.

During the second additional exploration period, the Contractor Group is required to acquire an additional 200 kilometers of 2D seismic at a minimum expenditure of $2.0 million. In addition, the Contractor Group is required drill one exploratory well to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $8.0 million. At the end of the second additional exploration period, the Contractor Group must relinquish the remainder of the original contract area that is not included within an appraisal area or development area.

The Ethiopian Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 15% of the total interest in that development area. The Ethiopian Government may exercise its participation rights within 120 days from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the South Omo Block PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a royalty, payable to the Ethiopian Minister of Mines and Energy, based on an increasing sliding scale as the rate of oil and/or gas increases

Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

***Rift Basin Area, Ethiopia (50% working interest)***

The Rift Basin Area PSA contemplates an initial three year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The Contractor Group is currently in the initial exploration period which expires in February 2016. During the initial exploration period, the Contractor Group is required to complete geological and geophysical activities, including 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. At the end of the initial exploration period, the Contractor Group must relinquish 25% of the original contract area.

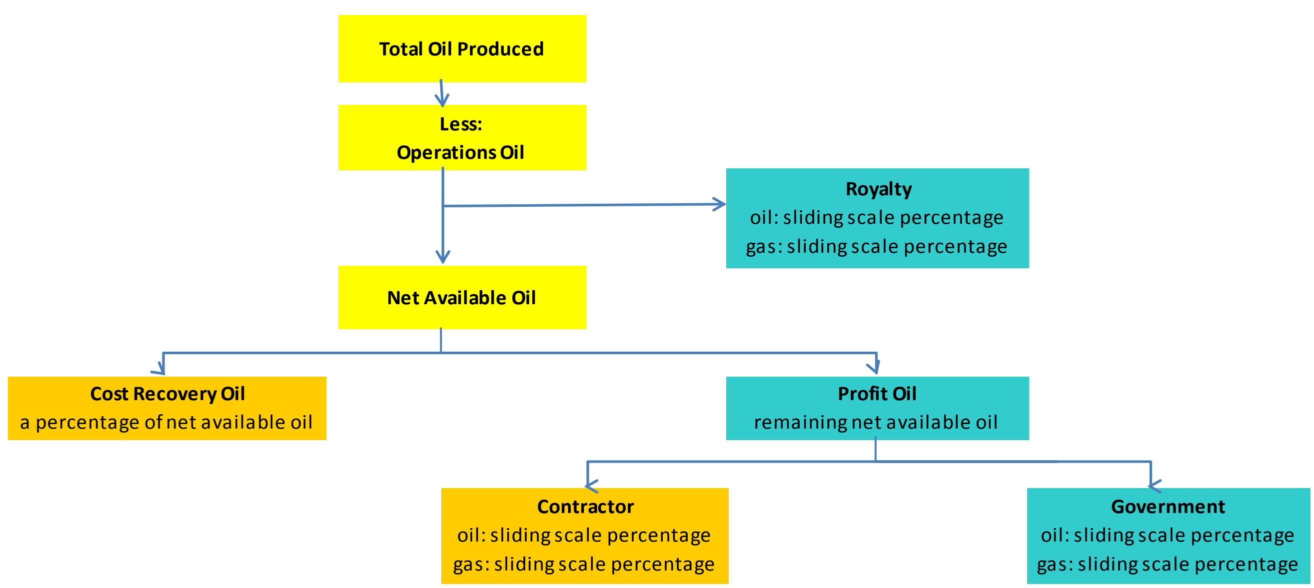
During the first additional exploration period, the Contractor Group is required to drill one exploratory well. The minimum required expenditure for the well is $7.5 million. If required for drilling, the Contractor Group is obligated to acquire an additional 400 kilometers of infill 2D seismic. At the end of the first additional exploration period, the Contractor Group must relinquish 25% of the original contract area.

During the second additional exploration period, the Contractor Group is required to drill one exploratory well. The minimum required expenditure for the well is $7.5 million. At the end of the second additional exploration period, the Contractor Group must relinquish the remainder of the original contract area that is not included within an appraisal area or development area.

The Ethiopian Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 18% of the total interest in that development area. The Ethiopian Government may exercise its participation rights within 120 days from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Rift Basin Area PSC:




Of the “Total Oil Produced”, “Operations Oil” is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a royalty, payable to the Ethiopian Minister of Mines and Energy, based on an increasing sliding scale as the rate of oil and/or gas increases

Up to a stated maximum percentage of the “Net Available Oil” is available for cost recovery with the remainder allocated to “Profit Oil”. Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

***Dharoor and Nugaal Valley Blocks, Puntland (Somalia) (27% working interest)***
The PSCs covering both the Dharoor Valley Block and the Nugaal Valley Block were amended in December 2009 and January 2011 in order to extend the initial exploration period. These amendments extended the initial exploration expiry date to January 17, 2012. In consideration of these extensions of the initial exploration period, Africa Oil relinquished 50% of the original contract area and agreed to pay a $1 million bonus within 30 days of a commercial discovery in each of the production blocks. Further, the Company agreed to certain enhanced abandonment and environmental safety measures and made payments to the Puntland government, in the aggregate amount of $1,550,000 for the two amendments, for development of infrastructure. Under the amended PSCs, AOC was obligated to spud a minimum of one exploratory well in the Dharoor Valley Exploration Area by July 27, 2011. A second exploratory well was required to be spudded in the Nugaal Valley Exploration Area or, at the option of AOC, in the Dharoor Valley Exploration Area, by September 27, 2011

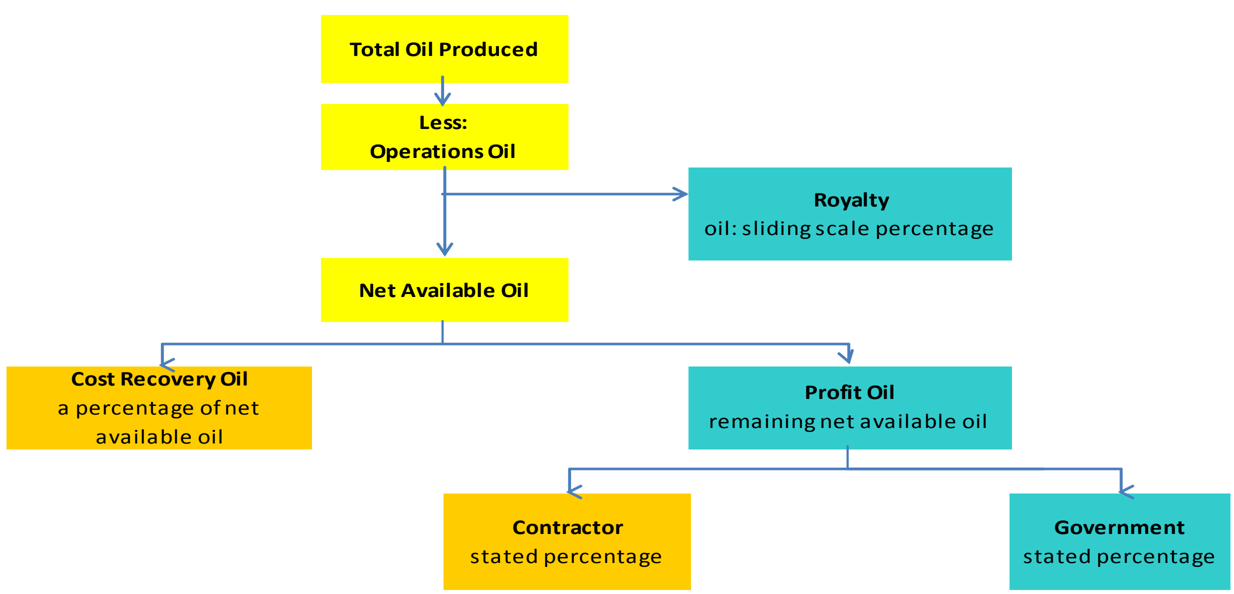
In July 2011, the PSC's were further amended requiring execution of a drilling contract by July 31, 2011, drilling operations to commence on the first well by November 15, 2011, and drilling operations to commence on a second well by January 17, 2012. The Company agreed to relinquish 15,627 km2 (gross) of the Nugaal Valley Exploration area, perform a surface geochemistry survey in the Nugaal Valley Exploration area, pay the Puntland State of Somalia $1,000,000 in infrastructure and development support fees.

In February 2012, the Puntland Government granted the Company and extension of the first exploration period expiry date for the Dharoor Valley and Nugaal Valley Exploration areas to October 17, 2012 in order to provide for sufficient time to evaluate drilling results.

The Company continues to evaluate the encouraging results of the two wells drilled in 2012 on the Dharoor Valley block which proved all the critical elements exist for oil accumulations, namely a working petroleum system, good quality reservoirs and thick seal rocks. Based on these encouraging results, the Company, through its ownership interest in Horn, committed to enter the next exploration period, which carries a commitment to drill one exploration well in each block within an additional three year term ending October 2015.

A development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted. The development and production period is 20 years with a possible 5 year extension.

The following diagram illustrates the allocation of production under the terms of the Dharoor and Nugaal Valley Block PSCs:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a royalty, payable to the Government of Puntland, based on an increasing sliding scale as the rate of oil increases.

Up to stated maximum percentage of the “Net Available Oil” is available for cost recovery with the remainder allocated to “Profit Oil”. Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. Profit Oil is between the Contractor Group and the Government based on stated percentages of Profit Oil.

***Blocks 7 and 11 (Mali) (25% working interest)***
In January 2013, the Company terminated its interest in Blocks 7 and 11 in Mali and has been released from all future obligations in relation to these Blocks.

**Disclosure of Reserves Data and Other Oil and Gas Information**
For further information, please refer to Africa Oil’s Statement of Reserves Data and Other Oil and Gas Information for fiscal year ended December 31, 2013 (Form NI 51-101F1) and the Report of Management and Directors on Oil and Gas Disclosure (Form NI 51-101F3), filed under the Company’s profile on the SEDAR website at www.sedar.com, copies of which are attached hereto as Schedules A and B, respectively.

## RISK FACTORS

The Company’s operations are subject to various risks and uncertainties, including, but not limited to, those listed below.

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

**International Boundary Disputes**
Due to ongoing political disputes, the geographic boundaries separating Somalia from its neighbors and dividing the various semiautonomous regions of Somalia (including Puntland) are not universally agreed within Somalia or by the international community.

Somaliland has disputed its border with the Republic of Somalia (including the Regional State of Puntland) since May 1991 when Somaliland unilaterally declared its independence. Its claim is based on the fact that it is the successor state to the British Somaliland protectorate that united with the Republic of Somalia in July 1960. However neither the Republic of Somalia, nor the wider international community, have recognized their claim to independence nor the associated depiction of their borders.

Despite this position, the Somaliland government has written on a number of occasions (including September 2007 and February 2012) to formally inform the Company of its claim of sovereignty. Elements of this territorial claim overlap oil concessions granted to the Company by the Puntland government in the Nugaal Valley basin.

An added complication developed in 2012 when the Sool, Sanaag and Cayn (SSC) region of Somalia established the Khatumo State administration. SSC leaders declared this an autonomous state that exists in the aforementioned disputed zone between Somalia/Puntland and Somaliland. The SSC rejects all Somaliland claims to the area and see themselves as the legitimate representatives of the local communities within a Federal State of Somalia.

**Political Instability**

Through Horn, the Company is highly exposed to significant political risk in Somalia and the Puntland Regional State. Whilst the political and security situation in Somalia has seen some major advancement over the last two years, the country as a whole is still characterized by strong internal political tension that can easily escalate into violence.

The election of an internationally recognized Federal Government of Somalia in August 2012 (the first permanent central government in the country since the start of the civil war in 1991) was a noticeable achievement. This has led to a range of additional political improvements including recognition by the UN and other key international governments. However the structures and systems of government are still fragile and emerging.

In January 2014 the Regional State of Puntland underwent its own Presidential election that led to the relatively peaceful transition of power to a new President. This democratic step was again hailed by the international community as a sign of the progress taking place in the country.

**Different Legal System and Litigation**

AOC's oil production and exploration activities are located in countries with legal systems that in various degrees differ from that of Canada. Rules, regulations and legal principles may differ both relating to matters of substantive law and in respect of such matters as court procedure and enforcement. Almost all material production and exploration rights and related contracts of AOC are subject to the national or local laws and jurisdiction of the respective countries in which the operations are carried out. This means that AOC's ability to exercise or enforce its rights and obligations may differ between different countries and also from what would have been the case if such rights and obligations were subject to Canadian law and jurisdiction.

AOC's operations are, to a large extent, subject to various complex laws and regulations as well as detailed provisions in concessions, licenses and agreements that often involve several parties. If AOC were to become involved in legal disputes in order to defend or enforce any of its rights or obligations under such concessions, licenses, agreements or otherwise, such disputes or related litigation may be costly, time consuming and the outcome may be highly uncertain. Even if AOC would ultimately prevail, such disputes and litigation may still have a substantially negative effect on AOC and its operations.

**Financial Statements Prepared on a Going Concern Basis**

AOC's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. AOC's operations to date have been primarily financed by equity financing. AOC's future operations are dependent upon the identification and successful completion of additional equity or debt financing or the achievement of profitable operations. There can be no assurances that AOC will be successful in completing additional financing or achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should AOC be unable to continue as a going concern.

**Shared Ownership and Dependency on Partners**

AOC's operations are, to a significant degree, conducted together with one or more partners through contractual arrangements. In such instances, AOC may be dependent on, or affected by, the due performance of its partners. If a partner fails to perform, AOC may, among other things, risk losing rights or revenues or incur additional obligations or costs in order to itself perform in place of its partners. AOC and its partners may also, from time to time, have different opinions on how to conduct certain operations or on what their respective rights and obligations are under a certain agreement. If a dispute were to arise with one or more partners relating to a project, such dispute may have significant negative effects on AOC's operations relating to such project.

**Uncertainty of Title**

Although the Company conducts title reviews prior to acquiring an interest in a concession, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question the Company's interest in the concession. Any uncertainty with respect to one or more of the Company's concession interests could have a material adverse effect on the Company's business, prospects and results of operations. In light of the boundary disputes and the dynamic political environment at both the federal and regional levels within Somalia, the constitutional and legal basis surrounding mineral and oil and gas rights is often disputed between the various levels of government and semi-autonomous states. The Federal Government of Somalia, elected in 2012, and the various regional governments have yet to mutually agree on a legislative framework surrounding the granting of exploration rights and administering exploration activities.

**Competing Claims from ConocoPhillips**

By a letter dated November 16, 2007 AOC was advised by ConocoPhillips, which entity had previously engaged in oil and gas exploration in Somalia, that it was claiming a continued interest in certain parts of the concessions that comprise the blocks in which the Company holds its interest. ConocoPhillips stated that it had acquired its interest from the Somali Democratic Republic (a name given to Somalia in 1969 by the communist regime of President Barre), that its interests have not been terminated by the Somali Democratic Republic, and that they have not been relinquished by ConocoPhillips. The letter stated ConocoPhillips disagreement with any suggestion that its interests had lapsed. No further correspondence has been received by either the Company or AOC since 2007.

The Company does not recognize the interest of ConocoPhillips and disputes ConocoPhillip's position in respect of this matter. However, if ConocoPhillips chooses to pursue its claims, the outcome of a dispute or lawsuit cannot be predicted with any certainty.

**Risks Relating to Concessions, Licenses and Contracts**

AOC's operations are based on a relatively limited number of concession agreements, licenses and contracts. The rights and obligations under such concessions, licenses and contracts may be subject to interpretation and could also be affected by, among other things, matters outside the control of AOC. In case of a dispute, it cannot be certain that the view of AOC would prevail or that AOC otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on AOC. Also, if AOC or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, AOC's rights under such concessions, licenses or contracts may be relinquished in whole or in part.

**Competition**

The petroleum industry is intensely competitive in all aspects including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. AOC competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. AOC's competitors include oil companies which have greater financial resources, staff and facilities than those of AOC and its partners. AOC's ability to discover reserves in the future will depend on its ability to successfully explore its present properties, to select and acquire suitable producing properties or prospects on which to conduct future exploration and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas. AOC's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Oil and natural gas producers are also facing increased competition from alternative forms of energy, fuel and related products that could have a material adverse effect on AOC's business, prospects and results of operations.

**Risks Inherent in Oil and Gas Exploration and Development**

Oil and gas operations involve many risks which, even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of AOC depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that AOC will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, AOC may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that expenditures made on future exploration by AOC will result in discoveries of oil or natural gas in commercial quantities or that commercial quantities of oil and natural gas will be discovered or acquired by AOC. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

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

**Capital Requirements**

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including from the issuance of new shares, issuance of debt or execution of working interest farm-out agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to the Company. 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 the Company may be diluted. If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities which may ultimately lead to the Company’s inability to fulfill the minimum work obligations under the terms of its various PSAs. Availability of capital will also directly impact the Company’s ability to take advantage of acquisition opportunities.

**Environmental Regulation**

Drilling for and production, handling, transporting and disposing of oil and gas and petroleum by-products are subject to extensive regulation under national and local environmental laws, including those of the countries in which AOC currently operates. Environmental regulations may impose, among other things, restrictions, liabilities and obligations in connection with water and air pollution control, waste management, permitting requirements and restrictions on operations in environmentally sensitive areas. Environmental protection requirements have not, to date, had a significant effect on the capital expenditures, results of operations and competitive position of AOC. However, environmental regulations are expected to become more stringent in the future and costs associated with compliance are expected to increase. Any penalties or other sanctions imposed on AOC for non-compliance with environmental regulations could have a material adverse effect on AOC's business, prospects and results of operations.

**Availability of Equipment and Staff**

AOC's oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and qualified staff in the particular areas where such activities are or will be conducted. AOC currently leases all the drilling rigs used for its exploration and development activities. Shortages of such equipment or staff may affect the availability of such equipment to AOC and may delay AOC's exploration and development activities and result in lower production.

**Reliance on Operators or Key Employees**

The loss of the services of such key personnel could have a material adverse effect on AOC’s business, prospects and results of operations. AOC has not obtained key person insurance in respect of the lives of any key personnel. In addition, competition for qualified personnel in the oil and gas industry is intense and there can be no assurance that AOC will be able to attract and retain the skilled personnel necessary for operation and development of its business. Success of AOC is largely dependent upon the performance of its management and key employees.

**Prices, Markets and Marketing of Crude Oil and Natural Gas**
Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of AOC. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could have an adverse affect on AOC's business and prospects.

**Early Stage of Development**
AOC has conducted oil and gas exploration and development activities for a relatively short period. There is limited financial, operational and other information available with which to evaluate the prospects of AOC. There can be no assurance that AOC's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

**Risks Relating to Infrastructure**
AOC is dependent on available and functioning infrastructure relating to the properties on which it operates such as roads, power and water supplies, pipelines and gathering systems. If any infrastructure or systems failures occur or do not meet the requirements of AOC, AOC's operations may be significantly hampered which could result in delayed, postponed or cancelled petroleum operations, lower production and sales and/or higher costs. In several areas in which AOC operates, very little infrastructure of any sort that is commonly associated with petroleum operations is in existence.

**Current Global Financial Conditions**
Global financial conditions have always been subject to volatility. Access to public financing has been negatively impacted by sovereign debt concerns in Europe and the United States, as well as concerns over global growth rates and conditions. These factors may impact the ability of the Company to obtain equity or debt financing in the future, and, if obtained, on terms favorable to the Company. Increased levels of volatility and market turmoil can adversely impact the Company's operations and the value and the price of the common shares could be adversely affected.

**Foreign Currency Exchange Rate Risk**
The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. The Company had no forward exchange contracts in place as at December 31, 2013.

In October 2013 the Company entered into a single derivative instrument in an effort to mitigate exposure to fluctuations in the US dollar versus the Swedish Krona exchange rate on the private placement in October 2013, in which the Company issued shares for Swedish Krona. As a result, the Company incurred losses on foreign currency instrument of $7.4 million (2012 $ nil).

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

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

**Credit Risk**
Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of our credit exposure relates to amounts due from our joint venture partners. The risk of the Company's joint venture partners defaulting on

their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash, restricted cash, and accounts receivable. A portion of the Company's cash is held by banks in foreign jurisdictions where there could be increased exposure to credit risk.

**Conflict of Interests**

Certain directors of AOC are also directors or officers of other companies, including oil and gas companies, the interests of which may, in certain circumstances, come into conflict with those of AOC. If and when a conflict arises with respect to a particular transaction, the affected directors must disclose the conflict and abstain from voting with respect to matters relating to the transaction. All conflicts of interest will be addressed in accordance with the provisions of the BCBCA and other applicable laws.

The BCBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

**Limitation of Legal Remedies**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with various rights and remedies when a reporting issuer's continuous disclosure contains a misrepresentation and ongoing rights to bring actions for civil liability for secondary market disclosure. Under the legislation, the directors would be liable for a misrepresentation. It may be difficult for investors to collect from the directors resident outside Canada on judgments obtained in courts in Canada predicated on the purchaser's statutory rights and on other civil liability provisions of Canadian securities legislation.

**Selling Off of Shares**

To the extent that any issued and outstanding Company Shares are sold into the market, there may be an oversupply of shares and an undersupply of purchasers. If this occurs the market price for the Company Shares may decline significantly and investors may be unable to sell their shares at a profit, or at all.

**Industry Regulatory**

Existing regulations in the oil industry, and changes to such regulations, may present regulatory and economic barriers to the purchase and use of certain products, which may significantly reduce the Company's revenues.

**Environmental and Social Policies**

_Environmental Considerations_

The Company's oil and gas operations are located in regions where there are numerous environmental regulations including restrictions on where and when oil and gas operations can occur, regulations on the release of substances into groundwater, atmosphere and surface land and the potential routing of pipelines or location of production facilities. All such regulations are strictly followed. The Company could potentially be liable for contamination on properties acquired and it attempts to mitigate the risk of inheriting environmental liabilities when conducting due diligence on these acquisition opportunities. Breach of environmental regulations in any of the regions in which Africa Oil operates could result in restrictions or cessation of operations and the imposition of fines and penalties. See also "*Risk Factors*."

*Social Policies*
The objective of Africa Oil's corporate responsibility strategy is to address the challenge of sustainability – delivering value to its shareholders, providing economic and social benefits to communities while concurrently minimizing its environmental footprint. The Company views its commitment to corporate responsibility as a strategic advantage that enables it to access and effectively manage new business opportunities. Africa Oil is committed to providing a safe, healthy, and transparent environment for employment, production, and sharing of the economic benefits that flow from its regional presence.

Africa Oil is committed to building a legitimate 'social license to operate' in the communities and countries in which it operates. The Company sees this as an essential foundation for its business activity. Africa Oil will therefore enter into dialogue and engagement with key stakeholders, conducted in the spirit of transparency and good faith, at all stages of company activities. Africa Oil also has contractual obligations to support community development initiatives under its PSAs. Through ongoing stakeholder engagement led by corporate affairs officers in country teams, supported by dedicated community liaison and community development officers in each of its exploration theatres, initiatives reflecting local priorities are identified and supported across three key areas: community infrastructure, sustainable livelihoods and economic development. Africa Oil contributes to and works closely with the Lundin Foundation on many of these issues.

## ITEM 5 CAPITAL STRUCTURE AND DIVIDENDS

The Company's common shares entitle the holders thereof to receive notice of and to attend at all meetings of shareholders, with each share entitling the holder to one vote on any resolution to be passed at such shareholders' meeting. The holders of common shares are also entitled to dividends if, as and when declared by the Board of Directors of the Company. Upon the liquidation, dissolution or winding up of the Company, the holders of the common shares are entitled to receive the remaining assets of the Company available for distribution to the shareholders.

As of December 31, 2013 the Company had an aggregate of 309,470,323 common shares issued and outstanding. The Company has unlimited authorized capital of common shares without par value of which, as at March 26, 2014, 310,524,989 common shares were issued and outstanding as fully paid and non-assessable.

### DIVIDENDS

There are no restrictions which prevent the Company from paying dividends. Africa Oil has not paid dividends to date on its common shares and has no plans to pay dividends in the near future. Any decision to pay dividends in the future will be based on the Company's earnings and financial requirements and other factors which its board of directors may consider appropriate in the circumstances.

## ITEM 6 MARKET FOR SECURITIES

### TRADING PRICE AND VOLUME

The common shares of the Company trade on the TSX-V and on First North under the trading symbol "AOI". The common shares of the Company commenced trading on First North on September 30, 2010.

The following table sets out the price range for and trading volume of the common shares on First North, on a monthly basis, for the year ended December 31, 2013 as reported by First North:

| Month | High (SEK)[(1)] | Low (SEK) [(1)] | Volume |
|---|---|---|---|
| January 2013 | 53.75 | 43.90 | 27,247,496 |
| February 2013 | 53.25 | 44.00 | 22,810,944 |
| March 2013 | 48.00 | 40.70 | 19,727,736 |
| April 2013 | 46.20 | 34.90 | 23,699,588 |
| May 2013 | 47.80 | 38.50 | 15,037,802 |
| June 2013 | 50.50 | 45.00 | 9,413,900 |
| July 2013 | 53.00 | 42.40 | 14,196,588 |
| August 2013 | 50.50 | 40.60 | 12,664,040 |
| September 2013 | 55.25 | 46.20 | 26,432,242 |
| October 2013 | 60.00 | 51.25 | 29,799,156 |

| Month | High (SEK)[1] | Low (SEK)[1] | Volume |
|---|---|---|---|
| November 2013 | 66.75 | 53.50 | 27,487,316 |
| December 2013 | 64.25 | 51.75 | 60,675,344 |

(1) The Company's common share prices above are quoted in Swedish Krona ("SEK").

The following table sets out the price range for and trading volume of the common shares on the TSX-V, on a monthly basis, for the year ended December 31, 2013 as reported by the TSX-V:

| Month | High (CAD$) | Low (CAD$) | Volume |
|---|---|---|---|
| January 2013 | 8.5 | 6.7 | 9,727,637 |
| February 2013 | 8.4 | 6.9 | 7,113,500 |
| March 2013 | 7.51 | 6.39 | 7,608,139 |
| April 2013 | 7.34 | 5.51 | 10,069,874 |
| May 2013 | 7.55 | 6.05 | 11,364,275 |
| June 2013 | 7.93 | 6.87 | 6,224,479 |
| July 2013 | 7.85 | 6.56 | 5,509,338 |
| August 2013 | 7.95 | 6.65 | 5,014,606 |
| September 2013 | 8.93 | 7.17 | 10,180,968 |
| October 2013 | 9.64 | 8.35 | 9,874,349 |
| November 2013 | 10.61 | 8.58 | 6,173,874 |
| December 2013 | 10.41 | 8.40 | 11,880,208 |

## ITEM 7 DIRECTORS AND OFFICERS

### NAME, ADDRESS AND OCCUPATION

The table below states the names, province or state and country of residence of each of the directors and executive officers of the Company, the principal occupations in which each has been engaged during the last five years, and the periods during which each has served as a director or executive officer.

| Name, province or state and country of residence | Position(s) Held in the Company | Principal Occupation During the Past Five Years |
|---|---|---|
| **Keith C. Hill**<br>Ontario, Canada | Director since October 16, 2006<br>Chief Executive Officer since March 30, 2009<br>President since October 20, 2009 | Currently Chairman of ShaMaran Petroleum Corp., Petro Vista Energy Corp. and Horn Petroleum Corporation; director of BlackPearl Resources Ltd.; director of Tyner Resources Ltd.; director of TAG Oil Ltd.; formerly President and Chief Executive Officer of Pearl Exploration and Production Ltd. (now BlackPearl Resources Ltd.), Valkryies Petroleum Corp. and Bayou Bend Petroleum (now ShaMaran Petroleum Corp.). |
| **J. Cameron Bailey**<br>Alberta, Canada | Director since May 3, 1994 | Mr. Bailey is currently the President and CEO of Fortaleza Energy Inc. and the former President and CEO of Alvopetro Inc. (formerly Fortress Energy Inc.). He is also a director of Phoenix Technology Income Fund, Phoenix Technology Services Inc., PHX Energy Services Corp. and ShaMaran Petroleum Corp. Mr. Bailey was previously the Managing Director of Network Capital Inc. and President of Energy Processors Inc. Mr. Bailey also previously held the position of Managing Director of Capital Markets, Peters & Co., a Calgary based investment dealer. |

| Name, province or state and country of residence | Position(s) Held in the Company | Principal Occupation During the Past Five Years |
|---|---|---|
| **Gary S. Guidry**<br>Alberta, Canada | Director since June 23, 2008 | Currently the President and CEO and a director of Caracal Energy Inc.; director of TransGlobe Energy Corporation; director of ShaMaran Petroleum Corp.; formerly President and CEO of Orion Oil & Gas Corporation (January 2010 to June 2011) and of Tanganyika Oil Company Ltd. (May 2005 to April 2009). From October 2005 to February 2007, Mr. Guidry was President and CEO of Pearl Exploration and Production Ltd. (now BlackPearl Resources Ltd.) |
| **John H. Craig**<br>Ontario, Canada | Director since June 19, 2009 | Mr. Craig is a practising securities lawyer and a partner of the firm Cassels Brock & Blackwell LLP. He is also currently a director of Lundin Mining Corporation, Denison Mines Corp., BlackPearl Resources Ltd., Corsa Coal Corp. and Consolidated HCI Holdings Corporation. He is a former director of Sirocco Mining Inc. (formerly Atacama Minerals Corp.) and Etrion Corporation. |
| **Bryan M. Benitz**<br>London, United Kingdom | Director since September 29, 2009 | Mr. Benitz is the former Vice Chairman and a director of Longreach Oil and Gas Ltd., the former Chairman of Kirrin Resources, Scandinavian Minerals Ltd., and of MagIndustries Corp. Mr. Benitz was a founding director of Tanganyika Oil Company Limited. |
| **Ian Gibbs**<br>British Columbia, Canada | Director in 2006; Director from June 2008 to September 2009<br><br>Chief Financial Officer from October 2006 to March 2008; Chief Financial Officer since September 15, 2009 | Mr. Gibbs is currently a director of Fortress Minerals Corp., Horn Petroleum Corp. and Petro Vista Energy Corp. He is also the former Chief Financial Officer of Valkryies Petroleum Corp., Tanganyika Oil Company Ltd. and ShaMaran Petroleum Corp. (formerly, Bayou Bend Petroleum Ltd.). |
| **James Phillips**<br>Nairobi, Kenya | Vice President of Business Development since September 10, 2012<br><br>Chief Operating Officer from March 14, 2011 to September 10, 2012<br><br>Vice President, Exploration from September 15, 2009 to March 14, 2011 | Before joining the Company in 2009, Mr. Phillips was Vice President, Exploration for Lundin Petroleum since 2005. |
| **Dr. Paul Martinez**<br>Alberta, Canada | Vice President, Exploration since March 14, 2011 | Before joining the Company in 2011, Dr. Martinez was Director International Business Development for Occidental Oil & Gas since 2009, and Vice President Exploration, Occidental Libya Oil & Gas BV from 2007 to 2009. |

| Name, province or state and country of residence | Position(s) Held in the Company | Principal Occupation During the Past Five Years |
|---|---|---|
| **David Grellman**<br>Nairobi, Kenya | Vice President, Operations since March 31, 2011 | Before joining the Company in 2011, Mr. Grellman was Manager Exploration Operations for Occidental Oil & Gas since 2005. |
| **Nicholas Walker**<br>Alberta, Canada | Chief Operating Officer since September 10, 2012 | Before joining the Company in 2012, Mr. Walker was Executive Vice-President of International Operations West for Talisman Energy Inc. since 2009 and Senior Vice-President and Director for Talisman Energy (UK) Limited from 2005 to 2009. Mr. Walker is currently a director of Petro Vista Energy Corp. |

Each director of the Company holds office until the next annual general meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the articles of the Company or he becomes disqualified to act as a director.

There are currently four standing committees of the Board; namely, the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Reserves Committee. The following table identifies the members of each of these Committees:

| Audit Committee | Compensation Committee | Corporate Governance and Nominating Committee | Reserves Committee |
|---|---|---|---|
| J. Cameron Bailey (Chair) | J. Cameron Bailey (Chair) | Gary S. Guidry (Chair) | Gary S. Guidry (Chair) |
| Gary S. Guidry | Bryan M. Benitz | J. Cameron Bailey | Keith C. Hill |
| Bryan M. Benitz | John H. Craig | John H. Craig | Bryan M. Benitz |

### SECURITY HOLDINGS

As at December 31, 2013, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly or exercise control or direction over 2,085,616 common shares, representing approximately 0.67% of the issued and outstanding common shares of the Company.

### CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

### CEASE TRADE ORDERS

Other than as disclosed below, no director or officer or person holding a sufficient number of securities of the Company to affect materially the control of the Company, is, or within the past ten years before the date of this Annual Information Form has been, a director or officer of any other issuer that, while such person was acting in that capacity: (i) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted in such an order after the person ceased to be a director or officer; (iii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets; or (iv) was subject to such bankruptcy proceedings within a year of that person ceasing to act in that capacity.

Mr. J. Cameron Bailey is a director and officer Fortaleza Energy Inc. and a former director and officer of Alvopetro Inc. which was formerly Fortress Energy Inc. (“Fortress”). On March 2, 2011, the Court of Queen’s Bench of Alberta granted an order (the “Order”) under the *Companies’ Creditors Arrangement Act* (Canada) ("CCAA") staying all claims and actions against Fortress and its assets and allowing Fortress to prepare a plan of arrangement for its creditors if necessary. Fortress took such step in order to enable Fortress to challenge a reassessment issued by the Canada Revenue Agency (“CRA”). As a result of the reassessment, if Fortress had not taken any action, it would have been compelled to immediately remit one half of the reassessment to the CRA and Fortress did not have the necessary liquid funds to remit, although Fortress had assets in excess of its liabilities with sufficient liquid assets to pay all other liabilities and trade payables. Fortress believed that the CRA's position was not sustainable and vigorously disputed the CRA's claim. Fortress filed a Notice of Objection to the reassessment and on October 20, 2011 announced that its Notice of Objection was successful, CRA having confirmed there were no taxes payable. As the CRA claim had been vacated and no taxes or penalties were owing Fortress no longer required the protection of the Order under the CCAA and on October 28, 2011 the Order was removed. On March 3, 2011 the TSX suspended trading in the securities of Fortress due to Fortress having been granted a stay under the CCAA. In addition the securities regulatory authorities in Alberta, Ontario and Quebec issued a cease trade order with respect to Fortress for failure to file its annual financial statements for the year ended December 31, 2010 by March 31, 2011. The delay in filing was due to Fortress being granted the CCAA order on March 2, 2011 and the resulting additional time required by its auditors to deliver their audit opinion. The required financial statements and other continuous disclosure documents were filed on April 29, 2011 and the cease trade order was subsequently removed. On September 1, 2010 Fortress closed the sale of substantially all of its oil and gas assets. As a result of the sale Fortress was delisted from the TSX on March 30, 2011 as it no longer met minimum listing requirements.

#### Personal Bankruptcies

During the ten years preceding the date of this AIF, no director, officer or shareholder holding a sufficient number of shares of the Company to affect materially the control of the Company, or a personal holding company of any such person, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold his or her assets.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any control shareholder of the Company individually.

#### Penalties or Sanctions

No director or officer of the Company, or shareholder holding a sufficient number of shares of the Company to materially affect control of the Company, has been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

#### Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation, or the terms of such participation. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, the involvement in a greater number of programs or a reduction in financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and the financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the Business Corporations Act (*British Columbia*) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed above, the directors and officers of the Company are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving the Company.

## ITEM 8 AUDIT COMMITTEE

***Overview***

The Audit Committee oversees the accounting and financial reporting processes of the Company and its subsidiaries and all audits and external reviews of the financial statements of the Company on behalf of the Board, and has general responsibility for oversight of internal controls, accounting and auditing activities of the Company and its subsidiaries. All auditing services and non-audit services to be provided to the Company by the Company's auditors are pre-approved by the Audit Committee. The Committee is responsible for examining all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The Audit Committee also oversees the annual audit process, quarterly review engagements, the Company's internal accounting controls, the Code of Business Conduct and Ethics, any complaints and concerns regarding accounting, internal controls or auditing matters and the resolution of issues identified by the Company's external auditors. The Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders and the compensation of the auditors. The Audit Committee meets a minimum of four times per year. The Audit Committee's Charter is attached as Schedule "A" to this Circular.

***Composition of the Audit Committee***

Below are the details of each audit committee member, whether he/she is independent and financially literate as such terms are defined in National Instrument 52-110 – Audit Committees ("NI 52-110") and his/her education and experience as it relates to the performance of his/her duties as an audit committee member.

***Relevant Education and Experience***

Each current member of the Audit Committee has extensive experience with financial statements, accounting issues, understanding internal controls and procedures for financial reporting and other related matters relating to public resource-based companies. The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as a member of the Audit Committee are as follows:

| Member Name | Independent[1] | Financially Literate[2] | Education and Experience Relevant to Performance of Audit Committee Duties |
|---|---|---|---|
| J. Cameron Bailey (Chair) | Yes | Yes | Mr. Bailey is a Chartered Financial Analyst and has 24 year experience in the natural resource sector. Mr. Bailey has served as Executive Officer, Director and Audit Committee Chairman for a number of public resource companies and service companies. |
| Gary S. Guidry | Yes | Yes | Mr. Guidry is an Alberta registered P. Eng. and holds a B.Sc. in petroleum engineering from Texas A & M University. Mr. Guidry has attained financial experience and exposure to accounting and financial issues in his current role as President and Chief Executive Officer of Caracal Energy Inc. and previously, in his previous positions with a number of publicly-traded companies, including Orion Oil & Gas Corporation, Tanganyika Oil Company Ltd., Calpine Natural Gas Trust and Alberta Energy Company. |
| Bryan M. Benitz | Yes | Yes | Mr. Benitz has been engaged in investment management and corporate development in Canada, the United States and Europe for over forty years in a variety of senior executive positions. Mr. Benitz has attained financial experience and exposure to accounting and financial issues while on boards and audit committees of various public companies. Mr. Benitz graduated from Fettes College in Edinburgh Scotland in 1951. |

(1) A member of an audit committee is considered independent if the member has no director or indirect material relationship with the Company which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment, or is otherwise deemed to have a material relationship under NI 52-110.

(2) An individual is financially literate if he/she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

***Audit Committee Oversight***

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor that was not adopted by the board of directors.

***Reliance on Certain Exemptions***

Since the commencement of the Company's recently completed financial year, the Company has not relied on the exemptions contained in section 2.4 (*De Minimis Non-audit Services*), section 3.2 (*Initial Public Offerings*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

***Pre-Approval Policies and Procedures***

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

***External Auditor Service Fees (By Category)***

The following table discloses the fees billed to the Company by its external auditor during the last two fiscal years ended December 31, 2012 and December 31, 2013:

| Financial Year Ending | Audit Fees[(1)] (CAD$) | Audit Related Fees[(2)] (CAD$) | Tax Fees[(3)] (CAD$) | All Other Fees[(4)] (CAD$) |
|---|---|---|---|---|
| December 31, 2013 | 170,700 | 2,796 | 61,899 | 39,790 |
| December 31, 2012 | 99,325 | 1,648 | 103,876 | 26,350 |

Notes:
(1) The aggregate billed for audit services.
(2) Pertains to assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are not disclosed in the "Audit Fees" column.
(3) Pertains to profession services for tax compliance, restructuring, acquisitions, advice and planning.
(4) No fees were billed for professional services other than those listed in the other three columns.

## ITEM 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

**Legal Proceedings**

Neither the Company nor its material subsidiaries and material properties are currently subject to any material legal proceedings or regulatory actions.

Neither the Company nor its material subsidiaries and material properties are currently subject to any material legal proceedings or regulatory actions.

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 lead to the issuance of exploration permits in respect of, amongst others, Blocks 10BA, 10BB, 12A and 13T. The primary Respondents include the Minister and the Ministry of Energy, Republic of Kenya. IPL has also commenced numerous court applications and appeals in respect of these proceedings, including an application to the Kenyan Supreme Court for leave to appeal a High Court decision which determined that further appeals in respect of Judicial Review Number 30 of 2010 would not be permitted. A decision in respect of that application is expected in the second quarter of 2014.

The Company and certain of its affiliates are named as Interested Parties in these proceedings. 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 2012. This 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. IPL's most recent Notice of Appeal, filed in May 2013 in respect of Judicial Review Number 30 of 2010, was struck out by a court order made February 24, 2014.

All of these proceedings are working their way through the Kenyan judicial system. Most of the proceedings to which the Company is a party are now being rescheduled for adjudication. The Company will continue to pursue its remedies through the courts. In the interim, it will vigorously defend any application made by the Applicants in any of these proceedings.

**Regulatory Actions**

No penalties or sanctions were imposed by a court relating to securities legislation or by a securities regulatory authority during the Company's recently completed financial year, nor were there any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, nor were any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's recently completed financial year.

## ITEM 10 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive director of the Company, or person or company that beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the Company's common shares, nor any associate or affiliate of any such person, has any material interest, director or indirect, in any transaction within the three most recently completed financial years of the Company, or during the current financial year, that has materially affected or will materially affect the Company.

## ITEM 11 TRANSFER AGENT

The transfer agent and registrar for the common shares of the Company in Canada is Computershare Trust Company of Canada, 510 Burrard Street, Vancouver, British Columbia. The registrar for the common shares of the Company in Sweden is Euroclear Sweden AB, 103 97 Stockholm, Sweden.

## ITEM 12 MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business or as otherwise disclosed herein, there have been no material contracts entered into by the Company between January 1, 2013 and the date of this AIF, or before January 1, 2013 and that are still in effect.

Copies of these agreements can be found on www.SEDAR.com.

## ITEM 13 NAMES AND INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing made under NI 51-102 by the Company during the current financial year other than Gaffney Cline & Associates, the Company's independent resource evaluators and PricewaterhouseCoopers LLP, Africa Oil's auditors. None of the designated professionals, as such term is defined in NI 51-102, of Gaffney, Cline & Associates have any registered or beneficial interests, direct or indirect, in any securities or property of Africa Oil or of Africa Oil's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them. PricewaterhouseCoopers LLP, the Company's auditors, are independent in accordance with the auditor's rules of professional conduct in Canada.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Africa Oil or any associate or affiliate of Africa Oil.

## ITEM 14 ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's information circular for its most recent annual meeting of securityholders that involved the election of directors.

Additional financial information is provided in the Company's audited consolidated financial statements as at and for the year ended December 31, 2013 and the MD&A.

## SCHEDULE A

**AFRICA OIL CORP.**

(the "Reporting Issuer" or the "Company")

**FORM NI 51-101F1**
**STATEMENT OF RESERVES DATA AND**
**OTHER OIL AND GAS INFORMATION**
**For fiscal year ended December 31, 2013**

*(This is the form referred to in item 1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Terms for which a meaning is given in NI 51-101 have the same meaning in this Form 51-101F1.)*

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**PART 1 DATE OF STATEMENT**

**Item 1.1 Relevant Dates**

1. The date of this report and statement is: March 26, 2014.
2. The Effective Date of information provided in this statement is as of the Company's most recently completed fiscal year ended: December 31, 2013.

**PART 6 OTHER OIL AND GAS INFORMATION**

**Item 6.1 Oil and Gas Properties and Wells**

The Company's oil and gas properties are all located onshore in Kenya, Ethiopia and Puntland (Somalia).

In Kenya, the Company currently holds working interests in four production sharing contacts ("PSC") with the Government of the Republic of Kenya in the Tertiary Rift play: Blocks 10BB, 13T, 10BA and 12A. The exploration areas covered by these PSCs are on trend with the significant Tullow Oil plc ("Tullow") Albert Graben oil discovery in neighboring Uganda where Tullow is working with the Government of Uganda and its joint venture partners, CNOOC and Total to complete a Lake Albert basin wide development plan which would include the construction of an oil export pipeline to the coast of East Africa, potentially through Kenya. Multiple discoveries have been made by the Tullow /Africa Oil Corp. joint venture in Blocks 10BB and 13T.

Also in Kenya, the Company holds a working interest in the Block 9 PSC, located in the Anza Graben play, which is a Mesozoic basin related to similar Mesozoic basins located in southern Sudan (Muglad Basin) where the petroleum system is proven and productive. The Muglad Basin is a potential analogue and provides calibration for the analysis of the prospectivity of this Block.

In Ethiopia, the Company currently has an interest in four PSCs with the Government of the Federal Democratic Republic of Ethiopia. The Company has a working interest in the South Omo and Rift Basin Area PSCs which are an extension of the

Teritiary Rift trend to the north of the four Kenyan Tertiary Rift blocks. The Company has an interest in the Blocks 7/8 PSC in the Ogaden Basin which is a proven hydrocarbon basin; however, to date commercial production has not been established within the Block 7/8 PSC area. Oil, gas and condensate discoveries within the basin indicate that there is a working petroleum system. Additionally, the Company has an interest in the Adigala Block PSC which lies to the north of the Ogaden Basin where field work indicates that a petroleum system similar to that found in Northern Somalia or Yemen may potentially exist.

The Company currently has an interest in two PSCs with the Government of Puntland, a semi-autonomous State in Northern Somalia. The Nugaal Valley and Dharoor Valley Blocks offer the potential to explore in basins that are believed to be analogues of the proven and productive Marib-Shawba and Sayun-Masila Basins of Yemen.

**Item 6.2 Properties with No Attributed Reserves**

The Company's working interest at December 31, 2013, the Effective Date of this report, in the various concessions is outlined in the table below together with the gross and net acreage of each:

| Region | Production Sharing Contracts | Operator | Current Working Interest (1) | Gross Acreage | Net Acreage (2) |
|---|---|---|---|---|---|
| | | | | ($km^2$) | ($km^2$) |
| Puntland, Somalia | Dharoor Valley | Horn Petroleum Corporation | 27% (3) | 14,384 | 3,884 |
| | Nugaal Valley | Horn Petroleum Corporation | 27% (3) | 21,784 | 5,882 |
| Ethiopia | Blocks 7 and 8 | New Age | 30% | 21,767 | 6,530 |
| | Adigala(4) | New Age | 50% | 20,200 | 10,100 |
| | South Omo | Tullow | 30% | 22,034 | 6,610 |
| | Rift Basin (5) | Africa Oil Corp. | 100% | 42,519 | 42,519 |
| Kenya | Block 10A(6) | Tullow | 30% | nil - relinquished | nil |
| | Block 10BB | Tullow | 50% | 8,834 | 4,417 |
| | Block 10BA | Tullow | 50% | 21,084 | 10,542 |
| | Block 12A | Tullow | 20% | 20,365 | 4,073 |
| | Block13T | Tullow | 50% | 6,296 | 3,148 |
| | Block 9(7) | Africa Oil Corp. | 50% | 15,782 | 7,891 |

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

2 Net acreage is calculated by multiplying Gross Acreage by the Current Working Interest.

3 Represents the Company's Net Working Interest subsequent to the formation of Horn Petroleum Corporation ("Horn"). The Company owns approximately 44.6% of Horn. This figure represents the Company's Net Working Interest in the production sharing agreements, net of the 55.3% minority interest in Horn.

4 Subsequent to December 31, 2013, the Company completed a farmout of 40% participating interest to New Age, reducing the Company's current interest to 10% as at the date of this AIF.

5 Subsequent to December 31, 2013, the Company completed a farmout of 50% participating interest to Marathon OIl, reducing the Company's current interest to 50% as at the date of this AIF.

6 The exploration period for Block 10A expired on January 4, 2014. The Company and its partners have decided not to enter the next exploration period.

7 The Company has submitted a request to enter the Second Additional Exploration phase, which includes a 50% relinquishment which is under review and pending Ministry approval. The gross acreage reflected in the table above is measured taking into consideration the relinquishment proposed to the Ministry.

The principal work commitments, timing of completion and minimum expenditures to be incurred during the current exploration period of each of the respective Production Sharing Contracts are listed in the following tables:

| Region | Block | Exploration Period and Expiry | Work Commitments | Minimum Expenditures (Gross US$) | Relinquishments of Gross Acreage required during 2014 |
|---|---|---|---|---|---|
| **Kenya** | 10A | Initial Exploration Phase - January 2014 (relinquished December 2013) | N/A | N/A | Entire block relinquished prior to January 2014 expiration |
| | 10BA | Initial Exploration Phase – April 2014 | • Geological and geophysical and geochemical studies<br>• Review, reprocess and interpret existing seismic<br>• 2D seismic (200km)<br>• Airborne gravity survey | 3.0 million | 25% of Gross Acreage |
| | 10BB | First Additional Exploration Phase – July 2014 | • Review, reprocess and interpret existing seismic<br>• Geological, geophysical and geochemical studies<br>• 3D seismic (300 km)<br>• Drill one well | 13.0 million | 30% of Gross Acreage |
| | 12A | Initial Exploration Phase – September 2014 | • Review, reprocess and interpret existing seismic<br>• Acquire high density gravity and aeromagnetic data<br>• 2D seismic (500 km) or 3D (100 km2) | 3.6 million | 25% of Gross Acreage |
| | 13T | First Additional Exploration Phase – September 2014 | • Review, reprocess and interpret existing seismic<br>• Acquire high density gravity and aeromagnetic data<br>• 3D seismic (200 km2)<br>• Drill one well | 21.0 million | 25% of Gross Acreage |
| | 9 | Second Additional Exploration Phase – December 2015 | • Drill one well | 3.0 million | None |
| **Puntland, Somalia** | Dharoor Valley | Second Exploration Phase – October 2015 | • Drill one well, geological and geophysical studies, acquire geochemical survey & reprocess seismic | 5.0 million | None |
| | Nugaal Valley | Second Exploration Phase – October 2015 | • Drill one well, geological and geophysical studies, acquire geochemical survey & reprocess | 5.0 million | None |
| **Ethiopia** | 7 & 8 | Initial Exploration Phase - April 2014 | • Geological and geophysical reprocessing<br>• Geological and geophysical study<br>• Airborne gravity magnetic<br>• 2D seismic (1,250 km)<br>• Drill one well | 17.0 million | 25% of Gross Acreage |
| | Adigala | Second Additional Exploration Phase – June 2015 | • 500km 2D seismic | 10.0 million | None |
| | South Omo | First Additional Exploration Phase – January 2015 | • Geological and geophysical studies<br>• 2D seismic (200 km)<br>• Drill one well to a min. depth of 3000m | 10.0 million | None |
| | Rift Basin Area | Initial Exploration Phase – February 2016 | • Geological and geophysical studies<br>• 2D seismic (400 km)<br>• Full tensor gravity (8,000 km2) | 5.0 million (secured by a $1.25 million bank guarantee) | None |

## Item 6.2.1 Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

As at the effective date of this report, reserves have yet to be attributed to any of the properties in which the Company holds an interest. Contingent resources have been attributed to the Lokichar Basin (Kenya) and the El Kuran discovery (Ethiopia).

**LOKICHAR BASIN, KENYA**

The key contingencies associated with the Lokichar Basin discoveries (Ngamia, Twiga South and Etuko) are as follows:

- Further data acquisition and geological studies, including updated seismic mapping and depth conversion; these are required to improve the reservoir characterization and to mature the sub-surface development plans;
- Definition of field development plans and infrastructure requirements; and
- Government approval and project sanction (see sub-section below entitled "Government Approval and Project Sanction")

**Seismic Mapping and Depth Conversion**

The structural closure at each discovery is constrained by multi-vintage 2D seismic data. These data are sufficient to define a structural closure at each discovery, however there remains significant uncertainty regarding the size of the trap. The area of closure and height of closure are dependent on the depth conversion methodology used. The oil-water contacts for the discoveries are uncertain; the resource estimates consider the uncertainty between the lowest known oil and structural spill-point, however, the true hydrocarbon contacts are yet to be confirmed by well logs and tests. Additional 3D seismic, currently being acquired in the basin, will be required to more accurately assess the volume of recoverable hydrocarbons.

**Reservoir Characterization**

The Auwerwer and Lokhone Formations have been penetrated by the Ngamia-1, Twiga South-1 and Etuko wells, drilled by AOC and its co-venturers. However, borehole stability was severely affected by swelling clays, resulting in the borehole being significantly out of gauge in some parts of the reservoir section. This has made log interpretation challenging and there remains significant uncertainty with regard to:

a. The average and total thickness of the reservoir pay zones;
b. The areal extent of the reservoir pay zones (additional appraisal drilling required); and
c. Reservoir quality (porosity, net-to-gross and hydrocarbon saturation).

The appraisal drilling programme, along with the proposed switch to a synthetic, oil-based mud system in the Lokichar Basin, should aid in reducing this reservoir uncertainty.

**Maturation of Subsurface Development Plans**

Oil from the Lokichar Basin wells is a waxy crude (30 to 35% wax). With a wax appearance temperature in the region of 66 to 84 C ; the oil is solid at room temperature. Taking this into consideration, the use of hot water injection for secondary recovery along with artificially-lifted production wells is proposed. In order to validate this concept and optimize development, additional data and evaluation are required:

a. Additional appraisal wells;
b. Further production and inter-well interference testing;
c. Water injection trials;
d. Additional fluid analyses;
e. Special core analyses; and
f. Further G&G studies.

**Field Development Plan and Infrastructure Requirements**

No field development plans have currently been prepared for the three discoveries. Appraisal of the discoveries to address the issues outlined above is required to reduce the current large uncertainty associated with the discoveries before finalized field development plans can be generated.

Kenya has limited oil infrastructure (Mombasa refinery) and no export facilities currently in place. The discoveries in Blocks 10BB and 13T are remote and cannot be delivered to market without significant infrastructure investment.

The Lokichar Basin is in a remote part of Kenya, approximately 700 km from the most likely point of export at Lamu. New build pipeline infrastructure and road upgrades will be required to permit field development and production export for these resources. Whilst there may be outline plans for this new infrastructure, there is currently no firm commitment or government approval.

**EL KURAN DISCOVERY, ETHIOPIA**

The key contingencies associated with the El Kuran discovery are as follows:

- Further data acquisition and geological studies, including updated seismic mapping and depth conversion; these are required to improve the reservoir characterization and to mature the sub-surface development plans;
- Definition of field development plans and infrastructure requirements; and
- Government approval and project sanction (see sub-section below entitled “Government Approval and Project Sanction”)

**Seismic Mapping and Depth Conversion**

The structural closure at El Kuran is constrained by multi-vintage 2D seismic data. These data are sufficient to define a structural closure at each discovery, however there remains significant uncertainty regarding the size of the trap. The area of closure and height of closure are dependent on the seismic interpretation and depth conversion methodology used. The hydrocarbon contact for the discovery is uncertain; the resource estimates consider the uncertainty between the lowest known hydrocarbon and structural spill-point, however, the true hydrocarbon contacts are yet to be confirmed by well logs and tests.

**Reservoir Characterisation**

The Jurassic Hamanlei Formation has been penetrated by El Kuran-1 and El Kuran-2. However, these wells were drilled in the past and the logging and testing of these wells was sub-optimal, when compared with current evaluation techniques. There remains significant uncertainty to be resolved with regard to:

a. The number of reservoir pay zones within the gross reservoir interval;
b. The average thickness of the reservoir pay zones;
c. The areal extent of the reservoir pay zones (additional appraisal drilling required);
d. Reservoir quality (porosity, net-to-gross and hydrocarbon saturation) and confirmation of potential commercial flow rates; and
e. The presence of naturally occurring fractures and their impact on reservoir productivity.

The deeper Adigrat/Gumbero reservoir is interpreted from log data to be gas-bearing. Drilling is required to confirm the nature and size of the discovery, reservoir extent, nature of the hydrocarbons and the potential productivity of the reservoir.

**Maturation of Subsurface Development Plans**

Further data and acquisition and evaluation are required to advance development plans for El Kuran including:

a. Additional appraisal drilling utilizing modern logs, aimed at providing better formation evaluation and enhanced understanding of naturally occurring fractures;
b. In-situ fluid sampling; and
c. Additional testing to assess the productive capacity of the reservoir, potentially utilizing hydraulic fracturing and acid stimulation.

**Field Development Plan and Infrastructure Requirements**

No field development plans have currently been prepared for the El Kuran discovery. Appraisal of the discovery to address the issues outlined above is required to reduce the current large uncertainty associated with the discovery such plans can be generated.

Ethiopia has no oil infrastructure and no export facilities currently in place. The El Kuran discovery is remote and cannot be delivered to market without significant infrastructure investment.

**GOVERNMENT APPROVAL AND PROJECT SANCTION**

Regulatory support and approval for both Kenya and Ethiopia will be required for the commercialization of the company's Contingent Production Sharing Contracts and joint venture agreements, field development plans must be agreed by the Company and its joint venture partners before submission for approval by the respective governments.

Given the possible large scale of future development projects in Kenya and Ethiopia to commercialise the Contingent Resources, significant capital requirements are anticipated which are potentially beyond the Company's current sources of capital. The Company 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 the Company.

Prior to project sanction for the areas in which the Company has an interest in Contingent Resources, numerous agreements and studies will need to be completed in addition to field development plans, including major engineering/procurement/construction agreements, environmental and social impact assessments, land acquisition agreements and community development plans.

### Item 6.3 Forward Contracts

The Company is not party to any agreements relating to the transportation or marketing of oil and gas.

### Item 6.4 Abandonment and Reclamation Costs

The Company will continue to estimate its liability for abandonment and reclamation costs as exploration and appraisal activities continue. All abandonment and reclamation costs are capitalized when the decision to abandon a well is made.

### Item 6.5 Tax Horizon

The Company was not required to pay income taxes during 2013. Given the Company is in the exploration stage and does not currently have reserves, no reasonable estimate may be made as to when the Company will be required to pay income taxes in the future.

**Item 6.6 Costs Incurred**

The nets costs incurred by the Company in relation to the various geographic areas in which the Company operated during 2013 were as follows:

| Geographic Region | Costs ($US million) Exploration |
|---|---|
| Puntland, Somalia | $2.1 |
| Ethiopia | $59.1 |
| Kenya | $168.3 |

**Item 6.7 Exploration and Development Activities**

***Gross Wells and Net Wells Completed During 2013***

The Company's oil exploration wells completed during 2013 are as follows:

| Well Name | Country | Block | Working Interest % | Gross Wells | Net Wells |
|---|---|---|---|---|---|
| Paipai-1 | Kenya | 10A | 30% | 1 | 0.3 |
| Sabisa-1 | Ethiopia | South Omo | 30% | 1 | 0.3 |
| Etuko-1 | Kenya | 10BB | 50% | 1 | 0.5 |
| Ekales-1 | Kenya | 13T | 50% | 1 | 0.5 |
| Tultule-1 | Ethiopia | South Omo | 30% | 1 | 0.3 |
| Bahasi-1 | Kenya | 9 | 50% | 1 | 0.5 |
| Agete-1 | Kenya | 13T | 50% | 1 | 0.5 |
| **TOTAL** | | | | **7** | **2.9** |

At December 31, 2013, all of the above wells have been plugged and abandoned with the exception of the following wells which were pending further testing operations; Etuko-1, Ekales-1, and Agete-1.

***Most Important Current and Likely Exploration and Development Activities***

As of December 31, 2013, the Company has been engaged in exploration activities aimed at fulfilling or exceeding work commitments outlined in the table included in Item 6.2 above. The Company's assets are wholly located in East Africa within the Tertiary, Jurassic, Permo-Triassic, and Cretaceous rift trends. 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 exploration portfolios. The majority of the Company's assets are located in the East African Tertiary Rift Play, which is one of the last large unexplored rift basins. The Company acquired its interests in East Africa as several multi-billion barrel oil-prone basins were being discovered in Sudan and neighboring Uganda. The Company and partners have acquired extensive seismic programs over these assets and have identified a large inventory of prospects and leads within a large exploration acreage position spanning 215,000 square kilometers (gross) in these new world-class exploration play fairways.

In 2012 Africa Oil announced successful results from the Ngamia-1 exploration well in Block 10BB, which was the first exploration well for the Company in the Tertiary Rift Play. The well encountered more than 200 meters of net oil pay and was the first significant oil discovery in Kenya. This discovery was followed in 2013 by the Twiga South-1 some 22km north in Block 13T, which also discovered and tested light gravity oil and further confirmed a potentially significant extension of the Tertiary Rift Play.

Transient Pressure Analysis has been conducted on the Twiga South-1 and Ngamia-1 well tests. No pressure depletion was recorded over the duration of the tests.

Also in 2013 the Company announced a new oil discovery at Etuko-1, located 14 kilometers east of Twiga South-1 in Block 10BB and is the first test of the Basin Flank Play in the eastern part of the discovered basin in Northern Kenya. This was followed by a new oil discovery at Ekales-1 located in the Basin Bounding Fault Play between the Ngamia-1 and Twiga South-1 discoveries, and the Agete-1 oil discovery, located seven kilometers north of the Twiga South-1 discovery along the Basin Bounding Fault Play in Block 13T. In January, 2014 the Company announced Amosing-1 and Ewoi-1 as the sixth and seventh oil discoveries to date in the Lokichar Basin.

The excellent results to date onshore Kenya are an important step towards understanding the overall potential and commerciality of the discovered basin in Northern Kenya. Resources discovered to date are of a scale that the Tullow-Africa Oil joint venture have initiated discussions with the Government of Kenya and other relevant stakeholders to consider development options including a regional crude oil export pipeline to facilities in the port city of Lamu, Kenya.

To facilitate these development activities in parallel with exploration and appraisal, an “Area of Interest” (AOI) encompassing the Basin discoveries and further prospects in Blocks 13T and 10BB, was agreed with the Government of Kenya in February 2013. This agreement allows a multiple field approach to development of the resources while permitting the continued focus on exploration to increase the resource base while concurrently appraising discoveries.

Outside of the Lokichar Basin but within the Tertiary Rift trend, the Company and partners are preparing to drill two ‘new basin’ tests in the Chew Bahir Basin located within the South Omo block, which is an extension of the Tertiary Rift Play into Ethiopia. These two tests will follow two exploratory wells that were drilled in the South Omo Block in 2013 that encountered non-commercial oil and gas shows. The Company and partners also plan to drill new-basin tests in the South Kerio basin of Block 10BB and will drill two exploratory wells in Block 10BA to test the western Lake Turkana basin.

Outside of the Tertiary Rift Trend, the Company is drilling the Sala-1 well in Block 9, Kenya to test the Cretaceous Rift Trend. The Company and partners are currently drilling a commitment well in Blocks 7/8 in Ethiopia that will be the first exploratory test for the Company in the Permo-Triassic Rift trend. In the recently-acquired Rift Basin Area block of Ethiopia, the Company plans to follow a block-wide full tensor radiometry (FTG) survey and geologic studies completed in 2013 with preparations to acquire a 2D seismic program starting in 2014. The Company is also undertaking geologic studies in the Dharoor and Nugaal blocks in advance of planned seismic programs and exploratory drilling.

2014 will also be an active year for seismic acquisition, with between 2-3 crews acquiring 2D and 3D seismic in the Tertiary Rift Blocks of Kenya. The Company and its partners plan to acquire approximately 1,800 kilometers of 2D seismic and 550 square kilometres of 3D seismic in Blocks 10BA, 10BB, 12A, 13T in Kenya. Another 800-1,200km 2D seismic program is being planned for the Rift Basin Area block in Ethiopia.

On the back of the successful exploration activities in Kenya, the Company and its partners continue to ramp up exploration programs in Kenya and Ethiopia. Entering 2014, four Tullow-Africa Oil joint venture rigs were operating in Kenya and one joint venture rig was operating in Ethiopia. The Company, as operator, and its partner in Block 9 (Kenya) secured a sixth rig, which commenced drilling operations in September 2013. In addition, the Company and its partners in Block 7/8 (Ethiopia) mobilized a seventh rig for a one-well commitment that commenced drilling operations in October 2013.

## <u>Activity Summary by Block</u>

### KENYA

The Company and its operating partners in the Kenyan blocks are actively exploring for oil as described below.

<u>Block 10BB</u>

Based on the very positive results at Ngamia-1 on Block 10BB in 2012, the Company and its partner, Tullow, have accelerated the pace of exploration along the Ngamia trend in Block 10BB and Block 13T. The Company currently has three drilling rigs and a testing and completion rig operating in the South Lokichar Basin in Northern Kenya. The Company completed three exploration wells and two multi-zone well tests across Blocks 10BB and 13T during 2013. In addition, on exiting the year the Company had two exploration wells drilling and one well under test.

The Company has completed a series of six well tests at the Ngamia-1 discovery. The cumulative flow rate from the six well tests was over 3,200 bopd constrained by completion techniques and surface equipment. With optimized completion techniques and surface equipment it is estimated that these combined flow rates would increase to a rate of 5,400 bopd. Five of the well tests were completed over the Auwerwer sandstones to verify reservoir quality and fluid content which appears of similar quality to those tested at the Twiga South-1 well in the same basin. High quality waxy sweet crude (25-35 degrees API) was flowed from all five zones in the Auwerwer formation with good quality reservoir sands encountered. One well test was conducted in the Lower Lokhone sandstone proving it to be a productive reservoir with 30 degree API oil. All zones produced dry oil with no water produced and no pressure depletion. As a result of testing several previously indeterminate zones in the well, net oil pay in the Ngamia-1 well has double to over 200 meters over a gross oil column of over 1,100 meters.

In July 2013, the Company announced a new oil discovery at Etuko-1. Etuko-1 is located 14 kilometers east of Twiga South-1 in Block 10BB and is the first test of the Basin Flank Play in the eastern part of the South Lokichar Basin. The well encountered approximately 40 meters of net oil pay in the Auwerwer and Upper Lokhone targets and approximately 50 meters of additional potential net pay in the Lower Lokhone interval. In February 2014, the Company announced the results five well tests conducted on five Lokhone pay intervals in Etuko-1. Light 36 degree API waxy crude oil was successfully flowed from three zones at a combined average rate of over 550 barrels of oil equivalent per day. In March 2014, the Company announced the results of the Etuko-2 exploration well drilled to test the upper Auwerwer sands overlying the discovered Lokhone pay intervals identified in Etuko-1. Etuko-2 penetrated a potential significant oil column identified from formation pressure data and oil shows while drilling and in core, with good quality reservoir, but flowed only water on drill stem test. The results are considered inconclusive and analysis is underway to consider further options to evaluate this reservoir.

In January 2014, the Company announced a new oil discovery at Ewoi-1 located four kilometers to the east of the Etuko-1 discovery in the Basin Flank Play on the eastern side of the South Lokichar Basin. Logs indicate potential net pay of 20 to 80 meters to be confirmed by well testing.

Also in January 2014, the Company announced a new oil discovery at Amosing-1 located seven kilometers southwest of the Ngamia-1 discovery along the Basin Bounding Fault Play. Logs indicate 160 to 200 meters of potential net oil pay in good quality sandstone reservoirs. Well testing and an appraisal well are planned for the first half of 2014.

The 2D seismic crews operating in Block 10BB acquired approximately 1,128 kilometers of 2D seismic during 2013. Much of this program focused on defining prospects in the Kerio Basin, with the aim of defining drilling prospects for the 2014 exploratory drilling program. The plan is to acquire an additional 720 kilometers of 2D seismic over the block during 2014 to define prospects in the Kerio and North Lokichar Basins. Preparations are underway to drill the Dyepa prospect in the Kerio Basin spudding around mid 2014. In addition, the Company and its partner have commenced a 550 square kilometer 3D seismic survey over the Ngamia and Twiga South structures in Block 10BB and Block 13T combined.

Block 13T

During the first quarter of 2013, the Company and its partner, Tullow, conducted well testing operations at Twiga South-1, which resulted in a cumulative flow rate of 2,812 bopd from three zones, despite being constrained by surface equipment. With optimized production equipment, the cumulative flow rate is anticipated to have increased to a cumulative rate of approximately 5,200 bopd. High quality 37 degree API waxy sweet crude flowed from all three zones in the Auwerwer formation with good quality reservoir sands encountered. The well was suspended as a potential future production well.

In September 2013, the Company announced a new oil discovery at Ekales-1 located in the Basin Bounding Fault Play between the Ngamia-1 and Twiga South-1 discoveries. Logs indicated a potential pay zone of 60 to 100 meters to be confirmed by flow testing. Well testing was conducted utilizing the recently mobilized Tullow-Africa Oil joint venture testing and completion rig. In March 2014, the company announced the results of testing operations on the Ekales-1 well which confirmed this significant discovery. Two drill stem tests were completed and flowed at a combined rate of over 1,000 bopd from a combined 41 meter net pay interval. The upper zone had a very high productivity index of 4.3 stb/d/psi.

In November 2013, the Company announced a new oil discovery at Agete-1 located seven kilometers north of the Twiga South-1 discovery along the Basin Bounding Fault Play in Block 13T. Logs indicate a significant oil column with an estimated 100 meters of net oil pay in good quality sandstone reservoirs. Well testing will commence imminently and an appraisal well is planned in the first half of 2014.

In March 2014, the Company announced the results of the Emong-1 well located four kilometers northwest of Ngamia-1 field discovery in Block 13T. The well encountered oil and gas shows while drilling, however the Auwerwer sandstones that are the primary reservoirs in the Ngamia field were thin and poorly developed in Emong-1 and the well was plugged and abandoned. It is believed that the reservoir was poorly developed due to its proximity to the basin bounding fault and its location within what appears to be a local isolated slumped fault margin. The results are not expected to impact the thickness and quality of reservoir throughout the main Ngamia field area.

The Company has recently commenced the acquisition a 550 square kilometer 3D seismic survey over the Twiga South and Ngamia structures, in Blocks 13T and 10BB combined. The plan is to acquire an additional 200 kilometers of 2D seismic over the block during 2014 to define prospects in the North Lokichar Basin.

<u>Block 10A</u>

In the first quarter of 2013, the Company and its operating partners on Block 10A completed drilling the Paipai-1 exploration well. The Paipai-1 well tested a large four-way closed structure with Cretaceous-age sandstone targets at multiple depths. Paipai-1 spudded in September 2012 and completed drilling in the first quarter of 2013 to a total depth of 4,255 meters. Light hydrocarbons were encountered while drilling a 55 meter thick gross sandstone interval. Attempts to sample the reservoir fluid were unsuccessful and the hydrocarbons encountered while drilling were not recovered to surface. After further review of the well results the Company and its partners decided not to continue exploration efforts and submitted notice to relinquish the block. Paipai-1 fully satisfied the remaining work obligations for the initial exploration period, which was extended to January 2014 to allow for evaluation of the well results. The rig was subsequently mobilized to Block 10BB (Kenya) to drill follow-up prospects in the South Lokichar Basin.

<u>Block 10BA</u>

The Company and its operating partner on Block 10BA have concluded a 1,450 kilometer 2D seismic program, split evenly between onshore and offshore acquisition. The 2D seismic acquired to date exceeds the work obligations of the initial exploration period under the Block 10BA PSC which expires in April 2014. The Company and partner have identified several prospects and leads from the newly acquired seismic program and is preparing plans to drill two exploratory wells in 2014.

<u>Block 12A</u>

The Company and its partners on Block 12A completed a 520 kilometer 2D seismic acquisition program in 2013 and are now acquiring another 160 kilometers of infill seismic. 2D seismic data acquired to date will exceed the 500 kilometer 2D seismic work obligation for the initial exploration period under the Block 12A PSC which was recently extended and now expires in September 2014.

<u>Block 9</u>

In late 2013, the Company and its partners completed drilling the Bahasi-1 exploration well in Block 9. Block 9 is in the Cretaceous rift basin on trend with the South Sudan oil fields. The Bahasi-1 well failed to encounter oil or gas shows and the Company and its partner are now drilling the Sala-1 prospect. The Bahasi-1 well satisfies the remaining exploration commitment for the second exploration period under the PSC which expired in December 2013. The Company and its joint venture partner elected to enter the second additional exploration period under the PSC, which will expire in December 2015, and required the relinquishment of 50% of the block area and the commitment to an exploration well, which will be satisfied by the drilling of Sala-1.

**ETHIOPIA**

South Omo Block

The South Omo Block is located in the northern portion of the Tertiary East African Rift trend where Africa Oil and their partners have made five significant oil discoveries in Northern Kenya. The Company and its partners on the South Omo Block spudded the Sabisa-1 well in January 2013 and the well was drilled to a preliminary total depth of 1,810 meters. Hydrocarbon indications in sands beneath a thick claystone top seal have been recorded while drilling, but hole instability issues required the drilling of a sidetrack to comprehensively log and sample these zones of interest. The sidetrack was drilled to a total depth of 2,082 meters. The well encountered reservoir quality sands, oil shows and heavy gas shows indicating an oil prone source rock and thick shale section which should provide a good seals for the numerous fault bounded traps identified in the basin. Only the lowermost sands appeared to be in trapping configuration at Sabisa-1. Based on the encouragement of the results of this well, the Company decided to drill the nearby Tultule prospect, which is a horst-block structure four kilometers to the east of Sabisa-1. The Tultule-1 well encountered inter-bedded volcanics and only minor oil and gas shows in the target interval.

The Company and partners are now evaluating remaining prospectivity in the area of these two wells and in the meantime are preparing to drill two prospects in the Chew Bahir Basin, a separate sub-basin located approximately 100km east but still within the South Omo Block. These prospects were identified from a 1,174 kilometer 2D seismic program that was completed 2013. The current exploration period under the PSC expires in January 2015. The remaining work commitments on the block have been satisfied with the completion of the Tultule-1 well.

Ogaden Blocks 7/8

The Company and its partners continue to focus on the El Kuran oil accumulation on Block 8, discovered in the early 1970's. After completing reservoir characterization studies, the Company focused efforts on testing and completion strategies for producing commercial quantities of oil and gas. The Company and its partners have recently announced that drilling of the El Kuran-3 well, in the Somali region of Ethiopia, reached a total depth of 3,528 meters and is undergoing logging and evaluation prior to taking a decision on the way forward on the well. There have been numerous oil and gas shows in the well which is a follow up to a discovery made by Tenneco in the 1970's. There appears to be a significant amount of oil and gas in several intervals and the primary issues are the quality of the reservoir and potential commerciality give the remote location.

Adigala Block

As part of work obligations for the Second Extension period which expires in June 2015, the Company and its partner have incorporated newly acquired Full Tensor Gradiometry (FTG) data and have integrated results of recent surface geological studies to plan 1000 kilometer 2D seismic program that will commence in 2014. This program will exceed the 500 kilometer 2D seismic work commitment under the PSC.

Rift Basin Area

The Company completed a FTG survey in late 2013 and is conducting an exhaustive environmental and social impact assessment over the block in preparation for a seismic program in 2014. The Company has also completed two field campaigns to gather geologic data from surface outcrops.

**PUNTLAND (SOMALIA)**

Dharoor Valley and Nugaal Valley Blocks

The Company continues to evaluate the encouraging results of the two wells drilled in 2012 on the Dharoor Valley block which proved all the critical elements exist for oil accumulations, namely a working petroleum system, good quality reservoirs and thick seal rocks. Based on these encouraging results, the Company, through its ownership interest in Horn, committed to enter the next exploration period, which carries a commitment to drill one exploration well in each block within an additional three year term ending October 2015.

Efforts are now focused on making preparations for a seismic acquisition campaign in the Dharoor Valley area which will include a regional seismic reconnaissance grid in the previously unexplored eastern portion of the basin as well as prospect specific seismic to delineate a drilling candidate in the western portion of the basin where an active petroleum system was confirmed by the recent drilling at the Shabeel-1 and Shabeel North-1 locations. The Company continues to pursue efforts to drill an exploration well in the Nugaal Valley block and is working with the Puntland government to move this project forward.

**Item 6.8 Production Estimates**

The Company is unable to estimate production or future net revenue from its oil and gas activities as of December 31, 2013.

**Item 6.9 Production History**

The Company had no oil and gas production history as of December 31, 2013.

## SCHEDULE B

**FORM 51-101F3**

***Report of Management and Directors on Oil and Gas Disclosure***

*(This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Terms to which a meaning is ascribed in NI 51-101 have the same meaning in this form.*[1] *)*

**Report of Management and Directors on Reserves Data and Other Information**

Management of **Africa Oil Corp.** (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. The Company is a reporting issuer involved in oil and gas activities pursuant to NI 51-101; however, as at December 31, 2013, the Company did not have any reserves or related future net revenue from reserves. As a result, no reserves data for the Company has been disclosed as of December 31, 2013.

The Company has not commissioned an independent qualified reserves evaluator to evaluate the Company's reserves data as the Company has no reserves at this time and no report of an independent qualified reserves evaluator will be disclosed by the Company for the period from January 1, 2013 to December 31, 2013.

The Board of Directors of the Company has reviewed the position of the Company as of December 31, 2013 and has determined that, as of that date, the Company has no reserves data.

The Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management of the Company. The Board of Directors has approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing information detailing the Company's oil and gas activities;
(b) the Company not filing Form 51-101F2, which is the report of the independent qualified reserves evaluator on the reserves data because the Company has no reserves; and
(c) the content and filing of this report.

/s/Keith Hill
Keith C. Hill, Chief Executive Officer

/s/Ian Gibbs
Ian Gibbs, Chief Financial Officer

/s/Gary S. Guidry
Gary S. Guidry, Director

/s/Bryan M. Benitz
Bryan M. Benitz, Director

**Date:** March 26, 2014

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[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or Companion Policy 51-101CP.

## SCHEDULE C

**AFRICA OIL CORP.**
**(the "Company")**

**MANDATE OF THE AUDIT COMMITTEE**
**(as adopted and amended by the Board on November 28, 2006 and May 22, 2009, respectively, and as ratified without amendment on April 20, 2010, March 29, 2011, March 23, 2012, March 26, 2013, and March 26, 2014)**

### 1. Purpose of the Audit Committee

The Audit Committee oversees the accounting and financial reporting processes of the Company and its subsidiaries and all audits and external reviews of the financial statements of the Company on behalf of the Board, and has general responsibility for oversight of internal controls, accounting and auditing activities of the Company and its subsidiaries.

### 2. Members of the Audit Committee

2.1. The Audit Committee shall be appointed annually by the Board and shall be composed of three members, each of whom must be a director of the Company and a majority of whom must be independent.

2.2. At least one Member of the Audit Committee must be "financially literate" as defined under National Instrument 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

### 3. Meeting Requirements

3.1. The Committee will, where possible, meet on a regular basis at least once every quarter, and will hold special meetings as it deems necessary or appropriate in its judgment. Meetings may be held in person or telephonically, and shall be at such times and places as the Committee determines. Without a meeting the Committee may act by unanimous written consent of all members.

3.2. Two members of the Audit Committee shall constitute a quorum.

### 4. Duties and Responsibilities

*4.1. Appointment, Oversight and Compensation of Auditor*

4.1.1. The Audit Committee shall recommend to the Board:

a) The auditor (the "Auditor") to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and

b) The compensation of the Auditor.

In making such recommendations, the Audit Committee shall evaluate the Auditor's performance and review the Auditor's fees for the preceding year.

4.1.2. The Auditor shall report directly to the Audit Committee.

4.1.3. The Audit Committee shall be directly responsible for overseeing the work of the Auditor, including the resolution of disagreements between management and the Auditor regarding financial reporting.

4.1.4. The Audit Committee shall review information, including written statements from the Auditor, concerning any relationships between the Auditor and the Company or any other relationships that may adversely affect the independence of the Auditor and assess the independence of the Auditor.

*4.2. Non-Audit Services*

4.2.1. All auditing services and non-audit services provided to the Company or the Company's subsidiaries by the Auditor shall, to the extent and in the manner required by applicable law or regulation, be pre-approved by the Audit Committee. In no circumstances shall the Auditor provide any non-audit services to the Company that are prohibited by applicable law or regulation.

*4.3. Review of Financial Statements etc.*

4.3.1. The Audit Committee shall review the Company's interim and annual financial statements and Management's Discussion and Analysis ("MD&A"), intended for circulation among shareholders; and shall report on them to the Board.

4.3.2. The Audit Committee shall satisfy itself that the audited financial statements and interim financial statements present fairly the financial position and results of operations in accordance with generally accepted accounting principles and that the auditors have no reservations about such statements.

4.3.3. The Audit Committee shall review changes in the accounting policies of the Company and accounting and financial reporting proposals that are provided by the Auditor that may have a significant impact on the Company's financial reports, and report on them to the Board.

*4.4. Review of Public Disclosure of Financial Information*

4.4.1. The Audit Committee shall review the Company's annual and interim press releases relating to financial results before the Company publicly discloses this information.

4.4.2. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in subsection 5.4.1, and must periodically assess the adequacy of those procedures.

*4.5. Review of Annual Audit*

4.5.1. The Audit Committee shall review the nature and scope of the annual audit, and the results of the annual audit examination by the Auditor, including any reports of the Auditor prepared in connection with the annual audit.

*4.5.2.* The Audit Committee shall satisfy itself that there are no unresolved issues between management and the Auditor that could affect the audited financial statements.

4.5.3. The Audit Committee shall satisfy itself that, where there are unsettled issues that do not affect the audited financial statements (e.g. disagreements regarding correction of internal control weaknesses, or the application of accounting principles to proposed transactions), there is an agreed course of action leading to the resolution of these matters.

4.5.4. The Audit Committee shall satisfy itself that there is generally a good working relationship between management and the Auditor.

*4.6. Review of Quarterly Review Engagements*

4.6.1. The Audit Committee shall review the nature and scope of any review engagements for interim financial statements, and the results of such review engagements by the Auditor, including any reports of the Auditor prepared in connection with such review engagements.

*4.6.2.* The Audit Committee shall satisfy itself that there are no unresolved issues between management and the Auditor that could affect any interim financial statements.

4.6.3. The Audit Committee shall satisfy itself that, where there are unsettled issues that do not affect any interim financial statements (e.g. disagreements regarding correction of internal control weaknesses, or the application of accounting principles to proposed transactions), there is an agreed course of action leading to the resolution of these matters.

*4.7. Internal Controls*

4.7.1. The Audit Committee shall have responsibility for oversight of management reporting and internal control for the Company and its subsidiaries.

4.7.2. The Audit Committee shall satisfy itself that there are adequate procedures for review of interim statements and other financial information prior to distribution to shareholders.

*4.8. Complaints and Concerns*

4.8.1. The Audit Committee shall establish procedures for:

a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

*4.9. Hiring Practices*

4.9.1. The Audit Committee shall review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former Auditors of the Company.

*4.10. Other Matters*

4.10.1. The Audit Committee shall be responsible for oversight of the effectiveness of management’s interaction with and responsiveness to the Board;

4.10.2. The Audit Committee shall review and monitor all related party transactions which may be entered into by the Company.

4.10.3. The Audit Committee shall approve, or disapprove, material contracts where the Board determines it has a conflict.

4.10.4. The Audit Committee shall satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulations relating to insider trading, continuous disclosure and financial reporting.

4.10.5. The Audit Committee shall periodically review the adequacy of this Charter and recommend any changes to the Board.

4.10.6. The Board may refer to the Audit Committee such matters and questions relating to the financial position of the Company and its affiliates as the Board from time to time may see fit.

**5. Rights and Authority of the Audit Committee and the Members Thereof**

5.1. The Audit Committee has the authority:

a) To engage independent counsel and other advisors as it determines necessary to carry out its duties;

b) To set and require the Company to pay the compensation for any advisors employed by the Audit Committee; and

c) To communicate directly with the Auditor and, if applicable, the Company's internal auditor.

5.2. The members of the Audit Committee shall have the right, for the purpose of performing their duties, to inspect all the books and records of the Company and its affiliates and to discuss those accounts and records and any matters relating to the financial position of the Company with the officers and Auditor of the Company and its affiliates, and any member of the Audit Committee may require the Auditor to attend any or every meeting of the Audit Committee.

**6. Miscellaneous**

Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Audit Committee. The purposes, responsibilities, duties and authorities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.