



## **AFRICA OIL CORP.**

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Admission to trading of issued shares on Nasdaq  
Stockholm

## IMPORTANT INFORMATION

This prospectus has been prepared in conjunction with the admission to trading (the “**Admission**”) of up to 52,623,377 new common shares issued in Africa Oil Corp. (the “**New Shares**”) on Nasdaq Stockholm AB (“**Nasdaq Stockholm**”). The “**Company**” or “**Africa Oil**” means Africa Oil Corp. (incorporation number BC0443700) and/or one or more or all of its subsidiaries, as it may apply. The “**Shares**” means the common shares representing the capital of the Company. Reference to “**CAD**” means Canadian dollars, “**SEK**” means Swedish kronor and “**USD**” means US dollars. Reference to “**GAAP**” means Canadian generally accepted accounting principles, and reference to “**IFRS**” means International Financial Reporting Standards.

This prospectus has been prepared in compliance with the standards and requirements of the Swedish Financial Instruments Trading Act (1991:980) and European Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council. The prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Approval and registration of the prospectus does not imply a guarantee by the Swedish Financial Supervisory Authority that the facts presented in the prospectus are correct or complete.

**This prospectus does not comprise any offer to purchase, subscribe for or acquire Shares or other financial instruments issued by Africa Oil.** The prospectus may not be distributed, directly or indirectly, in any other country where such distribution requires additional registration or other measures than those provided for under Swedish law or that contravene applicable regulations in such country. The Shares have not been and will not be registered under the 1933 United States Securities Act (“**Securities Act**”), as amended, or under any equivalent statute in any individual state or province of the USA.

Certain amounts and numbers expressed in per cent in this prospectus have been rounded off and may therefore not add up correctly. Other than what is expressly stated herein, no information in this prospectus has been examined or audited by the Company’s auditors.

No person has been authorized to give any information or to make any representation not contained in this prospectus and, if given or made, such information or representation not contained herein must not be relied upon as having been authorized by the Company.

Any dispute concerning or relating to this prospectus shall be resolved in accordance with Swedish law and exclusively by a Swedish court of law. The prospectus is available in paper form at Africa Oil’s head office and in electronic form on Africa Oil’s website, [www.africaoilcorp.com](http://www.africaoilcorp.com), as well as on the website of the Swedish Financial Supervisory Authority, [www.fi.se](http://www.fi.se).

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which reflect the Company’s board of directors’ (the “**Board**”) current view of future events and the Company’s operational and financial performance. Although the Board believes that the expectations reflected in such forward-looking statements are reasonable, there can be no guarantees that these expectations will prove to be correct. Forward-looking statements only express the Board’s assessments and assumptions at the time of the prospectus. The Board makes no commitment to publish updates or revisions of forward-looking statements as a result of new information, future events or similar circumstances other than as required under applicable securities laws or regulations or applicable stock exchange rules. Prospective investors are encouraged to study the overall information contained in this prospectus and take into consideration that the Company’s future results, performance or success may differ materially from the Board’s expectations. The Section “*Risk factors*” contains a description, which should not be regarded as exhaustive, of factors that may cause actual results or presentations to differ materially from forward-looking statements.

## INDUSTRY DATA AND INFORMATION FROM THIRD PARTIES

This prospectus contains historical market data and industry forecasts relating to the market in which the Company operates. The Company has obtained this information from several sources, including industry publications and market surveys from third parties as well as publicly available information. Although the industry publications state that they are based on information obtained from several different sources and using various methods that may be deemed reliable, there can be no guarantee that the information is correct and complete. Industry forecasts are by their nature subject to considerable uncertainty, and there can be no guarantee that such forecasts will prove to be correct. Information from third parties has been correctly reproduced and, as far as the Board is aware and is able to warrant through comparisons with other information published by the third party concerned, no information has been omitted in a way that would make the reproduced information incorrect or misleading.

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Please note that the Section “*Definitions and terms*” is placed in the back in the prospectus.

## SUMMARY

Summaries are made up of disclosure requirements (hereinafter referred to as “**Elements**”). The Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the reference of “not applicable”.

### Section A – Introduction and warnings

A.1	<i>Introduction and warnings</i>	<p><b>This summary should be read as introduction to the prospectus.</b></p> <p><b>Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Please note that this is not an offer to acquire securities.</b></p> <p><b>Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating the prospectus before the legal proceedings are initiated.</b></p> <p><b>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.</b></p>
A.2	<i>Financial intermediaries</i>	Not applicable; Financial intermediaries are not entitled to use the prospectus for subsequent trading or final placement of securities.

### Section B – Issuer

B.1	<i>Legal and commercial name</i>	The legal and commercial name of the Company is Africa Oil Corp.
B.2	<i>Legal context</i>	The Company is registered and incorporated in British Columbia, Canada as a public company under the BCBCA. The incorporation number of the Company is BC0443700.
B.3	<i>Operations</i>	Africa Oil is an independent international upstream oil and gas exploration company with oil and gas interests in Ethiopia, Kenya and, through the Company’s equity interest in Africa Energy, in Puntland (Somalia). The Company holds interests in over 200,000 square kilometers

		<p>(gross) of exploration property throughout several African rift basins, focusing primarily on East Africa. The Company's head office is located in Canada.</p> <p>The Company's long range plan is to increase shareholder value through the acquisition and exploration of oil and gas assets, located in under-explored geographic areas, in the early phase of the upstream oil and gas life-cycle. The Company is focused on high-impact exploration opportunities which provide the shareholders exposure to multiple identified prospects and leads, geographically and geologically diversified across multiple countries and four under-explored petroleum systems. The Company'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.</p>																		
<b>B.4a</b>	<i>Tendencies</i>	<p>On the back of the successful exploration activities in Kenya during 2012 and 2013, the Company, together with its partners, ramped up its exploration program in Kenya. The Company entered 2015 with three drilling rigs and one testing and completion rig operating in Kenya dedicated to fulfilling our exploration drilling commitments and continuing with appraisal drilling in the discovered South Lokichar Basin. The Company is encouraged by the excellent well results from our recent appraisal program at Ngamia and Amosing and we will be conducting Extended Well Tests at both fields during 2015, aimed at improving reservoir definition. Given the changing focus of the 2015 work program to appraisal and development studies of the South Lokichar Basin discoveries in the Tertiary Rift, the Africa Oil – Tullow partnership has been releasing rigs during the first half of 2015 and it is anticipated that only one rig will be in operation going forward.</p> <p>Given the significant volumes discovered and the extensive exploration and appraisal program planned to fully assess the upside potential of the South Lokichar Basin, the Africa Oil – Tullow partnership has agreed with the Government of Kenya to commence development studies. Comprehensive concept engineering on the upstream facilities is nearing completion and pipeline routing and environmental screening has been completed. The Kenya and Uganda Governments have agreed a regional crude oil pipeline from Uganda through Kenya and discussions are ongoing around the way forward on the pipeline.</p>																		
<b>B.5</b>	<i>Group</i>	Africa Oil Corp. is the Canadian parent company in a group of companies, consisting of 13 subsidiaries incorporated in Canada (British Columbia), The Netherlands, Barbados, Bermuda and Kenya.																		
<b>B.6</b>	<i>Largest shareholders</i>	<p>To the knowledge of the directors and officers of the Company, the Company's largest registered shareholders as of April 29, 2015 are:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Shares held<sup>(1)</sup></th> <th>Percentage of Shares and votes</th> </tr> </thead> <tbody> <tr> <td>JANUS CAPITAL MANAGEMENT</td> <td>32,530,704</td> <td>8.73%</td> </tr> <tr> <td>NORDEA BANK AB</td> <td>18,462,242</td> <td>4.95%</td> </tr> <tr> <td>CAPITAL GROUP COMPANIES</td> <td>14,258,852</td> <td>3.83%</td> </tr> <tr> <td>HENDERSON GROUP PLC</td> <td>9,850,500</td> <td>2.64%</td> </tr> <tr> <td>BLACKROCK</td> <td>6,915,200</td> <td>1.86%</td> </tr> </tbody> </table> <p><sup>(1)</sup> Information as provided by 2015 Bloomberg Finance L.P. on April 29, 2015</p> <p>The Company is not aware of any individual registered shareholders owning greater than</p>	Shareholder	Shares held <sup>(1)</sup>	Percentage of Shares and votes	JANUS CAPITAL MANAGEMENT	32,530,704	8.73%	NORDEA BANK AB	18,462,242	4.95%	CAPITAL GROUP COMPANIES	14,258,852	3.83%	HENDERSON GROUP PLC	9,850,500	2.64%	BLACKROCK	6,915,200	1.86%
Shareholder	Shares held <sup>(1)</sup>	Percentage of Shares and votes																		
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10 per cent of the Company's issued and outstanding Shares.

**B.7** *Financial summary*

The Company prepares its financial statements in accordance with International Financial Reporting Standards. The information below is derived from the audited financial statements for the years 2012, 2013 and 2014, and the unaudited interim financial statements for the three-month period ended on March 31, 2015.

***Income statements***

USD thousands	Unaudited <sup>(1)</sup>		Audited <sup>(2)</sup>		Audited <sup>(2)</sup>
	Jan 1 - Mar 31, 2015	Jan 1 - Mar 31, 2014	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013	Jan 1 - Dec 31, 2012
<b>Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Salaries and benefits	478	458	3,005	5,040	3,665
Stock-based compensation	3,975	9,552	17,951	12,746	4,943
Travel	249	309	1,623	1,588	1,469
Office and general	119	184	1,396	1,160	1,012
Donation	0	750	2,035	1,151	2,313
Depreciation	11	17	67	55	48
Professional fees	154	195	835	786	4,187
Stock exchange and filing fees	247	189	1,584	969	916
Share of loss from equity investment	92	0	0	0	0
Gain on loss of control	(4,155)	0	0	0	0
Impairment of intangible exploration assets	0	0	128,180	22,874	3,127
<b>Operating expenses</b>	<b>1,170</b>	<b>11,654</b>	<b>156,676</b>	<b>46,369</b>	<b>21,680</b>
Finance income	(130)	(436)	(1,268)	(4,141)	(1,727)
Finance expense	20	126	302	9,210	164
<b>Net loss and comprehensive loss</b>	<b>1,060</b>	<b>11,344</b>	<b>155,710</b>	<b>51,438</b>	<b>20,117</b>
<i>Net income and comprehensive income attributable to non-controlling interest</i>	249	206	48,773	(1,222)	(2,676)
<i>Net loss and comprehensive loss attributable to common shareholders</i>	811	11,138	106,937	52,660	22,793

(1) Derived from unaudited financial information.

(2) Derived from audited financial information.

### Balance sheets

USD thousands	Unaudited <sup>(1)</sup>	Unaudited <sup>(1)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>
	Jan 1 - Mar 31, 2015	Jan 1 - Mar 31, 2014	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013	Jan 1 - Dec 31, 2012
<b>ASSETS</b>					
Cash and cash equivalents	187,391	434,333	161,162	493,209	272,175
Accounts receivable	3,234	11,926	1,633	3,195	2,848
Due from related party	108	-	-	-	-
Prepaid expenses	1,176	1,332	1,276	1,379	1,124
<b>Current assets</b>	<b>191,909</b>	<b>447,591</b>	<b>164,071</b>	<b>497,783</b>	<b>276,147</b>
Restricted cash	2,525	1,700	1,250	1,250	1,119
Equity investment	6,182	0	0	0	0
Property and equipment	39	94	50	103	82
Intangible exploration assets	862,477	567,907	785,177	488,688	282,109
<b>Long-term assets</b>	<b>871,223</b>	<b>569,701</b>	<b>786,477</b>	<b>490,041</b>	<b>283,310</b>
<b>TOTAL ASSETS</b>	<b>1,063,132</b>	<b>1,017,292</b>	<b>950,548</b>	<b>987,824</b>	<b>559,457</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>Total equity</b>	<b>924,384</b>	<b>929,805</b>	<b>797,046</b>	<b>929,847</b>	<b>520,153</b>
Accounts payable and accrued liabilities	138,748	87,482	153,502	57,976	36,188
Current portion of warrants	0	5	0	1	2,288
<b>Current liabilities</b>	<b>138,748</b>	<b>87,487</b>	<b>153,502</b>	<b>57,977</b>	<b>38,476</b>
Warrants	0	0	0	0	828
<b>Long term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>828</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1,063,132</b>	<b>1,017,292</b>	<b>950,548</b>	<b>987,824</b>	<b>559,457</b>
<i>Equity attributable to common shareholders</i>					
<i>share capital</i>	<i>1,140,647</i>	<i>1,009,953</i>	<i>1,014,772</i>	<i>1,007,414</i>	<i>558,555</i>
<i>contributed surplus</i>	<i>42,221</i>	<i>33,159</i>	<i>39,947</i>	<i>24,396</i>	<i>12,123</i>
<i>deficit</i>	<i>(258,484)</i>	<i>(161,874)</i>	<i>(257,673)</i>	<i>(150,736)</i>	<i>(98,076)</i>
	<i>924,384</i>	<i>881,238</i>	<i>797,046</i>	<i>881,074</i>	<i>472,602</i>
<i>non-controlling interest</i>	<i>0</i>	<i>48,567</i>	<i>0</i>	<i>48,773</i>	<i>47,551</i>

(1) Derived from unaudited financial information.

(2) Derived from audited financial information.

## Cash flow statements

USD thousands	Unaudited <sup>(1)</sup>	Unaudited <sup>(1)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>
	Jan 1 - Mar 31, 2015	Jan 1 - Mar 31, 2014	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013	Jan 1 - Dec 31, 2012
<b>Cash flows provided by (used in)</b>					
<b>Operations</b>					
Net loss and comprehensive loss for the year	(1,060)	(11,344)	(155,710)	(51,438)	(20,117)
<b>Items not affecting cash</b>					
Stock-based compensation	3,975	9,552	17,951	12,746	4,943
Share-based expense	0	0	0	0	3,763
Depreciation	11	17	67	55	48
Loss on marketable securities	0	0	0	0	124
Impairment of intangible exploration assets	0	0	128,180	22,874	3,127
Gain on loss of control	(4,155)	0	0	0	0
Share of loss from equity investment	92	0	0	0	0
Fair value adjustment - warrants	0	4	(1)	(3,115)	(832)
Foreign exchange loss related to financing	0	0	0	7,396	0
Unrealized foreign exchange loss	15	117	289	25	1,055
Changes in non-cash operating working capital	(977)	(731)	(636)	(756)	(657)
	<b>(2,099)</b>	<b>(2,385)</b>	<b>(9,860)</b>	<b>(12,213)</b>	<b>(8,546)</b>
<b>Investing</b>					
Property and equipment expenditures	0	(8)	(14)	(76)	(91)
Intangible exploration expenditures	(77,300)	(92,426)	(437,876)	(229,453)	(133,823)
Farmout proceeds	0	13,207	13,207	0	34,259
Proceeds from sale of marketable securities	0	0	0	0	2,442
Equity investment	(1,000)	0	0	0	0
Reduction of cash from change of control	(254)	0	0	0	0
Changes in non-cash working capital	(16,002)	21,553	97,827	21,942	12,373
	<b>(94,556)</b>	<b>(57,674)</b>	<b>(326,856)</b>	<b>(207,587)</b>	<b>(84,840)</b>
<b>Financing</b>					
Common shares issued	124,174	1,750	4,958	448,386	255,169
Foreign exchange loss related to financing	0	0	0	(7,396)	0
Deposit of cash for bank guarantee	(1,275)	(450)	(450)	(1,250)	(375)
Release of bank guarantee	0	0	450	1,119	2,175
	<b>122,899</b>	<b>1,300</b>	<b>4,958</b>	<b>440,859</b>	<b>256,969</b>
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	(15)	(117)	(289)	(25)	(966)
Cash and cash equivalents, beginning of period	161,162	493,209	493,209	272,175	109,558
Cash and cash equivalents, end of period	187,391	434,333	161,162	493,209	272,175
<b>Increase in cash and cash equivalents</b>	<b>26,229</b>	<b>(58,876)</b>	<b>(332,047)</b>	<b>221,034</b>	<b>162,617</b>
<i>Supplementary information</i>					
interest paid	0	0	0	0	0
income taxes paid	0	0	0	0	0

(1) Derived from unaudited financial information.

(2) Derived from audited financial information.

		<b>Key ratios</b>				
		Unaudited <sup>(a)</sup>	Unaudited <sup>(a)</sup>	Audited <sup>(b)</sup>	Audited <sup>(b)</sup>	Audited <sup>(b)</sup>
		Jan 1 - Mar 31, 2015	Jan 1 - Mar 31, 2014	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013	Jan 1 - Dec 31, 2012
	Net loss attributable to common shareholders per share, basic	-	USD 0.04	USD 0.34	USD 0.20	USD 0.10
	Net loss attributable to common shareholders per share, diluted	-	USD 0.04	USD 0.34	USD 0.20	USD 0.10
	Equity ratio end of period <sup>(1)</sup>	87%	91%	84%	94%	93%
	Weighted average number of shares outstanding for the purpose of calculation earnings per share, basic	338,312,290	309,967,060	311,285,732	263,081,763	220,664,278
	Weighted average number of shares outstanding for the purpose of calculation earnings per share, diluted	338,312,290	309,967,060	311,285,732	263,081,763	220,664,278
	Dividend paid per share	0	0	0	0	0
<p>(1) "Total equity end of period" divided by "total assets end of period"  (a) Derived from unaudited financial information.  (b) Derived from audited financial information.</p>						
		<b>Significant changes since March 31, 2015</b>				
		<p>On May 1, 2015, the Company announced that it had entered into an investment agreement with Stampede Natural Resources S.à r.l. ("<b>Stampede</b>"), an entity owned by a fund advised by Helios Investment Partners LLP ("<b>Helios</b>"), to sell, on a non-brokered private placement basis, 52,623,377 New Shares at a price of CAD 2.31 for gross proceeds of CAD 121,560,000 (USD 100 million). The private placement completed on May 29, 2015 and, as a result, Stampede owns approximately 12.37 per cent of the issued and outstanding Shares of the Company. Other than that, there has been no significant change to the Company's financial position or its position as regards the market since March 31, 2015 (the date to which the most recent financial statements relate).</p>				
<b>B.8</b>	<i>Pro forma financial information</i>	Not applicable; the prospectus does not include any pro forma financial information.				
<b>B.9</b>	<i>Financial forecast</i>	Not applicable; the prospectus does not include any financial forecast or calculation of expected profit.				
<b>B.10</b>	<i>Auditor's remarks</i>	Not applicable; there are no auditor's remarks.				
<b>B.11</b>	<i>Working capital of the issuer</i>	The Company is of the opinion that the group's working capital is sufficient for it to meet its liabilities as they become due for a period of 12 months after the date of this prospectus.				

## Section C – Securities

<b>C.1</b>	<i>Securities being offered</i>	There is no offering to purchase, subscribe for or sell Shares or New Shares representing Africa Oil. It is intended that the New Shares will be listed on the TSX and Nasdaq Stockholm, with
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		ISIN code CA00829Q1019. All New Shares which will be traded on Nasdaq Stockholm will be affiliated to Euroclear and no physical share certificates will be issued.
C.2	<i>Denomination</i>	The Shares are denominated in CAD.
C.3	<i>Total number of shares in the Company</i>	The authorized share capital is an unlimited number of Shares without par value. As of April 24, 2015 the Company had an aggregate of 372,624,649 Shares issued and outstanding.
C.4	<i>Rights pertaining to the shares</i>	The Company's 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 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 Shares are entitled to receive the remaining assets of the Company available for distribution to the shareholders.
C.5	<i>Limitations to the free transferability</i>	The Shares are not subject to any restrictions on their transferability.
C.6	<i>Trading in the shares</i>	The Shares are currently traded under the symbol "AOI" on the TSX and Nasdaq Stockholm. The New Shares will be traded on the TSX and Nasdaq Stockholm.
C.7	<i>Dividend policy</i>	There are no restrictions which prevent Africa Oil from paying dividends. The Company has not paid dividends on its Shares and it has no present intentions of paying any dividends on its Shares, as it anticipates that all available funds will be invested to finance the growth of its business. The directors will determine if and when dividends should be declared and paid in the future, based on Africa Oil's financial position at the relevant time.

## Section D – Risks

D.1	<i>Risks related to the issuer</i>	<p>The operations of Africa Oil and the sectors in which it operates are subject to a number of risks that are completely or partly outside the Company's control and which could materially adversely impact the Company's business, financial condition and results of operations and prospects. The risk factors described below are the risk factors that Africa Oil considers to be key risks to its business, financial conditions and results of operations and prospects.</p> <p><b>RISKS RELATING TO THE BUSINESS</b></p> <p><b><i>International operations</i></b> – Africa Oil 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 Africa Oil's operations.</p> <p><b><i>International boundary disputes</i></b> – 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. The aforementioned international boundaries' disputes may have a material negative effect on the Company's oil concessions and may therefore have a material</p>
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negative effect on the Company's financial situation.

**Political instability** – Through the Company's equity interest in Africa Energy, the Company is highly exposed to significant political risk in Somalia and the Puntland Regional State which may have a negative effect on the Company's financial position.

**Different legal system and litigation** – Africa Oil's oil exploration and appraisal activities are located in countries with legal systems that in various degrees differ from that of Canada. If Africa Oil 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. Moreover, even if Africa Oil would prevail in such dispute or litigation, it may still have a substantially negative effect on Africa Oil and its operations.

**Shared ownership and dependency on partners** – Africa Oil's operations are, to a significant degree, conducted together with one or more partners through contractual arrangements. In such instances, Africa Oil may be dependent on, or negatively affected by, the performance of its partners.

**Uncertainty of title** – The Company conducts title reviews, there is however a risk that an unforeseen defect in the chain of title will not arise that may call into question the Company's interest in the concession.

**Risks relating to concessions, licenses and contracts** – Africa Oil'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 Africa Oil. If Africa Oil or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, Africa Oil'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 the acquiring or gaining access to necessary drilling and other equipment and supplies. If the Company is not successfully competing with its competitors, it could have a material adverse effect on Africa Oil's business, prospects and results of operations.

**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 farmout agreements. Such financing may not always be available to the Company or, if available, it may not be so on terms acceptable to the Company.

**Risks inherent in oil and gas exploration and development** – The Company'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 these risks and hazards 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, which would have a material adverse effect on Africa Oil's business, prospects and results of operations if realized.

**Environmental regulation** – Drilling for, 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 Africa Oil currently operates. Any penalties or other sanctions imposed on Africa Oil for non-compliance with environmental regulations could have a material adverse effect on Africa Oil's business, prospects and results of operations.

#### **RISKS RELATING TO THE INDUSTRY**

**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 Africa Oil, which could have a material adverse effect on Africa Oil's business, prospects and results of operations.

**Early stage of development** – Africa Oil 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 Africa Oil. Africa Oil's operations may not always be profitable in the future or generate sufficient cash flow to satisfy its working capital requirements.

**Risks relating to infrastructure** – Africa Oil 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 Africa Oil, Africa Oil's operations may be significantly hampered. Kenya has limited oil infrastructure 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. 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.

**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. Increased levels of volatility and market turmoil can adversely impact the Company's operations and the value and the price of the Shares could be adversely affected.

**Limitation of legal remedies** – Securities legislation in certain of the provinces and territories

		<p>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. 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.</p> <p><b>Industry regulatory</b> – 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.</p> <p><b>Environmental policies</b> – 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.</p>
D.3	Risks related to the shares	<p>Any investment in securities involves risks. Any such risks could also result in a significant fall of the market price of the Shares and investors losing all or part of their investment.</p> <p><b>Risks related to the stock market</b> – A prospective investor should be aware that an investment in the Company's Shares is associated with a high degree of risk, and that there are no guarantees that the price of the Shares develops favorably. The share prices of publicly-traded companies can be highly volatile.</p> <p><b>Risks related to illiquid trading and the Admission</b> – It is not possible to anticipate the degree to which investors' interest in Africa Oil will lead to active trading in its Shares or how the trading of the Shares will function in the future.</p> <p><b>Risks related to dividends</b> – Africa Oil has never paid dividends. The industry in which Africa Oil operates is capital intensive and the Company's profits may need to be accumulated and used to reinvest in the Company's operations. Hence, there can be no assurance that the Company will pay any dividends to its shareholders or holders of Shares in the future.</p> <p><b>Future offerings of debt or equity securities</b> – Africa Oil may require additional funds to finance further exploration, development and production activities, or to take advantage of unanticipated opportunities. If Africa Oil raises additional funds by issuing additional equity securities, such financing would dilute the economic and voting rights of the Company's shareholders and holders of Shares.</p>

## Section E – Offer

E.1	Rights issue amount and costs	Not applicable; this prospectus is being issued in conjunction with an Admission on Nasdaq Stockholm and there is no offer by Africa Oil to acquire Shares.
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<b>E.2a</b>	<i>Reasons for the offer and use of proceeds</i>	Not applicable; this prospectus is being issued in conjunction with an Admission on Nasdaq Stockholm and there is no offer by Africa Oil to acquire Shares.
<b>E.3</b>	<i>Background and terms and conditions</i>	Not applicable; this prospectus is being issued in conjunction with an Admission on Nasdaq Stockholm and there is no offer by Africa Oil to acquire Shares.
<b>E.4</b>	<i>Conflicts of interest etc.</i>	Not applicable; no conflicts of interests or similar exist.
<b>E.5</b>	<i>Selling shareholder / Lock-up agreement</i>	Not applicable; there is no offer by a selling shareholder nor is there any lock-up agreement in place.
<b>E.6</b>	<i>Dilution</i>	Not applicable; this prospectus is being issued in conjunction with an Admission on Nasdaq Stockholm and there is no offer by Africa Oil to acquire Shares.
<b>E.7</b>	<i>Costs for the investor</i>	Not applicable; the Company does not impose any costs on the investors.

# SAMMANFATTNING

N.b. nedanstående text är en översättning av den engelska originaltexten ovan.

Denna sammanfattning omfattar information som måste offentliggöras (s.k. "Moduler"). Modulerna är numrerade i avsnitt A – E (A.1 – E.7).

Denna sammanfattning inkluderar alla Moduler som krävs i en sammanfattning för denna typ av värdepapper och emittent. Eftersom inte samtliga Moduler behöver vara inkluderade i denna typ av prospekt kan det finnas luckor i numreringen av Modulerna.

Även om en Modul måste vara inkluderad på grund av typen av värdepapper och emittent, är det möjligt att ingen relevant information finns att ge rörande Modulen. I dessa fall inkluderas en kort beskrivning av Modulen i sammanfattningen samt en hänvisning till att Modulen är "ej tillämplig".

## Avsnitt A – Introduktion och varningar

A.1	<i>Introduktion och varningar</i>	<p>Denna sammanfattning bör betraktas som en introduktion till prospektet.</p> <p>Varje beslut om att investera i värdepapperen ska baseras på en bedömning av prospektet i dess helhet från investerarens sida. Vänligen notera att detta inte är ett erbjudande att förvärva värdepapper.</p> <p>Om yrkande avseende uppgifterna i prospektet anförts vid domstol, kan den investerare som är kärande i enlighet med medlemsstaterna i den europeiska unionens nationella lagstiftning bli tvungen att svara för kostnaderna för översättning av prospektet innan de rättsliga förfarandena inleds.</p> <p>Civilrättsligt ansvar kan endast åläggas de personer som sammanställt sammanfattningen, inklusive översättningar därav, men endast om sammanfattningen är vilseledande, felaktig eller oförenlig med de andra delarna av prospektet eller om den inte, tillsammans med de andra delarna av prospektet, ger nyckelinformation för att hjälpa investerare när de överväger att investera i sådana värdepapper.</p>
A.2	<i>Finansiella mellanhänder</i>	Ej tillämplig. Finansiella mellanhänder har inte rätt att använda prospektet för efterföljande återförsäljning eller slutlig placering av aktier.

## Avsnitt B – Emittent

B.1	<i>Registrerad firma och handelsbeteckning</i>	Bolagets firma och handelsbeteckning är Africa Oil Corp. (" <b>Bolaget</b> ").
B.2	<i>Säte, bolagsform etc.</i>	Bolaget har sitt säte och är registrerat i British Columbia, Kanada, som ett publikt bolag i enlighet med BCBCA. Bolagets organisationsnummer är BC0443700.
B.3	<i>Huvudsaklig</i>	Africa Oil är ett oberoende internationellt uppströms olje- och gasprospekterings-

	<i>verksamhet</i>	<p>bolag, med intressen i olje- och gasfyndigheter i Etiopien, Kenya, och genom sin ägarandel i Africa Energy, i Puntland (Somalia). Bolagets olje- och gasintressen är utspridda över en yta om mer än 200 000 kvadratkilometer genom flera afrikanska landsprickor, primärt i östra Afrika. Bolagets huvudkontor ligger i Kanada.</p> <p>Bolagets långsiktiga plan är att öka värdet för sina aktieägare genom att förvärva och prospektera olje- och gasintressen som är lokaliserade i geografiska områden som är underprospekterade och i tidiga utvecklingsfaser i en uppströms olje- och gascykel. Bolaget fokuserar på storskaliga prospekteringsmöjligheter, vilket ger dess aktieägare exponering gentemot flertalet identifierade möjligheter som är geografiskt och geologiskt diversifierade över flera länder och fyra underprospekterade oljesystem. Bolagets mål är att minska risken i dessa tillgångar, och samtidigt skapa ytterligare möjligheter genom fortlöpande olje- och gasprospekteringsaktiviteter.</p>																		
<b>B.4a</b>	<i>Trender</i>	<p>Som ett resultat av Bolagets framgångsrikt genomförda prospektering i Kenya under 2012 och 2013 utökade Bolaget tillsammans med dess partners sina aktiviteter i Kenya. Bolaget gick in i 2015 med tre borrhningsriggar och en test- och färdigställanderigg i Kenya, med målet att fullgöra Bolagets borrhningsåtaganden och att fortsätta med utvärderingsborrningar i den upptäckta South Lokichar Basin. Bolaget uppmuntras av de utmärkta resultaten från utvärderingsprogrammen vid Ngamia och Amosing. Bolaget kommer att göra utökade brunnstester under 2015 av de båda fälten för att förbättra definitionen av reserverna. Givet det ändrade fokuset för 2015 års arbetsprogram till utvärderings- och utvecklingsstudier av South Lokichar Basin-upptäckterna i den tertiära sprickdalen, har samriskprojektet Africa Oil – Tullow släppt sina borrhningsriggar under första halvan av 2015 och det förväntas att endast en borrhningsrigg kommer att vara i drift framöver.</p> <p>Givet de omfattande volymerna som har upptäckts, och det omfattande planerade prospekteringsprogrammet för att fullt ut kunna bedöma potentialen i South Lokichar Basin, har samriskprojektet Africa Oil – Tullow överenskommit med Kenyas regering om att påbörja utvecklingsstudier. Omfattande utvärderingar och analyser av uppströmsanläggningarna närmar sig sitt slut och pipelinens placering är fastställd och en undersökning av miljön i omgivningarna har genomförts. Kenyas och Ugandas regeringar har gått med på en regional pipeline för råolja från Uganda genom Kenya och diskussioner pågår om vägen framåt avseende pipelinen.</p>																		
<b>B.5</b>	<i>Koncern</i>	Africa Oil Corp. är det kanadensiska moderbolaget i en koncern bestående av 13 dotterbolag som är registrerade i Kanada (British Columbia), Nederländerna, Barbados, Bermuda och Kenya.																		
<b>B.6</b>	<i>Större aktie-ägare</i>	<p>Enligt Bolagets styrelseledamöters och lednings vetskap är Bolagets största aktieägare per den 29 april 2015:</p> <table border="1"> <thead> <tr> <th>Aktieägare</th> <th>Antal aktier<sup>(1)</sup></th> <th>Procent av totalt antal aktier och röster</th> </tr> </thead> <tbody> <tr> <td>JANUS CAPITAL MANAGEMENT</td> <td>32 530 704</td> <td>8,37%</td> </tr> <tr> <td>NORDEA BANK AB</td> <td>18 462 242</td> <td>4,95%</td> </tr> <tr> <td>CAPITAL GROUP COMPANIES</td> <td>14 258 852</td> <td>3,83%</td> </tr> <tr> <td>HENDERSON GROUP PLC</td> <td>9 850 500</td> <td>2,64%</td> </tr> <tr> <td>BLACKROCK</td> <td>6 915 200</td> <td>1,86%</td> </tr> </tbody> </table> <p><sup>(1)</sup> Information från 2015 Bloomberg Finance L.P. den 29 april 2015</p>	Aktieägare	Antal aktier <sup>(1)</sup>	Procent av totalt antal aktier och röster	JANUS CAPITAL MANAGEMENT	32 530 704	8,37%	NORDEA BANK AB	18 462 242	4,95%	CAPITAL GROUP COMPANIES	14 258 852	3,83%	HENDERSON GROUP PLC	9 850 500	2,64%	BLACKROCK	6 915 200	1,86%
Aktieägare	Antal aktier <sup>(1)</sup>	Procent av totalt antal aktier och röster																		
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CAPITAL GROUP COMPANIES	14 258 852	3,83%																		
HENDERSON GROUP PLC	9 850 500	2,64%																		
BLACKROCK	6 915 200	1,86%																		

Bolaget känner inte till någon enskild registrerad aktieägare vars innehav överstiger 10 procent av Bolagets utestående aktier.

**B.7** *Finansiell information i sammandrag*

Bolaget upprättar sina finansiella rapporter i enlighet med IFRS (*International Financial Reporting Standards*). Informationen nedan härrör från de reviderade årsredovisningarna för åren 2012, 2013 och 2014 samt den oreviderade delårsrapporten för 3-månadersperioden som slutade den 31 mars 2015.

*Resultaträkning*

Tusen USD	Oreviderat <sup>(1)</sup>	Oreviderat <sup>(1)</sup>	Reviderat <sup>(2)</sup>	Reviderat <sup>(2)</sup>	Reviderat <sup>(2)</sup>
	1 jan – 31 mar 2015	1 jan – 31 mar 2014	1 jan – 31 dec 2014	1 jan – 31 dec 2013	1 jan – 31 dec 2012
<b>Intäkter</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Löner och förmåner	478	458	3 005	5 040	3 665
Aktiebaserad ersättning	3 975	9 552	17 951	12 746	4 943
Resekostnader	249	309	1 623	1 588	1 469
Kontor och övrig administration	119	184	1 396	1 160	1 012
Donationer	0	750	2 035	1 151	2 313
Avskrivningar	11	17	67	55	48
Konsultarvoden	154	195	835	786	4 187
Avgifter relaterade till börser och registreringar	247	189	1 584	969	916
Andel förlust från eget kapital investeringar	92	0	0	0	0
Vinst vid förlust av kontroll	(4 155)	0	0	0	0
Nedskrivning av immateriella prospekteringsstillgångar	0	0	128 180	22 874	3 127
<b>Rörelsekostnader</b>	<b>1 170</b>	<b>11 654</b>	<b>156 676</b>	<b>46 369</b>	<b>21 680</b>
Finansiella intäkter	(130)	(436)	(1 268)	(4 141)	(1 727)
Finansiella kostnader	20	126	302	9 210	164
<b>Netto- och totalförlust</b>	<b>1 060</b>	<b>11 344</b>	<b>155 710</b>	<b>51 438</b>	<b>20 117</b>
<i>Nettoresultat och totalresultat hänförliga till intressen utan bestämmande inflytande</i>	249	206	48 773	(1 222)	(2 676)
<i>Netto- och totalförlust hänförlig till aktieägare</i>	811	11 138	106 937	52 660	22 793

(1) Härrörande från oreviderad finansiell information.

(2) Härrörande från reviderad finansiell information.

## Balansräkning

Tusen USD	Oreviderat <sup>(1)</sup>	Oreviderat <sup>(1)</sup>	Reviderat <sup>(2)</sup>	Reviderat <sup>(2)</sup>	Reviderat <sup>(2)</sup>
	1 jan - 31 mar 2015	1 jan - 31 mar 2014	1 jan - 31 dec 2014	1 jan - 31 dec 2013	1 jan - 31 dec 2012
<b>TILLGÅNGAR</b>					
Likvida medel	187 391	434 333	161 162	493 209	272 175
Kundfordringar	3 234	11 926	1 633	3 195	2 848
Förfallet belopp från närstående part	108	-	-	-	-
Förutbetalda kostnader	1 176	1 332	1 276	1 379	1 124
<b>Omsättningstillgångar</b>	<b>191 909</b>	<b>447 591</b>	<b>164 071</b>	<b>497 783</b>	<b>276 147</b>
Spärrade likvida medel	2 525	1 700	1 250	1 250	1 119
Eget kapital investeringar	6 182	0	0	0	0
Materiella anläggningstillgångar	39	94	50	103	82
Immateriella prospekteringsstillgångar	862 477	567 907	785 177	488 688	282 109
<b>Anläggningstillgångar</b>	<b>871 223</b>	<b>569 701</b>	<b>786 477</b>	<b>490 041</b>	<b>283 310</b>
<b>TOTALA TILLGÅNGAR</b>	<b>1 063 132</b>	<b>1 017 292</b>	<b>950 548</b>	<b>987 824</b>	<b>559 457</b>
<b>EGET KAPITAL OCH SKULDER</b>					
<b>Totalt eget kapital</b>	<b>924 384</b>	<b>929 805</b>	<b>797 046</b>	<b>929 847</b>	<b>520 153</b>
Leverantörsskulder och upplupna kostnader	138 748	87 482	153 502	57 976	36 188
Kortfristig andel teckningsoptioner	0	5	0	1	2 288
<b>Kortfristiga skulder</b>	<b>138 748</b>	<b>87 487</b>	<b>153 502</b>	<b>57 977</b>	<b>38 476</b>
Teckningsoptioner	0	0	0	0	828
<b>Långfristiga skulder</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>828</b>
<b>TOTALT EGET KAPITAL OCH SKULDER</b>	<b>1 063 132</b>	<b>1 017 292</b>	<b>950 548</b>	<b>987 824</b>	<b>559 457</b>
<i>Eget kapital hänförligt till aktieägare</i>					
<i>aktiekapital</i>	<i>1 140 647</i>	<i>1 009 953</i>	<i>1 014 772</i>	<i>1 007 414</i>	<i>558 555</i>
<i>övrigt tillskjutet kapital</i>	<i>42 221</i>	<i>33 159</i>	<i>39 947</i>	<i>24 396</i>	<i>12 123</i>
<i>balanserad förlust</i>	<i>(258 484)</i>	<i>(161 874)</i>	<i>(257 673)</i>	<i>(150 736)</i>	<i>(98 076)</i>
	<i>924 384</i>	<i>881 238</i>	<i>797 046</i>	<i>881 074</i>	<i>472 602</i>
<i>innehav utan bestämmande inflytande</i>	<i>0</i>	<i>48 567</i>	<i>0</i>	<i>48 773</i>	<i>47 551</i>

(1) Härrörande från oreviderad finansiell information.

(2) Härrörande från reviderad finansiell information.

## Kassaflödesanalyser

Tusen USD	Oreviderat <sup>(1)</sup> 1 jan – 31 mar 2015	Oreviderat <sup>(1)</sup> 1 jan – 31 mar 2014	Reviderat <sup>(2)</sup> 1 jan – 31 dec 2014	Reviderat <sup>(2)</sup> 1 jan – 31 dec 2013	Reviderat <sup>(2)</sup> 1 jan – 31 dec 2012
<b>Kassaflöden från (använt i)</b>					
<b>Löpande verksamhet</b>					
Netto- och totalförlust för året	(1 060)	(11 344)	(155 710)	(51 438)	(20 117)
<b>Poster som inte påverkar likvida medel</b>					
Aktierelaterade ersättningar	3 975	9 552	17 951	12 746	4 943
Aktierelaterade kostnader	0	0	0	0	3 763
Avskrivning	11	17	67	55	48
Förlust på marknadsnoterade värdepapper	0	0	0	0	124
Nedskrivning av immateriella prospekteringsstillgångar	0	0	128 180	22 874	3 127
Vinst på förlust av kontroll	(4 155)	0	0	0	0
Andel förlust från eget kapital investeringar	92	0	0	0	0
Justering för verkligt värde - teckningsoptioner	0	4	(1)	(3 115)	(832)
Valutakursförluster relaterade till finansiering	0	0	0	7 396	0
Orealiserade valutakursförluster	15	117	289	25	1 055
Förändringar i icke-kassaflödespåverkande rörelsekapital	(977)	(731)	(636)	(756)	(657)
	<b>(2 099)</b>	<b>(2 385)</b>	<b>(9 860)</b>	<b>(12 213)</b>	<b>(8 546)</b>
<b>Investeringsverksamhet</b>					
Utgifter relaterade till materiella anläggningstillgångar	0	(8)	(14)	(76)	(91)
Utgifter relaterade till immat. prospekteringsstillgångar	(77 300)	(92 426)	(437 876)	(229 453)	(133 823)
Inkomster relaterade till farmouts	0	13 207	13 207	0	34 259
Intäkter från försäljning av marknadsnoterade värdepapper		0	0	0	2 442
Eget kapital investeringar	(1 000)	0	0	0	0
Minskning av kassa från förändring i kontroll	(254)	0	0	0	0
Förändringar i icke-kassaflödespåverkande rörelsekapital	(16 002)	21 553	97 827	21 942	12 373
	<b>(94 556)</b>	<b>(57 674)</b>	<b>(326 856)</b>	<b>(207 587)</b>	<b>(84 840)</b>
<b>Finansieringsverksamhet</b>					
Utgivna stamaktier	124 174	1 750	4 958	448 386	255 169
Valutakursförluster hänförliga till finansiering	0	0	0	(7 396)	0
Deposition av likvida medel för bankgaranti	(1 275)	(450)	(450)	(1 250)	(375)
Friställande av bankgaranti	0	0	450	1 119	2 175
	<b>122 899</b>	<b>1 300</b>	<b>4 958</b>	<b>440 859</b>	<b>256 969</b>
Effekt av valutakursförändringar på likvida medel, denominerat i utländsk valuta	(15)	(117)	(289)	(25)	(966)
Likvida medel, början av perioden	161 162	493 209	493 209	272 175	109 558
Likvida medel, slutet av perioden	187 391	434 333	161 162	493 209	272 175
<b>Ökning av likvida medel</b>	<b>26 229</b>	<b>(58 876)</b>	<b>(332 047)</b>	<b>221 034</b>	<b>162 617</b>
<i>Övrig information</i>					
betald ränta	0	0	0	0	0
betald inkomstskatt	0	0	0	0	0

(1) Härrörande från oreviderad finansiell information.

(2) Härrörande från reviderad finansiell information.

		<i>Nyckeltal</i>				
		Oreviderat <sup>(a)</sup>	Oreviderat <sup>(a)</sup>	Reviderat <sup>(b)</sup>	Reviderat <sup>(b)</sup>	Reviderat <sup>(b)</sup>
		1 jan – 31 mar 2015	1 jan – 31 mar 2014	1 jan – 31 dec 2014	1 jan – 31 dec 2013	1 jan – 31 dec 2012
	Nettoförlust hänförlig till innehavare av stamaktier, per aktie (före utspädning)	-	USD 0,04	USD 0,34	USD 0,20	USD 0,10
	Nettoförlust hänförlig till innehavare av stamaktier, per aktie (efter utspädning)	-	USD 0,04	USD 0,34	USD 0,20	USD 0,10
	Soliditet i slutet av perioden <sup>(1)</sup>	87%	91%	84%	94%	93%
	Vägt genomsnittligt antal aktier för beräkning av resultat per aktie (före utspädning)	338 312 290	309 967 060	311 285 732	263 081 763	220 664 278
	Vägt genomsnittligt antal aktier för beräkning av resultat per aktie (efter utspädning)	338 312 290	309 967 060	311 285 732	263 081 763	220 664 278
	Utdelning per aktie	0	0	0	0	0
		(1) "Totalt eget kapital slutet av perioden" dividerat med "totala tillgångar slutet av perioden" (a) Härrörande från oreviderad finansiell information. (b) Härrörande från reviderad finansiell information.				
		<b>Väsentliga förändringar sedan 31 mars 2015</b> Den 1 maj 2015 offentliggjorde Bolaget att Bolaget har ingått ett investeringsavtal med Stampede, ett bolag som ägs av en fond som rådgavs av Helios, att sälja 52 623 377 nya aktier genom en riktad nyemission för ett pris om CAD 2,31 per aktie för en emissionslikvid (brutto) om CAD 121 560 000 (USD 100 miljoner). Transaktionen slutfördes den 29 maj 2015, och resulterade i att Stampede äger ca 12,37 procent av de emitterade och utestående aktierna i Bolaget. Förutom detta har det inte skett några väsentliga förändringar vad gäller Bolagets finansiella ställning eller ställning på marknaden sedan 31 mars 2015 (datumet som den senaste finansiella informationen härrör till).				
<b>B.8</b>	<i>Proforma-redovisning</i>	Ej tillämplig. Prospektet innehåller ingen proformaredovisning.				
<b>B.9</b>	<i>Resultat-prognos</i>	Ej tillämplig. Prospektet innehåller ingen resultatprognos eller beräkning av förväntad vinst.				
<b>B.10</b>	<i>Revisors anmärkningar</i>	Ej tillämplig. Det finns inga revisorsanmärkningar.				
<b>B.11</b>	<i>Rörelsekapital</i>	Bolaget gör bedömningen att koncernens rörelsekapital är tillräckligt för att koncernen ska kunna betala sina skulder allteftersom de förfaller till betalning under en period om 12 månader efter datumet för detta prospekt.				

## Avsnitt C – Värdepapper

<b>C.1</b>	<i>Värdepapperna som erbjuds</i>	Det finns inget erbjudande om att köpa, teckna, eller sälja Africa Oils aktier eller de nya aktierna. Avsikten är att de nyemitterade aktierna ska upptas till handel på TSX och Nasdaq Stockholm med ISIN-nummer CA00829Q1019. Alla nyemitterade aktier som upptas till handel på Nasdaq Stockholm kommer att anslutas till Euroclear och inga aktiebrev kommer att ges ut.
<b>C.2</b>	<i>Denominering</i>	Aktierna är denominerade i CAD.
<b>C.3</b>	<i>Antal aktier</i>	Africa Oils auktoriserade aktiekapital består av ett obegränsat antal aktier utan

		kvotvärde. Per 24 april 2015 var 372 624 649 aktier emitterade och utestående.
C.4	<i>Rättigheter som sammanhänger med aktierna</i>	Bolagets aktier berättigar dess innehavare rätt att erhålla kallelse till, samt att delta i, samtliga Bolagets bolagsstämmor samt att avge en röst för varje aktie och beslut som tas vid sådana möten. Innehavare av aktier är också berättigade att ta del av eventuell vinstutdelning om och när Bolagets styrelse beslutar att sådan ska ske. Aktieägarna är vidare berättigade till att erhålla den del <i>pro rata</i> som aktieägarens innehav ger upphov till vid en fördelning av Bolagets tillgångar på grund av likvidation, upplösning eller avveckling.
C.5	<i>Inskränkningar i rätten att fritt överlåta aktierna</i>	Det finns inga inskränkningar i rätten att fritt överlåta aktierna.
C.6	<i>Notering av aktierna</i>	Aktierna handlas för närvarande under symbolen "AOI" på TSX och Nasdaq Stockholm. De nya aktierna kommer att handlas på TSX och Nasdaq Stockholm.
C.7	<i>Utdelningspolitik</i>	Det finns inga begränsningar i Africa Oils rätt att betala utdelning på sina aktier. Bolaget har dock hittills inte betalat någon utdelning på sina aktier, och har för närvarande inte heller för avsikt att göra så, då Bolaget förutser att alla tillgängliga medel kommer att återinvesteras i verksamheten för att möjliggöra dess tillväxt. Bolagets styrelse kommer att besluta eventuell framtida utdelning, baserat på Africa Oils finansiella ställning vid den relevanta tidpunkten.

## Avsnitt D – Risker

D.1	<i>Risker relaterade till emittenten</i>	<p>Africa Oils verksamhet och de sektorer inom vilka Bolaget är verksamt är föremål för ett antal risker som helt eller delvis är utanför Bolagets kontroll och vilka skulle kunna ha en väsentlig negativ inverkan på Bolagets verksamhet, finansiella ställning och resultat och framtidsutsikter. De riskfaktorer som beskrivs nedan är de risker som Africa Oil bedömer är de största riskerna för dess verksamhet, finansiella ställning och resultat och framtidsutsikter.</p> <p><b>RISKER RELATERADE TILL VERKSAMHETEN</b></p> <p><b><i>Internationell verksamhet</i></b> – Africa Oils olje- och gasprojekt är lokaliserade i utvecklingsländer, bland annat i Puntland (Somalia), Etiopien och Kenya. Olje- och gasprospektering, samt utveckling och produktion av olje- och gastillgångar, bedrivna i sådana utvecklingsländer är föremål för omfattande politiska och ekonomiska osäkerhetsfaktorer som kan komma att påverka Africa Oils verksamhet negativt.</p> <p><b><i>Internationella gränsdragningstvister</i></b> – Som en följd av pågående politiska tvister är de geografiska gränserna som separerar Somalia från dess grannar, och som separerar flera semi-autonoma regioner av Somalia (inklusive Puntland), inte helt överenskomna av varken Somalia eller det internationella samfundet. De nämnda gränsdragningstvisterna kan ha en väsentlig negativ effekt på Bolagets oljekoncessioner och kan därigenom ha en väsentlig negativ effekt på Bolagets finansiella ställning.</p>
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**Politisk instabilitet** – Bolaget är genom sin ägarandel i Africa Energy exponerat gentemot omfattande politisk risk i Somalia och regionen Puntland vilken skulle kunna ha en negativ effekt på Bolagets finansiella ställning.

**Olika rättsordningar och tvistelösningssystem** – Africa Oils prospekterings- verksamheter är lokaliserade i länder vars rättsordningar i varierande grad skiljer sig från rättsordningen i Kanada. Om Africa Oil skulle bli involverat i rättstvister för att försvara eller för att verkställa rättigheter eller skyldigheter i enlighet med sina koncessioner, licenser, avtal eller på något annat sätt, skulle sådana tvister kunna bli kostsamma, utdragna och utfallet av dessa vara högst osäkra. Även om Africa Oil skulle få rätt i sådana tvister, kan det ändå ha en väsentlig negativ effekt på Africa Oil och dess verksamhet.

**Delat ägande och beroende av partners** – Africa Oils verksamhet utförs till en betydande del tillsammans med en eller flera partners, detta samarbete styrs av kontraktuella överenskommelser. I dessa fall kan Africa Oil vara beroende av, eller negativt påverkas av, dessa samarbetspartners prestation.

**Osäkerheter relaterade till äganderätt** – Bolaget genomför äganderättsundersökningar, det finns dock en risk för att oförutsedda brister i äganderätten uppstår, vilket kan medföra att Bolagets intressen i eventuella fyndigheter kan komma att ifrågasättas.

**Risker relaterade till koncessioner, licenser och kontrakt** – Africa Oils verksamhet bygger på ett relativt begränsat antal koncessionsavtal, licenser och kontrakt. Rättigheterna och skyldigheterna under sådana koncessioner, licenser och kontrakt kan vara föremål för tolkning och kan påverkas av omständigheter utanför Africa Oils kontroll. För det fall Africa Oil eller någon av dess samarbetspartners skulle anses inte ha uppfyllt sina skyldigheter eller förpliktelser enligt en koncession, en licens eller ett kontrakt, kan Africa Oils rättigheter enligt sådana koncessioner, licenser eller kontrakt komma att bli upphävida, delvis eller i sin helhet.

**Konkurrens** – Oljeindustrin är kraftigt konkurrensutsatt och konkurrensen omfattar alla aspekter därav, inklusive förvärv av olje- och gasintressen, försäljningen av olja och naturgas, samt förvärv och tillgänglighet av borrhutrustning och annan nödvändig utrustning. Om Bolaget inte lyckas att konkurrera framgångsrikt, kan det väsentligen negativt påverka Africa Oils verksamhet, framtidsutsikter eller resultat från verksamheten.

**Kapitalkrav** – För att finansiera framtida kostnader relaterade till förvärv, prospektering, utveckling och drift kan Bolaget komma att kräva finansiering från externa parter, vilket kan inkludera emittering av nya aktier eller skuldinstrument, eller ingående av samarbetsavtal med andra parter. Det finns en risk att sådan finansiering som nämns ovan inte alltid kommer att vara tillgänglig för Bolaget, eller om den är tillgänglig, att den inte finns tillgänglig på villkor som är acceptabla för Bolaget.

**Risker förknippade med olje- och gasprospektering och utveckling** – Bolagets verksamhet är föremål för alla de risker som är naturliga för verksamhet som innefattar prospektering, köp, utveckling, produktion och försäljning av olja och naturgas. Många av dessa risker kan inte ens hanteras genom en kombination av erfarenhet, kunskap och noggrann utvärdering. De risker som vanligtvis förknippas med olje- och gasverksamhet innefattar: eld, explosioner, utblåsning, sura gasutsläpp,

bristningar i olje- och naturgasledningar och oljeutsläpp, som var och en som skulle kunna innebära betydande skador på olje- och naturgaskällor, produktionsanläggningar, annan egendom, miljön eller personskador, och vilka skulle ha en negativ effekt på Africa Oils verksamhet, framtidsutsikter och resultat om de skulle inträffa.

**Regelverk kring miljöskydd** – Olje- och gasprospektering, samt övrig verksamhet relaterad till produktion, hantering, transporter och kassering av olje- och gasbiprodukter, är i de länder där Africa Oil bedriver verksamhet föremål för omfattande regleringar under såväl nationell som lokal miljöskyddslagstiftning. Eventuella straff eller andra sanktioner för Africa Oil rörande bristande efterlevnad av miljöbestämmelser kan ha en väsentlig negativ effekt på Africa Oils verksamhet, framtidsutsikter och resultat.

#### **RISKER RELATERADE TILL BRANSCHEN**

**Priser, marknader och försäljning av råolja och naturgas** – Olja och naturgas är naturresurser vilkas pris betingas av tillgång och efterfrågan på global nivå, samt andra faktorer, vilka alla ligger utanför Africa Oils kontroll och som kan ha en väsentlig negativ effekt på Africa Oils verksamhet, framtidsutsikter och resultat.

**Tidiga utvecklingskedan** – Africa Oil har bedrivit olje- och gasprospektering under en relativt kort period och det finns begränsad finansiell, operationell och övrig information genom vilken man kan utvärdera Africa Oils framtida möjligheter. Africa Oils verksamhet kanske inte kommer att vara lönsam i framtiden eller generera tillräckliga kassaflöden för att uppfylla sina rörelsekapitalsbehov.

**Risker relaterade till infrastruktur** – Africa Oil är beroende av tillgänglig och fungerande infrastruktur i de områden där verksamheten bedrivs, såsom vägar, el- och vattentillförsel, olje- och naturgasledningar och insamlingssystem. För det fall att någon infrastruktur eller andra system fallerar eller inte uppfyller de krav som ställs av Africa Oil så kan dess verksamhet påtagligt hämmas. Kenya har begränsad oljeinfrastruktur och det finns för närvarande inga anläggningar för export på plats. Upptäckterna i Block 10BB och 13T är avlägsna och kan inte levereras till marknaden utan väsentliga investeringar i infrastruktur. Ny pipelineinfrastruktur och uppgraderingar av vägar kommer att krävas för att utveckla fälten och att exportera produktion från dessa produktionsplatser. Det finns planer för sådan ny infrastruktur, men det finns för närvarande inga bindande åtaganden eller godkännande från regeringen.

**Nuvarande global finansiell situation** – Den globala finansiella situationen har alltid varit föremål för volatilitet. Kapitalanskaffning på marknaden har varit negativt påverkad av höga statsskulder i Europa och USA, samt oro över den globala tillväxten. Ökade nivåer av volatilitet och oro kan negativt påverka Bolagets verksamhet och värdet och priset på aktierna kan påverkas negativt.

**Begränsning av rättsmedel** – Värdepapperslagstiftning i vissa delar av Kanada ger förvärvare vissa rättigheter och rättsmedel för det fall en rapportering emittentens löpande informationsgivning innehåller felaktigheter och rätt att väcka talan för civilrättsligt ansvar för informationsgivning på sekundärmarknaden. Det kan vara svårt för investerare att få ersättning från styrelseledamöter som är bosatta utanför Kanada baserat på domar som erhållits i domstol i Kanada som bygger på köparens

		<p>lagstadgade rättigheter eller som bygger på andra civilrättsliga bestämmelser i kanadensisk värdepapperslagstiftning.</p> <p><b>Industriregelverk</b> – Gällande regelverk i oljeindustrin, och förändringar i sådana regelverk, kan innebära regulatoriska och ekonomiska hinder vid köp och användning av vissa produkter vilket skulle kunna väsentligt minska Bolagets intäkter.</p> <p><b>Miljöskyddspolicys</b> – Bolagets olje- och gasverksamhet är lokaliserad i regioner där ett stort antal miljöskyddsregelverk är tillämpliga, bland annat regelverk som begränsar var och när olje- och gasverksamhet får bedrivas, begränsningar kring utsläpp av ämnen i grundvattnet, atmosfären och landytan, samt var pipelines får dras eller var produktionsfaciliteter får placeras.</p>
D.3	Risker relaterade till aktierna	<p>Alla investeringar i värdepapper är förenade med risker. Dessa risker kan också leda till en betydande minskning av marknadspriset på aktierna samt att investeraren förlorar hela, eller del av, sin investering.</p> <p><b>Risker relaterade till aktiemarknaden</b> – En potentiell investerare bör vara medveten om att investering i Bolagets aktier är förenat med en hög risk och att det inte finns några garantier att priset på Bolagets aktier utvecklas positivt. Priset på börsnoterade aktier kan vara mycket volatilt.</p> <p><b>Risker relaterade till illikvid handel och upptagande till handel</b> – Det är inte möjligt att förutse huruvida investerarens intresse i Africa Oil kommer att leda till en likvid handel i dess aktier eller hur handeln i dess aktier kommer att fungera i framtiden.</p> <p><b>Risker relaterade till utdelningar</b> – Africa Oil har hittills inte betalat någon utdelning på sina aktier. Den industri i vilken Bolaget är verksam är kapitalintensiv och Bolagets vinster kan komma att behöva ackumuleras och återinvesteras i verksamheten. Således är det inte heller säkert att Bolaget kommer att betala vinstutdelning till sina aktieägare i framtiden.</p> <p><b>Framtida erbjudanden av skuldinstrument eller aktier</b> – Africa Oil kan i framtiden komma att kräva ytterligare kapital för att finansiera vidare prospektering, utveckling eller produktion, eller för att dra nytta av oförutsedda möjligheter. Om Africa Oil anskaffar ytterligare kapital genom att emittera aktier kan sådan finansiering späda ut det ekonomiska värdet av aktieägares andel eller röstetal i Bolaget.</p>

## Avsnitt E – Erbjudande

E.1	Emissionsbelopp och emissionskostnader	Ej tillämplig. Detta prospekt utfärdas i samband att nyemitterade aktier upptas till handel på Nasdaq Stockholm och Africa Oil riktar inget erbjudande om att förvärva aktier.
E.2a	Motiv till erbjudandet	Ej tillämplig. Detta prospekt utfärdas i samband att nyemitterade aktier upptas till handel på Nasdaq Stockholm och Africa Oil riktar inget erbjudande om att förvärva

	<i>och användning av medel</i>	aktier.
<b>E.3</b>	<i>Erbjudandets former och villkor</i>	Ej tillämplig. Detta prospekt utfärdas i samband att nyemitterade aktier upptas till handel på Nasdaq Stockholm och Africa Oil riktar inget erbjudande om att förvärva aktier.
<b>E.4</b>	<i>Intressekonflikter etc.</i>	Ej tillämplig. Inga intressekonflikter föreligger.
<b>E.5</b>	<i>Säljande aktieägare/ Lock-up-avtal</i>	Ej tillämplig. Ingen aktieägare erbjuder att sälja aktier och det finns inga lock-up-avtal.
<b>E.6</b>	<i>Utspädning</i>	Ej tillämplig. Detta prospekt utfärdas i samband att nyemitterade aktier upptas till handel på Nasdaq Stockholm och Africa Oil riktar inget erbjudande om att förvärva aktier.
<b>E.7</b>	<i>Kostnader för investerare</i>	Ej tillämplig. Africa Oil ålägger inte några kostnader på investerarna.

## RISK FACTORS

*An investment in securities involves a significant degree of risk. The Company's business, operating results or financial position may be adversely affected by a number of risk factors which are beyond the control of the Company. The Company is exposed to a number of risks inherent in the oil and gas exploration and development industry. Risk factors deemed to be of particular significance to the future prospects of the Company are described below. The risk factors described below are not exhaustive. The Company's business, operating results and financial position may also be materially adversely affected by other risks and uncertainties which are currently unknown to the Company, or which are currently not viewed as material. Further, risks are not ranked according to degree of importance. Nor do they indicate how significant the impact could be on the Company's operations. The risks described herein should also be considered in connection with the other information included in the prospectus and the macroeconomic environment.*

### Risks relating to Africa Oil

The operations of the Company are speculative due to the high risk nature of its business. Material risk factors and uncertainties, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out below. Any one or more of these risks and others could have a material adverse effect on the Company.

#### RISKS RELATING TO THE BUSINESS

##### *International operations*

Africa Oil 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 Africa Oil'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 Africa Oil's control, could have a material adverse effect on Africa Oil's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by Africa Oil, Africa Oil could be subject to the jurisdiction of courts other than those of Canada. Africa Oil'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 Africa Oil acquires an interest. Africa Oil may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. Africa Oil may not 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.

The aforementioned international boundaries disputes may have a material negative effect on the Company's oil concessions and may therefore have a material negative effect on the Company's financial situation.

### ***Political instability***

Through the Company's equity interest in Africa Energy, the Company is highly exposed to significant political risk in Somalia and the Puntland Regional State. Somalia as a whole is characterized by strong internal political tension that can easily escalate into violence.

The election of the 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) led to some 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***

Africa Oil'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 Africa Oil are subject to the national or local laws and jurisdiction of the respective countries in which the operations are carried out. This means that Africa Oil'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.

Africa Oil'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 Africa Oil 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. Moreover, even if Africa Oil would prevail in such dispute or litigation, it may still have a substantially negative effect on Africa Oil and its operations.

### ***Financial statements prepared on a going concern basis***

Africa Oil'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. Africa Oil's operations to date have been primarily financed by equity financing. Africa Oil's future operations are dependent upon the identification and successful completion of additional equity or debt financing or the achievement of profitable operations. Africa Oil may not 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 Africa Oil be unable to continue as a going concern.

### ***Shared ownership and dependency on partners***

Africa Oil's operations are, to a significant degree, conducted together with one or more partners through contractual arrangements. In such instances, Africa Oil may be dependent on, or affected by, the due performance of its partners. If a partner fails to perform, Africa Oil 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. Africa Oil 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 Africa Oil's operations relating to such project.

### ***Uncertainty of title***

The Company conducts title reviews, there is however a risk 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, Africa Oil 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 Africa Oil since 2007.

The Company does not recognize the interest of ConocoPhillips and disputes ConocoPhillips' 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***

Africa Oil'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 Africa Oil. In case of a dispute, it cannot be certain that the view of Africa Oil would prevail or that Africa Oil otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on Africa Oil. Also, if Africa Oil or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, Africa Oil'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. Africa Oil competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. Africa Oil's competitors include oil companies which have greater financial resources, staff and facilities than those of Africa Oil and its partners. Africa Oil'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. Africa Oil'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 Africa Oil'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 Africa Oil depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves, and Africa Oil may not at all times be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Africa Oil may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. Expenditures made on future exploration by Africa Oil may not always result in discoveries of oil or natural gas in commercial quantities, or commercial quantities of oil and natural gas may not at all be discovered or acquired by Africa Oil. 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.

Africa Oil'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.

### ***Well-flow 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 until additional appraisal activities have been undertaken including additional appraisal drilling and extended well testing programs. There is a risk that well test results are not necessarily indicative of long-term performance of the relevant well or fields or of the ultimate amount of hydrocarbons that may be recovered. Resources estimates associated with wells or fields where well tests have been performed may be negatively impacted if well tests are not indicative of future well or field performance.

### ***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 farmout agreements. Such financing may not at all times be available to the Company or, if available, 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 Africa Oil 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 Africa Oil. 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 Africa Oil for non-compliance with environmental regulations could have a material adverse effect on Africa Oil's business, prospects and results of operations.

### ***Availability of equipment and staff***

Africa Oil'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. Africa Oil 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 Africa Oil and may delay Africa Oil's exploration and development activities and result in lower production.

### ***Reliance on key employees***

The loss of the services of key personnel could have a material adverse effect on Africa Oil's business, prospects and results of operations. Africa Oil 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 Africa Oil may

not be able to attract and retain the skilled personnel necessary for operation and development of its business. Success of Africa Oil is largely dependent upon the performance of its management and key employees.

## **RISKS RELATING TO THE INDUSTRY**

### ***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 Africa Oil. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could have an adverse effect on Africa Oil's business and prospects.

### ***Early stage of development***

Africa Oil 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 Africa Oil. Africa Oil's operations may not be profitable in the future or generate sufficient cash flow to satisfy its working capital requirements.

### ***Risks relating to infrastructure***

Africa Oil 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 Africa Oil, Africa Oil'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 Africa Oil operates, very little infrastructure of any sort that is commonly associated with petroleum operations is in existence. Kenya has limited oil infrastructure 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. 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.

### ***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 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, 2014.

### ***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 that 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 obligation 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 Africa Oil's credit exposure relates to amounts due from 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 Africa Oil 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 Africa Oil. 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 policies***

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. The Company can potentially be liable for contamination on properties acquired despite of 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.

## **Risks related to an investment in the Company's Shares.**

### **RISKS RELATED TO THE STOCK MARKET**

A prospective investor should be aware that an investment in the Company's Shares is associated with a high degree of risk, and that there are no guarantees that the price of the Shares develops favorably. The share prices of publicly-traded companies can be highly volatile. The price at which the Shares may be quoted and the price which investors may realize for their Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the industry as a whole, or listed companies generally. In addition to the Company's performance, such factors may include the economic climate, market interest rates, capital flows, political uncertainties and market and behavioral psychology, as well as substantial future sale of Shares. The Company is unable to predict or exercise control over these factors. Thus, a potential investor should be aware of the risk that the trading price of the Shares can decline.

### **RISKS RELATED TO ILLIQUID TRADING AND THE ADMISSION**

It is not possible to anticipate the degree to which investors' interest in Africa Oil will lead to active trading in its Shares or how trading the Shares will function in the future. Should active and liquid trading not be sustained, holders of Shares may experience difficulties in selling Shares, either momentarily, or completely.

### **RISKS RELATED TO DIVIDENDS**

Africa Oil has never paid dividends. The industry in which Africa Oil operates is capital intensive and the Company's profits may need to be accumulated and used to reinvest in the Company's operations. Hence, there can be no assurance that the Company will pay any dividends to its shareholders or holders of Shares in the future.

### **EXCHANGE RATE FLUCTUATIONS**

If Africa Oil would, in the future, pay dividends in respect of the Shares, such dividends will be paid in CAD. However, holders of Shares registered with Euroclear will receive dividend distributions in SEK. Any depreciation of CAD in relation to SEK could reduce the value of the investment or of any dividends. Furthermore, the holding of Shares registered with Euroclear by an investor whose principal currency is not SEK would expose the investor to additional foreign currency exchange rate risk.

### **FUTURE OFFERINGS OF DEBT OR EQUITY SECURITIES**

Africa Oil may require additional funds to finance further exploration, development and production activities, or to take advantage of unanticipated opportunities. If Africa Oil raises additional funds by issuing additional equity securities, such financing would dilute the economic and voting rights of the Company's shareholders and holders of Shares. Since the Company's capital needs depend on market conditions and other factors beyond its control, it cannot predict or estimate the amount, timing or nature of any such future offering of securities. Thus, holders of Shares bear the risk of any future offerings reducing the market price of the Shares and diluting their shareholdings in the Company.

# BACKGROUND AND CONDITIONS

## Background and reasons for the Admission

On May 1, 2015, the Company announced that it had entered into an investment agreement with Stampede, an entity owned by a fund advised by Helios, to sell, on a non-brokered private placement basis, 52,623,377 New Shares at a price of CAD 2.31 for gross proceeds of CAD 121,560,000 (USD 100 million). The private placement completed on May 29, 2015 and, as a result, Stampede owns approximately 12.37 per cent of the issued and outstanding Shares of the Company.

This prospectus has been prepared in conjunction with the Admission of the New Shares on Nasdaq Stockholm.

## The Admission

This is not an offering to purchase, subscribe for or sell Shares in Africa Oil.

The Shares are traded on the TSX and Nasdaq Stockholm under the symbol "AOI" and the ISIN code CA00829Q1019. The Shares are issued under the BCBCA, and they are traded in CAD on the TSX, and in SEK on Nasdaq Stockholm.

The New Shares will be traded under the symbol "AOI" with the ISIN code CA00829Q1019. Estimated first day of trading of the New Shares on the TSX is on or about June 1, 2015.

## REGISTRATION WITH EUROCLEAR

Only Shares registered in the Swedish local central securities depository system with Euroclear will be subject to trading on Nasdaq Stockholm following the Admission. Holders of Shares listed on the TSX are entitled to register those Shares in the depository system at Euroclear in order to trade their securities on Nasdaq Stockholm and vice versa. In order to trade Shares on Nasdaq Stockholm, holders of Shares are advised to contact their nominees or their bank.

## OTHER

As far as the members of the Board are aware, no physical or legal persons involved in the Admission have financial or other relevant interests that are of importance to the Admission other than as described herein.

## Responsibility for the prospectus

*The board of directors of Africa Oil is responsible for the contents of this prospectus. The board of directors hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.*

The board of directors of Africa Oil Corp.

Vancouver, British Columbia, Canada

June 1, 2015

## INDUSTRY OVERVIEW

*The following industry overview describes the Company's market in terms of size, development and prospects for future growth. The information contained in the Section below originates from Africa Oil, unless expressly stated otherwise.*

*This prospectus contains forward-looking statements which reflect the Board's current view of future events and the Company's operational and financial performance. Although the Board believes that the expectations reflected in such forward-looking statements are reasonable, there can be no guarantees that these expectations will prove to be correct. Forward-looking statements only express the Board's assessments and assumptions at the time of the prospectus. The Board makes no commitment to publish updates or revisions of forward-looking statements as a result of new information, future events or similar circumstances other than as required under applicable securities laws or regulations or applicable stock exchange rules. Prospective investors are encouraged to study the overall information contained in this prospectus and take into consideration that the Company's future results, performance or success may differ materially from the Board's expectations. The Section "Risk factors" contains a description, which should not be regarded as exhaustive, of factors that may cause actual results or presentations to differ materially from forward-looking statements.*

*This prospectus contains historical market data and industry forecasts relating to the market in which the Company operates. The Company has obtained this information from several sources, including industry publications and market surveys from third parties as well as publicly available information. Although the industry publications state that they are based on information obtained from several different sources and using various methods that may be deemed reliable, there can be no guarantee that the information is correct and complete. Industry forecasts are by their nature subject to considerable uncertainty, and there can be no guarantee that such forecasts will prove to be correct. Information from third parties has been correctly reproduced and, as far as the Board is aware and is able to warrant through comparisons with other information published by the third party concerned, no information has been omitted in a way that would make the reproduced information incorrect or misleading.*

### The oil and natural gas market

As the Company's business activities are focused on exploration and development of oil and natural gas resources, this section contains an overview of the global crude oil and natural gas markets.

#### INTRODUCTION TO CRUDE OIL

Crude oil was formed by geological processes millions of years ago and is typically found in underground reservoirs of different sizes, at varying depths and with varying characteristics. Oil is a finite resource in the earth's crust, and at some future date, world oil production will reach a peak, after which production will decline.<sup>1</sup> Since oil is usually found deep below the surface and since oil reservoirs normally do not have an obvious surface indication, oil has proven difficult to find. Advancing technology has improved the discovery process and reduced exploration failures; nevertheless, oil exploration is still inexact and expensive. Once oil has been discovered via an exploratory well, full-scale production requires many wells across the reservoir to provide multiple paths that facilitate the flow of oil to the surface. This multitude of wells also helps to define the total recoverable oil in a reservoir, its so-called reserves. Reserves are defined as an estimate of the amount of oil in a reservoir that can be extracted at an

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<sup>1</sup> "Peaking of World Oil Production: Impacts Mitigation & Risk Management", Robert L. Hirsch, February 2005.

assumed cost. Thus, a higher oil price outlook indicates that more oil can be produced, but geology places an upper limit on price-dependent reserves growth.<sup>2</sup>

Africa Oil is primarily engaged in upstream oil and gas exploration, seeking light sweet crude as its primary exploration focus. Light sweet crude is heavily sought after as other traditional sources of this oil type are beginning to deplete in regions traditionally recognized as the main suppliers of this conventional fuel type. As the race to secure resources increases, exploration companies have to look in areas not already exploited by other competitors in the industry, forcing exploration into less developed and often politically unstable regions. East Africa is one of the last areas on the globe that has not seen the magnitude of oil and gas exploration as seen in the rest of the world.

## **EXPLORATION ACTIVITIES IN EAST AFRICA**

Africa is well endowed with energy resources, and oil and gas activity in Africa is steadily on the rise as international companies are hunting in earnest for oil and gas in the region. East African countries are now entering into a new dawn of exploration interest, experiencing renewed levels of investment. Africa's barriers to exploration and development expansion have been civil strife and political instability, making some of the areas of the region the riskiest environments for local and foreign investment, thereby limiting its own potential. Oil-related social conflict and poor oil revenue management have cast a negative shadow on any major oil exploration until now. Geopolitical factors and other tensions have moved energy security to the top of the global agenda in the region. The key economic challenge to expanding oil and gas access in Africa is how to induce reliable, adequate, socially and environmentally responsible oil and gas supply despite the relatively weak, though gradually improving economic and social conditions in the region.

Over the past few years increased attention on East Africa has been spurred by discoveries made in Uganda by London-based Tullow Oil, Plc, who report 1.7 billion barrels of oil gross discovered resources in the Lake Albert region. Adding further interest to develop the region is Anadarko Petroleum's findings of a significant natural gas reservoir off the coast of Mozambique, providing further evidence to the existence of vast quantities of hydrocarbons in a geologically complex area of the world.

The reality and challenge for Africa lies in its downstream mechanisms such as refining, distribution, and the mobilization of financial and human resources which will require immediate and significant capital investment to coincide with projected increases in supply. Without a doubt, Africa faces certain challenges in achieving a sustainable energy future, embodied in the twin objectives of expanded energy access at affordable prices, and oil and gas wealth sustainability. Success will be strongly dependent on the political will of leadership to change the status quo of economic and political marginalization that has characterized the region.

## **THE GLOBAL OIL MARKET**

### ***The global energy market***

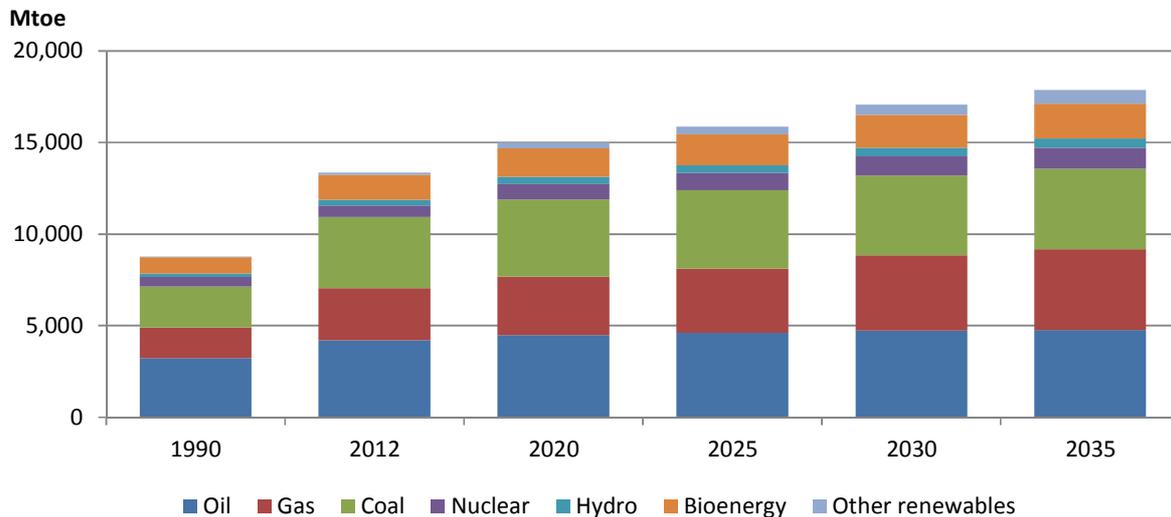
Global energy consumption is driven by world population, economic growth and availability of resources. Overall consumption has grown consistently and seen a steady increase throughout modern economic history. Going forward, energy consumption is expected to increase for all forms of energy, primarily as a result of increased consumption in emerging economies as well as a growing global population and expanding economy. According to BP's 2014 Statistical review of World Energy, oil is the most consumed source with an annual consumption of 91.3 million barrels per day in 2013. The world consumption of primary energy, including oil, natural gas, coal,

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<sup>2</sup> "Peaking of World Oil Production: Impacts Mitigation & Risk Management", Robert L. Hirsch, February 2005.

nuclear, hydro power and other renewable energy, increased by 2.0 per cent in 2013. In the same period global oil consumption increased by 1.6 per cent, equivalent to 1.4 million barrels per day.

Figure 6.1: Global Energy Consumption (usage of commercially traded fuels for power generation)



Source: IEA World Energy outlook 2014

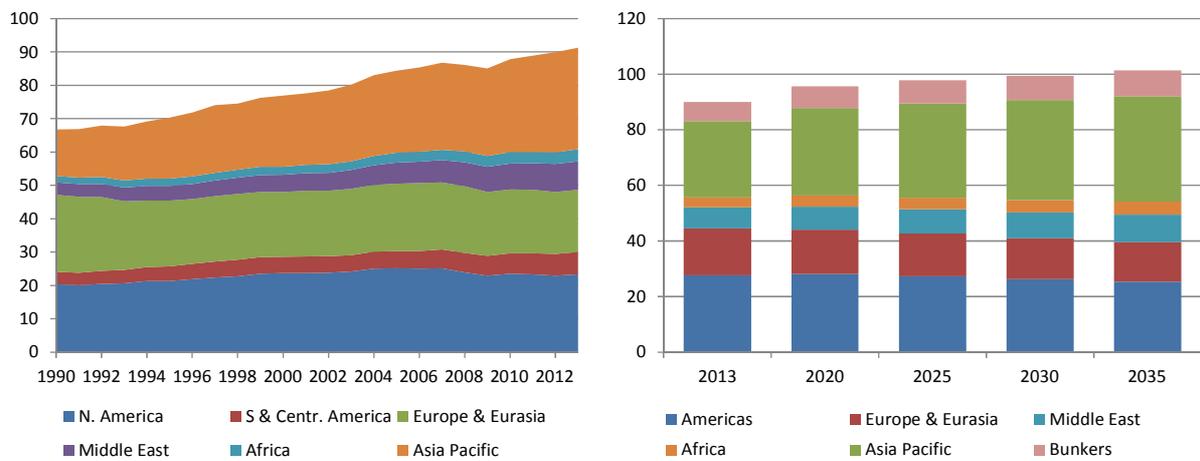
## Overview of the oil market

### Oil consumption

Oil is the world's primary source of energy and in 2013 global oil consumption was approximately 91.3 million barrels per day. Oil consumption has grown consistently over the past decades, and from 2000 to 2013, consumption increased by 19 per cent on a global basis. According to IEA's World Energy Outlook's central scenario, global oil consumption is expected to continue to increase going forward, growing to 102.8 million barrels per day in 2035. Oil is used for a wide array of purposes including transportation, petrochemical processes for feedstock, power generation and agriculture. Currently, oil used for transportation in the form of among other gasoline, diesel and jet fuel is the main source of oil consumption globally, constituting 54 per cent of global consumption in 2013<sup>3</sup>. Transportation is expected to be a key source of consumption growth going forward, constituting 58 per cent of global oil consumption in 2035. Geographically, the largest consuming countries in 2013 were the United States (18.9 million barrels per day) and China (10.8 million barrels per day). Consumption is today fairly evenly distributed between OECD and non-OECD countries with approximately 50 per cent of consumption from each of the groups. Going forward, as a result of among other increased fuel efficiency and stricter environmental policies, consumption in OECD countries is expected to decrease while global consumption is expected to increase overall due to strong consumption growth in emerging economies. From 2013 to 2035 oil consumption in non-OECD countries is expected to increase by 45 per cent, primarily driven by growing consumption in China, India and the Middle East. Figure 6.2 below shows the historic and expected future development in geographical consumption, as well as current and expected mix of oil consumption going forward.

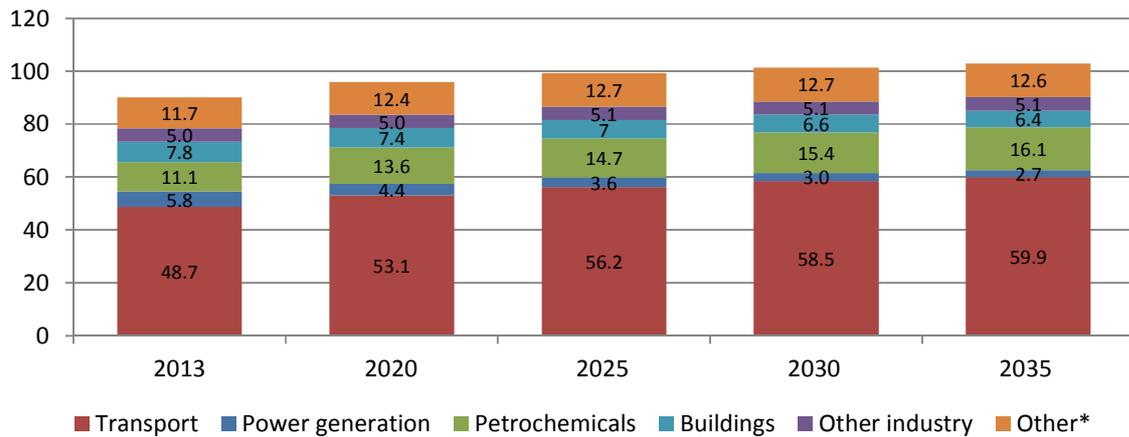
<sup>3</sup> IEA World Energy Outlook 2014.

Figure 6.2: Global Oil Consumption growth and composition (mmbbls/day)



Source: Left chart: BP Statistical Review of World Energy 2013, Right chart: IEA World Energy outlook 2014

Figure 6.3: Global oil demand by sector (mmbbls/day)



Source: IEA World Energy Outlook 2014. \*Other includes agriculture, transformation and other non-energy use (mainly bitumen and lubricants)

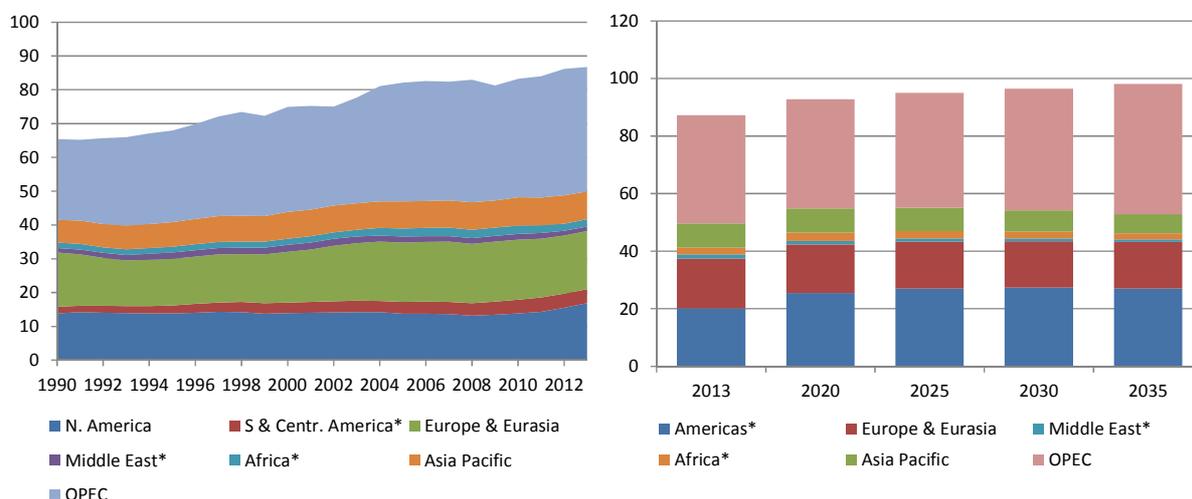
### Oil production and reserves

Oil is found in large quantities on most continents of the world. Crude oil production is active in all major populated continents and in 2013 the global production totaled an estimated 86.8 million barrels per day<sup>4</sup>. The largest producers are Saudi Arabia (11.5 million barrels per day), Russia (10.8 million barrels per day) and the United States (10.0 million barrels per day). From 2000 - 2013, production grew at an annual compounded rate of 1.1 per cent per year, and production grew in all major regions of the world however with varying growth between nations. In the period, Russia was the largest growing producer, growing its oil production from 6.6 million barrels per day in 2000 to 10.8 million barrels per day in 2013 (64 per cent growth). Other countries with large production growth

<sup>4</sup> IEA World Energy Outlook 2014.

were Saudi Arabia, the United States, Canada, Qatar, Angola and Kazakhstan, all growing daily production by more than 1 million barrels per day in the period. Simultaneously, production declined significantly in the North Sea in the period, with the United Kingdom and Norway seeing production declining by 1.8 and 1.5 million barrels, respectively. Going forward, oil production growth is expected to be dependent on increased output from the Organization of the Petroleum Exporting Countries (“OPEC”)<sup>5</sup>, as well as increased unconventional oil production, including Canadian oil sands, tight oil and extra heavy oil, while conventional oil production is expected to decline due to natural production decline in existing fields and reduced rate of production from new conventional fields. Production from OPEC countries is expected to be the main source of growth, growing from 36.8 million barrels per day in 2013 to 46.8 million barrels per day in 2035<sup>6</sup>. Within OPEC, increased production from Iraq as a result of an improved security situation, enhanced infrastructure availability and renewed activity in the region drives activity. Further, unconventional extra-heavy oil production from Venezuela is expected to contribute more than 2 million barrels per day in 2035, from around 0.4 million barrels per day in 2013. Chart 6.4 shows the historic development in global oil production per country from 1990 to today<sup>7</sup> and the expected production composition going forward, while chart 6.5 shows the expected product composition of global oil production from 2013 to 2035.

Figure 6.4: Global oil production by region (mmbbls/day)



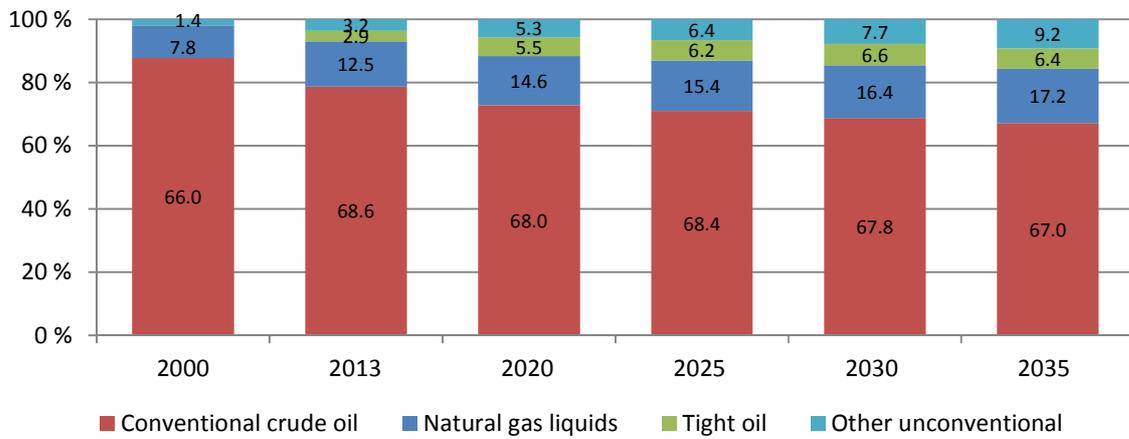
Source: Left chart: BP Statistical Review of World Energy 2014. Right chart: IEA World Energy Outlook 2014. \*Non-OPEC

<sup>5</sup> OPEC member countries: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela.

<sup>6</sup> IEA World Energy Outlook 2014.

<sup>7</sup> BP Statistical Review of World Energy 2013.

Figure 6.5: Global oil production by product (mmbbls/day)

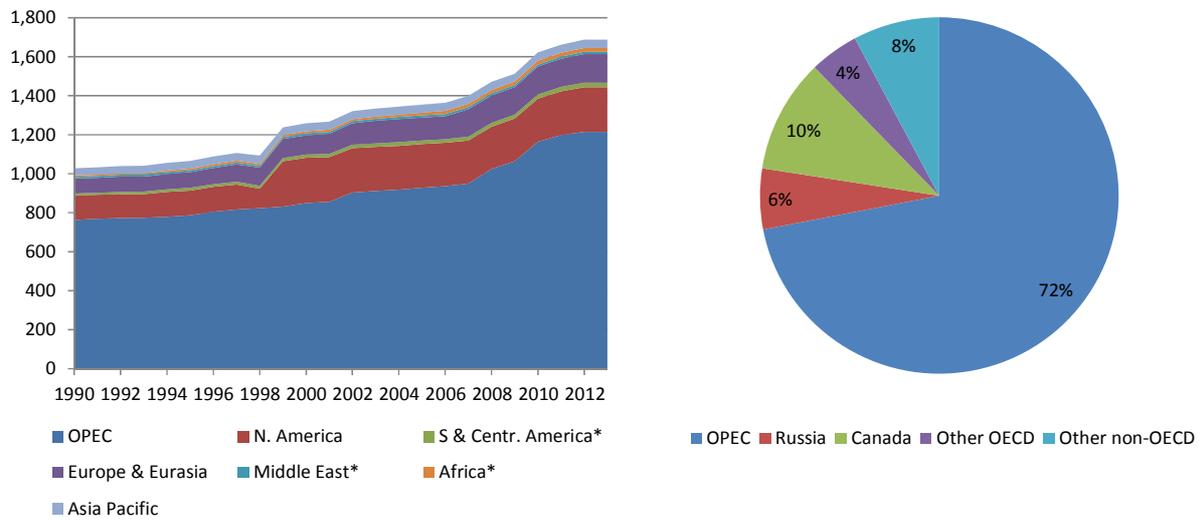


Source: IEA World Energy Outlook 2014.

In terms of reserves, nearly half of the total proved reserves in the world today are located in the Middle East, primarily Saudi Arabia, Iran, Iraq, Kuwait and the United Arab Emirates. In total, 72 per cent of remaining proven reserves are held by the OPEC members. Other large reserve pools are located in unconventional resources in Canada (oil sands) and Venezuela (extra heavy oil), which will require significant investments and technology improvements in order to commercially develop. Of the remaining oil reserves in the world, a large proportion is owned by state owned entities. In 2012, nearly 80 per cent of the world’s proven plus probable reserves, including both conventional and unconventional oil, are controlled by national oil companies (“NOCs”) or their host governments. In addition, NOCs also hold those reserves with by far the lowest average development and production costs. Remaining reserves are shared between major oil companies (13 per cent) and independents (7 per cent). A large portion of NOCs tend to focus primarily on supplying their national markets, or are subject to political supervision, which may impact rate of production and flow of sales, while activities of privately owned companies including major oil companies, independents and certain NOCs are geared towards shareholders’ interests and market signals. Due to the strategic importance of oil as a key source of energy supply in the modern economy, as well as a large portion of the world’s remaining reserves are controlled by politically influenced national entities and located in countries that are members of OPEC, future production and supply of oil may be influenced by factors outside the course of normal market functions. This could in the future, as has been demonstrated in the past, have material impact on the trade of oil between countries, as well as the price of oil.

Chart 6.6 below shows the historical development in proven oil reserves, as well as the current composition between OPEC and main non-OPEC countries.

Figure 6.6: Global oil reserves (mmbbls/day)



Source: BP Statistical Review of World Energy 2014

## OIL PRICE DEVELOPMENT

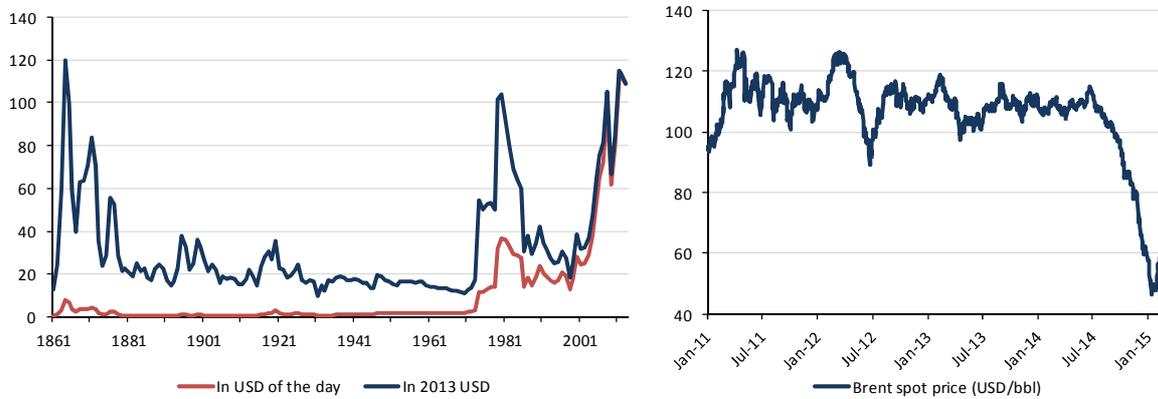
Oil is a commodity with a well-developed world market. The prices are determined on the world's leading commodities exchanges, with NYMEX in New York and the IPE in London as the most important market for the determination of world oil prices. Prices are determined by the weight of the oil, with WTI, the main benchmark for NYMEX, as the lightest of the main benchmarks in oil pricing. Brent Crude, the main benchmark for IPE is slightly heavier. In recent years, Brent price has emerged as the benchmark price of oil sales in global markets, including West Africa.

Oil prices have historically experienced significant fluctuations, but stabilized in the region between USD 90-120 per barrel (Brent prices) in the years 2011 to mid-2014. During second half of 2014, the oil price saw a sharp decline to the current levels, impacted by strong supply from onshore United States, lower than expected demand growth, and OPEC deciding to not reduce its production, contrary to what many expected of their reaction to the declining oil price. The current forward curve suggests a long term Brent oil price in the range USD 70-80 per barrel in 2017 - 2020. The oil price is highly dependent on the current and expected future supply and demand of oil, and is as such influenced by global macroeconomic conditions and may experience material fluctuations on the basis of economic indicators, material economic events and geopolitical events. Historically, oil prices have also been heavily influenced by organizational and national policies, most significantly the implementation of OPEC and subsequent production policies announced by the organization. Chart 6.7 below shows the historical development in the price of crude oil from 1861 to 2012<sup>8</sup>, as well as the development in Brent prices from 2011 until early in 2015<sup>9</sup>.

<sup>8</sup> Source: BP Statistical Review of World Energy 2013.

<sup>9</sup> Source: InFront Online Trader.

Figure 6.7: Development in crude oil prices



Source: BP Statistical Review of World Energy 2013, InFront Online Trader

## NATURAL GAS PRICE DEVELOPMENT

Natural gas is recognized as a regional commodity owing to the necessity to ship produced gas via pipeline to hubs capable of redirecting and distributing to purchasers; as a result, prices are often responsive to the proximal market space where natural gas is originated. In Africa, prices are expected to remain below market average until sufficient infrastructure and distribution facilities are built to accommodate the abundant supply of natural gas found within much of the African continent. With that said, major power producers are now seeking additional sources of feedstock and Africa may be the next area of focus for these power producers, possibly prompting pricing increases.

Figure 6.8: Historical UK natural gas price development (USD/mmbtu)



Source: Bloomberg, the National Balancing Point (NBP) front month future contract

## OUTLOOK

The primary driving force behind the increased demand for oil and natural gas is, and will continue to be, economic growth. To a great extent the world's energy needs are met by fossil fuels, of which oil is dominant for transportation and other industrial needs; however, natural gas in its abundant supply, may spur increased reliance on the feedstock to meet power production needs. In developing countries, demand for energy is aligned with economic growth, whereas in industrialized countries the growth in demand is more volatile in comparison with economic growth. As developing nations rise to the standard of living enjoyed by much of North America and Europe, the race for energy security is not likely to abate. Emerging economies will have to engage in competitive bidding practices and enter into previously unfavorable geopolitical arenas that will undoubtedly create dramatic shifts in alignment of loyalties as the pursuit of hydrocarbon security carries on.

## Competitors

The petroleum industry is intensely competitive, particularly with respect to the acquisition of prospective acreage on trend with discovered resources. Africa Oil competes globally with numerous other companies, including larger independent oil and gas companies, major and super-major oil and gas companies and national oil companies with greater financial resources, staff and facilities than Africa Oil.

Many oil companies are often competitors at the early stage of acquisition of exploration acreage, but at times, they become partners as farmout agreements are struck to develop larger land holdings and to diversify and mitigate exploration risk. Consequently, the line separating competitors from partners varies. Africa Oil currently participates in a variety of joint venture operations with numerous joint venture partners, including: Tullow Oil plc, Marathon Oil Corporation, Afren plc. and New Age (African Global Energy).

Prior to the recent reduction in overall activity due to the decline in oil prices, exploration activity in both onshore and offshore East African Rift Basins has seen a dramatic increase in recent years. Since 2006, major hydrocarbon discoveries have been announced in several East African countries, including Uganda, Kenya, Tanzania and Mozambique. East Africa has become an area of intense oil and gas industry focus. The list of additional East African oil and gas industry participants is extensive, including ExxonMobil, BG Group plc, Anadarko, Petrobras, Total, CNOOC, ONGC Videsh Ltd., Ophir Energy plc, Statoil ASA and Heritage Oil plc. Africa Oil utilized its first mover advantage to accumulate a vast acreage position, prior to the Tertiary Rift discoveries made in Northern Kenya in 2012. The recent drop in oil prices has however lead to an increased focus on cost reductions and capital discipline among oil and gas companies, which has resulted in markedly decreased activity levels since mid-2014. The increased focus on capital efficiency has resulted in a trend toward an increasing focus on lower cost and higher return projects which may create increased focus on material onshore exploration and development projects in comparison to high cost ultra-deep water exploration.

# OPERATIONS OF AFRICA OIL

## Summary

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

The Company has acquired and commenced exploration activities on multiple exploration blocks in East Africa (with reference to the table below). The Company has encountered oil in multiple wells drilled in the Tertiary Rift trend. The East African Rift Basin system is one of the last great rift basins to be explored. The Company acquired its interests in East Africa as several multi-billion barrel oil fields had been discovered in multiple analogous oil fields on all sides of the Company's under-explored land position including the major Tullow Oil plc ("Tullow") Albert Graben oil discovery in neighboring Uganda. Similar to the Albert Graben play model, the Company's concessions have older wells, a legacy database, and host numerous oil seeps indicating a proven petroleum system. Good quality existing seismic show robust leads and prospects throughout the Company's project areas. The Company now holds a dominant exploration acreage position in this exciting new world-class exploration play fairway. The Company aims to have completed significant seismic and drilling programs on the majority of the Company's blocks over the next two years. 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 Board 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.

## The Company's joint venture partners

### TULLOW OIL PLC

Tullow is a leading independent oil and gas, exploration and production group. The company's focus is on finding oil in Africa and the Atlantic Margins, combined with selective development and high-margin production to fund its exploration-led strategy. Tullow is one of the largest independent oil and gas exploration and production companies in Europe with a focused portfolio of assets.

### MARATHON OIL CORPORATION

Marathon Oil Corporation is an independent international energy company. Based in Houston, Texas, the Company has activity in North America, Europe and Africa.

### AFREN PLC

Afren plc is an independent oil & gas company listed on the Main Market of the London Stock Exchange, with a diversified portfolio of production, development and exploration assets.

## **NEW AGE (AFRICA GLOBAL ENERGY) LIMITED**

New Age is a UK Listed private company with exploration, development and production of oil and gas primarily in Africa and Kurdistan.

### **Projects**

The Company's oil and gas properties are all located onshore in Kenya, Ethiopia and Puntland (Somalia). The Company has accumulated one of the largest holdings of exploration acreage in Africa with operated and non-operated interests in multiple Production Sharing Contracts ("PSCs") encompassing more than 200,000 square kilometers (gross) in Kenya, Ethiopia and Puntland (Somalia). Africa Oil began acquiring this large acreage position prior to the heightened activity of recent years and has enjoyed first-mover advantage, building a large and relatively unexplored acreage position and then attracting strong partners to fund portions of the Company's capital requirements.

In Kenya, the Company currently holds working interests in four PSCs 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 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 Tertiary 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. The Company has informed the Ethiopian Government and its partners that it intends to withdraw from Blocks 7/8. Although the recently drilled El Kuran-3 well did demonstrate some oil and gas potential, the Company does not feel it is warranted to continue efforts at this time due to concerns over reservoir quality and commerciality. 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 has notified its Joint Venture Partners of its decision to withdraw from its 10 per cent working interest in the Adigala Block (Ethiopia).

The Company, through its 40.8 per cent equity ownership interest in Africa Energy, 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. The Company has informed the Government of Puntland (Somalia) that the Company will be downsizing its office in Bosaso, Puntland and will refrain from any operational activity and associated expenditures until the political situation improves in Somalia. Given the considerable efforts taken by the Company to date in Puntland (Somalia), the Company has requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political

challenges to be resolved. The Company's working interest at December 31, 2014, 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 <sup>(1)</sup>	Gross Acreage (km <sup>2</sup> )	Net Acreage <sup>(2)</sup> (km <sup>2</sup> )	Stage of exploration <sup>4</sup>
Puntland, Somalia	Dharoor Valley	Africa Energy Corp.	24% <sup>(3)</sup>	14,384	3,452	Second Exploration Period ends October 2015. No additional exploration periods remaining. A 2 year extension request has been submitted.
	Nugaal Valley	Africa Energy Corp.	24% <sup>(3)</sup>	21,784	5,228	Second Exploration Period ends October 2015. No additional exploration periods remaining. A 2 year extension request has been submitted.
Ethiopia	Block 7 and 8 <sup>(5)</sup>	New Age	30%	21,767	6,530	Initial Exploration Period expired April 2014.
	Adigala <sup>(5)</sup>	New Age	10%	20,200	2,020	Third Exploration Period ends July 2015. No additional exploration periods remaining.
	South Omo	Tullow	30%	22,034	6,610	Second Extension of the Exploration Period ends January 2017.
	Rift Basin	Africa Oil Corp.	50%	42,519	21,260	Initial Exploration Period ends February 2016. The Company has an option on two additional exploration periods each of which is two years in length.
Kenya	Block 10BB <sup>(4)</sup>	Tullow	50%	8,834	4,417	First Additional Exploration Period ends July 2015. The Company has an option on one additional exploration period two years in length.
	Block 10BA	Tullow	50%	15,811	7,906	First Additional Exploration Period ends April 2016. The Company has an option on one additional exploration period two years in length.
	Block 12A	Tullow	20%	15,235	3,047	First Additional Exploration

						Period ends September 2016. The Company has an option on one additional exploration period each of which is two years in length.
	Block13T <sup>(4)</sup>	Tullow	50%	6,296	3,148	First Additional Exploration Period ends Sept 2015. The Company has an option on one additional exploration period two years in length.
	Block 9	Africa Oil Corp.	50%	15,782	7,891	Third Exploration Period ends December 2015. No additional exploration periods remaining.

<sup>1</sup> 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.

<sup>2</sup> Net acreage is calculated by multiplying Gross Acreage by the Current Working Interest.

<sup>3</sup> Represents the Company's Net Working Interest subsequent to the formation of Africa Energy Corp. ("Africa Energy"). The Company owns approximately 40.8 per cent of Africa Energy. This figure represents the Company's Net Working Interest in the production sharing agreements, net of the 59.2 per cent interest in Africa Energy owned by third parties.

<sup>4</sup> It is difficult to estimate approximate time before production given the fact that a development plan needs to be prepared and approved by the government. The Company has however previously disclosed that it is actively pursuing development studies in the Block 10BB/13T area, including commencement of the pre-front end engineering design (pre-FEED) and environmental and social impact assessment ("ESIA") studies for the pipeline, export terminal and field facilities

<sup>5</sup> The Company has notified its Joint Venture Partners of its decision to withdraw from its working interest position in the Block

In 2012 Africa Oil with partner Tullow announced successful results from the Ngamia-1 exploration well on Block 10BB, which was the first exploration well for the Company in the Tertiary Rift Play in the Lokichar Basin. The well encountered more than 240 meters of net oil pay and confirmed the discovery of a significant new oil producing province, and the first significant oil discovery in Kenya. This discovery was followed by Twiga South-1 some 22 kilometers north, which also discovered and tested light gravity and further confirmed a potentially significant extension of the Tertiary Rift Play. A third significant discovery followed in the Etuko-1 well. By early 2014 the Company had announced additional oil discoveries in the Ekales, Agete, Amosing and Ewoi wells. The Lokichar Basin oil volumes now exceed the threshold for development studies to commence.

On the back of the successful exploration activities in Kenya during 2012, the Company, together with its partners, ramped up its exploration program in Kenya and Ethiopia. Entering 2013, two Tullow-Africa Oil joint venture rigs were operating in Kenya and one joint venture rig was operating in Ethiopia. The Tullow-Africa Oil joint venture rig that was operating in Ethiopia completed operations in 2014 and has been released. Two additional Tullow-Africa Oil joint venture rigs (one of which is a testing and completion unit) were mobilized, the drilling unit commenced operations in November 2013 and the testing and completions unit commenced operations in February 2014. The Company, as operator, and its partner in Block 9 (Kenya) secured a sixth rig, which commenced drilling operations in September 2013, completed drilling operations in Block 9 and has been released. In addition, the Company and its partners in Block 7/8 (Ethiopia) mobilized a seventh rig for a one well commitment, which completed drilling operations in 2014 and has been released. Entering 2015, four drilling rigs were active in Kenya focused on Tertiary Rift appraisal and exploration. Given the changing focus of the 2015 work program to appraisal and development

studies of the South Lokichar Basin discoveries in the Tertiary Rift, the Africa Oil – Tullow partnership has been releasing rigs during the first half of 2015 and it is anticipated that only one rig will be in operation going forward.

All operations in Block 10BB and Block 13T in Northern Kenya were temporarily suspended for approximately 12 days beginning on October 28, 2013 as a precautionary measure following demonstrations by members of local communities. Operations resumed 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.

During the first half of 2013, the Company completed a series of well tests at both Twiga South-1 and Ngamia-1 on Blocks 13T and 10BB in Kenya, respectively. These successful well tests confirmed over 5,000 barrels of oil per day (“bopd”) flow potential per well and doubled the previous estimates of net oil pay. 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.

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 was 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 based on log analysis. In February 2014, the Company announced the results of 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 drilling 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.

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 indicated a significant oil column with an estimated 100 meters of net oil pay in good quality sandstone reservoirs. In June 2014, the Company announced that well test results confirmed the Auwerwer pay previously released with a tested flow rate of 500 bopd.

In January 2014, the Company announced a new oil discovery at Amosing-1 located seven kilometers south west of the Ngamia-1 discovery along the Basin Bounding Fault Play in Block 10BB. Logs indicate 160 to 200 meters of potential net oil pay in good quality sandstone reservoirs. Also 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 in Block 10BB. Logs indicate potential net pay of 20 to 80 meters to be

confirmed by well testing. 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.

In May 2014, the Company and its partner drilled a new prospect in the discovered basin in Northern Kenya, the Ekunyuk-1 well, which is located on the eastern flank play on trend with recent discoveries at Etuko and Ewoi. The well was drilled to a final total depth of 1,802 meters and encountered some 5 meters of net oil pay, within approximately 150 meters of reservoir quality water-bearing sandstone and an equal thickness of a basin-wide rich oil shale.

In May 2014, the Company announced initial results from the Twiga-2 appraisal well in the discovered basin in North Kenya. The initial wellbore at Twiga-2 was drilled near the basin bounding fault and encountered some 18 meters of net oil pay within alluvial fan facies, with limited reservoir quality. A decision was made to sidetrack the well away from the fault to explore north of Twiga-1 and some 62 meters of vertical net oil pay has been discovered in the Auwerwer formation, similar in quality to the initial Twiga-1 discovery. In June 2014, the Company announced the results of the Ngamia-2 well which was drilled 1.7 kilometers from the Ngamia-1 discovery well to test the northwest flank of the prospect. The well encountered up to 39 meters of net oil pay and 11 meters of net gas pay and appears to have identified a new fault block trap north of the main Ngamia accumulation. The reservoirs were high quality with more than 200 meters of net reservoir sands with good permeability inferred from MDT sampling. The well has been suspended for testing and the rig will continue to drill up to 4 additional appraisal wells in the Ngamia field area for an extended well test program. A 3D seismic program is currently being concluded over the field area which should allow for detailed mapping of the fault trends.

Also in June 2014, the Company drilled the Agete-2 exploratory appraisal well drilled some 2.2 kilometers southeast of Agete-1. The well intersected water bearing reservoirs at this down-dip location and further appraisal drilling was planned.

In August 2014, the Company announced the results of the Etom-1 exploration well located in Block 13T (Kenya), 7 kilometers north of the Agete oil discovery on the Basin Bounding Fault Play. The well encountered between 5 and 20 meters of potential net oil pay sands based on wireline logs in the Auwerwer and Upper Lokhone Formations. Oil was recovered in MDT sample chambers, which appears to be of similar quality as the other discoveries in the basin. There is an additional 400 meters of porous sands in the Auwerwer and Lokhone Formations, which also confirms the extension of thick reservoir sections into the northern portion of the basin. Oil and gas shows were noted throughout drilling of the well confirming the extension of the petroleum system to the northern portion of the discovered basin in Northern Kenya. Based on these positive results, the original 3D seismic survey was extended to cover the northern portion of this basin where several additional large prospects have been identified by 2D seismic. The well has been suspended for future drill stem testing.

In August 2014, the Company announced that the drilling of the Ngamia-3 and Amosing 2/2A appraisal wells also in the Lokichar Basin on Block 10BB (Kenya) had been completed. The results of these wells appeared to confirm the thickness and lateral extent of the Auwerwer sands at both locations and also has extended the known oil column significantly downdip which will extend the proven field areas. The range of thickness of Auwerwer reservoir quality sands in all six penetrations of these two structures is between 146 and 220 meters and the sands appear consistent over the field areas. Net pay was encountered over multiple reservoir zones over a gross interval ranging

from 500 to 1500 meters. Pressure data seems to indicate that there could be pressure communication between many of these reservoirs. The upcoming extended well test programs on both of these fields will be designed to evaluate reservoir connectivity and help constrain estimates of flow rates and recovery factors for field development planning which are expected to commence early in 2015.

Also in August 2014, the Company announced that well testing had been completed on the previously announced Ewoi discovery on the eastern flank of the Lokichar Basin in Block 10BB (Kenya). The main zone of interest tested approximately 50 barrels of oil per day from the lower Lokhone sands which were relatively thin and of moderate reservoir quality. Data from the well may suggest that the wellbore may have been located in a downdip position and the Company is considering updip appraisal opportunities on this structure.

In October 2014, the Company announced the results of the Kodos-1 exploration well in Block 10BB. The well was drilled to a total depth of 2500 meters and encountered hydrocarbon shows which indicates the presence of an active petroleum system. This was the first well drilled in the Kerio Basin, northeast of the successful South Lokichar Basin, and it appears to have been drilled in an area of unfavourable reservoir development, near the basin bounding fault.

Also in October 2014, the Company announced the results of the Ekosowan-1 well drilled in Block 10BB. The well is the most southerly well drilled to date in the South Lokichar Basin, 12 km south east and up-dip of the previous Amosing-1 oil discovery. The well had a 900 meter column of near continuous oil shows throughout an interval of tight sands which also appear to be a result of drilling too close to the basin bounding fault. A downdip appraisal well between the Amosing field and this potential updip sealing location is also being considered.

Also in October 2014, the Company announced the results of the Ngamia-4 appraisal well which was drilled 1.1 km west of the Ngamia-1 discovery well. The well successfully encountered up to 120 meters of hydrocarbon pay, of which up to 80 meters was oil. This well has been suspended for use in future appraisal and development activities.

Also in October 2014, the Company announced the results of four flow tests on the Twiga-2A well in Block 13T, achieving production rates between 150 and 3,270 bopd under natural flow with no depletion, the highest oil production rate seen to date in Kenya. With optimised equipment the maximum flow potential from the best zone could have increased to around 10,000 bopd demonstrating excellent reservoir deliverability. Due to these positive test results, further appraisal wells are being considered at Twiga.

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

In January 2015, the Company announced the completion of drilling the Ngamia-5, Ngamia-6 and Amosing-3 appraisal wells. Ngamia-5 is located 500 meters northeast of the Ngamia-1 discovery well in a different fault compartment and encountered 160 to 200 meters net oil pay, which is amongst the highest of all the wells drilled in the basin to date. Ngamia-6 is located approximately 800 meters north of Ngamia-1 and in the same fault compartment as Ngamia-5 and encountered up to 135 meters net oil pay. Both wells have been suspended and one or both will be utilized in an Extended Well Test (“EWT”) that will commence in the second quarter of 2015. Pressure data from the Ngamia-3, 5 and 6 wells demonstrates connectivity between the wells at multiple reservoir

horizons, which will be further tested by the EWT. The Amosing-3 appraisal well, located 1 kilometer northwest of the Amosing-1 discovery well was recently completed. The well encountered up to 140 meters of net oil pay and proved an extension of the field. Pressure data from Amosing-3 indicates connectivity in some reservoir horizons encountered in the Amosing-1, 2 & 2A wells.

In January 2015, the Company also announced that the acquisition of the large 951 square kilometer 3D seismic survey over the series of significant discoveries along the western basin bounding fault in the South Lokichar Basin was completed and the full fast track processed data set will be available in the near term. Initial evaluation of the 3D seismic indicates significantly improved structural and stratigraphic definition and additional prospectivity not evident on the 2D seismic. In addition, the partnership has acquired over 1,100 meters of whole core from the South Lokichar wells and an extensive program of detailed core analysis is ongoing that will provide results from the first quarter of 2015 onwards. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands.

In March 2015, the Company announced that it had installed production completions in the Amosing-1 and Amosing-2A wells in preparation for an EWT of the field. The EWT involves production and injection testing to provide dynamic flow characterization of the Amosing field stacked reservoirs. Both wells were completed in five zones with hydraulically controlled selective completions that permit independent tests of completed intervals without well intervention. Initial clean-up testing was completed on both wells with excellent results. The Amosing-1 well flowed at a combined maximum rate of 5,600 bopd from five zones and the Amosing-2A well flowed at a combined maximum rate of 6,000 bopd from four zones, the fifth zone being in the aquifer. Both wells demonstrated high quality reservoir sands and flowed 31 to 380 API dry oil under natural flow. Pressure data during the initial clean-up flows showed connectivity between the two completed wells in the upper three zones with further production testing required to test connectivity in the lower two zones. These findings support the static pressure data which indicated connectivity between the Amosing-1, 2, 2A and 3 wells in multiple zones. The Amosing EWT forward program is to conduct longer-term flow and water injection tests.

Also in March 2015, the Company announced that it had completed drilling the Ngamia-7 well which is located approximately 1.2 kilometers east of Ngamia-3 and was drilled to test the eastern flank of the Ngamia field. The well encountered up to 132 meters of net oil pay and expanded the proven extent of the field. Static pressure data from the Ngamia-1, 3, 5, 6 and 7 wells supports connectivity between the wells at multiple reservoir horizons, which will be further tested with the planned Ngamia EWT.

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

In April 2015, the Company announced the results of the Amosing-4 appraisal well. The Amosing-4 appraisal well was drilled on the flank of the Amosing field and successfully encountered 27 meters of net oil pay in thick upper reservoir zones proving the significant down-dip extent of the field.

Also in April 2015, the Company announced the results of the Ngamia-8 appraisal well which was drilled and encountered up to 200 meters of net oil pay in line with pre-drill expectations. The well was positioned in the

centre of the Ngamia structure and static pressure data indicate the well is in pressure communication with the oil discovered in the neighbouring Ngamia-1A, Ngamia-3, Ngamia-5, Ngamia-6 and Ngamia-7 wells. Ngamia -8 will be completed as part of the Ngamia field EWT planned for mid-2015 which will also include the Ngamia-3 and Ngamia-6 wells.

Also in April 2015, the Company announced final drilling results on the Ekales-2 appraisal well which reached a total depth of 4,059 meters and encountered an estimated 60-100 meters of net oil pay in the primary shallower objectives. This highly deviated well was also deepened to test the basin centre stratigraphic play where it intersected sandstones with elevated pressures and 50 meters of oil bearing sands, however operating conditions precluded logging and confirmation of any oil pay in this section. This was the first test of this exploration target.

Given the significant volumes discovered and the extensive exploration and appraisal program planned to assess the upside potential of the South Lokichar Basin, the Tullow-Africa Oil joint venture has agreed with the Government of Kenya to commence development studies. Comprehensive concept engineering on the upstream facilities is nearing completion and pipeline routing and environmental screening has been completed. The Kenya and Uganda Governments have agreed a regional crude oil pipeline from Uganda through Kenya and discussions are ongoing around the way forward on the pipeline. The governments of Kenya, Uganda and Rwanda have signed a Memorandum of Understanding (MoU) and formed a Steering Committee to progress a regional crude oil export pipeline from Uganda through Kenya and have appointed an internationally recognized Technical Advisor to advise on the development of the pipeline project. The Kenya upstream partners have also signed a cooperation agreement with the Uganda upstream partners in support of the same objective. The South Lokichar basin is located in the remote northwest of Kenya, over 800 kilometers from the Indian Ocean, and is serviced by limited existing infrastructure. To export the oil an 800 kilometers pipeline from the South Lokichar basin to a storage and offloading terminal on the coast is being planned. Due to the waxy nature of the oil the pipeline will be insulated and heated, which is standard technology to manage this type of crude oil. It is anticipated that the export pipeline will be developed jointly with the Uganda Lake Albert oil fields, which will reduce the unit export costs for both developments.

To facilitate these development activities in parallel with exploration and appraisal, an area of interest (“AOI”) encompassing the South Lokichar Basin discoveries and further prospects in Blocks 10BB and 13T, 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.

In the first quarter of 2013, the Tullow-Africa Oil joint venture tested a Cretaceous play in the Anza Basin with the Paipai-1 commitment well in Block 10A (Kenya), encountering light hydrocarbon shows. Due to concerns over economic viability, the Company and its partners have relinquished Block 10A as the partnership focuses its activities on the main Tertiary Rift Play across Kenya and Ethiopia.

In December 2013, the Company reported that the Bahasi-1 well on Block 9 in Kenya, had only encountered minor shows of gas. The rig then moved to drill Sala-1 on the northeastern flank of the basin to test a large prospect in the Cretaceous Anza rift, which is up-dip of two wells that had significant hydrocarbon shows.

In June 2014, the Company announced the Sala-1 well had resulted in a gas discovery in Block 9 onshore Kenya. The Sala-1 drilled a large 80 square kilometer anticlinal feature along the northern basin bounding fault in the Cretaceous Anza graben and encountered several sandstone intervals which had oil and gas shows. The well was drilled to a total depth of 3030 meters and petrophysical analysis indicated three zones of interest over a 1000 meter gross interval which were subsequently drill stem tested. An upper gas bearing interval tested dry gas

at a maximum rate of 6 mmcf/d from a 25 meter net pay interval. The interval had net reservoir sand of over 125 meters and encountered a gas water contact so there is potential to drill up-dip on the structure where this entire interval will be above the gas-water contact. A lower interval tested at low rates of dry gas from a 50 meter potential net pay interval which can also be accessed at the up-dip location. It should also be noted that there were oil shows while drilling and small amounts of oil were recovered during drilling and testing which indicates there may be potential for oil down-dip on the structure.

In October 2014, the Company announced the Sala-2 appraisal well failed to find significant hydrocarbons updip from the Sala-1 gas discovery. There appears to be a stratigraphic or structural separation between the two wells. The Company is reviewing additional potential appraisal targets as well as on trend prospects in the block which has proven oil and gas generation.

In July 2013, the Company reported that the Sabisa-1 well on the South Omo Block in Ethiopia, the most northerly well drilled on the Tertiary rift trend to date, had confirmed a viable hydrocarbon system with oil and heavy gas shows. In December 2013, the Company announced that the potential hydrocarbon bearing sands in Sabisa-1 were not present at the Tultule-1 well location. 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. The Company plans to drill two exploration wells in the Chew Bahir Basin, located to the east of the South Omo Block, in 2014. In May 2014, the Company released the results of the first of these wells, Shimela-1, which reached a final depth of 1,940 meters and encountered water bearing reservoirs. Shimela-1 was drilled to test a prospect in a north-western sub-basin of the vast Chew Bahir basin. The frontier wildcat well encountered lacustrine and volcanic rocks including almost 100 meters of net sandstone reservoir within siltstones and claystones. Trace thermogenic gas shows were recorded at 1,900 meters. In July 2014, the Company reported that the Gardim-1 exploration well, drilled on the eastern flank of the Chew Bahir Basin in the South Omo licence, onshore Ethiopia, has reached a total depth of 2,468 meters in basement, without encountering commercial oil. The well intersected lacustrine and volcanic formations, similar to those found in the Shimela-1 well on the north-western flank of the basin. Minor intervals with thermogenic gas shows were intersected just above basement. The well was plugged and abandoned and drilling operations demobilised whilst drilling results are integrated into the regional basin model.

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 through 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. During 2014, the Company planned to acquire 1,270 kilometers 2D seismic over the North Lokichar and Kerio Basins covering Blocks 10BB, 10BA and 13T. In addition, the Company and its partner in Blocks 10BB and 13T commenced the acquisition of a 550 square kilometer 3D seismic survey over the discoveries and prospects along the western basin bounding fault in the South Lokichar Basin.

## **KENYA**

### ***Block 10BB***

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 two 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 testing.

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 doubled 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 of 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.

In May 2014, the Company and its partner drilled a new prospect in the South Lokichar basin in Northern Kenya, the Ekunyuk-1 well, which is located on the eastern flank play on trend with recent discoveries at Etuko and Ewoi. The well reached a final total depth of 1,802 meters and has encountered some 5 meters of net oil pay, within approximately 150 meters of reservoir quality water-bearing sandstone and an equal thickness of a basin-wide rich oil shale.

In June 2014, the Company announced the results of the Ngamia-2 well which was drilled 1.7 kilometers from the Ngamia-1 discovery well to test the northwest flank of the prospect. The well encountered up to 39 meters of net oil pay and 11 meters of net gas pay and appears to have identified a new fault block trap north of the main Ngamia accumulation. The reservoirs were high quality with more than 200 meters of net reservoir sands with good permeability inferred from MDT sampling. The well was suspended for testing.

In August 2014, the Company announced that the drilling of the Ngamia-3 and Amosing 2/2A appraisal wells also in the Lokichar Basin on Block 10BB (Kenya) had been completed. The results of these wells appeared to confirm the thickness and lateral extent of the Auwerwer sands at both locations and also has extended the known oil column significantly downdip which will extend the proven field areas. The range of thickness of Auwerwer reservoir quality sands in all six penetrations of these two structures is between 146 and 220 meters and the sands appear consistent over the field areas. Net pay was encountered over multiple reservoir zones over a gross interval ranging

from 500 to 1500 meters. Pressure data seems to indicate that there could be pressure communication between many of these reservoirs. The upcoming extended well test programs on both of these fields will be designed to evaluate reservoir connectivity and help constrain estimates of flow rates and recovery factors for field development planning which are expected to commence early in 2015.

Also in August 2014, the Company announced that well testing had been completed on the previously announced Ewoi discovery on the eastern flank of the Lokichar Basin in Block 10BB (Kenya). The main zone of interest tested approximately 50 barrels of oil per day from the lower Lokhone sands which were relatively thin and of moderate reservoir quality. Data from the well may suggest that the wellbore may have been located in a downdip position and the Company is considering updip appraisal opportunities on this structure.

In October 2014, the Company announced the results of the Kodos-1 exploration well in Block 10BB. The well was drilled to a total depth of 2,500 meters and encountered hydrocarbon shows which indicates the presence of an active petroleum system. This was the first well drilled in the Kerio Basin, northeast of the successful South Lokichar Basin, and it appears to have been drilled in an area of unfavourable reservoir development, near the basin bounding fault.

Also in October 2014, the Company announced the results of the Ekosowan-1 well drilled in Block 10BB. The well is the most southerly well drilled to date in the South Lokichar Basin, 12 km south east and up-dip of the previous Amosing-1 oil discovery. The well had a 900 meter column of near continuous oil shows throughout an interval of tight sands which also appear to be a result of drilling too close to the basin bounding fault. A downdip appraisal well between the Amosing field and this potential updip sealing location is also being considered.

Also in October 2014, the Company announced the results of the Ngamia-4 appraisal well which was drilled 1.1 km west of the Ngamia-1 discovery well. The well successfully encountered up to 120 meters of hydrocarbon pay, of which up to 80 meters was oil. This well has been suspended for use in future appraisal and development activities.

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

In January 2015, the Company announced the completion of drilling the Ngamia-5, Ngamia-6 and Amosing-3 appraisal wells. Ngamia-5 is located 500 meters northeast of the Ngamia-1 discovery well in a different fault compartment and encountered 160 to 200 meters net oil pay, which is amongst the highest of all the wells drilled in the basin to date. Ngamia-6 is located approximately 800 meters north of Ngamia-1 and in the same fault compartment as Ngamia-5 and encountered up to 135 meters net oil pay. Both wells have been suspended and one or both will be utilized in an EWT that will commence in the second quarter of 2015. Pressure data from the Ngamia-3, 5 and 6 wells demonstrates connectivity between the wells at multiple reservoir horizons, which will be further tested by the EWT. The Amosing-3 appraisal well, located 1 kilometer northwest of the Amosing-1 discovery well was recently completed. The well encountered up to 140 meters of net oil pay and proved an extension of the field. Pressure data from Amosing-3 indicates connectivity in some reservoir horizons encountered in the Amosing-1, 2 & 2A wells.

In January 2015, the Company also announced that the acquisition of the large 951 square kilometer 3D seismic survey over the series of significant discoveries along the western basin bounding fault in the South Lokichar Basin was completed and the full fast track processed data set will be available in the near term. Initial evaluation of the 3D seismic indicates significantly improved structural and stratigraphic definition and additional prospectivity not evident on the 2D seismic. In addition, the partnership has acquired over 1,100 meters of whole core from the South Lokichar wells and an extensive program of detailed core analysis is ongoing that will provide results from the first quarter of 2015 onwards. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands.

In March 2015, the Company announced that it had installed production completions in the Amosing-1 and Amosing-2A wells in preparation for an EWT of the field. The EWT involves production and injection testing to provide dynamic flow characterization of the Amosing field stacked reservoirs. Both wells were completed in five zones with hydraulically controlled selective completions that permit independent tests of completed intervals without well intervention. Initial clean-up testing was completed on both wells with excellent results. The Amosing-1 well flowed at a combined maximum rate of 5,600 bopd from five zones and the Amosing-2A well flowed at a combined maximum rate of 6,000 bopd from four zones, the fifth zone being in the aquifer. Both wells demonstrated high quality reservoir sands and flowed 31 to 38o API dry oil under natural flow. Pressure data during the initial clean-up flows showed connectivity between the two completed wells in the upper three zones with further production testing required to test connectivity in the lower two zones. These findings support the static pressure data which indicated connectivity between the Amosing-1, 2, 2A and 3 wells in multiple zones. The Amosing EWT forward program is to conduct longer-term flow and water injection tests.

Also in March 2015, the Company announced that it had completed drilling the Ngamia-7 well which is located approximately 1.2 kilometers east of Ngamia-3 and was drilled to test the eastern flank of the Ngamia field. The well encountered up to 132 meters of net oil pay and expanded the proven extent of the field. Static pressure data from the Ngamia-1, 3, 5, 6 and 7 wells supports connectivity between the wells at multiple reservoir horizons, which will be further tested with the planned Ngamia EWT.

In April 2015, the Company announced the results of the Amosing-4 appraisal well. The Amosing-4 appraisal well was drilled on the flank of the Amosing field and successfully encountered 27 meters of net oil pay in thick upper reservoir zones proving the significant down-dip extent of the field.

Also in April 2015, the Company announced the results of the Ngamia-8 appraisal well which was drilled and encountered up to 200 meters of net oil pay in line with pre-drill expectations. The well was positioned in the centre of the Ngamia structure and static pressure data indicate the well is in pressure communication with the oil discovered in the neighbouring Ngamia-1A, Ngamia-3, Ngamia-5, Ngamia-6 and Ngamia-7 wells. Ngamia -8 will be completed as part of the Ngamia field EWT planned for mid-2015 which will also include the Ngamia-3 and Ngamia-6 wells.

### ***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. 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 indicated a significant oil column with an estimated 100 meters of net oil pay in good quality sandstone reservoirs. In June 2014, the Company announced that well test results confirmed the Auwerwer pay previously released with a tested flow rate of 500 bopd.

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.

In May 2014, the Company announced initial results from the Twiga-2 appraisal well in the discovered basin in North Kenya. The initial wellbore at Twiga-2 was drilled near the basin bounding fault and encountered some 18 meters of net oil pay within alluvial fan facies, with limited reservoir quality. A decision was made to sidetrack the well away from the fault to explore north of Twiga-1 and some 62 meters of vertical net oil pay has been discovered in the Auwerwer formation, similar in quality to the initial Twiga-1 discovery.

Also in June 2014, the Company drilled the Agete-2 exploratory appraisal well drilled some 2.2 kilometers southeast of Agete-1. The well intersected water bearing reservoirs at this down-dip location and further appraisal drilling was planned.

In August 2014, the Company announced the results of the Etom-1 exploration well located in Block 13T (Kenya), 7 kilometers north of the Agete oil discovery on the Basin Bounding Fault Play. The well encountered between 5 and 20 meters of potential net oil pay sands based on wireline logs in the Auwerwer and Upper Lokhone Formations. Oil was recovered in MDT sample chambers, which appears to be of similar quality as the other discoveries in the basin. There is an additional 400 meters of porous sands in the Auwerwer and Lokhone Formations, which also confirms the extension of thick reservoir sections into the northern portion of the basin. Oil and gas shows were noted throughout drilling of the well confirming the extension of the petroleum system to the northern portion of the discovered basin in Northern Kenya. Based on these positive results, the original 3D seismic survey was extended to cover the northern portion of this basin where several additional large prospects have been identified by 2D seismic. The well has been suspended for future drill stem testing.

Also in October 2014, the Company announced the results of four flow tests on the Twiga-2A well in Block 13T, achieving production rates between 150 and 3,270 bopd under natural flow with no depletion, the highest oil production rate seen to date in Kenya. With optimised equipment the maximum flow potential from the best zone could have increased to around 10,000 bopd demonstrating excellent reservoir deliverability. Due to these positive test results, further appraisal wells are being considered at Twiga.

In January 2015, the Company also announced that the acquisition of the large 951 square kilometer 3D seismic survey over the series of significant discoveries along the western basin bounding fault in the South Lokichar Basin was completed and the full fast track processed data set will be available in the near term. Initial evaluation of the 3D seismic indicates significantly improved structural and stratigraphic definition and additional prospectivity not evident on the 2D seismic. In addition, the partnership has acquired over 1,100 meters of whole core from the South Lokichar wells and an extensive program of detailed core analysis is ongoing that will provide results from the first quarter of 2015 onwards. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands.

In April 2015, the Company announced final drilling results on the Ekales-2 appraisal well which reached a total depth of 4,059 meters and encountered an estimated 60-100 meters of net oil pay in the primary shallower objectives. This highly deviated well was also deepened to test the basin centre stratigraphic play where it intersected sandstones with elevated pressures and 50 meters of oil bearing sands, however operating conditions precluded logging and confirmation of any oil pay in this section. This was the first test of this exploration target.

### ***Block 10BA***

The Company and its operating partner on Block 10BA, Tullow, have completed a 1,450 kilometer 2D seismic program, split evenly between onshore and offshore, half of which was acquired in 2013. The plan is to acquire an additional 200 kilometers of onshore 2D seismic in the North Lokichar Basin that extends into the Block.

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

### ***Block 12A***

The Company and its partners on Block 12A have completed a 548 kilometer 2D seismic acquisition program in 2013, and committed to an additional 120 kilometer infill program that was completed in February 2014. The 2D seismic program is mainly focused in the Kerio Valley in the southwestern portion of the block.

### ***Block 10A***

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 but attempts to sample the reservoir fluid were unsuccessful. The license has subsequently been relinquished as the Tullow-Africa Oil partnership focuses its activities on the main Tertiary Rift Play across Kenya and Ethiopia.

### ***Block 9***

Block 9 is in the Cretaceous rift basin on trend with the South Sudan oil fields. In December 2013, the Company announced that it had drilled the Bahasi-1 well to a depth of 2,900 meters, encountering basement at 2,850 meters. The well encountered a thick section of Tertiary and Cretaceous inter-bedded sands and shales, but with only minor hydrocarbon shows. The Bahasi-1 well satisfied the remaining work commitment in the first additional exploration period under the Block 9 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 per cent of the block area and the commitment to an exploration well, which will be satisfied by the drilling of Sala-1.

In June 2014, the Company announced the Sala-1 well had resulted in a gas discovery in Block 9 onshore Kenya. The Sala-1 drilled a large 80 square kilometer anticlinal feature along the northern basin bounding fault in the Cretaceous Anza graben and encountered several sandstone intervals which had oil and gas shows. The well was drilled to a total depth of 3030 meters and petrophysical analysis indicated three zones of interest over a 1000 meter gross interval which were subsequently drilled and tested. An upper gas bearing interval tested dry gas at a maximum rate of 6 mmcf/d from a 25 meter net pay interval. The interval had net reservoir sand of over 125 meters and encountered a gas water contact so there is potential to drill up-dip on the structure where this entire interval will be above the gas-water contact. A lower interval tested at low rates of dry gas from a 50 meters potential net pay interval which can also be accessed at the up-dip location. It should also be noted that there were oil shows while drilling and small amounts of oil were recovered during drilling and testing which indicates there may be potential for oil down-dip on the structure.

In October 2014, the Company announced the Sala-2 appraisal well failed to find significant hydrocarbons updip from the Sala-1 gas discovery. There appears to be a stratigraphic or structural separation between the two wells. The Company is reviewing additional potential appraisal targets as well as on trend prospects in the block which has proven oil and gas generation.

## **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 seven significant oil discoveries in Northern Kenya. In January 2013, the Company and its partners on the South Omo Block spudded the Sabisa-1 well which is located in the North Turkana Basin. The Sabisa-1 well was drilled to a preliminary total depth of 1,810 meters. Hydrocarbon indications in sands beneath a thick claystone top seal were 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 the Sabisa well, the Company decided to drill the nearby Tultule prospect, which was drilled to a total depth of 2,101 meters. The Tultule-1 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-1 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 indicate a potential hydrocarbon source. The results of these two wells will be analyzed to determine the future exploration program direction in the North Turkana Basin.

During 2013, the Company and its partners completed a 1,174 kilometer 2D seismic program in the Chew Bahir Basin on the eastern portion of the South Omo Block, which identified a number of prospects and leads. The Company drilled two exploration wells in the Chew Bahir Basin, located to the east of the South Omo Block, in 2014. In May 2014, the Company released the results of the first of these wells, Shimela-1, which reached a final depth of 1,940 meters and encountered water bearing reservoirs. Shimela-1 was drilled to test a prospect in a north-western sub-basin of the vast Chew Bahir basin. The frontier wildcat well encountered lacustrine and

volcanic rocks including almost 100 meters of net sandstone reservoir within siltstones and claystones. Trace thermogenic gas shows were recorded at 1,900 meters.

In July 2014, the Company reported that the Gardim-1 exploration well, drilled on the eastern flank of the Chew Bahir Basin in the South Omo license, onshore Ethiopia, has reached a total depth of 2,468 meters in basement, without encountering commercial oil. The well intersected lacustrine and volcanic formations, similar to those found in the Shimela-1 well on the north-western flank of the basin. Minor intervals with thermogenic gas shows were intersected just above basement. The well was plugged and abandoned and drilling operations demobilised whilst drilling results are integrated into the regional basin model.

### ***Rift Basin Area***

In the first quarter of 2013, the Company executed a PSC for the Rift Basin Area in Ethiopia. Located north of the South Omo Block, the Rift Basin Area covers 42,519 square kilometers. This block is on trend with highly prospective blocks in the Tertiary rift valley including the South Omo Block in Ethiopia, and Kenyan Blocks 10BA, 10BB, 13T and 12A. The Company completed the acquisition of a 36,500 line kilometer Full Tensor Gradiometry (“FTG”) survey in October 2013. The Company has completed an exhaustive environmental and social impact assessment over the block in preparation for a 2D seismic program which commenced in the first quarter of 2015.

### ***Ogaden Blocks 7/8***

The Company and its partners were primarily focused on the El Kuran oil accumulation on Block 8, discovered in the early 1970’s. After completing reservoir characterization studies, the Company and its partners focused efforts on testing and completion strategies for producing commercial quantities of oil and gas. The Company and its partners have recently completed the drilling of the El Kuran-3 appraisal well, which encountered a significant but tight gas-condensate zone in Jurassic Hammanlei carbonates. The Company has informed the Ethiopian Government and its partners that it intends to withdraw from Blocks 7 and 8. Although the El Kuran-3 well did demonstrate some oil and gas potential, the Company does not feel it is warranted to continue efforts at this time due to concerns over reservoir quality and commerciality.

### ***Adigala Block***

As part of work obligations for the second exploration period which expired July 2013, the Company and its partner incorporated newly acquired FTG data with seismic data to improve the subsurface interpretation of the block. The Company and its partner also integrated results of recent surface geological studies and reprocessed data acquired in 2009 with the goal of improving the data quality. The parties to the block agreed to enter the final exploration period under the PSC, which expires in July 2015 and carries a 500 kilometer 2D seismic work commitment. The Company has notified its Joint Venture Partners of its decision to withdraw from its 10 per cent working interest in the Adigala Block (Ethiopia).

## **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 Africa Energy, 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.

The Company has informed the Government of Puntland (Somalia) that the Company will be downsizing its office in Bosaso, Puntland and will refrain from any operational activity and associated expenditures until the political

situation improves in Somalia. Given the considerable efforts taken by the Company to date in Puntland (Somalia), the Company has requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges to be resolved. The Company has elected during the fourth quarter of 2014 to record a non-cash impairment charge related to its assets in Puntland. As at September 30, 2014 intangible exploration assets related to these properties amounted to USD 91 million.

## OVERVIEW OF RESOURCES

On September 16, 2014 the Company announced details of an updated independent assessment of the Company's contingent resources for the discovered basin in Northern Kenya in Blocks 10BB and 13T. The effective date of this assessment was July 31, 2014, and it was carried out in accordance with the standards established by the Canadian Securities Administrators in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. Please refer to the Company's press release dated September 16, 2014 for details of the contingent resources by field. The news release is incorporated by reference herein, please see Section "Documents incorporated by reference" below.

It should be noted that these estimates do not include an estimate of the Company prospective resources for properties where oil and gas discoveries have not yet occurred.

<b>Summary of South Lokichar Basin 2C Oil Contingent Resources as of July 31, 2014</b>			
<b>Field</b>	<b>GROSS 2C Estimate Millions of barrels ("mmbo")</b>	<b>AOC Working Interest (%)</b>	<b>NET 2C Estimate (mmbo)</b>
Ngamia	340	50%	170
Ekales	20	50%	10
Twiga	62	50%	31
Agete	57	50%	28
Etuko	16	50%	8
Amosing	118	50%	59
Ewoi	3	50%	2
<b>TOTAL</b>	<b>616</b>	<b>50%</b>	<b>308</b>

Notes:

1. "Gross Contingent Resources" are 100 per cent of the volumes estimated to be recoverable from the field in the event that it is developed.
2. Net Contingent Resources in this table are AOC's Working Interest fraction of the Gross Field Contingent Resources; they do not represent AOC's actual Net Entitlement under the terms of the PSC that governs the asset, which would be lower.
3. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the field may not be developed in the form envisaged or may not be developed at all (i.e. no "Chance of Development" factor has been applied).

### **Significant factors or uncertainties relevant to properties with no attributed reserves**

As at July 31, 2014 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) (Blocks 10BB and 13T). The key contingencies associated with the Lokichar Basin discoveries are as follows:

- Further data acquisition and analysis, including updated seismic mapping and depth conversion, to better characterise the reservoir extent and reduce sub-surface uncertainties in order to mature the sub-surface development plans;

- Definition of field development plans and infrastructure requirements; and
- 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 allow a more precise assessment of the volume of recoverable hydrocarbons. However, further appraisal drilling and well testing is required to reduce the uncertainty in the areal extent of the reservoir pay zones.

### **Reservoir Characterisation**

The Auwerwer and Lokhone Formations have been penetrated by the wells, drilled by AOC and its co-venturers. However, borehole stability remains an issue, 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 the average and total thickness of the reservoir pay zones and reservoir quality (porosity, net-to-gross and hydrocarbon saturation).

### **Maturation of Subsurface Development Plans**

Oil from the Lokichar Basin wells is a waxy crude (24 per cent to >35 per cent wax), with a wax appearance temperature in the region of 48°C to 84°C and a pour point of 39°C to 51°C. 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 optimise development, additional data and evaluation are required including further production and inter-well interference testing, water injection trials, additional fluid and special core analyses, and further G&G studies.

### **Field Development Plan and Infrastructure Requirements**

The issues outlined above must be addressed to reduce the large uncertainty currently associated with the discoveries before field development plans can be finalised and submitted for approval.

Kenya has limited oil infrastructure 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 850 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.

### **Government Approval and Project Sanction**

All of the Kenyan discoveries are located within Exploration Contracts. The Government of Kenya has extended these Exploration Contracts to allow further exploration and appraisal. Conversion of these permits to production permits has yet to be agreed.

Regulatory support and approval will be required for the commercialisation of the company's Kenyan Contingent Resources to proceed. In accordance with the Company's 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 government.

Given the possible large scale of future development projects in Kenya 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.

## OTHER INFORMATION ABOUT AFRICA OIL

### Business concept and strategy

Africa Oil is a Canadian-based oil and gas company. The Company is engaged in the exploration, acquisition and development of oil and natural gas interests in the East Africa Rift Basin, spanning Ethiopia, Kenya and Puntland (Somalia). Africa Oil's main focus is large, conventional oil and gas projects.

### History of the Company

Africa Oil Corp. was incorporated under the BCBCA on March 29, 1993 under the name "Canmex Minerals Corporation". On August 20, 2007 the Company changed its name to "Africa Oil Corp."

### OPERATIONAL BACKGROUND

Prior to December 31, 2005, Africa Oil's principal business activities were the acquisition, exploration and development of mineral properties in Mexico. The Company has relinquished its interests in all of its Mexican mineral properties.

In early 2007, Africa Oil acquired interests in two concessions located in the semi-autonomous state of Puntland, Somalia. The Company entered into Production Sharing Contracts and joint venture agreements to acquire an 80 per cent working interest in licenses in each of the Nugaal and Dharoor Valleys. Africa Oil acquired its interest in the licenses from Range Resources Ltd. ("**Range**"), a public company listed on the Australian Stock Exchange. As consideration for its working interest, the Company paid Range USD 5 million and assumed the obligation to solely fund USD 22.75 million of joint venture costs on each of the blocks (USD 45.5 million in total for both blocks) during the exploration period.

During April, 2007, Africa Oil completed a private placement of four million Shares offered at a price of CAD 5 per Share, providing the Company with CAD 20 million in gross proceeds. The net proceeds were utilized on the Puntland (Somalia) exploration program and for general working capital purposes.

Exploration activities during 2007 focused on seismic reprocessing and integration of all geophysical and geological data related to the Nugaal Block in Puntland (Somalia). In addition, the Company mapped several drilling prospects on both the Nugaal and Dharoor Blocks. Plans were developed to commence both a Puntland seismic acquisition and drilling program in 2008.

During April 2008, Africa Oil announced that as a result of the deterioration of the security situation in parts of Somalia the implementation of the Nugaal drill program would be delayed. Operations in the Dharoor Valley remained unaffected.

During July 2008 the Company commenced seismic activities in the Dharoor Valley with the intent to acquire 2D seismic vibrosis data to complement the existing 4,000 kilometers of 2D seismic data obtained on the Nugaal Valley.

During September 2008, Africa Oil entered into two short-term loan agreements with a shareholder of the Company in the aggregate amount of CAD 6 million which was provided to Africa Oil at an interest rate of prime plus 2 per cent. For provision of the loans to Africa Oil, the lender received an aggregate of 295,631 Shares of the Company as bonus shares.

During December 2008, the Company completed the 2D seismic survey in the Dharoor Valley of Puntland (Somalia). A total of 782 kilometers of good quality seismic vibroseis data, comprised of a grid of 15 lines, were recorded during the survey. The intent for the data was to combine it with existing 555 kilometers of seismic data to further interpret and generate exploratory drill targets for the Dharoor Valley.

On April 29, 2009, Africa Oil completed the acquisition (the “**Lundin Acquisition**”), pursuant to an agreement (the “**Share Purchase Agreement**”) with Lundin Petroleum B.V. (“**LPBV**”), of a portfolio of East African exploration oil projects in Ethiopia and Kenya held by Lundin Petroleum AB under various PSCs. Under the terms of the Share Purchase Agreement Africa Oil, through its wholly owned subsidiary, Africa Oil Holdings Cooperatief U.A., acquired the Lundin Petroleum AB subsidiaries, Lundin East Africa B.V. and Lundin Kenya B.V. The Ethiopian interests acquired included an 85 per cent working interest in Blocks 2, 6, 7 and 8 in the Ogaden Basin, and a 50 per cent working interest in the Adigala Block. The Kenyan interests acquired included a 100 per cent interest in Block 10A and a 30 per cent interest in Block 9. Africa Oil became the operator of all of these projects, excluding Block 9 in Kenya.

Pursuant to the Share Purchase Agreement, Africa Oil paid LPBV approximately USD 23.7 million for both entities. The payment was funded through a convertible loan (the “**Convertible Loan**”) from Lundin Services BV, a wholly owned subsidiary of Lundin Petroleum AB, bearing interest at the rate of USD LIBOR, plus 3 per cent, calculated semi-annually. 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 BV, into Shares of Africa Oil, issuable at a deemed price of CAD 0.90 per share.

Subsequent to the completion of the Lundin Acquisition, Lundin East Africa B.V. and Lundin Kenya B.V., underwent name changes; specifically, Lundin East Africa B.V. was renamed Africa Oil Ethiopia B.V., and Lundin Kenya B.V. was renamed Africa Oil Kenya B.V. Also during April 2009, the Company completed a non-brokered, private placement of 37,421,018 subscription receipts of the Company offered at a price of CAD 0.95 per subscription receipt for gross proceeds of CAD 35.5 million. Each subscription receipt entitled the holder to receive one unit of the Company. One unit comprised one Share plus one share purchase warrant exercisable at CAD 1.50 per Share for a period of three years, subject to a forced exercise provision whereby, if Africa Oil traded at or above CAD 2.00 per Share for a period of 20 consecutive days, the warrant holder may be required to exercise the warrant or elect expiry. The proceeds of the private placement were utilized in the Company’s East African exploration programs and to fund ongoing working capital requirements.

In May 2009, Africa Oil entered into the East African Exploration Limited (“**EAX**”) farmout agreement (the “**EAX Farmout Agreement**”) with Black Marlin Energy Limited’s subsidiary, EAX. Pursuant to the EAX Farmout Agreement, the Company agreed to transfer to EAX an interest in the PSCs for Blocks 2, 6, 7 and 8, located in Ethiopia, and in the PSC for Block 10A, located in Kenya.

Under the terms of the EAX Farmout Agreement, EAX agreed to pay a disproportionate share of costs associated with planned 2D seismic programs to be carried out in 2009 through 2010 as well as paying a portion of Africa Oil’s past costs and future operational costs, and Africa Oil agreed to transfer the following interests (the “**EAX Assigned Interests**”) to EAX upon satisfaction of certain closing conditions, including receipt of Ministerial Approval in both Ethiopia and Kenya:

- transfer of a 30 per cent license interest in the Blocks 2&6 PSA;
- transfer of a 30 per cent license interest in the Blocks 7&8 PSA; and
- transfer of a 20 per cent license interest in the Block 10A PSC.

Also during May 2009, Africa Oil entered into a shares-for-debt arrangement in respect of loans provided to the Company in September 2008 totaling CAD 6 million, plus accrued interest of CAD 195,520. With the approval of the TSX-V, Africa Oil extinguished the loan and promissory note by converting the debt to 6,521,601 units of the Company on the basis of CAD 0.95 per unit, each unit having the same terms as the units that were issuable pursuant to the April 2009 private placement.

In June 2009, the Company entered into an agreement (the “**Arrangement Agreement**”) for the acquisition of all the issued and outstanding shares of Turkana Energy Inc. (“**Turkana**”), a privately held oil and gas exploration company based in Vancouver, British Columbia. The principal asset of Turkana was Block 10BB, a highly prospective exploration block in northwestern Kenya. Under the Arrangement Agreement, completed on July 21, 2009, the Company agreed to issue 7.5 million Shares of Africa Oil to the shareholders of Turkana, exchanged at a ratio of 0.20647 Africa Oil Share for one Turkana share. Existing debt holders of convertible loans of Turkana were offered Shares of Africa Oil in exchange for the extinguishment of debt to a maximum payout of CAD 1 million. The Shares issued under the debt settlement were subsequently issued at a deemed price per Share of CAD 0.90. Turkana held an undivided 100 per cent interest in Block 10BB pursuant to a Production Sharing Contract with the Government of the Republic of Kenya, made in October 25, 2007.

In August 2009, Africa Oil entered into the Lion Energy Farmout Agreement with Lion Energy (formerly Raytec Metals Corp.). Pursuant to the Lion Energy Farmout Agreement the Company agreed to transfer to Lion Energy an interest in the Production Sharing Agreements for the Dharoor Valley Exploration Area and the Nugaal Valley Exploration Area, each located in Puntland (Somalia), and in the Production Sharing Contracts for Block 9, Block 10A and Block 10BB, all located in Kenya.

Under the terms of the Lion Energy Farmout Agreement, Lion Energy agreed to pay a disproportionate share of costs associated with the planned work programs to be carried out in the subject areas throughout 2009 and 2010 and to deposit in escrow, as security for its payment obligations, USD 4 million, and Africa Oil agreed to transfer the following interests (the “**Assigned Interests**”) to Lion Energy upon satisfaction of certain closing conditions, including the receipt of Exchange approval and Ministerial Approval in both Somalia and Kenya:

- transfer of a 15 per cent license interest in the Nugaal and Dharoor Valley PSA;
- transfer of a 10 per cent license interest in the Block 9 PSA;
- transfer of a 25 per cent license interest in the Block 10A PSA; and,
- transfer of a 20 per cent license interest in the Block 10BB PSA.

In September 2009, Africa Oil made changes to its board and management. Mr. Ian Gibbs resigned as a Director in order to be able to take on the position of Chief Financial Officer, following the resignation of Mr. Darren Moulds. Mr. James Phillips, was appointed Vice President of Exploration and Mr. John Craig was appointed a Director.

In early October 2009, the Board of Directors was expanded to include Mr. Bryan Benitz who brings over 40 years of financial markets expertise and investment banking experience to the Company, particularly in oil and gas. Later in October, Mr. Rick Schmitt elected to resign as President and Mr. Keith Hill assumed the role of President, adding to his responsibilities as the Company’s existing Chief Executive Officer.

In November 2009, Africa Oil announced that the Bogal-1 oil exploration well located in Block 9 (Kenya), operated by CNOOC Limited, was spudded on October 28, 2009.

In December 2009, Africa Oil amended the PSCs made in respect of the Dharoor and Nugaal Valley Exploration areas. The amendments reflected the extension of initial exploration periods from 36 to 48 months, with a revised

expiry period of January 17, 2011. In addition, the terms of the exploration programs were amended such that the Company, at its option, could drill one exploratory well in each of the Dharoor and Nugaal Valley Exploration Areas, or two exploratory wells in the Dharoor Valley. In consideration of the extension of the exploration period, Africa Oil agreed to voluntarily relinquish 25 per cent of the original agreement area on or before January 17, 2010 and agreed to pay a USD 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 to make a one-time USD 1,050,000 payment to the Puntland government for development of infrastructure.

In the same month, the Company received the final requisite government approvals from the Republic of Kenya, the Federal Democratic Republic of Ethiopia and the State of Puntland (Somalia) in respect of the previously announced farmouts to Lion and EAX. In January 2010, the Company received the results of an independent resource estimate of its contingent and prospective resources. The estimate was prepared in accordance with NI 51-101, with an effective date of December 1, 2009. The results of the report were disclosed in the Company's January 7, 2010 news release and January 8, 2010 material change report.

In February 2010, the Company entered into the Platform Assignment Agreement pursuant to which the Company acquired Platform's 100 per cent interest in Blocks 12A and 13T in Kenya. The acquisition, which was subject to requisite government and regulatory approvals, was completed on September 9, 2010. At that time, the Company issued 2,500,000 Shares of the Company and 1,500,000 share purchase warrants to Platform in consideration of the acquisition. In August 2010, the Kenyan Government approved the assignment of a 100 per cent interest in Blocks 12A and 13T in Kenya to the Company. The Blocks were assigned to the Company by Platform.

On March 15, 2010 Lion Energy received final approval from the TSX-V in respect of the farmout agreement. This was the only remaining condition required to conclude the transfer of the Assigned Interests to Lion Energy.

On June 14, 2010 the Company entered into the Agriterra Farmout Agreement to acquire an 80 per cent participating interest and operatorship of the South Omo Block in Ethiopia. During August 2010, Africa Oil completed a farmout agreement and joint venture agreement with Agriterra Ltd. (formerly White Nile Ltd.).

In July 2010 the Company completed a non-brokered, private placement of 25,000,000 Shares at a price of CAD 1.00 per Share for gross proceeds of CAD 25 million. The securities were distributed on July 19, 2010, as to 21,394,990 Shares, and on July 26, 2010, as to 3,605,010 Shares. The proceeds of the private placement were utilized to fund the Company's exploration programs and for ongoing working capital requirements. A finder's fee of 5 per cent payable in cash and Shares (416,666 Shares) was paid on a portion of the placement,

On August 12, 2010 the Company entered into the Red Emperor Farmout Agreement pursuant to which Red Emperor could earn up to a 20 per cent participating interest in the Dharoor and Nugaal Valley Blocks in Puntland (Somalia), subject to certain conditions precedent, including ministerial approval. A finder's fee in the amount of up to CAD 250,000, 50 per cent of which was payable in Shares of the Company, was paid to Komodo Capital in connection with the Red Emperor Farmout Agreement (see "*Overview of Farmout and Joint Venture Agreements – Red Emperor Farmout*" for further details).

On September 1, 2010 the Company entered into the Tullow Farmout Agreement pursuant to which Tullow acquired a 50 per cent interest in, and operatorship of, Blocks 10BB and 10A in Kenya and of the South Omo Block in Ethiopia. Additionally, Tullow was granted, and subsequently exercised, an option to acquire 50 per cent of the Company's interest in, and operatorship of, Blocks 12A and 13T, Kenya (see "*Overview of Farmout and Joint Venture Agreements – Tullow Farmout Agreements*" for further details). To facilitate the Tullow Farmout Agreements, Africa Oil amended the Lion Energy Farmout Agreement to reduce Lion Energy's interest in Block 10BB

to 10 per cent (originally 20 per cent) and to relinquish its interest in Block 10A (originally 25 per cent)(see *“Overview of Farmout and Joint Venture Agreements – Lion Energy Farmout and Lion Energy Farmout Amendment”* for further details).

The Shares of the Company commenced trading on the First North list of the NASDAQ OMX Stock Exchange in Sweden, on September 30, 2010. The Company engaged Pareto Securities AB (formerly E. Öhman J:or Fondkommission AB) as its financial advisor in connection with the listing and as its certified advisor.

On November 22, 2010 the Company elected to exercise its rights to accelerate the expiry date of certain of its outstanding warrants. As a result, 99.5 per cent of the Company’s share purchase warrants that were issued pursuant to a private placement in April 2009 were exercised, providing gross proceeds to the Company of approximately CAD 55.8 million.

On November 29, 2010 the Company entered into the Centric Arrangement Agreement to effect a business combination of the two companies pursuant to a plan of arrangement. Under the terms of the Centric Arrangement Agreement, the Company acquired all of the issued and outstanding shares of Centric in consideration for 0.3077 Africa Oil Shares and CAD 0.0001 for each common share of Centric.

On December 9, 2010 the Company signed an agreement with the Government of Ethiopia to jointly study the Rift Valley Block. The Joint Study Agreement has an 18 month term, following which the Company will have the exclusive right to enter into negotiations for a production sharing agreement for all or part of the Rift Valley Block (see *“Overview of Farmout and Joint Venture Agreements – Study Block”* for further details). The Company also closed the Ethiopian (South Omo) portion of the Tullow Farmout Agreement on December 9 and entered into the 12A/13T Farmout Agreement (see *“Overview of Farmout and Joint Venture Agreements – Tullow Farmout Agreements”* for further details).

Effective December 31, 2010, Africa Oil and its joint venture partner, Lion Energy, entered into the First Additional Exploration Phase under the Block 9 PSC in Kenya. As a result of the withdrawal of its two other joint venture partners, Africa Oil held a 66.7 per cent working interest in the PSC (Lion Energy held the remaining 33.3 per cent) and was approved by the government as Operator of Block 9 (see *“Production Sharing Contracts Overview – Block 9, Kenya”* for further details).

During 2010, the Company completed the recording and processing of 610 kilometers of 2D seismic on Block 10BB, Kenya, and also re-processed all available vintage seismic data sharpening the imaging and the amplitude response for use in detecting direct hydrocarbon indicators on the Block. A surface geological survey was also completed on Block 10BB during the third quarter of 2010 and modules were analyzed in order to detect oil and gas seepage from identified prospects and leads on the Block. Environmental impact assessments were completed on Block 10BB over four potential drill sites and Government permits have been issued. In Block 10A, Kenya, the Company reprocessed all available vintage seismic data with the objective of improving imaging of the data acquired in the 1980s. The Company commenced recording approximately 850 kilometers (gross) of 2D seismic which it expects to be completed by the end of March 2011. New play concepts are being developed for Block 10A based on the reprocessed data in combination with the vintage data. In Block 9, Kenya, the CNOOC-operated Bogal-1 exploration well, which was spud on October 28, 2009, reached a total depth of 5,085 meters. Preliminary testing on two potential gas pay zones was completed with only minimal flow of gas from each zone. Analysis of the test results indicated that neither test was in communication with the extensive fracture network proven by the abundant fluid losses during drilling and the Formation Micro Imaging log. The well was subsequently plugged pending further analysis of the test results to determine the feasibility of an additional testing program. During 2010, the acquisition of 782 kilometers of good quality 2D seismic was completed in the Dharoor Block of Puntland (Somalia).

The Company combined 555 kilometers of previously acquired data into the seismic database which continues to be evaluated to determine exploration well locations. Exploration activities in Puntland were focused on drilling the first exploration well in Somalia in over 20 years. On the Ogaden Blocks (Blocks 7 and 8), the Company completed its seismic acquisition program acquiring 500 kilometers of 2D seismic. The new data has been integrated with existing seismic to generate a series of new prospect maps. The Company continued to focus efforts on the El Kuran prospect in the Block 7/8 license.

## RECENT MILESTONES

### 2011

#### Significant transactions

- 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 *“Overview of Production Sharing Contracts”* 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”* 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 USD 2.5 million and issued to Lion Energy a total of 2,500,000 Shares of the Company (see *“Overview of Farmout and Joint Venture Agreements”* 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 USD 1,686,432 (see *“Overview of Farmout and Joint Venture 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 per cent working interest in Block 10BA in Kenya and a 25 per cent interest in two exploration licenses (Blocks 7 and 11) in the Republic of Mali. The Company issued 30,155,524 Shares to the shareholders of Centric (based on an exchange ratio of 0.3077 Africa Oil Share and USD 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 Shares in respect of the conversion by Lundin Services of a portion of the loan amount, being USD 12,957,840. On April 11, 2011, the Company and Lundin Services agreed to convert the remaining USD 10.8 million of the convertible loan plus USD 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”* 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.
- 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 15,627 square kilometers (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 USD 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 per cent 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" (now Africa Energy Corp.). Africa Energy 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 USD 41.3 million. The subscription receipts were converted into common shares and warrants of Africa Energy on September 20, 2011. The Company acquired 11,111,111 post-consolidated shares and 11,111,111 post-consolidation share purchase warrants in the Africa Energy private placement. In connection with the private placement, Africa Energy paid a finder's fee consisting of the issuance of an aggregate of 812,517 common shares and the payment of USD 0.9 million in cash. Subsequent to the Africa Energy transaction, the Company owned 51.4 per cent of the outstanding shares of Africa Energy.

#### Operational activity

- 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, interpreted 610 kilometers 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 kilometers of 2D seismic data. The Company and its partner identified several prospects and leads and further augmented the seismic data set with an 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 kilometers 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 kilometers 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 kilometers 2D seismic program.
- In Block 9, Kenya, the Company as operator acquired 750 kilometers 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 kilometers 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 and 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 and its partners paid USD 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 Africa Energy, pursued an aggressive exploration program that was focused on interpreting 782 kilometers 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.

## 2012

### Significant transactions

- 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 “*Overview of Production Sharing Contracts*” 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 Shares of the Company for proceeds of USD 9.8 million.
- In June of 2012, the Company’s subsidiary, Africa Energy 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 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 USD 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 USD 3.5 million.
- During the third quarter of 2012, the Company issued a total 420,000 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 USD 0.8 million in consideration of past exploration expenditures, including the interim period prior to closing, to acquire an additional 15 per cent interest in Block 12A in Kenya. Tullow also agreed to fund 15 per cent of the Company’s working interest share of expenditures related to the acquisition of 520 Kilometers of 2D seismic until an expenditure cap of USD 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 per cent 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 per cent interest in Block 9 and a 15 per cent interest in Block 12A, both in Kenya. In accordance with the farmout agreement, Marathon paid the Company USD 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 USD 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 per cent interest in the Company's Blocks 7 and 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 USD 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 Shares of the Company at a price of CAD 7.75 per Share for gross proceeds of CAD 232.5 million. The 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 were subject to a hold period that expired on April 14, 2013. A 4 per cent finder's fee was paid on a portion of the private placement.

#### Operational activity

- 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 subsidiary Africa Energy, 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.

## 2013

### Significant transactions

- 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 USD 5.0 million.
- During October 2013, the Company completed a brokered private placement issuing an aggregate of 56,505,217 Shares at a price of SEK 51.75 per Share for net proceeds of USD 440 million. The 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 per cent of the gross proceeds was paid to the Joint Bookrunners.

### Operational activity

- 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 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 July 31, 2013 and it was carried out in accordance with the standards

established by the NI 51-101. 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.
- 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.
- 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 Tutule 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.

## 2014

### Significant transactions

- On May 6, 2014 the Shares commenced trading on the TSX.
- On July 1, 2014 the Shares commenced trading on Nasdaq Stockholm.

### Operational activity

- 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, 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. After completing reservoir characterization studies, the Company and its partners focused efforts on testing and completion strategies for producing commercial quantities of oil and gas. The well encountered a significant but tight gas-condensate zone in

Jurassic Hammanlei carbonates. The well was suspended pending a decision on conducting a fracture stimulation, which will be required to assess the long-term productivity of the formation.

- Also in March, the Company completed a farmout transaction with Marathon whereby Marathon acquired a 50 per cent interest in Rift Basin Area leaving Africa Oil with 50 per cent working. In accordance with the farmout agreement, Marathon is obligated to pay the Company USD 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 USD 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 per cent interest in the Company's Adigala Block leaving Africa Oil with 10 per cent working interest. In accordance with the farmout agreement, New Age is obligated to fund 10 per cent 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 USD 10.0 million on a gross basis, following which the Company would be responsible for its working interest share of expenditures.
- In May, the Company released the results of the Shimela-1 well in the Chew Bahir Basin of the South Omo Block. The well which reached a final depth of 1,940 meters and encountered water bearing reservoirs. Shimela-1 was drilled to test a prospect in a north-western sub-basin of the vast Chew Bahir basin. The frontier wildcat well encountered lacustrine and volcanic rocks including almost 100 meters of net sandstone reservoir within siltstones and claystones. Trace thermogenic gas shows were recorded at 1,900 meters.
- Also in May, the Company drilled a new prospect in the discovered basin in Northern Kenya, the Ekunyuk-1 well, located on the Basin Flank Play on trend with the Etuko and Ewoi discoveries. The well encountered 5 meters of net oil pay and found 150 meters of good quality Lokhone sands, although there was a lack of trap at this level within the well. The quality of Lokhone sands indicates that there is further exploration potential in this area of the basin.
- Also in May, the Company announced the results of the Twiga-2 appraisal well where the initial wellbore was drilled near the basin bounding fault and encountered some 18 meters of net oil pay within alluvial fan facies, with limited reservoir quality. A decision was made to sidetrack the well away from the fault to explore north of Twiga-1 and some 62 meters of vertical net oil pay was discovered in the Auwerwer formation at Twiga-2A, similar in quality to the initial Twiga-1 discovery. Four flow tests were completed on the Twiga-2A well, achieving production rates between 150 and 3,270 bopd under natural flow with no depletion, the highest oil production rate seen to date in Kenya. With optimized equipment, the maximum flow potential from the best zone could have increased to around 10,000 bopd demonstrating excellent reservoir deliverability.
- In June, the Company announced that Agete-1 well test results confirmed the Auwerwer pay previously released with a tested flow rate of 500 bopd.
- Also in June, the Company announced the results of the Ngamia-2 well which was drilled 1.7 kilometers from the Ngamia-1 discovery well to test the northwest flank of the prospect. The well encountered up to 39 meters of net oil pay and 11 meters of net gas pay and appears to have identified a new fault block trap

north of the main Ngamia accumulation. The reservoirs were high quality with more than 200 meters of net reservoir sands with good permeability inferred from MDT sampling.

- Also in June, the Company announced the Sala-1 well had resulted in a gas discovery in Block 9 onshore Kenya. The Sala-1 drilled a large 80 square kilometer anticlinal feature along the northern basin bounding fault in the Cretaceous Anza graben and encountered several sandstone intervals which had oil and gas shows. The well was drilled to a total depth of 3030 meters and petrophysical analysis indicated three zones of interest over a 1000 meter gross interval which were subsequently drill stem tested. An upper gas bearing interval tested dry gas at a maximum rate of 6 mmcf/d from a 25 meter net pay interval. The interval had net reservoir sand of over 125 meters and encountered a gas water contact so there is potential to drill up-dip on the structure where this entire interval will be above the gas-water contact. A lower interval tested at low rates of dry gas from a 50 meter potential net pay interval which can also be accessed at the up-dip location. It should also be noted that there were oil shows while drilling and small amounts of oil were recovered during drilling and testing which indicates there may be potential for oil down-dip on the structure.
- Also in June, the Company drilled the Agete-2 exploratory appraisal well drilled some 2.2 kilometers southeast of Agete-1 in Block 13T. The well intersected water bearing reservoirs at this down-dip location and further appraisal drilling was planned.
- In July, the Company reported that the Gardim-1 exploration well, drilled on the eastern flank of the Chew Bahir Basin in the South Omo licence, onshore Ethiopia, has reached a total depth of 2,468 meters in basement, without encountering commercial oil. The well intersected lacustrine and volcanic formations, similar to those found in the Shimela-1 well on the north-western flank of the basin. Minor intervals with thermogenic gas shows were intersected just above basement. The well was plugged and abandoned and drilling operations demobilised whilst drilling results are integrated into the regional basin model.
- In August, the Company announced that it has informed the Ethiopian Government and its partners that it intends to withdraw from Blocks 7 and 8. Although the El Kuran-3 well did demonstrate some oil and gas potential, the Company does not feel it is warranted to continue efforts at this time due to concerns over reservoir quality and commerciality.
- Also in August, the Company announced the results of the Etom-1 exploration well located in Block 13T (Kenya), 7 kilometers north of the Agete oil discovery on the Basin Bounding Fault Play. The well encountered between 5 and 20 meters of potential net oil pay sands based on wireline logs in the Auwerwer and Upper Lokhone Formations. Oil was recovered in MDT sample chambers, which appears to be of similar quality as the other discoveries in the basin. There is an additional 400 meters of porous sands in the Auwerwer and Lokhone Formations, which also confirms the extension of thick reservoir sections into the northern portion of the basin. Oil and gas shows were noted throughout drilling of the well confirming the extension of the petroleum system to the northern portion of the discovered basin in Northern Kenya. Based on these positive results, the original 3D seismic survey was extended to cover the northern portion of this basin where several additional large prospects have been identified by 2D seismic. The well has been suspended for future drill stem testing.
- Also August 2014, the Company announced that the drilling of the Ngamia-3 and Amosing 2/2A appraisal wells also in the Lokichar Basin on Block 10BB (Kenya) had been completed. The results of these wells

appeared to confirm the thickness and lateral extent of the Auwerwer sands at both locations and also has extended the known oil column significantly downdip which will extend the proven field areas. The range of thickness of Auwerwer reservoir quality sands in all six penetrations of these two structures is between 146 and 220 meters and the sands appear consistent over the field areas. Net pay was encountered over multiple reservoir zones over a gross interval ranging from 500 to 1500 meters. Pressure data seems to indicate that there could be pressure communication between many of these reservoirs. The upcoming extended well test programs on both of these fields will be designed to evaluate reservoir connectivity and help constrain estimates of flow rates and recovery factors for field development planning which are expected to commence early in 2015.

- Also in August, the Company announced that well testing had been completed on the previously announced Ewoi discovery on the eastern flank of the Lokichar Basin in Block 10BB (Kenya). The main zone of interest tested approximately 50 barrels of oil per day from the lower Lokhone sands which were relatively thin and of moderate reservoir quality. Data from the well may suggest that the wellbore may have been located in a downdip position and the Company is considering updip appraisal opportunities on this structure.
- In October, the Company announced the results of the Kodos-1 exploration well in Block 10BB. The well was drilled to a total depth of 2500 meters and encountered hydrocarbon shows which indicates the presence of an active petroleum system. This was the first well drilled in the Kerio Basin, northeast of the successful South Lokichar Basin, and it appears to have been drilled in an area of unfavourable reservoir development, near the basin bounding fault.
- Also in October, the Company announced the results of the Ekosowan-1 well drilled in Block 10BB. The well is the most southerly well drilled to date in the South Lokichar Basin, 12 km south east and up-dip of the previous Amosing-1 oil discovery. The well had a 900 meter column of near continuous oil shows throughout an interval of tight sands which also appear to be a result of drilling too close to the basin bounding fault. A downdip appraisal well between the Amosing field and this potential updip sealing location is also being considered.
- Also in October, the Company announced the results of the Ngamia-4 appraisal well which was drilled 1.1 km west of the Ngamia-1 discovery well. The well successfully encountered up to 120 meters of hydrocarbon pay, of which up to 80 meters was oil. This well has been suspended for use in future appraisal and development activities.
- Also in October, the Company announced the results of four flow tests on the Twiga-2A well in Block 13T, achieving production rates between 150 and 3,270 bopd under natural flow with no depletion, the highest oil production rate seen to date in Kenya. With optimised equipment the maximum flow potential from the best zone could have increased to around 10,000 bopd demonstrating excellent reservoir deliverability. Due to these positive test results, further appraisal wells are being considered at Twiga.
- In October, the Company announced the Sala-2 appraisal well failed to find significant hydrocarbons updip from the Sala-1 gas discovery. There appears to be a stratigraphic or structural separation between the two wells. The Company is reviewing additional potential appraisal targets as well as on trend prospects in the block which has proven oil and gas generation.

- The Company has informed the Government of Puntland (Somalia) that the Company will be downsizing its office in Bosaso, Puntland and will refrain from any operational activity and associated expenditures until the political situation improves in Somalia. Given the considerable efforts taken by the Company to date in Puntland (Somalia), the Company has requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges to be resolved. The Company has elected during the fourth quarter of 2014 to record a non-cash impairment charge related to its assets in Puntland. As at September 30, 2014 intangible exploration assets related to these properties amounted to USD 91 million.
- The Company has notified its Joint Venture Partners of its decision to withdraw from its 10 per cent working interest in the Adigala Block (Ethiopia). Accordingly, the Company has elected during the fourth quarter of 2014 to record a non-cash impairment charge related to costs associated with this Block. As at September 31, 2014 intangible exploration assets related to these properties amounted to USD 6 million.

## 2015

### Significant transactions

- On February 23, 2015, the Company announced that it had sold, on a brokered, private placement basis, an aggregate of approximately 57 million new Shares at a price of SEK 18.5 (CAD 2.74 equivalent), per new share for gross proceeds of SEK 1,055 million, or USD 125 million equivalent.
- In March of 2015, Africa Energy completed a non-brokered private placement issuing an aggregate of 32.5 million shares at a price of CAD 0.13 per share for gross proceeds of CAD 4.2 million. A 5 per cent finder's fee was paid on a portion of the private placement. All securities issued under the private placement are subject to a statutory hold period which expires in July 2015. The Company acquired 9,593,077 of the units issued for USD 1 million and currently owns 40.8 per cent of the outstanding shares of Africa Energy. The Company's investment in Africa Energy changed from a position of control to a position of significant influence due to this reduction in the Company's ownership interest and changes to the composition of Africa Energy's board of directors which also occurred during the first quarter of 2015. The Company's investment in Africa Energy is now recorded as an equity investment for accounting purposes.
- On May 1, 2015, the Company announced that it had entered into an investment agreement with Stampede, an entity owned by a fund advised by Helios, to sell, on a non-brokered private placement basis, 52,623,377 New Shares at a price of CAD 2.31 for gross proceeds of CAD 121,560,000 (USD 100 million). The private placement completed on May 29, 2015 and, as a result, Stampede owns approximately 12.37 per cent of the issued and outstanding Shares of the Company.

### Operational activity

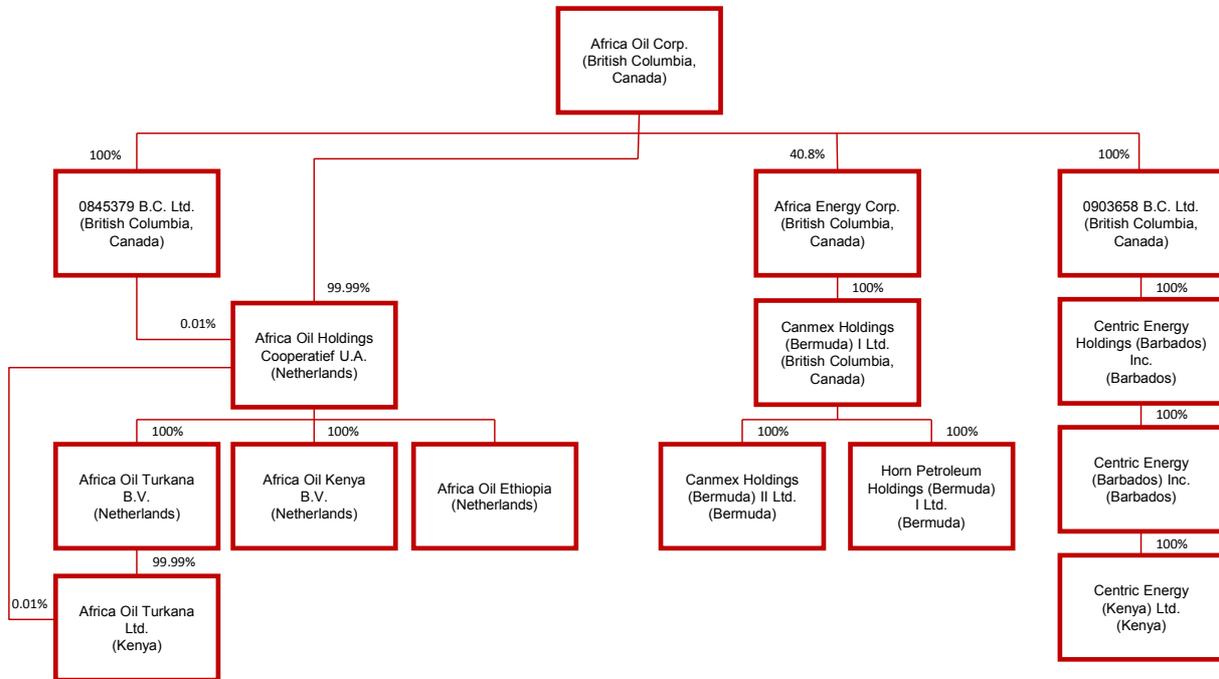
- In January, the Company announced the results of the Epir-1 exploration well which was drilled to a total depth of 3,057 meters in the North Kerio Basin in Kenya Block 10BB. The well encountered a 100 meter interval of wet hydrocarbon gas shows with fluorescence indicating the presence of an active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

- Also in January, the Company announced the completion of drilling the Ngamia-5, Ngamia-6 and Amosing-3 appraisal wells. Ngamia-5 is located 500 meters northeast of the Ngamia-1 discovery well in a different fault compartment and encountered 160 to 200 meters net oil pay, which is amongst the highest of all the wells drilled in the basin to date. Ngamia-6 is located approximately 800 meters north of Ngamia-1 and in the same fault compartment as Ngamia-5 and encountered up to 135 meters net oil pay. Both wells have been suspended and one or both will be utilized in an EWT that will commence in the second quarter of 2015. Pressure data from the Ngamia-3, 5 and 6 wells demonstrates connectivity between the wells at multiple reservoir horizons, which will be further tested by the EWT. The Amosing-3 appraisal well, located 1 kilometer northwest of the Amosing-1 discovery well was recently completed. The well encountered up to 140 meters of net oil pay and proved an extension of the field. Pressure data from Amosing-3 indicates connectivity in some reservoir horizons encountered in the Amosing-1, 2 & 2A wells.
- Also In January, the Company also announced that the acquisition of the large 951 square kilometer 3D seismic survey over the series of significant discoveries along the western basin bounding fault in the South Lokichar Basin was completed and the full fast track processed data set will be available in the near term. Initial evaluation of the 3D seismic indicates significantly improved structural and stratigraphic definition and additional prospectivity not evident on the 2D seismic. In addition, the partnership has acquired over 1,100 meters of whole core from the South Lokichar wells and an extensive program of detailed core analysis is ongoing that will provide results from the first quarter of 2015 onwards. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands.
- Also in January, the Company announced that a 2D seismic crew has mobilized to the Rift Basin Area Block in Ethiopia and will soon commence the acquisition of a 400 to 800 kilometer land and lake survey. Source rock outcrops and oil slicks on the lakes have been identified in the block where there is no existing seismic or wells.
- In March 2015, the Company announced that it had installed production completions in the Amosing-1 and Amosing-2A wells in preparation for an EWT of the field. The EWT involves production and injection testing to provide dynamic flow characterization of the Amosing field stacked reservoirs. Both wells were completed in five zones with hydraulically controlled selective completions that permit independent tests of completed intervals without well intervention. Initial clean-up testing was completed on both wells with excellent results. The Amosing-1 well flowed at a combined maximum rate of 5,600 bopd from five zones and the Amosing-2A well flowed at a combined maximum rate of 6,000 bopd from four zones, the fifth zone being in the aquifer. Both wells demonstrated high quality reservoir sands and flowed 31 to 380 API dry oil under natural flow. Pressure data during the initial clean-up flows showed connectivity between the two completed wells in the upper three zones with further production testing required to test connectivity in the lower two zones. These findings support the static pressure data which indicated connectivity between the Amosing-1, 2, 2A and 3 wells in multiple zones. The Amosing EWT forward program is to conduct longer-term flow and water injection tests.
- Also in March 2015, the Company announced that it had completed drilling the Ngamia-7 well which is located approximately 1.2 kilometers east of Ngamia-3 and was drilled to test the eastern flank of the Ngamia field. The well encountered up to 132 meters of net oil pay and expanded the proven extent of the field. Static pressure data from the Ngamia-1, 3, 5, 6 and 7 wells supports connectivity between the wells at multiple reservoir horizons, which will be further tested with the planned Ngamia EWT.

- In April 2015, the Company announced the results of the Amosing-4 appraisal well. The Amosing-4 appraisal well was drilled on the flank of the Amosing field and successfully encountered 27 meters of net oil pay in thick upper reservoir zones proving the significant down-dip extent of the field.
- Also in April 2015, the Company announced the results of the Ngamia-8 appraisal well which was drilled and encountered up to 200 meters of net oil pay in line with pre-drill expectations. The well was positioned in the centre of the Ngamia structure and static pressure data indicate the well is in pressure communication with the oil discovered in the neighbouring Ngamia-1A, Ngamia-3, Ngamia-5, Ngamia-6 and Ngamia-7 wells. Ngamia -8 will be completed as part of the Ngamia field EWT planned for mid-2015 which will also include the Ngamia-3 and Ngamia-6 wells.
- Also in April 2015, the Company announced final drilling results on the Ekales-2 appraisal well which reached a total depth of 4,059 meters and encountered an estimated 60-100 meters of net oil pay in the primary shallower objectives. This highly deviated well was also deepened to test the basin centre stratigraphic play where it intersected sandstones with elevated pressures and 50 meters of oil bearing sands, however operating conditions precluded logging and confirmation of any oil pay in this section. This was the first test of this exploration target. Following completion of this well, the Weatherford 804 rig was released.
- Also in March 2015, the Company announced that the Engomo-1 exploration well in Block 10BA was drilled to a total depth of 2,353 meters. The well encountered interbedded siltstones, sandstones and claystones, becoming more tuffaceous and tight until reaching a total depth in basement. No significant oil or gas shows were encountered and the well has been plugged and abandoned. The prevalence of tight facies in the wellbore may be due to the well's close proximity to the basin bounding fault. Engomo was the first well drilled in the very large North Turkana Basin and is located west of Lake Turkana where numerous naturally occurring oil slicks and seeps have been observed. Analysis will be focused on understanding how this result impacts the remaining prospectivity in the basin.

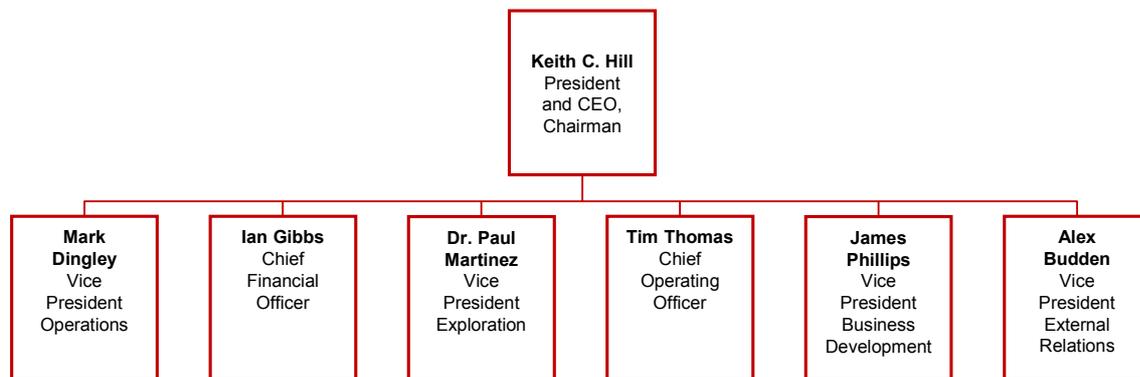
## Legal structure

As of the date of this prospectus, the Company's legal structure is as follows (the share of capital and votes is evident below):



## Organizational chart

As of the date of this prospectus, the Company's organizational chart is as follows:



## Employees and contractors

Geographic Location	Number of Employees/Consultants 2012		Number of Employees/Consultants 2013		Number of Employees/Consultants 2014		Number of Employees/Consultants March 31, 2015	
	Employees	Consultants	Employees	Consultants	Employees	Consultants	Employees	Consultants
Canada	14	2	15	2	17	2	15	2
United Kingdom	1	-	1	-	1	-	1	-
Ethiopia	16	2	11	2	14	2	14	8
Nairobi	10	-	17	15	15	15	12	7

## Ongoing and future investments

To date, Africa Oil has primarily relied on equity financings and industry farmout transactions to fund its ongoing exploration and appraisal activities. During the year ended December 31, 2014 the Company incurred intangible exploration expenditures of USD 437 million resulting in the use of USD 327 million of cash for investing purposes. The Company's 2014 intangible exploration expenditures were primarily incurred in Kenya (89 per cent) and Ethiopia (11 per cent). Well drilling costs account for the majority of the Company's intangible exploration expenditures. The Company anticipates continuing to focus its efforts in Kenya, primarily on the South Lokichar Basin in Blocks 10BB and 13T.

The Company's existing working capital will be used primarily to fund ongoing appraisal and pre-development activities in the South Lokichar Basin. Utilizing the Company's existing working capital, the Company aims to perform necessary work and analyses to upgrade its assets in the South Lokichar basin with the intent of submitting a Field Development Plan ("FDP") around the end of 2015.

The Company has worked closely with Tullow to focus the 2015 work program and budget on advancing the South Lokichar development in Blocks 10BB and 13T (Kenya) by undertaking activities aimed at increasing resource certainty. These activities include:

- Multiple appraisal/exploration wells in the South Lokichar Basin;
- Extended Well Testing (EWT's) in the Amosing and Ngamia fields;
- Additional drilling on South Lokichar prospects; and
- Reservoir and engineering studies (including extensive core analysis).

In addition, the Africa Oil - Tullow joint venture will continue to work closely with the Government of Kenya and the Uganda upstream partners to advance the regional oil export pipeline.

Outside the South Lokichar Basin, the Africa Oil - Tullow joint venture 2015 new basin opening exploration program includes the Engomo-1 well (completed) and potentially the Cheptuket well in Block 2A, a PSC commitment well that needs to be drilled before September 2016. Given the changing focus of the 2015 work program to appraisal and development studies of the South Lokichar Basin discoveries in the Tertiary Rift, the Africa Oil - Tullow partnership has been releasing rigs during the first half of 2015 and it is anticipated that only one rig will be in operation going forward.

Outside of the Africa Oil - Tullow joint venture blocks, the 2015 work program is focused on the Rift Basin Area Block in Ethiopia where a 2D seismic crew has mobilized to complete a minimum 400 kilometer land and lake survey. Africa Oil is Operator and holds a 50 per cent interest in the Ethiopia Rift Basin Area Block with Marathon Oil Ethiopia Limited B.V., holding the remaining 50 per cent.

Under the terms of the PSCs that the Company and its joint venture partners have entered into with the respective host governments, minimum work obligations must be fulfilled in order for the PSCs to remain in good standing. Entering, 2015, the Company has fulfilled all of the exploration and appraisal work commitments required to be fulfilled during 2015 in the current contractual period under the PSCs other than in the Dharoor Valley and Nugaal Valley PSCs in Puntland (Somalia). The Company has informed the Government of Puntland (Somalia) that the Company will refrain from any operational activity and associated expenditures until the political situation improves in Somalia. Given the considerable efforts taken by the Company to date in Puntland (Somalia), the Company has requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges to be resolved.

The Company anticipates to fund its minimum work obligations for all future exploration periods under the various PSCs that it operates and to fund potential development activities associated with oil discoveries made to date through a combination of working capital available to it from time to time and financing from external sources, including issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements.

As the Company is in the exploration and appraisal phase, operating income is not expected in the short to mid-term.

## 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.

The Lundin Foundation is a registered Canadian non-profit organization that provides grants and risk capital to organizations dedicated to alleviating poverty in developing countries. While the Company is committed to certain in-country expenditures on community development projects under the terms of our PSAs, the Company's approach has always been that community and economic development funding is a required investment. The Company's engagement with the Lundin Foundation is a key component of the Company's wider corporate social

responsibility strategy in East Africa. The contribution is a long-term investment that underpins the essential good corporate responsibility that the Company believes is required in developing, new resource rich countries in which the Company operates.

## SELECTED FINANCIAL INFORMATION

The Company prepares its financial statements in accordance with International financial reporting standards "IFRS".

This information should be read together with Sections "Comments to the financial statements" and "Capital structure, indebtedness and related information", the Company's audited financial statements for the years 2012, 2013 and 2014, and the unaudited interim financial statements for the three-month period ended on March 31, 2015. The Company's audited financial statements for the years 2012, 2013 and 2014 and the unaudited interim financial statements for the three-month period ended on March 31, 2015 have been incorporated into this prospectus by reference, see Section "Documents incorporated by reference" below.

This Section provides a summary of the Company's financial performance and position. The financial information presented below has been derived from the Company's unaudited quarterly financial statements and audited annual financial statements for the specific reporting periods.

### Income statements

USD thousands	Unaudited <sup>(1)</sup>	Unaudited <sup>(1)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>
	Jan 1 - Mar 31, 2015	Jan 1 - Mar 31, 2014	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013	Jan 1 - Dec 31, 2012
<b>Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Salaries and benefits	478	458	3,005	5,040	3,665
Stock-based compensation	3,975	9,552	17,951	12,746	4,943
Travel	249	309	1,623	1,588	1,469
Office and general	119	184	1,396	1,160	1,012
Donation	0	750	2,035	1,151	2,313
Depreciation	11	17	67	55	48
Professional fees	154	195	835	786	4,187
Stock exchange and filing fees	247	189	1,584	969	916
Share of loss from equity investment	92	0	0	0	0
Gain on loss of control	(4,155)	0	0	0	0
Impairment of intangible exploration assets	0	0	128,180	22,874	3,127
<b>Operating expenses</b>	<b>1,170</b>	<b>11,654</b>	<b>156,676</b>	<b>46,369</b>	<b>21,680</b>
Finance income	(130)	(436)	(1,268)	(4,141)	(1,727)
Finance expense	20	126	302	9,210	164
<b>Net loss and comprehensive loss</b>	<b>1,060</b>	<b>11,344</b>	<b>155,710</b>	<b>51,438</b>	<b>20,117</b>
<i>Net income and comprehensive income attributable to non-controlling interest</i>	249	206	48,773	(1,222)	(2,676)
<i>Net loss and comprehensive loss attributable to common shareholders</i>	811	11,138	106,937	52,660	22,793

(1) Derived from unaudited financial information.

(2) Derived from audited financial information.

## Balance sheets

USD thousands	Unaudited <sup>(1)</sup>	Unaudited <sup>(1)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>
	Jan 1 - Mar 31, 2015	Jan 1 - Mar 31, 2014	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013	Jan 1 - Dec 31, 2012
<b>ASSETS</b>					
Cash and cash equivalents	187,391	434,333	161,162	493,209	272,175
Accounts receivable	3,234	11,926	1,633	3,195	2,848
Due from related party	108	-	-	-	-
Prepaid expenses	1,176	1,332	1,276	1,379	1,124
<b>Current assets</b>	<b>191,909</b>	<b>447,591</b>	<b>164,071</b>	<b>497,783</b>	<b>276,147</b>
Restricted cash	2,525	1,700	1,250	1,250	1,119
Equity investment	6,182	0	0	0	0
Property and equipment	39	94	50	103	82
Intangible exploration assets	862,477	567,907	785,177	488,688	282,109
<b>Long-term assets</b>	<b>871,223</b>	<b>569,701</b>	<b>786,477</b>	<b>490,041</b>	<b>283,310</b>
<b>TOTAL ASSETS</b>	<b>1,063,132</b>	<b>1,017,292</b>	<b>950,548</b>	<b>987,824</b>	<b>559,457</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>Total equity</b>	<b>924,384</b>	<b>929,805</b>	<b>797,046</b>	<b>929,847</b>	<b>520,153</b>
Accounts payable and accrued liabilities	138,748	87,482	153,502	57,976	36,188
Current portion of warrants	0	5	0	1	2,288
<b>Current liabilities</b>	<b>138,748</b>	<b>87,487</b>	<b>153,502</b>	<b>57,977</b>	<b>38,476</b>
Warrants	0	0	0	0	828
<b>Long term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>828</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1,063,132</b>	<b>1,017,292</b>	<b>950,548</b>	<b>987,824</b>	<b>559,457</b>
<i>Equity attributable to common shareholders</i>					
<i>share capital</i>	<i>1,140,647</i>	<i>1,009,953</i>	<i>1,014,772</i>	<i>1,007,414</i>	<i>558,555</i>
<i>contributed surplus</i>	<i>42,221</i>	<i>33,159</i>	<i>39,947</i>	<i>24,396</i>	<i>12,123</i>
<i>deficit</i>	<i>(258,484)</i>	<i>(161,874)</i>	<i>(257,673)</i>	<i>(150,736)</i>	<i>(98,076)</i>
	<i>924,384</i>	<i>881,238</i>	<i>797,046</i>	<i>881,074</i>	<i>472,602</i>
<i>non-controlling interest</i>	<i>0</i>	<i>48,567</i>	<i>0</i>	<i>48,773</i>	<i>47,551</i>

(1) Derived from unaudited financial information.

(2) Derived from audited financial information.

## Cash flow statements

USD thousands	Unaudited <sup>(1)</sup>	Unaudited <sup>(1)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>	Audited <sup>(2)</sup>
	Jan 1 - Mar 31, 2015	Jan 1 - Mar 31, 2014	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013	Jan 1 - Dec 31, 2012
<b>Cash flows provided by (used in)</b>					
<b>Operations</b>					
Net loss and comprehensive loss for the year	(1,060)	(11,344)	(155,710)	(51,438)	(20,117)
<b>Items not affecting cash</b>					
Stock-based compensation	3,975	9,552	17,951	12,746	4,943
Share-based expense	0	0	0	0	3,763
Depreciation	11	17	67	55	48
Loss on marketable securities	0	0	0	0	124
Impairment of intangible exploration assets	0	0	128,180	22,874	3,127
Gain on loss of control	(4,155)	0	0	0	0
Share of loss from equity investment	92	0	0	0	0
Fair value adjustment - warrants	0	4	(1)	(3,115)	(832)
Foreign exchange loss related to financing	0	0	0	7,396	0
Unrealized foreign exchange loss	15	117	289	25	1,055
Changes in non-cash operating working capital	(977)	(731)	(636)	(756)	(657)
	<b>(2,099)</b>	<b>(2,385)</b>	<b>(9,860)</b>	<b>(12,213)</b>	<b>(8,546)</b>
<b>Investing</b>					
Property and equipment expenditures	0	(8)	(14)	(76)	(91)
Intangible exploration expenditures	(77,300)	(92,426)	(437,876)	(229,453)	(133,823)
Farmout proceeds	0	13,207	13,207	0	34,259
Proceeds from sale of marketable securities	0	0	0	0	2,442
Equity investment	(1,000)	0	0	0	0
Reduction of cash from change of control	(254)	0	0	0	0
Changes in non-cash working capital	(16,002)	21,553	97,827	21,942	12,373
	<b>(94,556)</b>	<b>(57,674)</b>	<b>(326,856)</b>	<b>(207,587)</b>	<b>(84,840)</b>
<b>Financing</b>					
Common shares issued	124,174	1,750	4,958	448,386	255,169
Foreign exchange loss related to financing	0	0	0	(7,396)	0
Deposit of cash for bank guarantee	(1,275)	(450)	(450)	(1,250)	(375)
Release of bank guarantee	0	0	450	1,119	2,175
	<b>122,899</b>	<b>1,300</b>	<b>4,958</b>	<b>440,859</b>	<b>256,969</b>
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	(15)	(117)	(289)	(25)	(966)
Cash and cash equivalents, beginning of period	161,162	493,209	493,209	272,175	109,558
Cash and cash equivalents, end of period	187,391	434,333	161,162	493,209	272,175
<b>Increase in cash and cash equivalents</b>	<b>26,229</b>	<b>(58,876)</b>	<b>(332,047)</b>	<b>221,034</b>	<b>162,617</b>
<i>Supplementary information</i>					
<i>interest paid</i>	0	0	0	0	0
<i>income taxes paid</i>	0	0	0	0	0

(1) Derived from unaudited financial information.

(2) Derived from audited financial information.

## Key ratios

	Unaudited <sup>(a)</sup>	Unaudited <sup>(a)</sup>	Audited <sup>(b)</sup>	Audited <sup>(b)</sup>	Audited <sup>(b)</sup>
	Jan 1 -	Jan 1 -	Jan 1 - Dec	Jan 1 - Dec	Jan 1 - Dec
	Mar 31, 2015	Mar 31, 2014	31, 2014	31, 2013	31, 2012
Net loss attributable to common shareholders per share, basic	-	USD 0.04	USD 0.34	USD 0.20	USD 0.10
Net loss attributable to common shareholders per share, diluted	-	USD 0.04	USD 0.34	USD 0.20	USD 0.10
Equity ratio end of period <sup>(1)</sup>	87%	91%	84%	94%	93%
Weighted average number of shares outstanding for the purpose of calculation earnings per share, basic	338,312,290	309,967,060	311,285,732	263,081,763	220,664,278
Weighted average number of shares outstanding for the purpose of calculation earnings per share, diluted	338,312,290	309,967,060	311,285,732	263,081,763	220,664,278
Dividend paid per share	0	0	0	0	0

(1) "Total equity end of period" divided by "total assets end of period"

(a) Derived from unaudited financial information.

(b) Derived from audited financial information.

## COMMENTS TO THE FINANCIAL STATEMENTS

*This information should be read together with Sections “Selected financial information” and “Capital structure, indebtedness and related information”, the Company’s audited financial statements for the years 2012, 2013 and 2014, and the unaudited interim financial statements for the three-month period ended on March 31, 2015. The Company’s audited financial statements for the years 2012, 2013 and 2014, and the unaudited interim financial statements for the three-month period ended on March 31, 2015 have been incorporated into this prospectus by reference (see Section “Documents incorporated by reference” below).*

### Operating loss

The operating losses are a reflection of the Company being in a non-revenue stage. The Company’s oil and gas interests are in the early phase of upstream oil and gas life-cycles.

### Operating expenses

#### **JANUARY – MARCH 2015 COMPARED TO JANUARY – MARCH 2014**

Operating expenses in January – March 2015 (January – March 2014) were USD 1.2 million (USD 11.7 million). Operating expense decreased USD 10.5 million for the three months ended March 31, 2015 compared to the same period in the prior year. The majority of the decrease can be attributed to a reduction in stock-based compensation and a gain on the loss of control by the Company in regards to its investment in Africa Energy. The decrease in stock-based compensation expense can be mainly attributed to a significant reduction in the fair value of each option granted in the first quarter of 2015 compared to the first quarter of 2014. Under the Black-Scholes option pricing model, the lower the exercise price of the option, the lower the fair value attributed to each option. During the three months ended March 31, 2015, 5,194,000 stock options of AOC were issued to directors, officers and employees at an average exercise price of CAD USD 2.45 per option versus 5,958,500 stock options of AOC issued at an average price of CAD USD 8.44 per option during the three months ended March 31, 2014. The Company’s investment in Africa Energy changed from a position of control to a position of significant influence during the first quarter of 2015, which requires the Company’s investment in Africa Energy to be recorded as an equity investment. The accounting for the equity investment resulted in the recognition of a gain for accounting purposes of USD 4.2 million. In the first quarter of 2014, the Company made a USD 0.8 million donation to the Lundin Foundation versus nil in the first quarter of 2015.

#### **JANUARY – DECEMBER 2014 COMPARED TO JANUARY – DECEMBER 2013**

Operating expenses in 2014 (2013) were USD 156.7 million (USD 46.4 million). Operating expenses increased by USD 110.3 million for the year ended December 31, 2014 compared to the prior year. During 2014, the Company recorded a USD 90.6 million impairment of intangible exploration assets in the Dharoor and Nugaal exploration blocks in Puntland (Somalia), a USD 5.8 million impairment of intangible exploration assets in the Adigala Block in Ethiopia, and a USD 31.8 million impairment of intangible exploration assets in Blocks 7/8 in Ethiopia. During 2013, the Company recorded to a USD 22.9 million impairment of intangible exploration assets in Block 10A in Kenya. The USD 5.2 million increase in stock-based compensation is mainly the result of an increase in the fair value of each stock option granted in 2014 compared to those granted in 2013. The increase in the fair market value is primarily attributable to the exercise price being higher for the options granted in the 2014 compared to those granted in 2013, which under the Black-Scholes option pricing model results in an increase in the cost of each option granted. The decrease in salary related costs is the result of a decrease in annual bonus incentives granted to officers, employees and consultants of the Company in 2014 compared to 2013. The Company made USD 2.0 million and USD 1.2 million of donations to the Lundin Foundation in 2014 and 2013, respectively, resulting in a USD 0.9 million

increase in operating expenses. Stock exchange and filing fees increased USD 0.6 million as a result of costs associated with the graduation to the TSX in Canada and Nasdaq Stockholm.

### **JANUARY – DECEMBER 2013 COMPARED TO JANUARY – DECEMBER 2012**

Operating expenses in 2013 (2012) were USD 46.4 million (USD 21.7 million). Operating expenses increased by USD 24.7 million for the year ended December 31, 2013 compared to the prior year. The Company recorded a USD 22.9 million impairment of intangible exploration assets relating to Block 10A in Kenya in 2013, while in 2012, the Company recorded a USD 3.1 million impairment of intangible exploration assets relating to Blocks 7 and 11 in Mali. The increase of USD 7.8 million in stock-based compensation is attributable to an increase in the number of options granted in 2013 compared to 2012. The USD 3.4 million decrease in professional fees was mainly the result of 420,000 Shares issued in 2012 as a settlement of claimed professional fees relating to previously completed farmout transactions. The USD 1.4 million increase in salary and benefits is the result of increased operational activity and increased headcount in 2013. The Company made USD 1.2 million donation in 2013 and a USD 2.3 million donation in 2012, both to the Lundin Foundation.

## **Net loss and comprehensive loss**

### **JANUARY – MARCH 2015 COMPARED TO JANUARY – MARCH 2014**

Net loss in January – March 2015 (January – March 2014) were USD 1.1 million (USD 11.7 million). The decrease in the net loss was due to the USD 10.5 million increase in operating expenses (described above). Finance income decreased USD 0.3 million due to a USD 0.3 million reduction in interest income due to a reduction in cash held as the Company continued its active exploration activities. Finance expense decreased USD 0.1 million due to a 0.1 million reduction in foreign exchange losses which is the result of a weakening of the Canadian dollar versus the US dollar exchange rate combined with a reduction in the amount of Canadian dollars held.

### **JANUARY – DECEMBER 2014 COMPARED TO JANUARY – DECEMBER 2013**

The Company's net loss for the year ended December 31, 2014 was USD 155.7 million or USD 0.34 per Share as compared to a loss of USD 51.4 million or USD 0.20 per Share for the year ended December 31, 2013. The increase in net loss of USD 104.3 million for the year ended December 31, 2014 in comparison with the previous year was mainly as a result of a USD 110.3 million increase in operating expenses, as described above. Further, the Company recorded a USD 9.2 million foreign exchange loss in 2013, compared to a foreign exchange loss of USD 0.3 million in 2014. Of the foreign exchange loss in 2013, USD 7.4 million related to a derivative instrument entered into by the Company 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. The remainder of the foreign exchange loss resulted from a weakening of the Canadian dollar versus the US dollar exchange rate, impacting the Company's Canadian dollar cash held on deposit. The Company recorded a USD 3.1 million gain on the revaluation of the warrant liability, compared to almost nil in 2014. The decrease in the gain from 2013 to 2014 is due to a reduction in the number of Africa Energy warrants outstanding to nil in 2014.

### **JANUARY – DECEMBER 2013 COMPARED TO JANUARY – DECEMBER 2012**

The Company's net loss for the year ended December 31, 2013 was USD 51.4 million or USD 0.20 per Share as compared to a loss of USD 20.1 million or USD 0.10 per Share for the year ended December 31, 2012.

The increase in net loss of USD 31.3 million for the year ended December 31, 2013 in comparison with the previous year was primarily due to a USD 24.7 million increase in operating expenses (described above) and an increase in foreign exchange losses, offset partially by an increase in the gain on the revaluation of the warrant liability. The Company recorded a USD 9.2 million foreign exchange loss in 2013, compared to a foreign exchange gain of USD

0.6 million in 2012. Of the foreign exchange loss in 2013, USD 7.4 million related to a derivative instrument entered into by the Company 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. The remainder of the foreign exchange loss resulted from a weakening of the Canadian dollar versus the US dollar exchange rate, impacting the Company's Canadian dollar cash held on deposit. The Company recorded a USD 3.1 million gain on the revaluation of the warrant liability in 2013, compared to a USD 0.8 million gain in 2012. The increase in the gain from 2012 to 2013 is due to a reduction in the number of Africa Energy warrants outstanding, a reduction of the remaining life of the Africa Energy warrants that remain outstanding, and a reduction in the volatility of the Africa Energy's share price.

## Cash flow

### **JANUARY – MARCH 2015 COMPARED TO JANUARY – MARCH 2014**

As at March 31, 2015, the Company had cash of USD 187.4 million and working capital of USD 53.2 million as compared to cash of USD 434.3 million and working capital of USD 360.1 million at March 31, 2014. The Company's liquidity and capital resource position has increased since the end of 2014 due to a USD 125 million (gross proceeds) private placement which closed during the first quarter of 2015. In addition, subsequent to the quarter end the Company has announced its intention to complete a further USD 100 million (gross proceeds) private placement which upon closing are anticipated to further bolster the Company's capital resources.

Net cash used in operating activities was USD 2.1 million for the three months ended March 31, 2015, compared to USD 2.4 million for the three months ended March 31, 2014, and consisted primarily of cash based operating expenses and was adjusted for the impact of non-cash items and changes in non-cash working capital items. The decrease in cash used in operating activities is mainly attributable to a decrease in donations to the Lundin Foundation offset partially by changes in non-cash working capital related to operations.

Net cash used in investing activities for the three months ended March 31, 2015, amounted to USD 94.6 million compared to net cash used in investing activities for the three months ended March 31, 2014, which amounted to USD 57.7 million. The increase in net cash used in investing activities is mainly attributable to changes in non-cash working capital related to intangible exploration expenditures and the close of the Rift Basin Area farmout in the three months ended March 31, 2014, offset partially by a decrease in the pace of exploration in light of the current oil price environment.

Cash flow provided by financing activities was USD 122.9 million for the three months ended March 31, 2015, compared to USD 1.3 million for the three months ended March 31, 2014. The increase in cash flow from financing activities is attributable to the issuance of Shares resulting from a \$125 million (gross proceeds) private placement which closed during the first quarter of 2015.

### **JANUARY – DECEMBER 2014 COMPARED TO JANUARY – DECEMBER 2013**

As at December 31, 2014, the Company had cash of USD 161.2 million and working capital of USD 10.6 million as compared to cash of USD 493.2 million and working capital of USD 439.8 million at December 31, 2013. Of the USD 161.2 million in cash at December 31, 2014, USD 1.6 million is cash held by Africa Energy. The Company's liquidity and capital resource position has decreased since the end of 2013 due to cash-based operating expenses and intangible exploration expenditures.

Net cash used in operating activities was USD 9.9 million for the year ended December 31, 2014, compared to USD 12.2 million for the year ended December 31, 2013, and consisted primarily of cash based operating expenses and was adjusted for the impact of non-cash items and changes in non-cash working capital items. The decrease in net

cash used in operating activities is mainly attributable to a decrease in salary related costs which was the result of a decrease in annual bonus incentives granted to officers, employees and consultants of the Company in 2014 compared to 2013.

Net cash used in investing activities for the year ended December 31, 2014, amounted to USD 326.9 million compared to net cash used in investing activities for the year ended December 31, 2013, which amounted to USD 207.6 million. The increase in net cash used in investing activities is mainly attributable to an increase in the pace of exploration resulting in the addition of drilling rigs in 2014. Offsetting the increase, the Company received farmout proceeds totaling USD 13.2 million relating to farm out of a portion of the Rift Basin Area in Ethiopia.

Cash flow provided financing activities was USD 5.0 million for the year ended December 31, 2014, compared to USD 440.9 million for the year ended December 31, 2013. The decrease in cash flow from financing activities is attributable to proceeds from the brokered private placement in October 2013 which raised USD 440 million net of issuance costs and related foreign exchange.

### **JANUARY – DECEMBER 2013 COMPARED TO JANUARY – DECEMBER 2012**

As at December 31, 2013, the Company had cash of USD 493.2 million and working capital of USD 439.8 million as compared to cash of USD 272.2 million and working capital of USD 237.7 million at December 31, 2012. Of the USD 493.2 million in cash at December 31, 2013, USD 3.6 million is cash held by Africa Energy. The Company's liquidity and capital resource position has improved significantly since the end of 2012 due to the brokered private placement in October 2013 which raised USD 440 million net of issuance costs and related foreign exchange, offset partially by intangible asset expenditures and cash-based operating expenses.

In October 2013, the Company closed an additional private placement, issuing 56,505,217 Shares at a price of SEK 51.75 per Share for net proceeds of approximately USD 440 million net of issuance costs and related foreign exchange. Net proceeds of the private placements were expected to be used towards the Company's ongoing work program in East Africa as well as for general working capital purposes.

Net cash used in operating activities was USD 12.2 million for the year ended December 31, 2013, compared to USD 8.5 million for the year ended December 31, 2012, and consisted primarily of cash based operating expenses and was adjusted for the impact of non-cash items and changes in non-cash working capital items. The increase in net cash used in operating activities is attributable to an increase in salary related costs and travel costs resulting from increased operational activity and increased headcount in 2013.

Net cash used in investing activities for the year ended December 31, 2013, amounted to USD 207.6 million compared to net cash used in investing activities for the year ended December 31, 2012, which amounted to USD 84.8 million. The increase in net cash used in investing activities is mainly attributable to an increase in the pace of exploration resulting in the addition of drilling rigs in 2013. In 2012, the Company received farmout proceeds totaling USD 34.3 million relating to farmouts on Blocks 9 and 12A in Kenya and Blocks 7/8 in Ethiopia.

Cash flow provided financing activities was USD 440.9 million for the year ended December 31, 2013, compared to USD 257.0 million for the year ended December 31, 2012. The increase in cash flow from financing activities is attributable to proceeds from the private placements as described above.

## Investments

### JANUARY – MARCH 2015 COMPARED TO JANUARY – MARCH 2014 (USD)

For the three months ended (thousands)	March 31, 2015				March 31, 2014			
	Kenya	Ethiopia	Puntland	Total	Kenya	Ethiopia	Puntland	Total
Drilling and completion	\$ 60,602	\$ (2,177)	\$ -	\$ <b>58,425</b>	\$ 59,945	\$ 11,230	\$ 76	\$ <b>71,251</b>
Development studies	2,150	-	-	<b>2,150</b>	-	-	-	-
Exploration surveys and studies	4,568	18	-	<b>4,586</b>	8,925	939	14	<b>9,878</b>
PSA and G&A related	11,809	330	-	<b>12,139</b>	8,416	2,353	528	<b>11,297</b>
<b>Total</b>	\$ 79,129	\$ (1,829)	\$ -	\$ <b>77,300</b>	\$ 77,286	\$ 14,522	\$ 618	\$ <b>92,426</b>

The Company incurred USD 79.1 million of intangible exploration expenditures in Kenya for the three months ended March 31, 2015. The majority of drilling expenditures related to the Company's portion of drilling costs regarding an exploration well at Engomo (Block 10BA) and an extensive appraisal program in the South Lokichar Basin. The majority of development study spend relates to progressing towards project sanction for the South Lokichar Basin.

The Company incurred a USD 1.8 million reduction of intangible exploration expenditures in Ethiopia for the three months ended March 31, 2015 which resulted from settlement of disputed drilling invoices in the South Omo Block.

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

### JANUARY – DECEMBER 2014 COMPARED TO JANUARY – DECEMBER 2013 (USD)

For the years ended (thousands)	December 31, 2014				December 31, 2013			
	Kenya	Ethiopia	Puntland	Total	Kenya	Ethiopia	Puntland	Total
Drilling and completion	\$269,806	\$41,533	\$ 79	\$ <b>311,418</b>	\$115,603	\$43,604	\$ 374	\$ <b>159,581</b>
Development studies	51,756	-	-	<b>51,756</b>	5,580	-	-	<b>5,580</b>
Exploration surveys and studies	44,249	1,382	36	<b>45,667</b>	25,754	10,094	28	<b>35,876</b>
PSA and G&A related	22,251	5,697	1,087	<b>29,035</b>	21,377	5,375	1,664	<b>28,416</b>
<b>Total</b>	\$388,062	\$48,612	\$ 1,202	\$ <b>437,876</b>	\$168,314	\$59,073	\$ 2,066	\$ <b>229,453</b>

The Company incurred USD 388.1 million of intangible exploration expenditures in Kenya for the year ended December 31, 2014. The majority of drilling expenditures related to the Company's portion of drilling costs on the Etuko-1 well test and Etuko-2 well (Block 10BB), the Amosing-1 well (Block 10BB), the Ewoi-1 well and test (Block 10BB), the Agete-1 well and test (Block 13T), the Twiga-2 well and test (Block 13T), the Ekales-1 well test (Block 13T), the Emong-1 well (Block 13T), the Ekunyuk-1 well (Block 10BB), the Agete-2 well (Block 13T), the Amosing-2 well (Block 10BB), the Ngamia-2 well (Block 10BB), the Ngamia-3 well (Block 10BB), the Ngamia-4 well (Block 10BB), the Kodos-1 well (Block 10BB), the Etom-1 well (Block 13T), the Ekosowan-1 well (Block 10BB), the Sala-1 well and test (Block 9), the Sala-2 well (Block 9), the Amosing-2A well (Block 10BB), the Epir-1 well (Block 10BB), the Ngamia-5 well (Block 10BB), the Ngamia-6 well (Block 10BB), the Amosing-3 well (Block 10BB), and the Engomo-1 well (Block 10BA). The majority of development study spend relates to progressing towards project sanction for the discovered basin in Northern Kenya. The majority of exploration surveys and studies related to 3D seismic acquisition costs on Blocks 10BB and 13T, and 2D seismic acquisition costs on Blocks 10BB, 13T, 10BA and 12A.

The Company incurred USD 48.6 million of intangible exploration expenditures in Ethiopia for the year ended December 31, 2014. The majority of drilling expenditures related to the Company's portion of drilling costs at El

Kuran-3 in Blocks 7/8 and Shimela-1 and Gardim-1 in the South Omo block. The majority of exploration surveys and studies related to 2D seismic acquisition preparation costs in the Rift Basin Area.

The Company incurred USD 1.2 million of intangible exploration expenditures in Puntland for the year ended December 31, 2014. The majority of expenditures related to PSA related expenditures, capitalized general and administrative costs (“G&A”), and costs related to an operational assessment undertaken in the first half of the year.

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

### **JANUARY – DECEMBER 2013 COMPARED TO JANUARY – DECEMBER 2012 (USD)**

For the year ended (USD thousands)	December 31, 2013				December 31, 2012			
	Kenya	Ethiopia	Puntland	Total	Kenya	Ethiopia	Puntland	Total
Drilling and completion	121,183	43,604	374	<b>165,161</b>	56,600	4,844	30,455	<b>91,899</b>
Exploration surveys and studies	25,754	10,094	28	<b>35,876</b>	20,218	8,056	325	<b>28,599</b>
PSA and G&A Related	21,377	5,375	1,664	<b>28,416</b>	7,351	2,493	3,481	<b>13,325</b>
<b>Total</b>	<b>168,314</b>	<b>59,073</b>	<b>2,066</b>	<b>229,453</b>	<b>84,169</b>	<b>15,393</b>	<b>34,261</b>	<b>133,823</b>

The Company incurred USD 168.3 million of intangible exploration expenditures in Kenya for the year ended December 31, 2013. The majority of drilling expenditures related to the Company’s portion of drilling costs on the Ngamia-1 well testing (Block 10BB), the Paipai-1 well (Block 10A), the Etuko-1 well and testing (Block 10BB), the Amosing-1 well (Block 10BB), the Ewoi-1 well (Block 10BB), the Twiga South-1 well testing (Block 13T), the Ekales-1 well (Block 13T), and the Agete-1 well (Block 13T). The majority of exploration surveys and studies related to 2D seismic acquisition costs on Blocks 10BB, 12A, and 10BA.

Africa Oil incurred USD 59.1 million of intangible exploration expenditures in Ethiopia for the year ended December 31, 2013. The majority of drilling expenditures related to the Company’s portion of drilling costs at El Kuran-3 in Blocks 7/8, and Sabisa-1 and Tultule-1 in the South Omo block. The majority of exploration surveys and studies related to 2D seismic acquisition costs the Chew Bahir basin in the South Omo Block.

The Company incurred USD 2.1 million of intangible exploration expenditures in Puntland for the year ended December 31, 2013. The majority of expenditures related to PSA related expenditures, capitalized G&A costs and expenditures related to exploratory well costs at the Shabeel North-1 well which was completed in 2012.

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

# CAPITAL STRUCTURE, INDEBTEDNESS AND RELATED INFORMATION

*This information should be read together with Sections “Selected financial information” and “Comments to the financial statements”, the Company’s audited financial statements for the years 2012, 2013 and 2014, and the unaudited interim financial statements for the three-month period ended on March 31, 2015. The Company’s audited financial statements for the years 2012, 2013 and 2014, and the unaudited interim financial statements for the three-month period ended on March 31, 2015 have been incorporated into this prospectus by reference (see Section “Documents incorporated by reference” below).*

This Section breaks down the Company’s financial position and provides related information. The information provided is primarily based on the Company’s unaudited financial statements for the three-month period ended on March 31, 2015.

## Financial position

On March 31, 2015, the Company had nil interest bearing liabilities. The Company’s cash and cash equivalents amounted to USD 187.4 million.

Total shareholders’ equity on March 31, 2015 was USD 924.4 million. The equity ratio (defined under the Key ratios table above) was 87 per cent.

## Total equity and debt

Shareholders’ equity and debt capital as at March 31, 2015 (unaudited)	USD thousands
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
<b>Total current debt</b>	<b>0</b>
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
<b>Total non-current debt</b>	<b>0</b>
Share capital	1,140,647
Contributed surplus	42,221
Accumulated other comprehensive income	0
Retained earnings	(258,484)
Non-controlling interest	0
<b>Total shareholders’ equity</b>	<b>924,384</b>
<b>TOTAL EQUITY AND DEBT</b>	<b>924,384</b>

## Net interest-bearing indebtedness

Net financial debt or net financial assets as at March 31, 2015 (unaudited)	USD thousands
A. Cash	187,391
B. Cash equivalents	0
C. Trading securities	0
<b>D. Liquidity (A + B + C)</b>	<b>187,391</b>
<b>E. Current financial receivables</b>	<b>0</b>
F. Current bank debt	0
G. Current portion of non-current debt	0
H. Other current financial debt	0
<b>I. Total current financial debt (F + G + H)</b>	<b>0</b>
<b>J. Net current financial assets (D+E-I)</b>	<b>187,391</b>
K. Non-current bank loans	0
L. Bonds issued	0
M. Other non-current loans	0
<b>N. Non-current financial debt (K + L + M)</b>	<b>0</b>
<b>O. Net financial assets (J + N)</b>	<b>187,391</b>

## Working capital

The Company is of the opinion that the group's working capital is sufficient for it to meet its liabilities as they become due for a period of 12 months after the date of this prospectus.

Africa Oil currently has no outstanding debt and limited unfulfilled production sharing contract obligations. In light of the current and forecast short term oil price environment, the Company will continue working closely with its joint venture partners to adjust the work program and budget on a periodic basis taking into consideration the results of activities to date, prevailing market conditions and the results of an ongoing review of the cost base of operations. If market conditions improve and/or results of activities dictate, the Company may increase the pace of exploration, appraisal and development activities which may require the Company to seek additional funding in the following 12-month period.

The primary focus of Africa Oil's activities is the South Lokichar Exploration and Appraisal program aimed at progressing towards a field development plan. The Company intends to limit near term exploration efforts on other areas across its portfolio to wells and seismic related to commitments under production sharing contracts and high impact drilling prospects in the South Lokichar Basin aimed at increasing the contingent resources discovered in the Basin.

As the Company is in the exploration and appraisal stage there is no oil or gas revenue generated from its properties. Accordingly, additional funding from equity financing, joint ventures or disposition of assets may be required to fund further activities. Such financing may not at all times be available to the Company in the amount required or may not be offered to the Company on terms which are satisfactory to the Company.

## Property and equipment

Breakdown of property and equipment as at March 15, 2015 (USD thousand)

	Cost	Accumulated depletion and depreciation	Net book amount
Office and computer equipment	396	357	39
	<b>396</b>	<b>357</b>	<b>39</b>

Corporate equipment consists primarily of office equipment and leasehold improvements while African equipment consists primarily of field equipment and vehicles. These assets are stated at cost less accumulated depreciation. Depreciation of these corporate assets is calculated using a straight-line basis. The Company's fixed assets are not leased and not subject to any encumbrances.

## Risk management

### FOREIGN CURRENCY

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.

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 USD 7.4 million (2012 – USD nil). Other than this hedge, the Company has not entered into any derivative instruments.

### CREDIT

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 our 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.

### INTEREST RATE

The Company does not have any current exposure to fluctuations in interest rates.

## Tendencies

On the back of the successful exploration activities in Kenya during 2012 and 2013, the Company, together with its partners, ramped up its exploration program in Kenya. The Company entered 2015 with three drilling rigs and one testing and completion rig operating in Kenya dedicated to fulfilling our exploration drilling commitments and continuing with appraisal drilling in the discovered South Lokichar Basin. The Company is encouraged by the excellent well results from our recent appraisal program at Ngamia and Amosing and we will be conducting Extended Well Tests at both fields during 2015, aimed at improving reservoir definition. Given the changing focus of the 2015 work program to appraisal and development studies of the South Lokichar Basin discoveries in the

Tertiary Rift, the Africa Oil – Tullow partnership has been releasing rigs during the first half of 2015 and it is anticipated that only one rig will be in operation going forward.

Given the significant volumes discovered and the extensive exploration and appraisal program planned to fully assess the upside potential of the South Lokichar Basin, the Africa Oil – Tullow partnership has agreed with the Government of Kenya to commence development studies. Comprehensive concept engineering on the upstream facilities is nearing completion and pipeline routing and environmental screening has been completed. The Kenya and Uganda Governments have agreed a regional crude oil pipeline from Uganda through Kenya and discussions are ongoing around the way forward on the pipeline.

## **Other information**

As of the date of this prospectus, the Company is not aware of any measures, such as public, tax policies, monetary policies or other political and/or policy measures which, directly or indirectly, has had or could have a material effect on the Company's business.

On May 1, 2015, the Company announced that it had entered into an investment agreement with Stampede, an entity owned by a fund advised by Helios, to sell, on a non-brokered private placement basis, 52,623,377 New Shares at a price of CAD 2.31 for gross proceeds of CAD 121,560,000 (USD 100 million). The private placement completed on May 29, 2015, and, as a result, Stampede owns approximately 12.37 per cent of the issued and outstanding Shares of the Company. Other than that, there has been no significant change to the Company's financial position or its position as regards the market since March 31, 2015 (the date to which the most recent financial statements relate).

# BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND AUDITOR

## Board of directors

The following table provides the names and residence of each of the directors and executive officers, the date they commenced serving on the Board, the positions they are currently holding as of the date of this prospectus and the positions which they have held during the past five years.

Name	Position(s) held in the Company	Other current position(s)	Other position(s) which have been held in the past 5 years, but is no longer holding
<b>Keith C. Hill</b> Ontario, Canada	<ul style="list-style-type: none"> <li>• Director since October 16, 2006</li> <li>• Chief Executive Officer since March 30, 2009</li> <li>• President since October 20, 2009</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of ShaMaran Petroleum Corp</li> <li>• Chairman of Petro Vista Energy Corp.</li> <li>• Chairman of Africa Energy Corp.</li> <li>• Director of BlackPearl Resources Ltd.</li> <li>• Director of Tyner Resources Ltd.</li> <li>• Director of TAG Oil Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>J. Cameron Bailey</b> Alberta, Canada	<ul style="list-style-type: none"> <li>• Director since May 3, 1994</li> </ul>	<ul style="list-style-type: none"> <li>• President and CEO of Fortaleza Energy Inc.</li> <li>• Director of Phoenix Technology Income Fund</li> <li>• Director of Phoenix Technology Services Inc.</li> <li>• Director of PHX Energy Services Corp.</li> </ul>	<ul style="list-style-type: none"> <li>• President and CEO of AlvoPetro Inc. (formerly Fortress Energy Inc.).</li> <li>• Director of ShaMaran Petroleum Corp.</li> </ul>

Name	Position(s) held in the Company	Other current position(s)	Other position(s) which have been held in the past 5 years, but is no longer holding
<b>Gary S. Guidry</b> Alberta, Canada	<ul style="list-style-type: none"> <li>Director since June 23, 2008</li> </ul>	<ul style="list-style-type: none"> <li>President and CEO of Gran Tierra Energy Inc.</li> <li>Director of ShaMaran Petroleum Corp.</li> </ul>	<ul style="list-style-type: none"> <li>Head of Chad Business for Glencore E&amp;P (Canada) Inc. (formerly Caracal Energy Inc.)</li> <li>President, CEO and a director of Caracal Energy Inc.</li> <li>Director of TransGlobe Energy Corporation</li> <li>Director of Zodiac Exploration Inc.</li> <li>Director of Tanganyika Oil Company Ltd.</li> <li>President and CEO of Orion Oil &amp; Gas Corporation</li> </ul>
<b>John H. Craig</b> Ontario, Canada	<ul style="list-style-type: none"> <li>Director since June 19, 2009</li> </ul>	<ul style="list-style-type: none"> <li>Partner of the firm Cassels Brock &amp; Blackwell LLP</li> <li>Director of Lundin Mining Corporation</li> <li>Director of Denison Mines Corp.</li> <li>Director of BlackPearl Resources Ltd.</li> <li>Director of Corsa Coal Corp.</li> <li>Director of Consolidated HCI Holdings Corporation</li> <li>Director of RamCoal</li> </ul>	<ul style="list-style-type: none"> <li>Director of Sirocco Mining Inc. (formerly Atacama Minerals Corp.)</li> <li>Director of Etrion Corporation</li> </ul>
<b>Bryan M. Benitz</b> United Kingdom	<ul style="list-style-type: none"> <li>Director since September 29, 2009</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Vice Chairman and a director of Longreach Oil and Gas Ltd.</li> </ul>

## Executive officers

Name	Position(s) held in the Company	Other current position(s)	Other position(s) which have been held in the past 5 years, but is no longer holding
<b>Keith C. Hill</b> Ontario, Canada	<ul style="list-style-type: none"> <li>Chief Executive Officer since March 30, 2009 (President and Director)</li> </ul>	<ul style="list-style-type: none"> <li>See information above, under the Section "Board of directors"</li> </ul>	<ul style="list-style-type: none"> <li>See information above, under the Section "Board of directors"</li> </ul>
<b>Ian Gibbs</b> British Columbia, Canada	<ul style="list-style-type: none"> <li>Director from June 2008 to September 2009</li> <li>Chief Financial Officer from October 2006 to March 2008; Chief Financial Officer since September 15, 2009</li> </ul>	<ul style="list-style-type: none"> <li>Director of Lundin Gold Inc. (formerly "Fortress Minerals Corp.")</li> <li>Director of Africa Energy Corp.</li> <li>Director of Petro Vista Energy Corp.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>James Phillips</b> Nairobi, Kenya	<ul style="list-style-type: none"> <li>Vice President of Business Development since September 10, 2012</li> <li>Chief Operating Officer from March 14, 2011 to September 10, 2012</li> <li>Vice President, Exploration from September 15, 2009 to March 14, 2011</li> </ul>	<ul style="list-style-type: none"> <li>President &amp; Chief Executive Officer of Africa Energy Corp.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Dr. Paul Martinez</b> Alberta, Canada	<ul style="list-style-type: none"> <li>Vice President, Exploration since March 14, 2011</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Director International Business Development for Occidental Oil &amp; Gas</li> <li>Vice President Exploration, Occidental Libya Oil &amp; Gas BV</li> </ul>
<b>Mark Dingley</b> Nairobi, Kenya	<ul style="list-style-type: none"> <li>Vice President, Operations since July 30, 2014</li> </ul>	<ul style="list-style-type: none"> <li>President of Africa Oil Ethiopia B.V.</li> <li>Chief Operating Officer of Africa Energy Corp.</li> </ul>	<ul style="list-style-type: none"> <li>Vice President, Middle East Operations for Talisman Energy Inc.</li> </ul>
<b>Tim Thomas</b> Alberta, Canada	<ul style="list-style-type: none"> <li>Vice President Development since March 10, 2015</li> <li>Chief Operating Officer since April 17, 2015</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>President of Oakridge Consulting</li> <li>President, Chief Executive Officer and Director of ArPetro Ltd.</li> </ul>

Name	Position(s) held in the Company	Other current position(s)	Other position(s) which have been held in the past 5 years, but is no longer holding
<b>Alex Budden</b> United Kingdom	<ul style="list-style-type: none"> <li>Vice President, External Relations since July 15, 2012</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Diplomat for the British Foreign &amp; Commonwealth Office</li> </ul>

## Other information regarding the board of directors and executive officers

All members of the Board and executive officers have their business address at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, Canada, with the exception of:

- J. Cameron Bailey, whose business address is Suite 802, 322 11<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2R 0C5;
- Gary Guidry, whose business address is #1100, 321 - 6<sup>th</sup> Ave. SW, Calgary, AB, Canada T2P 3H3;
- Bryan Benitz, whose business address is The Mill House, Wylde, Wiltshire BA12 0QP. U.K.;
- John Craig, whose business address is 2100, 40 King Street West, Toronto, ON, Canada, M5H 3C2;
- James Phillips, whose business address is 22<sup>nd</sup> Floor, Metlife Centre, 7 Walter Sisulu Avenue, Cape Town, South Africa, 8001;
- Tim Thomas, whose business address is 1750, 300 – 5<sup>th</sup> Avenue SW, Calgary, AB, Canada T2P 3C4;
- Dr. Paul Martinez, whose business address is 1750, 300 – 5<sup>th</sup> Avenue SW, Calgary, AB, Canada T2P 3C4; and
- Mark Dingley, whose business address is 1<sup>st</sup> Floor, Equatorial Fidelity Centre, Waridi Lane, Off Waiyaki Way, Nairobi, Kenya.

### CORPORATE 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 prospectus 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 compromise 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 of 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.

John Craig was a director of Sirocco Mining Inc. (“**Sirocco**”) until November 8, 2013. On October 13, 2014, RB Energy Inc. (“**RB Energy**”) a successor company to Sirocco filed for protection under the Companies’ Creditors Arrangement Act (“**CCAA**”). Although John Craig was never a director, officer or insider of RB Energy, he was a director of Sirocco within the 12 month period prior to RB Energy filing under the CCAA.

### **INDIVIDUAL BANKRUPTCIES**

During the ten years preceding the date of this prospectus, 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.

No director of the Company or any of the executive officers has been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting as the management or conducting of the affairs of a company during the past five years, or has been evicted of any fraudulent acts.

### **CONFLICTING INTERESTS**

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.

### **INSIDER HOLDINGS**

The table set out below accounts for the holdings of insiders in Africa Oil, per April 24, 2015.

<b>Insider</b>	<b>Shares held</b>	<b>Options held</b>
James Cameron Bailey	44,300	490,000
Bryan M. Benitz	232,000	490,000
John Hunter Craig	104,200	490,000
Ian Gibbs	781,038	1,500,000
Gary Stephen Guidry	100,000	490,000
Keith Charles Hill	1,223,341	1,960,000
James Phillips	183,438	1,040,000
Paul Martinez	252,000	1,327,000
Tim Thomas	-	500,000
Mark Dingley	-	789,000

## Compensation, pension and benefits

### SUMMARY COMPENSATION TABLE

The table set out below provides a summary of compensation paid to each executive officer of the Corporation for the 2012, 2013, and 2014 financial years:

Name and principal position of Executive Officer	Year	Salary <sup>(1)</sup>	Option-based awards <sup>(2)</sup>	Non-Equity Annual incentive plans/ Bonuses	All other compensation	Total compensation
Keith Hill <i>President &amp; CEO</i>	2014	271,624	2,658,271	194,664	77,013	3,201,573
	2013	291,286	1,434,920	582,572	94,165	2,402,944
	2012	252,635	Nil	505,271	Nil	757,906
Ian Gibbs <i>Chief Financial Officer</i>	2014	271,624	1,519,012	135,812	8,258	1,934,707
	2013	291,286	1,434,920	364,108	8,468	2,098,782
	2012	252,635	Nil	252,635	Nil	505,270
Tim Thomas <sup>(3)</sup> <i>Chief Operating Officer. Former Vice President Development</i>	2014	N/A	N/A	N/A	N/A	N/A
	2013	N/A	N/A	N/A	N/A	N/A
	2012	N/A	N/A	N/A	N/A	N/A
Nicholas Walker <sup>(3)</sup> <i>Former Chief Operating Officer</i>	2014	271,624	2,658,271	158,448	12,281	3,100,624
	2013	291,286	1,434,920	436,929	12,336	2,175,472
	2012	78,949	3,005,850	77,812	Nil	3,162,611
James Phillips <i>Vice President Business Development</i>	2014	125,000	1,519,012	Nil	282,142	1,926,154
	2013	300,000	1,434,920	225,000	113,830	2,073,750
	2012	282,000	Nil	282,000	Nil	564,000
Dr. Paul Martinez <i>Vice President Exploration</i>	2014	271,624	1,664,309	126,758	12,042	2,074,733
	2013	291,286	1,145,462	364,108	12,419	1,813,275
	2012	252,635	Nil	252,635	Nil	505,271
David Grellman <i>Former Vice President Operations, Former President &amp; Chief Executive Officer, Africa Energy Corp.</i>	2014	250,000	759,506	100,000	302,584	1,412,090
	2013	300,000	717,460	225,000	136,471	1,378,931
	2012	250,000	142,377	250,000	46,360	688,737
Alex Budden <i>Vice President External Affairs</i>	2014	226,354	554,770	63,379	Nil	844,502
	2013	242,738	618,500	182,539	Nil	1,043,778
	2012	119,370	811,950	78,822	Nil	1,010,142
Mark Dingley <i>Vice President, Operations, President of Africa Oil Ethiopia B.V. and Chief Operating Officer of Africa Energy Corp.</i>	2014	250,000	624,116	94,000	113,218	1,081,334
	2013	166,664	989,600	125,000	14,995	1,296,259
	2012	-	-	-	-	-

Notes:

- (1) Salaries for the Executive Officers are paid in Canadian dollars and converted to United States dollars for reporting purposes, except for Mr. Phillips, Mr. Dingley and Mr. Grellman who are paid in USD.

- (2) These amounts represent the value of stock options granted to the respective Executive Officer. The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model taking into account the following assumptions on a weighted average basis: (i) risk-free interest rate ( per cent); (i) expected life (years); and (iii) expected volatility ( per cent). This is consistent with the accounting values used in the Corporation's financial statements. The dollar amount in this column represents the total value ascribed to the stock options; however, all of these stock options are subject to vesting as to one-third on the date of grant, one-third one year from the date of grant and the remaining one-third two years from the date of grant.
- (3) Mr. Nicholas Walker resigned as Chief Operating Officer on April 17, 2015. Mr. Tim Thomas was appointed Vice President Development on March 10, 2015 and Chief Operating Officer for the Company on April 17, 2015.

## COMPENSATION

Remuneration of Directors and Senior Management includes all amounts earned and awarded to the Company's Board of Directors and Senior Management. Senior Management includes the Company's President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Vice President of Exploration, Vice President of Business Development, Vice President of External Affairs, as well as the former President, Chief Operating Officer and Chief Financial Officer of Africa Energy. Directors include both the Company's five Directors and Africa Energy's four Directors. Directors' fees include Board and Committee Chair retainers and meeting fees. Management's short-term wages, bonuses and benefits include salary, benefits, bonuses and any other compensation earned or awarded during the year. Share-based compensation includes expenses related to the Company's stock option plan.

(All amounts expressed in thousands of USD, unless otherwise indicated.)

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Directors' fees	206	221	230
Director's share-based compensation	2,356	1,159	457
Management's short-term wages, bonuses and benefits	4,084	5,782	4,006
Management's share-based compensation	11,471	8,532	3,382
	<b>18,117</b>	<b>15,694</b>	<b>8,075</b>

For the year ended December 31, 2014, USD 2.3 million of management remuneration was capitalized to intangible exploration assets (2013 – USD 2.6 million).

## INCENTIVE PROGRAMS

As of April 24, 2015 the Company had 17,363,500 stock-options outstanding under its stock-based incentive plan.

The Company uses the fair value method of accounting for stock options granted to directors, officers, consultants and employees whereby the fair value of all stock options granted is recorded as a charge to operations. Stock-based compensation for the year ended December 31, 2014 was USD 18.0 million as compared to USD 12.7 million in 2013. The increase in stock-based compensation is mainly the result of an increase in the fair value of each stock option granted in 2014 compared to those granted in 2013. The increase in the fair market value is primarily attributable to the exercise price being higher for the options granted in 2014 compared to those granted in 2013. One-third of stock options granted vested immediately. Of the USD 18.0 million stock-based compensation expense recognized in the year ended December 31, 2014, USD 0.3 million relates to stock-based compensation expense of Africa Energy. The Company continues to utilize its stock option plan as a method of recruiting, retaining and motivating personnel.

For specification of the holders of the stock options, please see Section "Insider holdings" above.

## **PENSIONS AND BENEFITS**

The Company has not accrued any monies in gratuity for pension funds for any of its executive officers.

## **TERMINATION AND CHANGE OF CONTROL BENEFITS**

The Company and its subsidiaries have not entered into any compensatory plan or arrangement in respect of compensation received or that may be received by any of the named executive officers, during the Company's most recently completed or current financial year to compensate such executive officers in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in responsibilities following a change in control, except for those disclosed below.

### ***Keith Hill, President and Chief Executive Officer***

On January 15, 2010 the Company entered into an executive employment agreement with Mr. Keith Hill, the President and Chief Executive Officer of the Company. Mr. Hill's current annual salary is CAD 350,000.

Pursuant to the terms of Mr. Hill's employment agreement, the Company may terminate Mr. Hill's employment without notice or payment in lieu of notice for cause. Additionally, the agreement may be terminated by the Company by notice to Mr. Hill if he becomes permanently disabled. Upon the termination of Mr. Hill's employment for cause or if Mr. Hill voluntarily elects to terminate his agreement, Mr. Hill shall not be entitled to any severance payment other than compensation earned by Mr. Hill before the date of termination.

Mr. Hill may be terminated by the Company for any reason other than specified above, upon 60 days written notice of the termination of his employment agreement. Mr. Hill is entitled to a continued benefit package at the Company's expense for two years, with an estimated value of approximately USD 16,516, if his employment is terminated within one year after a change of control occurs.

In the event that (i) the Company sells a controlling interest in all or substantially all of its assets or of one or more of its subsidiaries that owns, taken together, substantially all of the assets of the Company; or (ii) there is a change of control of the Company, Mr. Hill is entitled to resign and to receive the equivalent of two years' base salary in a lump sum (equivalent to CAD 700,000) plus the continuation of all of benefits for two years, at the highest level provided to Mr. Hill at any time within the one year period prior to the change of control. In addition, Mr. Hill's outstanding incentive stock option awards in the Company would fully vest and become immediately exercisable upon a change of control occurring (valued at CAD 528,958 as at December 31, 2014).

A "change of control" is deemed to occur if:

- (a) there is a successful take-over of the Company; or
- (b) a person or group other than the Lundin Family and its trusts becomes the largest shareholder of the Company.

### ***Ian Gibbs, Chief Financial Officer***

On September 14, 2009 the Company entered into an executive employment agreement with Mr. Ian Gibbs, the Chief Financial Officer of the Company. Mr. Gibbs' current annual salary is CAD 350,000.

Pursuant to the terms of Mr. Gibbs' employment agreement, the Company may terminate Mr. Gibbs' employment without notice or payment in lieu of notice for cause. Additionally, the agreement may be terminated by the Company by notice to Mr. Gibbs if he becomes permanently disabled. Upon the termination of Mr. Gibbs'

employment for cause or if he voluntarily elects to terminate his agreement, Mr. Gibbs shall not be entitled to any severance payment other than compensation he earned before the date of termination.

Mr. Gibbs may be terminated by the Company for any reason other than specified above, upon 60 days written notice of the termination of his employment agreement. Mr. Gibbs is entitled to a continued benefit package at the Company's expense for two years, with an estimated value of approximately USD 16,516, if his employment is terminated within one year after a change of control occurs.

In the event that (i) the Company sells a controlling interest in all or substantially all of its assets or of one or more of its subsidiaries that owns, taken together, substantially all of the assets of the Company; or (ii) there is a change of control of the Company, Mr. Gibbs is entitled to resign and to receive the equivalent of two years' base salary in a lump sum (currently equivalent to CAD 700,000) plus the continuation of all of benefits for two years, at the highest level provided to Mr. Gibbs at any time within the one year period prior to the change of control. In addition, Mr. Gibbs' outstanding incentive stock option awards in the Company would fully vest and become immediately exercisable upon a change of control occurring (valued at CAD 528,958 as at December 31, 2014).

A "change of control" is deemed to occur if:

- (a) there is a successful take-over of the Company; or
- (b) a person or group other than the Lundin Family and its trusts becomes the largest shareholder of the Company.

***Tim Thomas, Chief Operating Officer***

On March 9, 2015 the Company entered into an executive employment agreement with Mr. Thomas, the Chief Operating Officer of the Company. Mr. Thomas' current annual salary is CAD 300,000.

Pursuant to the terms of Mr. Thomas' employment agreement, the Company may terminate Mr. Thomas' employment without notice or payment in lieu of notice for cause. Additionally, the agreement may be terminated by the Company by notice to Mr. Thomas if he becomes permanently disabled. Upon the termination of Mr. Thomas' employment for cause or if he voluntarily elects to terminate his agreement, Mr. Thomas shall not be entitled to any severance payment other than compensation he earned before the date of termination.

Mr. Thomas may be terminated by the Company for any reason other than specified above, upon six (6) months written notice of the termination of his employment agreement.

In the event that (i) the Company sells a controlling interest in all or substantially all of its assets, or (ii) there is a change of control of the Company, Mr. Thomas is entitled to resign and to receive the equivalent of two years' base salary in a lump sum (currently equivalent to CAD 600,000) plus the continuation of all of benefits for one year, at the highest level provided to Mr. Thomas at any time within the one year period prior to the change of control. In addition, Mr. Thomas' outstanding incentive stock option awards in the Company would fully vest and become immediately exercisable upon a change of control occurring (valued at CAD 140,000 as at April 24, 2015).

A "change of control" is deemed to occur if there is a successful take-over of the Company.

***Dr. Paul Martinez, Vice President Exploration***

In accordance with the Company's current 10 per cent Rolling Stock Option Plan (the "Plan"), Dr. Martinez's outstanding incentive stock option awards in the Company would fully vest and become immediately exercisable upon a change of control occurring (valued at CAD 176,055 as at December 31, 2014).

***Alex Budden, Vice President External Relations***

In accordance with the Plan, Mr. Budden's outstanding incentive stock option awards in the Corporation would fully vest and become immediately exercisable upon a change of control occurring (nil value as at December 31, 2014).

***Mark Dingley, Vice President, Operations, President of Africa Oil Ethiopia B.V. and Chief Operating Officer of Africa Energy Corp.***

In accordance with the Plan, Mr. Dingley's outstanding incentive stock option awards in the Corporation would fully vest and become immediately exercisable upon a change of control occurring (nil valued at CAD 1,316,000 as at December 31, 2014).

***James Phillips, Vice President Business Development***

On June 1, 2014, the Corporation entered into a consulting agreement with Mr. Phillips. The consulting agreement may be terminated at any time by either party by the provision to the other of 60 days written notice of such termination

In the event that (i) the Corporation sells a controlling interest in all or substantially all of its assets or any of its subsidiaries, or (ii) there is a change of control of the Corporation, Mr. Phillips is entitled to resign and to receive the equivalent of two years' base salary in a lump sum (currently equivalent to USD 600,000) plus the continuation of all of benefits for two years at the highest level provided to Mr. Phillips at any time within the one year period prior to the change of control.

A "change of control" is deemed to occur if:

- (a) there is a successful take-over of the Corporation; or
- (b) a person or group other than the Lundin Family and its trusts becomes the largest shareholder of the Corporation.

In accordance with the Plan, Mr. Phillips' outstanding incentive stock option awards in the Corporation would fully vest and become immediately exercisable upon a change of control occurring (valued at CAD 33,308 as at December 31, 2014).

## **Auditors**

PricewaterhouseCoopers LLP, Chartered Accountants, ("PwC") have prepared the Independent Auditors' Report in respect of the Company's consolidated audited financial statements for the years ended December 31, 2014, 2013 and 2012. PwC have advised the Company that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Alberta.

PwC has served as auditor of the Company for more than five years. The responsible partner of PwC with respect to the auditing of Africa Oil Corp. has been John Williamson. Due to auditor rotation requirements, Alisa Sorochan will be the PwC partner responsible for auditing the Company's 2015 financial statements. PwC has not resigned, been removed or not re-appointed as the Company's auditors since their initial appointment in 2008.

For information regarding the Company's Audit Committee, please see Section "Corporate Governance" below.

# CORPORATE GOVERNANCE

## Canadian corporate governance code

Since Africa Oil is not a Swedish limited liability company (Sw. *aktiebolag*), it is not subject to the rules in the Swedish Companies Act or in the Swedish Code of Corporate Governance. However, Africa Oil is required to comply with the corporate governance code of its country of incorporation. The Company has adopted and complies with corporate governance rules and guidelines of the Canadian Securities Administrators and applicable securities legislation in all material aspects.

Corporate governance guidelines were adopted by Canadian regulatory authorities in June 2005, and deal with matters such as the constitution and independence of corporate boards, the effectiveness and education of board members and other items dealing with sound corporate governance practices

Furthermore, the Board has adopted a “Code of Business Conduct and Ethics” and “Whistleblower Policy”, whereby complaints will be received by the Chairman of the Audit Committee. It is through this whistleblowing avenue that the Board monitors and satisfies itself as to compliance with the Code of Business Conduct and Ethics. The Board expects directors and employees to act ethically at all times and to acknowledge their adherence to the policies comprising the Code of Business Conduct and Ethics, which is intended to deter wrongdoing and to promote, amongst other things: honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the securities regulators and in other public communications made by the Company; and compliance with applicable governmental laws, rules and regulations.

Reporting issuers in Canada are subject to National Instrument 58-101 Disclosure of Corporate Governance Practices and are required to disclose its corporate governance practices in accordance with that instrument. This disclosure must be published in the issuer’s management information circular, or in its annual information form if a management information circular is not sent to its security holders.

## Board structure and function

The Board shall be constituted at all times of a majority of independent directors in accordance with National Instrument 58-201 (Effective Corporate Governance). The Chairman of the Board should also be independent or alternatively the Board will appoint an independent lead director.

The Board is currently comprised of five directors, a majority of whom are independent directors according to the definition of “independent” set out in National Instrument 52-110 (Audit Committees). Keith Hill is the President and Chief Executive Officer, as well as Board Chairman, and as such is not considered independent. John Craig is the Lead Director and is considered independent.

Africa Oil does not have a formal policy limiting the number of outside directorships or the number of directors that can sit on the same board outside of the Company.

The Board is responsible for the stewardship of the business and for acting in the best interests of the Company and its shareholders. Its responsibility includes: the assignment to the various committees of directors the general responsibility for developing the Company’s approach to corporate governance and nomination of directors related issues, financial reporting and internal controls, oil and gas resources, and/or reserves, and issues relating to compensation of officers and employees, reviewing with senior management; reviewing major corporate decisions

which require Board approval and approving such decisions as they arise, major capital expenditure decisions (in excess of CAD 5 million), material decisions relating to senior personnel, major property acquisitions or divestments, major investments; performing such other functions as prescribed by law or assigned to the Board in the Company's constituting documents and by-laws; as well as reviewing feedback provided by the Company's various stakeholders, amongst other things.

## **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. 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.

### ***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 <sup>(1)</sup>	Financially Literate <sup>(2)</sup>	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 previous positions with a number of publicly-traded companies, including Glencore E&P (Canada) Inc. (formerly Caracal Energy Inc.), Griffiths Energy International Inc., 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.

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

## **Compensation committee**

As of the fiscal year ended December 31, 2014 the Compensation Committee was comprised of three directors, namely, Messrs. J. Cameron Bailey (Chair), Bryan M. Benitz and John H. Craig, all of whom are independent. All members of the Compensation Committee have direct experience which is relevant to their responsibilities as Compensation Committee members. All members are or have held senior executive or director roles within the public company sector and have a good financial understanding which allows them to assess the costs versus benefits of compensation plans. The members combined experience in the resource sector provides them with the understanding of the Company's success factors and risks, which is very important when determining metrics for measuring success.

The Compensation Committee's mandate includes reviewing and making recommendations to the Board of Directors in respect of compensation matters relating to the Company's executives which are identified in the Section entitled "*Summary Compensation Table*". The Compensation Committee is responsible for:

- evaluating the CEO's performance and establishing executive and senior officer compensation;
- administering the Company's policy on remuneration;
- preparing the Board for decisions on matters relating to the principles of remuneration, remuneration and other terms of employment of the executive management;

- monitoring and evaluating programs for variable remuneration for the executive management and the current remuneration structures and levels within the Company, including the extent and level of participation in incentive programs in conjunction with the Board; and
- delivering an annual statement on executive compensation.

The Compensation Committee has also been mandated to review the adequacy and form of annual compensation for non-executive directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director. The Compensation Committee meets at least once annually. The Compensation Committee also meets at other times during the year as necessary, such as when a component of the Company's overall compensation package, including the stock option plan, is being amended or reviewed. The Compensation Committee did not retain a compensation consultant or advisor at any time since the beginning of the Company's most recently completed financial year to assist in determining compensation for any of its directors and officers.

## **Corporate governance and nominating committee**

The Corporate Governance and Nominating Committee is composed of Gary S. Guidry (Chair), J. Cameron Bailey and John H. Craig, each of whom is independent within the meaning of National Instrument 52-110.

Under its mandate, the Corporate Governance and Nominating Committee is responsible for proposing new nominees, when deemed appropriate, for appointment or election to the Board and recommending the new board of director nominees at the next annual meeting of shareholders.

In addition, the Corporate Governance and Nominating Committee has the responsibility in general for developing and monitoring the Company's approach to corporate governance issues such as: developing a code of ethical business conduct; the Company's response to applicable rules, policies and guidelines respecting corporate governance matters; assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors on a periodic basis, which will include monitoring the quality of the relationship between management and the Board and recommending any improvements, if necessary; ensuring that, where necessary, appropriate structures and procedures are in place to ensure that the Board can function independently of management; periodically examining the size of the Board, with a view to determining the impact of the number of directors upon effectiveness, and making recommendations where appropriate to the Board as to any programs the corporate governance and nomination committee determines to be appropriate to reduce or increase the number of directors to a number which facilitates more effective decision making; taking responsibility for the development, adoption and enforcement of the Code of Business Conduct and Ethics by the Board, and filing the same on SEDAR<sup>10</sup>; and proposing new nominees, when deemed appropriate, for appointment or election to the Board and recommending the new Board of Director nominees at the next annual meeting of shareholders.

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<sup>10</sup> System for Electronic Document Analysis and Retrieval

# SHARE CAPITAL AND RELATED ISSUES

## Description of share capital

As of April 24, 2015 the Company had an aggregate of 372,624,649 Shares issued and outstanding. The Company has an unlimited authorized capital of Shares without par value. The Shares have been issued under the BCBCA. The Company does not hold any of its Shares on its own account. As of April 24, 2015 the Company had 17,363,500 stock-options outstanding. Each Share is denominated in CAD and shall entitle to one vote. On May 1, 2015, the Company announced that it had entered into an investment agreement with Stampede, an entity owned by a fund advised by Helios, to sell, on a non-brokered private placement basis, 52,623,377 New Shares at a price of CAD 2.31 for gross proceeds of CAD 121,560,000 (USD 100 million). The private placement completed on May 29, 2015 and, as a result, Stampede owns approximately 12.37 percent of the issued and outstanding Shares of the Company.

The Company's 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 Shares are also entitled to dividends, if and when, declared by the Board of the Company. Upon the liquidation, dissolution or winding up of the Company, the holders of the Shares are entitled to receive the remaining assets of the Company available for distribution to the shareholders.

The Shares are not subject to any offer made due to a mandatory bid obligation, redemption right or redemption obligation, nor have the Shares been subject to a public takeover offer during the current or the past financial year. The Shares are not subject to any restrictions on their transferability.

## Historic share capital

Africa Oil Corp. was incorporated under the BCBCA on March 29, 1993 under the name "Canmex Minerals Corporation" with an authorized capital of 100,000,000 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 Shares. On August 20, 2007 the Company changed its name to Africa Oil Corp. On June 19, 2009 the shareholders of Africa Oil passed a special resolution increasing the Company's authorized share capital to an unlimited number of Shares.

Please see below for a summary of the Company's Share issuances from January 1, 2011 until on or about April 24, 2015. As at January 1, 2011, outstanding Shares amounted to, in aggregate, 135,806,100.

Date	Event/Treasury Direction Number	Change	Total Shares
January 6, 2011	Option exercise	33,332	135,839,432
January 6, 2011	Finder's Fee	51,653	135,891,085
January 26, 2011	Lion Energy Acquisition	2,500,000	138,391,085
February 1, 2011	Option Exercise	15,000	138,406,085
February 1, 2011	Option Exercise	100,000	138,506,085
February 1, 2011	Centric Energy Acquisition	30,155,524	168,661,609

March 3, 2011	Loan Payment	14,000,000	182,661,609
March 8, 2011	Warrant Exercise	30,000	182,691,609
April 8, 2011	Option Exercise	3,333	182,694,942
April 11, 2011	Loan Payment	1,850,100	194,545,042
April 20, 2011	Warrant Exercise	1,500,000	196,045,042
May 24, 2011	Option Exercise	116,667	196,161,709
June 20, 2011	Lion Energy Acquisition	17,462,447	213,624,156
July 12, 2011	Option Exercise	15,000	213,639,156
July 15, 2011	Option Exercise	60,000	213,699,156
July 19, 2011	Option Exercise	25,000	213,724,156
July 20, 2011	Option Exercise	106,000	213,830,156
July 20, 2011	Option Exercise	31,250	213,861,406
September 21, 2011	Finder's Fee	51,653	213,913,059
December 15, 2011	Return to Treasury – Lion Energy Acquisition	(2,500,000)	211,413,059
January 31, 2012	Option Exercise	10,000	211,423,059
February 1, 2012	Option Exercise	133,333	211,556,392
February 10, 2012	Option Exercise	15,000	211,571,392
February 17, 2012	Option Exercise	100,000	211,671,392
February 17, 2012	Option Exercise	40,000	211,711,392
February 24, 2012	Option Exercise	66,600	211,777,992
February 27, 2012	Option Exercise	15,000	211,792,992
February 24, 2012	Option Exercise	2,500	211,795,492
March 1, 2012	Option Exercise	50,000	211,845,492
March 2, 2012	Option Exercise	100,000	211,945,492
March 8, 2012	Option Exercise	39,000	211,984,492
March 7, 2012	Option Exercise	100,000	212,084,492
March 12, 2012	Option Exercise	41,733	212,126,225
March 13, 2012	Option Exercise	16,666	212,142,891

March 12, 2012	Warrant Exercise	6,521,601	218,664,492
July 3, 2012	Settlement Agreement	95,000	218,759,492
July 10, 2012	Option Exercise	1,400,968	220,160,460
July 10, 2012	Option Exercise	139,000	220,299,460
July 11, 2012	Option Exercise	114,000	220,413,460
July 12, 2012	Option Exercise	215,477	220,628,937
July 12, 2012	Option Exercise	39,999	220,668,936
July 13, 2012	Option Exercise	16,668	220,685,604
July 18, 2012	Option Exercise	109,333	220,794,937
July 19, 2012	Option Exercise	15,000	220,809,937
August 14, 2012	Option Exercise	100,000	220,909,937
August 21, 2012	Option Exercise	12,500	220,922,437
August 17, 2012	Settlement Agreement	325,000	221,247,437
August 31, 2012	Option Exercise	100,000	221,347,437
September 10, 2012	Option Exercise	25,000	221,372,437
September 10, 2012	Option Exercise	100,000	221,472,437
September 11, 2012	Option Exercise	25,000	221,497,437
September 11, 2012	Option Exercise	100,000	221,597,437
September 11, 2012	Option Exercise	12,100	221,609,537
September 11, 2012	Option Exercise	16,667	221,626,204
September 12, 2012	Option Exercise	7,900	221,634,104
September 12, 2012	Option Exercise	5,500	221,639,604
September 12, 2012	Option Exercise	15,000	221,654,604
September 13, 2012	Option Exercise	400,000	222,054,604
September 21, 2012	Option Exercise	34,667	222,089,271
October 12, 2012	Option Exercise	8,334	222,097,605
December 7, 2012	Private Placement – Tranche 1 – December 7, 2012	20,544,991	242,642,596
December 7, 2012	Private Placement – Tranche 1 – December 7, 2012	7,360,000	250,002,596

December 7, 2012	Private Placement – Tranche 1 – December 7, 2012	260,000	250,262,596
December 7, 2012	Private Placement – Tranche 1 – December 7, 2012	202,000	250,464,596
December 7, 2012	Treasury Cancellation request – Private Placement – Tranche 1 – December 7, 2012	(485,000)	249,979,596
December 13, 2012	Option Exercise	55,667	250,035,263
December 13, 2012	Private Placement – Tranche 2 – December 13, 2012	2,118,009	252,153,272
December 18, 2012	Option Exercise	6,666	252,159,938
December 19, 2012	Option Exercise	6,000	252,165,938
April 5, 2013	Option Exercise	50,000	252,215,938
April 18, 2013	Option Exercise	100,000	252,315,938
April 19, 2013	Option Exercise	7,334	252,323,272
April 19, 2013	Option Exercise	19,700	252,342,972
April 22, 2013	Option Exercise	200,000	252,542,972
April 23, 2013	Option Exercise	33,334	252,576,306
April 26, 2013	Option Exercise	35,000	252,611,306
April 29, 2013	Option Exercise	30,300	252,641,606
April 30, 2013	Option Exercise	20,000	252,661,606
April 29, 2013	Option Exercise	145,000	252,806,606
April 29, 2013	Option Exercise	25,000	252,831,606
April 29, 2013	Option Exercise	10,000	252,841,606
April 29, 2013	Option Exercise	65,000	252,906,606
May 28, 2013	Option Exercise	50,000	252,956,606
August 21, 2013	Option Exercise	6,000	252,962,606
August 23, 2013	Option Exercise	2,500	252,965,106
October 24, 2013	Brokered Private Placement – Issuance #1	3,770,000	256,735,106
October 25, 2013	Brokered Private Placement – Issuance #2	6,910,000	263,645,106
October 25, 2013	Brokered Private Placement – Issuance #3	45,195,217	308,840,323
October 25, 2013	Brokered Private Placement – Issuance #4	34,686	308,875,009
October 25, 2013	Brokered Private Placement – Issuance #5	595,314	309,470,323

January 23, 2014	Option Exercise	100,000	309,570,323
February 18, 2014	Option Exercise	653,333	310,223,656
February 19, 2014	Option Exercise	3,334	310,226,990
February 19, 2014	Option Exercise	2,500	310,229,490
February 19, 2014	Option Exercise	18,000	310,247,490
February 20, 2014	Option Exercise	25,000	310,272,490
February 19, 2014	Option Exercise	100,000	310,372,490
February 21, 2014	Option Exercise	24,333	310,396,823
February 24, 2014	Option Exercise	50,000	310,446,823
February 25, 2014	Option Exercises	61,500	310,508,323
February 26, 2014	Option Exercises	16,666	310,524,989
June 24, 2014	Option Exercise	50,000	310,574,989
June 30, 2014	Option Exercises	566,700	311,141,689
July 2, 2014	Option Exercises	491,300	311,632,989
July 3, 2014	Option Exercises	81,500	311,714,489
July 4, 2014	Option Exercises	330,900	312,045,389
July 7, 2014	Option Exercises	34,634	312,080,023
July 8, 2014	Option Exercises	92,589	312,172,612
July 10, 2014	Option Exercises	160,667	312,333,279
July 10, 2014	Option Exercises	160,667	312,333,279
January 28, 2015	Option Exercises	297,100	312,630,379
January 30, 2015	Option Exercises	167,000	312,797,379
February 3, 2015	Option Exercise	17,000	312,814,379
February 4, 2015	Option Exercise	120,000	312,934,379
February 19, 2015	Private Placement	57,020,270	369,954,649
March 17, 2015	Option Exercise	934,000	370,888,649
March 18, 2015	Option Exercise	137,000	371,025,649
March 23, 2015	Option Exercise	222,000	371,247,649

March 26, 2015	Option Exercise	167,000	371,414,649
March 27, 2015	Option Exercise	960,000	372,374,649
March 30, 2015	Option Exercise	167,000	372,541,649
March 31, 2015	Option Exercise	83,000	372,624,649
<b>Total as at or about April 24, 2015</b>			<b>372,624,649</b>

## Significant share ownership

To the knowledge of the directors and officers of the Company, the Company's largest registered shareholders as of April 29, 2015 are:

Shareholder	Shares held <sup>(1)</sup>	Percentage of Shares and votes
JANUS CAPITAL MANAGEMENT	32,530,704	8.73%
NORDEA BANK AB	18,462,242	4.95%
CAPITAL GROUP COMPANIES	14,258,852	3.83%
HENDERSON GROUP PLC	9,850,500	2.64%
BLACKROCK	6,915,200	1.86%

<sup>(1)</sup> Information as provided by 2015 Bloomberg Finance L.P. on April 29, 2015

The Company is not aware of any individual registered shareholders owning greater than 10 per cent of the Company's issued and outstanding Shares. The Company is not aware of any agreements which could lead to a change in the control of the Company.

## Dividend policy

There are no restrictions which prevent Africa Oil from paying dividends. The Company has not paid dividends on its Shares and it has no present intentions of paying any dividends on its Shares, as it anticipates that all available funds will be invested to finance the growth of its business. The directors will determine if and when dividends should be declared and paid in the future, based on Africa Oil's financial position at the relevant time.

# LEGAL AND SUPPLEMENTARY INFORMATION

## Incorporation and legal form of business

The legal and commercial name of the Company is Africa Oil Corp., and it is a public limited liability company incorporated in the Province of British Columbia, Canada, under the BCBCA. The Company's incorporation number is BC0443700, and the Company's Shares are currently traded under the symbol "AOI" on the TSX and Nasdaq Stockholm.

Africa Oil Corp. was incorporated under the BCBCA on March 29, 1993 under the name "Canmex Minerals Corporation". On August 20, 2007 the Company changed its name to "Africa Oil Corp."

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 Suite 2000, 885 West Georgia Street, Vancouver, B.C. V6C 3E8. The Company also has an office located at Suite 1750, 300 – 5<sup>th</sup> Avenue SW, Calgary, AB, Canada T2P 3C4.

## Related party transactions

### *Transactions with Africa Energy Corp.*

On September 20, 2011, a Share Purchase Agreement was executed between the Company and Africa Energy which resulted in the Company owning 51.4 per cent of the outstanding shares of Africa Energy. In June 2012 and March 2015, respectively, Africa Energy completed two non-brokered private placements further reducing the Company's ownership interest in Africa Energy. At March 31, 2015, the Company owned 40.8 per cent of Africa Energy. The following transactions occurred between the Company and Africa Energy.

Under the terms of a general management and service agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy USD 0.8 million during 2014 (2013 – USD 0.9 million). At December 31, 2014, the outstanding balance receivable from Africa Energy, recorded as a due from related party, was USD nil (2013 – USD nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

Under the terms of a services agreement between the Company and Africa Energy, Africa Oil invoiced Africa Energy USD 0.06 million during 2014 (2013 – USD 0.03 million) for services provided by geologists and geophysicists employed by Africa Oil. As at December 31, 2014, USD 0.03 million was outstanding and recorded in due from related party (2013 – USD 0.01 million). During 2014, Africa Oil invoiced Africa Energy USD 0.1 million for reimbursable expenses paid by Africa Oil on behalf of Africa Energy (2013 – USD 0.1 million).

## Significant agreements, including financial agreements

The Company has not within the last financial year entered into any material contracts, nor are there any material contracts entered into before the last financial year that are still in effect, except for:

- i. the PSCs (which are summarized below);
- ii. certain farmout and joint venture agreements (which are summarized below); and
- iii. other contracts which have been entered into in the ordinary course of business.

## OVERVIEW OF PRODUCTION SHARING CONTRACTS

### *Block 10BB, Kenya (50 per cent working interest)*

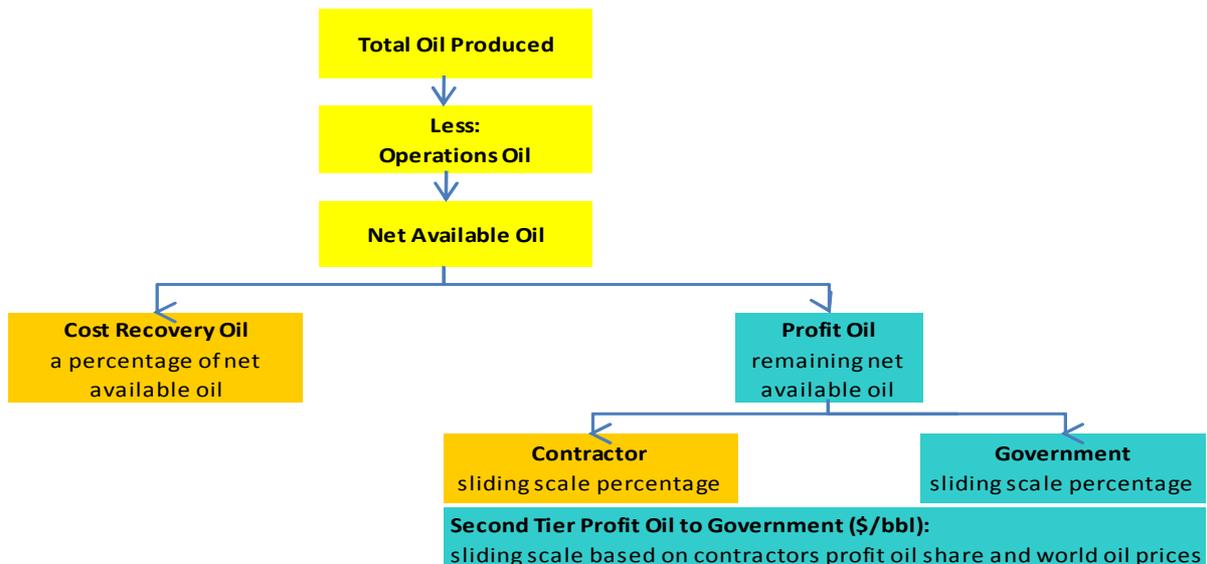
The Block 10BB PSC contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The Contractor Group is currently in the first additional exploration period which expires in July 2015. During the first additional exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 300 square kilometers of 3D seismic with a minimum required expenditure of USD 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 USD 6.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish 30 per cent of the remaining contract area.

During the second additional exploration period, the Contractor Group is required to acquire and interpret 250 square kilometers of 3D seismic at a minimum cost of USD 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 USD 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 per cent 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 per cent 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 per cent 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 per cent of the original contract area at the end of the first exploration period, the Kenyan Ministry asked the Company to maintain the contract area 100 per cent and waived the requirement to relinquish.

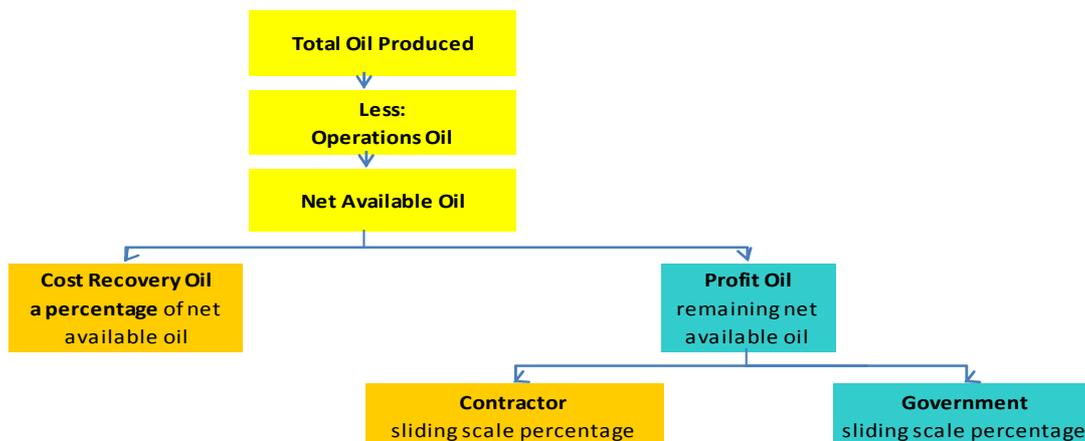
The Company completed drilling the Bahasi-1 well in December 2013 and entered the second additional exploration period under the Block 9 PSC. The Company has proposed a relinquishment of 50 per cent of the original contract area.

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 USD 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 per cent 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 per cent working interest)***

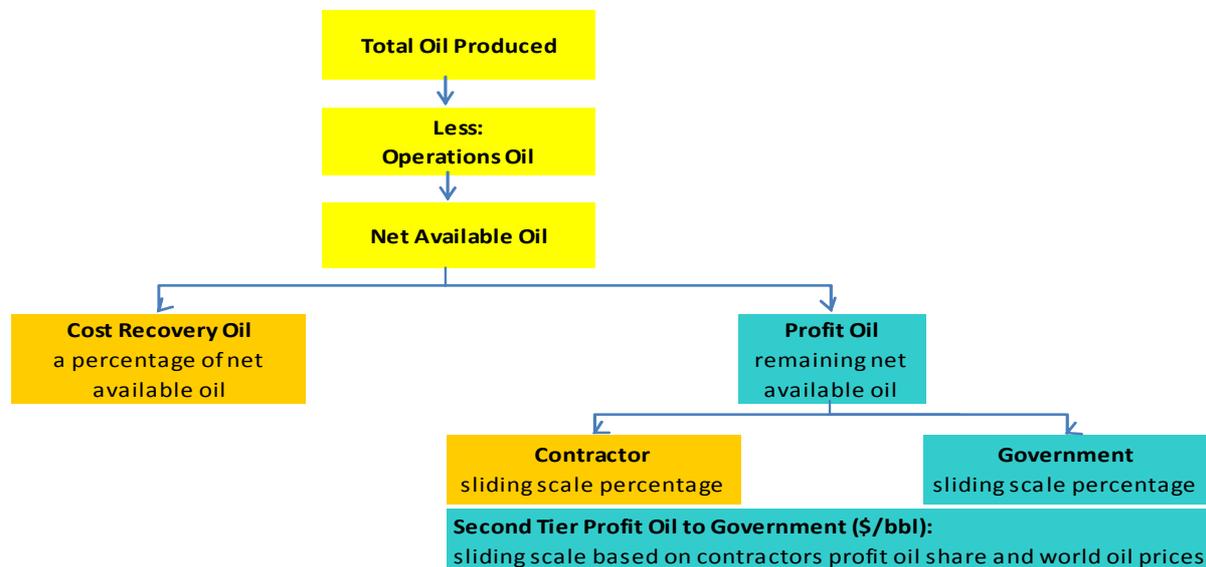
The Block 13T PSC contemplates an initial three year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The Contractor Group is currently in the first additional exploration period which expires in September 2015. During the first additional exploration period, the Contractor Group is required to acquire and interpret an additional 200 square kilometers of 3D seismic at a minimum cost of USD 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 USD 15.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25 per cent 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 square kilometers of 3D seismic at a minimum cost of USD 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 USD 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 per cent of the total interest in that development area, 15 per cent of which will be held by the Kenyan Government and 7.5 per cent 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 per cent 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 was extended to September 2014. The Contractor Group is currently in the first additional exploration period which expires in September 2016.

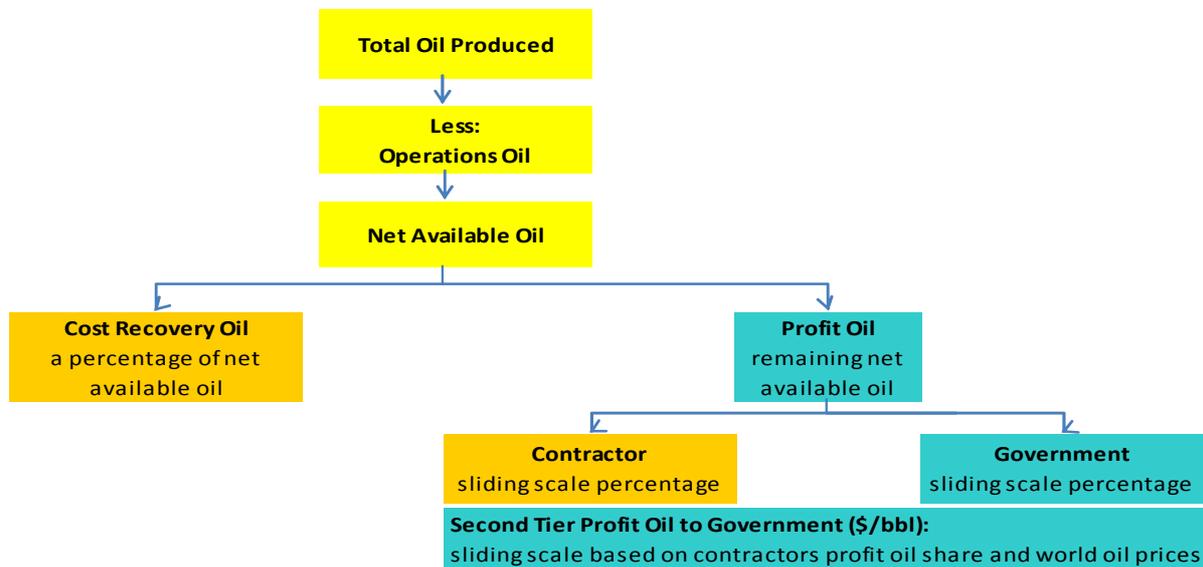
During the first additional exploration period, the Contractor Group is required to acquire and interpret an additional 200 square kilometers of 3D seismic at a minimum cost of USD 6.0 million. In addition, the Contractor Group is required to drill one well exploratory well to a vertical depth of at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

During the second additional exploration period, the Contractor Group is required to acquire and interpret an additional 200 square kilometers of 3D seismic at a minimum cost of USD 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 USD 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 per cent of the total interest in that development area, 15 per cent of which will be held by the Kenyan Government and 7.5 per cent 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 per cent 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. The Contractor Group is currently in the first additional exploration period which expires in April 2016.

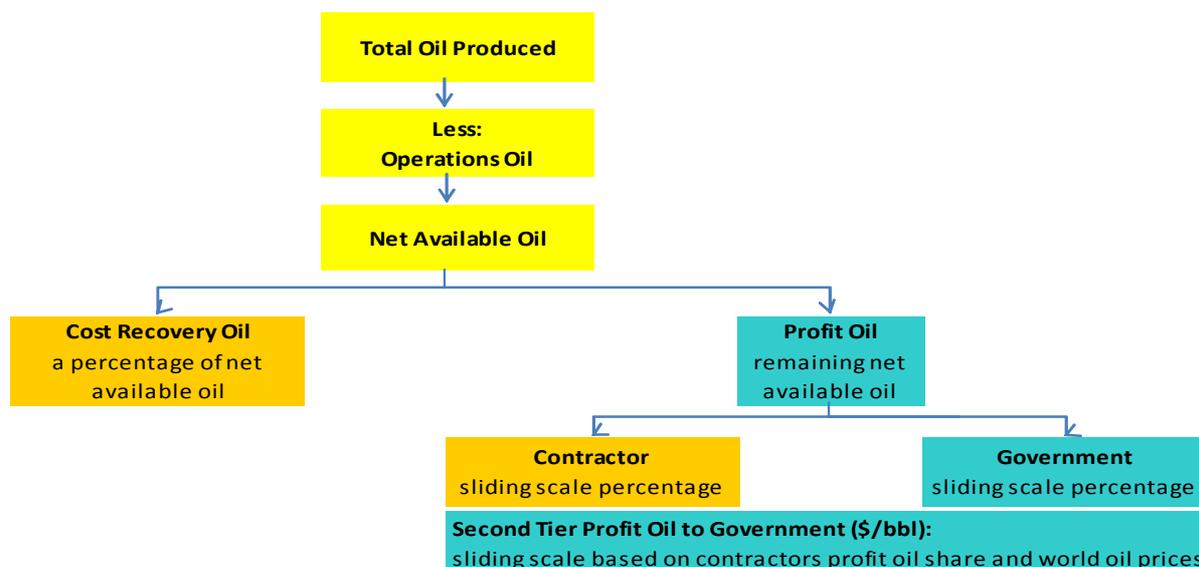
During the first additional exploration period, the Contractor Group is required to acquire and interpret 1,000 kilometers of 2D seismic or carry out surveys of 50 square kilometers of 3D seismic and drill one well or carry out surveys of 45 square kilometers of 3D seismic at a minimum cost of USD 17.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25 per cent 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 square kilometers of 3D seismic and drill two exploratory wells at a minimum cost of USD 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 per cent 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.

### ***South Omo Block, Ethiopia (30 per cent working interest)***

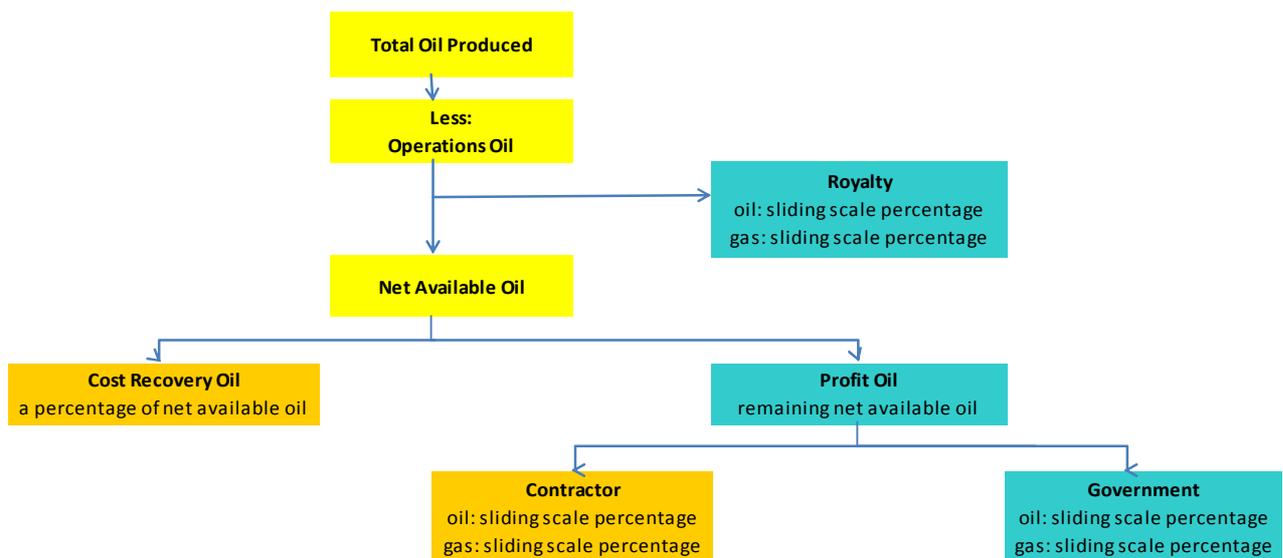
The South Omo Block PSA contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The Contractor Group elected to enter the second additional exploration period which expires in January 2017.

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 USD 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 USD 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 per cent 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 per cent 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 USD 5.0 million. At the end of the initial exploration period, the Contractor Group must relinquish 25 per cent of the original contract area.

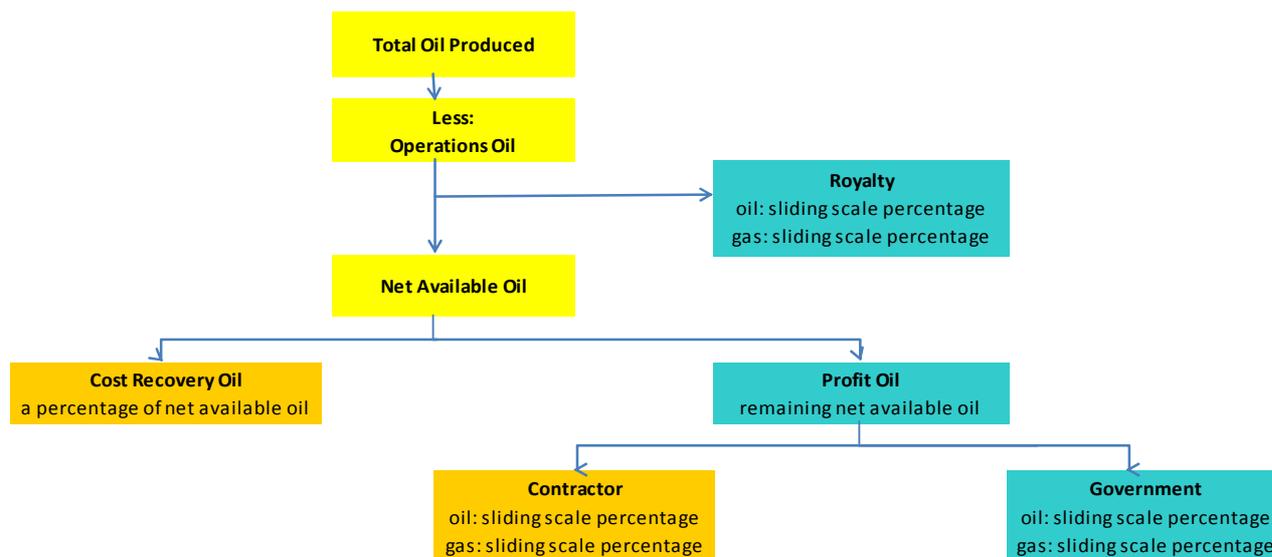
During the first additional exploration period, the Contractor Group is required to drill one exploratory well. The minimum required expenditure for the well is USD 7.5 million. If required for drilling, the Contractor Group is obligated to acquire an additional 400 kilometers of infill 2D seismic. At the end of the first additional exploration period, the Contractor Group must relinquish 25 per cent 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 USD 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 per cent 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 per cent 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 per cent of the original contract area and agreed to pay a USD 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 USD 1,550,000 for the two amendments, for development of infrastructure. Under the amended PSCs, Africa Oil 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 Africa Oil, in the Dharoor Valley Exploration Area, by September 27, 2011

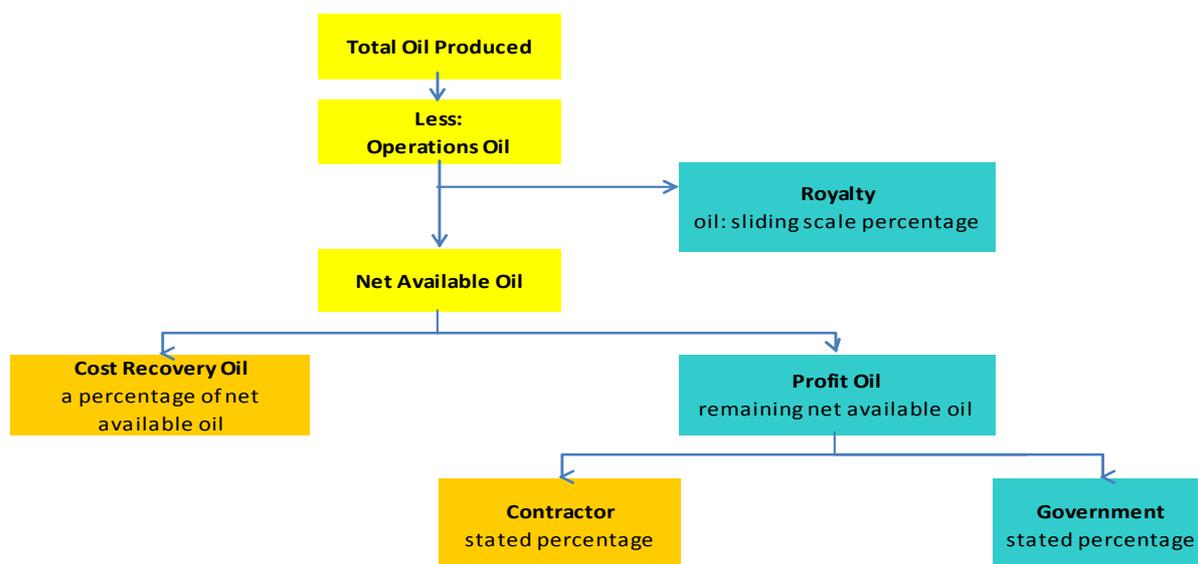
In July 2011, the PSC’s were further amended requiring execution of a drilling contract by July 31, 2011, drilling operations to commence on the first well by November 15, 2011, and drilling operations to commence on a second well by January 17, 2012. The Company agreed to relinquish 15,627 square kilometers (gross) of the Nugaal Valley Exploration area, perform a surface geochemistry survey in the Nugaal Valley Exploration area, pay the Puntland State of Somalia USD 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 Africa Energy, 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. The Company has informed the Government of Puntland (Somalia) that the Company will be downsizing its office in Bosaso, Puntland and will refrain from any operational activity and associated expenditures until the political situation improves in Somalia. Given the considerable efforts taken by the Company to date in Puntland (Somalia), the Company has requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges to be resolved.

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.

## OVERVIEW OF FARMOUT AND JOINT VENTURE AGREEMENTS

### *Lion Energy Farmout Agreement and Lion Energy Farmout Amendment*

Pursuant to the terms of the Lion Energy Farmout Agreement, Africa Oil 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, Africa Oil 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 per cent license interest in the Nugaal and Dharoor Valley PSAs;
- a 10 per cent license interest in the Block 9 PSC;
- a 25 per cent license interest in the Block 10A PSC; and,

- a 20 per cent 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, USD 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 USD 26,208,000, payable in Shares of the Company. The Company issued a total of 730,240 Shares to Peninsula. Lion Energy agreed to pay a finder’s fee equal to CAD 500,000 comprised of a cash payment of USD 150,000 and the issuance of an aggregate of 1,277,777 shares of Lion Energy to Lockwood. Lion Energy paid Lockwood USD 150,000 and issued 444,444 shares of Lion Energy, with the Company issuing a further 95,000 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 Africa Oil 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 per cent (10 per cent) participating interest in the Block 10BB PSC in consideration for which Africa Oil agreed to:

- (a) release to Lion Energy the USD 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 Shares of Africa Oil 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 USD 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 USD 2.5 million and issued to Lion Energy 2,500,000 Shares. The Company also released to Lion Energy the USD 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, Africa Oil 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 per cent license interest in the PSAs covering Blocks 2 and 6 and 7 and 8 in Ethiopia and a 20 per cent 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 Africa Oil's past costs and future operational costs. As consideration for past costs incurred by the Company, EAX paid the Company USD 1,700,000.

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

On January 11, 2010, Africa Oil entered into the Platform Assignment Agreement with Platform. Under the Platform Assignment Agreement, Africa Oil 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 PSCs (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, Africa Oil entered into the 12A/13T Amending Agreement with Platform. Under the 12A/13T Amending Agreement, Platform and Africa Oil 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. Africa Oil 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 Shares of Africa Oil and 1,500,000 share purchase warrants. Each warrant entitled Platform to acquire one additional Share of the Company at a price of USD 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 per cent 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 per cent. The option was exercised by Puntland Oil on October 21, 2010. In consideration for the 20 per cent participating interest, Puntland Oil agreed to pay 30 per cent 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 Africa Oil chooses, two wells in the Dharoor Valley Exploration Area, in each case for the initial USD 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 USD 2 million into an escrow account, to be offset against the last USD 2 million cash call made by Africa Oil 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 USD 125,000 in cash and USD 125,000 in Shares (103,306 Shares at a deemed price of USD 1.21/share) in connection with the Red Emperor Farmout Agreement. The finder's fee was payable in two tranches, 50 per cent upon receipt of confirmation that the escrow arrangements under the Red Emperor Farmout Agreement had been satisfied (the "**First Tranche**") and the remaining 50 per cent (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 per cent participating interest to a 20 per cent 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 per cent of pre-spud costs. Red Emperor also elected to maintain its 20 per cent 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 per cent 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, Africa Oil entered into the Agriterra Farmout Agreement under which Africa Oil agreed to acquire an 80 per cent 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 per cent participating interest, Africa Oil agreed to pay to Agriterra 80 per cent of past costs, to a maximum of USD 2,517,000, incurred by Agriterra in connection with the South Omo Block PSA and 100 per cent of the costs associated with certain seismic and geological and geochemical work. The USD 2,517,000 of past costs owing to Agriterra under the Agriterra Farmout Agreement will be offset against cash calls made by Africa Oil in its capacity as operator, in respect of Agriterra's participation share of all costs under the South Omo Block joint operating agreement.

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

### ***Farmout Agreements with Tullow***

On September 1, 2010, Africa Oil and Tullow entered into the Tullow Farmout Agreement. Under the Tullow Farmout Agreement, Africa Oil agreed to assign to Tullow a 50 per cent 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 per cent interest in the Blocks 12A and 13T PSCs, which it subsequently exercised (see below).

In consideration of the assignment, Tullow has paid Africa Oil USD 9.5 million, representing 50 per cent of Africa Oil's audited past costs in the blocks. In addition, Tullow agreed to fund its 50 per cent working interest and Africa Oil'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 USD 23.75 million (based on Africa Oil's carried interest) was reached. Upon reaching the expenditure cap, Africa Oil 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 Africa Oil in respect of those blocks, on December 9, 2010. Under the 12A/13T Farmout Agreement, Africa Oil agreed to assign to Tullow 50 per cent interest in, and operatorship of, each of Blocks 12A and 13T in consideration of USD 1.55 million, being 50 per cent of Africa Oil's past costs in respect of the blocks plus 50 per cent of gross petroleum costs incurred by Africa Oil from September 9, 2010, to a maximum of USD 500,000. On February 22, 2011, the Company closed on the 12A/13T farmouts at which time Tullow paid the Company an aggregate of USD 1,686,432. Tullow and Africa Oil 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 per cent interest in, and operatorship of, Block 10BA in consideration of the reimbursement of 50 per cent of Centric's acquisition costs, being approximately USD 750,000, and the payment of 80 per cent of the first USD 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 USD 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 USD 1.1 million in consideration of past exploration expenditures to acquire an additional 15 per cent interest in Block 12A in Kenya. Tullow agreed to fund 15 per cent of the Company's working interest share of expenditures related to the acquisition of 520 Kilometers of 2D seismic until an expenditure cap of USD 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 was obligated to solely fund USD 22.8 million of joint venture costs on each of the blocks (USD 45.5 million in total for both blocks) during the exploration period, in exchange for a 80 per cent working interest in each block. In the event that a commercial discovery is declared on a block prior to Africa Oil spending USD 22.8 million, Africa Oil 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 Africa Oil did not fund the required USD 22.8 million during the initial exploration periods, the Company's interest in the block would be forfeited. An additional USD 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 per cent 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 USD 5.0 million. The Company's current working interest in the Rift Basin Area is 100 per cent.

#### ***Farmout Agreement with Marathon Oil Corporation***

In October 2012, the Company completed a farmout transaction with Marathon whereby Marathon acquired a 50 per cent interest in Block 9 and a 15 per cent interest in Block 12A, both in Kenya. In accordance with the farmout agreement, Marathon paid the company USD 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 USD 28.5 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 per cent 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 USD 3.0 million in respect of past costs, and has agreed to fund USD 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 per cent 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 per cent 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 farm out agreement, New Age paid the Company USD 1.5 million in consideration of past exploration expenditures. New Age already held a 15 per cent interest in Blocks 7 & 8, bringing its total interest to 40 per cent.

In March 2014, the Company completed another farmout transaction with New Age whereby New Age acquired an additional 40 per cent working interest in the Adigala Block, in Ethiopia. The Company's interest has now been reduced to 10 per cent. 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.

## Licenses

Africa Oil is engaged in conventional oil and gas exploration and appraisal operations and is not dependent upon specific licenses or patents to carry on its activities other than the PSCs entered into between the Company and the host governments in the countries in which it operates.

## Bankruptcy, reorganizations and similar procedures

There are no bankruptcy, receivership or similar proceedings against the Company, nor is the Company aware of any such pending or threatened proceedings. There have not been any voluntary bankruptcy, receivership or similar proceedings by the Company within the three most recently completed financial years or completed or currently proposed for the current financial year.

There have been no reorganizations of or involving the Company within the three most recently completed financial years or completed or currently proposed for the current financial year.

## Restructuring program

The Company has not undertaken any restructuring program, and does not foresee undertaking any restructuring program in the near future.

## Legal proceedings and regulatory actions

### LEGAL PROCEEDINGS

Neither the Company nor its material subsidiaries and material properties are currently, or have been in the past twelve months, subject to any material legal proceedings or regulatory actions, which could have a material effect on the Company's or the Group's financial position or profitability, except for those set out below.

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 to those proceedings include the Minister and the Ministry of Energy and Petroleum, Republic of Kenya. The Company and certain of its affiliates are named as Interested Parties.

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. The Winding-Up proceeding is an application to cause IPL to be wound-up or "dissolved", which would terminate any further action in respect of the judicial review proceedings commenced by IPL.

Since 2012, IPL and certain of the related parties have also commenced numerous court applications and appeals in respect of these proceedings, including applications to appeal recent High Court decisions to the Kenyan Court of Appeal. These applications and appeals have either been struck by court order, or are the subject of further appeals and applications for stays of proceedings which have been filed on behalf of the Company. Most recently, in December 2014 the Company filed its record of appeal in respect of a High Court decision in Judicial Review Number 1 of 2012 allowing the Applicants to institute certain proceedings which the Company maintains have been previously adjudicated and settled.

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

### **Environmental issues**

There are currently no outstanding proceedings relating to environmental issues to which the Company is a part.

## TAX MATTERS

*The following is a summary of certain tax issues that may arise as a result of a direct holding of Shares in the Company. The summary is based on Swedish tax legislation currently in force and is intended only as general information for shareholders, who are resident or domiciled in Sweden for tax purposes, if not otherwise stated.*

*The summary does not cover situations where Shares are held as current assets in business operations or by a partnership. Furthermore, the summary does not cover special regulations governing tax exempt capital gains, shareholding in companies that are, or have previously been, closely held companies or on Shares acquired on the basis of such holdings, or other specific situations and rules. The summary is not applicable to shareholders that have ever been resident in Canada for Canadian tax purposes, carried on business or maintained a permanent establishment in Canada or performed independent personal services in Canada from a fixed base situated in Canada, each as defined in the Canada-Sweden Income Tax Convention (1996). Each shareholder is recommended to consult a tax adviser for information on the specific tax consequences that may arise as a result of holding Shares in the Company, including the applicability and effect of foreign or other rules, tax treaties or from foreign exchange rate fluctuations between currencies which may be applicable.*

### INDIVIDUALS

#### *Capital gains taxation*

Individuals who sell their shares, are subject to capital gains tax. The current tax rate is 30 per cent of the gain. The capital gain is calculated to equal the difference between the sales proceeds, after deduction for sales expenses, and the shares' acquisition cost for tax purposes. The acquisition cost is determined according to the "average cost method". This means that the costs for all shares of the same type and class are added together and determined collectively, with respect to changes to the holding. Alternatively, "the standard rule" according to which the acquisition cost is deemed to be equal to 20 per cent of the net sales price may be applied on the disposal of listed shares.

Capital losses on listed shares are fully deductible against taxable capital gains on shares during the same fiscal year. The loss is also deductible against gains on other listed securities that are taxed in the same manner as shares (except for shares in mutual funds containing only Swedish receivables). A loss in excess of the above mentioned gains is deductible with 70 per cent against any other taxable income derived from capital.

If a deficit arises in the income from capital category, a reduction of the tax on income from employment and from business, as well as the tax on real estate, is allowed. The tax reduction allowed amounts to 30 per cent of any deficit not exceeding SEK 100,000 and 21 per cent of any deficit in excess of SEK 100,000. Deficits may not be carried forward to a later fiscal year.

An individual tax resident in Sweden for the purposes of the tax treaty between Sweden and Canada is not subject to any Canadian capital gains taxation from the sale of shares listed on Nasdaq Stockholm.

### **Dividend taxation**

In general, dividends on shares are taxed in Sweden at a rate of 30 per cent as income from capital for individuals. Additionally, dividends from a limited company resident in Canada, such as the Company, are generally subject to Canadian withholding tax at a rate of 25 per cent. However, under the tax treaty between Sweden and Canada, the tax rate is normally reduced to 15 per cent for dividends beneficially owned by a person resident in Sweden for the purpose of the treaty. The treaty rate is only applied if sufficient information regarding the tax residency of the shareholder is available.

The Company assumes responsibility for deducting tax in relation to the dividends where required.

Since the dividend is generally taxable in both Sweden and Canada, double taxation may occur. However, Canadian withholding tax levied can be credited from Swedish tax to the extent Swedish tax is attributable to foreign income (overall credit).

If the foreign tax should exceed the Swedish tax attributable to foreign income one year, the credit may, subject to certain limitations, be carried forward for up to five years. Alternatively, the foreign tax may be deducted as a cost for the recipient.

## **LIMITED LIABILITY COMPANIES**

### **Capital gains**

Swedish limited liability companies (Sw. *aktiebolag*) are taxed on all income as income from business activities at a flat rate of 22 per cent. Regarding the calculation of a capital gain or loss and the acquisition cost, see Section "Individuals". A capital loss on shares incurred by a corporate shareholder may be offset only against gains on shares or other securities that are taxed in the same manner as shares. Such capital losses may, under certain circumstances, also be deductible against capital gains on such securities within the same group of companies, provided the requirements for group contributions are met. Capital losses on shares or other such securities, which have not been deducted from capital gains within a certain year, may be carried forward and be offset against similar capital gains in future years without any limitation in time.

Capital gains on listed shares in limited liability companies, including foreign equivalents, are tax-exempt (and capital losses on such shares are non-deductible) provided that the holding represents at least 10 per cent of the voting rights of all shares. Exemption may also be available provided the holding is conditioned by the shareholder's (or affiliated company's) business. Capital gains on listed shares are only tax-exempt if they are held not less than one year from the day any of the above holding requirements were met.

### **Dividend taxation**

In general, dividends on shares to limited liability companies are taxed in Sweden at a rate of 22 per cent as ordinary income from business. Dividends on listed shares in limited liability companies, including foreign equivalents, are tax exempt provided that the holding represents at least ten per cent of the voting rights of all shares (or the holding is conditioned by the shareholder's, or affiliated company's business). The dividend tax exemption only applies if the listed shares are not disposed of within one year from the day any of the above holding requirements were met. The shares do not have to have been held continuously for one year at the date of distribution. Taxation should, however, be triggered if the shares are sold (or otherwise ceases to be entitled to the tax exemption) before the one year holding period requirement is met. A dividend on shares that ceases to be covered by the tax exemption may therefore be subject to tax in a different fiscal year than the dividend was received.

Dividends from a limited company resident in Canada, such as the Company, are generally subject to Canadian withholding tax at a rate of 25 per cent. However, when the beneficial owner of such dividends is a resident of Sweden, according to the Canada – Sweden Tax Treaty, the withholding tax rate may generally be reduced to 15 per cent. Where the beneficial owner is a corporation that directly controls at least 10 per cent of the votes or holds directly at least 25 per cent of the capital in Africa Oil, the withholding tax rate may be reduced to 5 per cent. Unless the dividend is tax-free for the Swedish holder, the Canadian tax withheld can generally be credited against Swedish income tax and real estate tax. In order to benefit from the tax credit, legal entities must apply for a tax credit in their income tax return. Individuals should automatically benefit from the tax credit, since the Swedish preliminary tax withheld may be limited to 15 per cent to reach the normal 30 per cent.

The treaty rate is only applied if sufficient information regarding the tax residency of the shareholder is available. The Company assumes responsibility for deducting tax in relation to the dividends where required.

Since the dividend is generally taxable in both Sweden and Canada, double taxation may occur. However, Canadian withholding tax levied can be credited from Swedish tax to the extent Swedish tax is attributable to foreign income (overall credit).

If the foreign tax should exceed the Swedish tax attributable to foreign income one year, the credit may, subject to certain limitations, be carried forward for up to five years. Alternatively, the foreign tax may be deducted as a cost for the recipient.

### **CERTAIN TAX ISSUES FOR SHAREHOLDERS WHO ARE NOT TAX RESIDENT IN SWEDEN**

Individual shareholders who are not resident or domiciled in Sweden for Swedish tax purposes are generally not subject to tax in Sweden for capital gains realized upon the sale or other disposal of shares. Shareholders may, however, be subject to taxation in their country of domicile and elsewhere. If shares are attributable to a permanent establishment in Sweden, the rules concerning tax-exempt dividends and capital gains described above are applicable with certain limitations.

Under a domestic Swedish tax provision, non-Swedish tax resident individuals may be subject to Swedish capital gains taxation upon a sale or other disposal of shares in non-Swedish corporate entities if the shares were acquired during their tax residency in Sweden if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during the previous ten calendar years preceding the year of disposal. The applicability of this provision may however be limited by an applicable tax treaty between Sweden and other countries.

Foreign legal entities are not liable to Swedish tax on dividends or capital gains upon a sale or other disposal of shares, provided that the shares are not pertaining to a permanent establishment in Sweden.

### **CANADIAN WITHHOLDING TAX**

Since Africa Oil is a Canadian company, dividends paid or credited (or which are deemed to be paid or credited) to a non-resident Canadian may be subject to a Canadian withholding tax of 25 per cent. When the beneficial owner of such dividends is a resident of Sweden, according to the Canada – Sweden Tax Treaty, the withholding tax rate may generally be reduced to 15 per cent. Where the beneficial owner is a corporation that directly controls at least 10 per cent of the votes or holds directly at least 25 per cent of the capital in Africa Oil, the withholding tax rate may be reduced to 5 per cent. Unless the dividend is tax-free for the Swedish holder, the Canadian tax withheld can generally be credited against Swedish income tax and real estate tax. In order to benefit from the tax credit, legal

entities must apply for a tax credit in their income tax return. Individuals should automatically benefit from the tax credit, since the Swedish preliminary tax withheld may be limited to 15 per cent to reach the normal 30 per cent.

## DEFINITIONS AND TERMS

<b>“10BA Farmout Agreement”</b>	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.
<b>“12A/13T Farmout Agreement”</b>	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.
<b>“12A/13T Amending Agreement”</b>	means the amendment to the Platform Assignment Agreement, made May 27, 2010.
<b>“2D”</b>	means two dimensional.
<b>“3D”</b>	means three dimensional.
<b>“Africa Energy”</b>	means Africa Energy Corp. (formerly Horn Petroleum Corporation).
<b>“Africa Oil” or the “Company”</b>	means Africa Oil Corp., including Africa Oil and its subsidiaries.
<b>“Agriterra”</b>	means Agriterra Limited (formerly White Nile Ltd. ).
<b>“Agriterra Farmout Agreement”</b>	means the Farmout Agreement made June 14, 2010 between AOEBV and Agriterra, in respect of the South Omo Block in Ethiopia.
<b>“AOEBV”</b>	means Africa Oil Ethiopia B.V.
<b>“AOI”</b>	means area of interest.
<b>“BCBCA”</b>	means the <i>Business Corporations Act</i> (British Columbia) S.B.C. 2002 c.57, as amended, including the regulations promulgated thereunder.
<b>“bopd”</b>	means barrels of oil per day
<b>“Canmex I”</b>	means Canmex Holdings (Bermuda) I Ltd.
<b>“Centric”</b>	means Centric Energy Corp.
<b>“Centric Arrangement Agreement”</b>	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.
<b>“Centric Plan of Arrangement”</b>	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 USD 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.

**“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 USD 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 per cent. 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

© provide improved recovery systems.

<b>“development well”</b>	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.
<b>“EAX”</b>	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.
<b>“EAX Farmout Agreement”</b>	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.
<b>“Ethiopian Government”</b>	means the Government of the Federal Democratic Republic of Ethiopia.
<b>“EWT”</b>	means Extended Well Test.
<b>“Farmout Agreement”</b>	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.
<b>“gross”</b>	means: <ul style="list-style-type: none"><li>(a) in relation to wells, the total number of wells in which the Company has an interest; and</li><li>(b) in relation to properties, the total area of properties in which the Company has an interest.</li></ul>
<b>“Helios”</b>	means Helios Investment Partners LLP.
<b>“Kenyan Government”</b>	means the Government of the Republic of Kenya.
<b>“Komodo Capital”</b>	means Komodo Capital Pty. Ltd.
<b>“Lion Energy”</b>	means Lion Energy Corp. (formerly Raytec Metals Corp.)

<b>“Lion Energy Arrangement Agreement”</b>	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.
<b>“Lion Energy Farmout Agreement”</b>	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.
<b>“Lion Energy Farmout Amendment”</b>	means the amendment to the Lion Energy Farmout Agreement made July 29, 2010.
<b>“Lundin Services”</b>	means Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB.
<b>“Marathon”</b>	means Marathon Oil Corporation.
<b>“Nasdaq Stockholm”</b>	means the main market operated by Nasdaq Stockholm.
<b>“natural gas”</b>	means all gaseous petroleum and inerts.
<b>“net”</b>	means: <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul>
<b>“New Age”</b>	means New Age (African Global Energy) Limited.
<b>“New Shares”</b>	means up to 52,623,377 new common shares to be issued in the Company.
<b>“operating costs”</b>	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.
<b>“NI 51-101”</b>	means the National Instrument 51-101 — <i>Standard of Disclosure for Oil and Gas Activities</i> of the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time.
<b>“Peninsula”</b>	means Peninsula Merchant Syndications Corp.

<b>“petroleum”</b>	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.
<b>“petroleum operations”</b>	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.
<b>“Platform”</b>	means Platform Resources Inc.
<b>“Platform Assignment Agreement”</b>	means the agreement made January 11, 2010 between, among others, the Company and Platform, in respect of Blocks 12A and 13T in Kenya.
<b>“production”</b>	means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.
<b>“PSC”, “PSA”, “Production Sharing Contract” or “Production Sharing Agreement”</b>	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.
<b>“Profit Oil”</b>	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.
<b>“prospect”</b>	means a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.
<b>“prospective resources”</b>	means 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.
<b>“Puntland Oil”</b>	means Puntland Oil Pty Ltd. , a wholly-owned subsidiary of Red Emperor.
<b>“Range”</b>	means Range Resources Ltd.
<b>“Red Emperor”</b>	means Red Emperor Resources NL.
<b>“Red Emperor Farmout</b>	means the Farmout Agreement made August 12, 2010 between, among others, the Company and Red Emperor, in respect of the

<b>Agreement”</b>	PSAs covering Dharoor Valley Block and the Nugaal Valley Block, located in Puntland (Somalia).
<b>“Red Emperor Farmout Amendment”</b>	means the amendment to the Red Emperor Farmout Agreement made March 23, 2011.
<b>“SEDAR”</b>	means the Canadian Securities Administrator’s System for Electronic Document Analysis and Retrieval.
<b>“Shares”</b>	means the common shares representing the capital of the Company.
<b>“Stampede”</b>	means Stampede Natural Resources S.à r.l.
<b>“TSX”</b>	means the Toronto Stock Exchange.
<b>“TSX-V”</b>	means the TSX Venture Exchange.
<b>“Tullow”</b>	means Tullow Oil plc.
<b>“Tullow Farmout Agreement”</b>	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.
<b>“working interest”</b>	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.

## 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.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents form part of the prospectus and are incorporated by reference:

- Audited consolidated financial statements for the financial year ended December 31, 2012;
- Audited consolidated financial statements for the financial year ended December 31, 2013;
- Audited consolidated financial statements for the financial year ended December 31, 2014;
- Unaudited consolidated interim financial statements for the three-month period ended March 31, 2015;
- Management's discussions and analysis for the years ended December 31, 2012 and 2011;
- Management's discussions and analysis for the years ended December 31, 2013 and 2012;
- Management's discussions and analysis for the years ended December 31, 2014 and 2013; and
- Management's discussions and analysis for the three months ended March 31, 2015 and 2014.

The above-listed documents are available in electronic format at [www.africaoilcorp.com](http://www.africaoilcorp.com).

## **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the Company's office, 2000, 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3E8.

- The Company's articles of incorporation, certificate of incorporation and by-laws; and
- Documents relating to corporate governance issues.

# ADDRESSES

<b>The Company</b>	Africa Oil Corp. 2000, 885 West Georgia Street Vancouver, British Columbia Canada V6C 3E8 Phone: +1 604 689 7842
<b>External auditor</b>	PricewaterhouseCoopers LLP Suite 3100, 111-5th Avenue SW Calgary , Alberta Canada T2P 5L3
<b>Swedish legal counsel</b>	Gernandt & Danielsson Advokatbyrå KB P.O. Box 5747 Hamngatan 2 Stockholm 114 87 Sweden
<b>Canadian legal counsel</b>	McCullough O'Connor Irwin LLP Suite 2600 - 1066 West Hastings Street Vancouver, British Columbia Canada V6E 3X1
<b>Central securities depositories</b>	Euroclear Sweden AB P.O. Box 191 Klarabergsviadukten 63 Stockholm 101 23 Sweden
<b>Transfer agent</b>	Computershare Investor Services Inc. 510 Burrard Street Vancouver, British Columbia Canada V6C 3A8

# ARTICLES OF INCORPORATION AND BY-LAWS

## ARTICLES OF INCORPORATION AND BY-LAWS OF AFRICA OIL

The Articles of Incorporation and By-Laws of the Company are found below.

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NUMBER: 443700



**COMPANY ACT**

CANADA  
PROVINCE OF BRITISH COLUMBIA

**CERTIFICATE OF INCORPORATION**

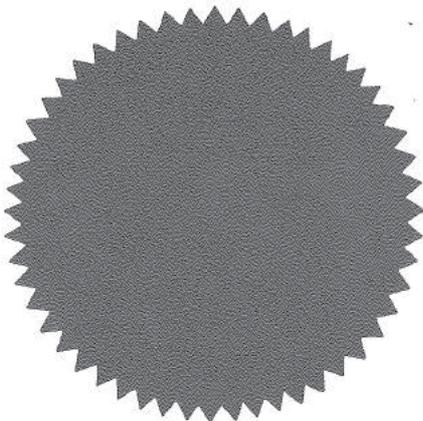
*I Hereby Certify that*  
**CANMEX MINERALS CORPORATION**

has this day been incorporated under the *Company Act*

*Issued under my hand at Victoria, British Columbia*  
*on March 29, 1993*

A handwritten signature in cursive script, reading "J. Powell".

JOHN S. POWELL  
*Registrar of Companies*





Number: BC0443700

**CERTIFICATE  
OF  
CHANGE OF NAME**

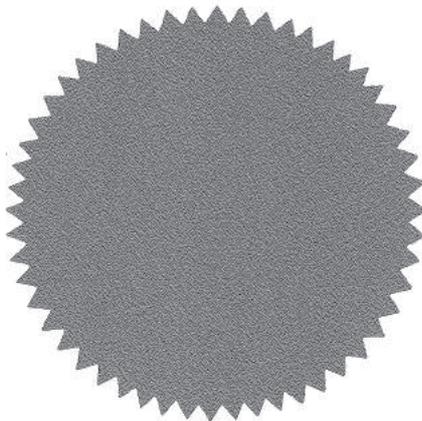
*BUSINESS CORPORATIONS ACT*

I Hereby Certify that CANMEX MINERALS CORPORATION changed its name to AFRICA OIL CORP. on August 20, 2007 at 12:01 AM Pacific Time.

*Issued under my hand at Victoria, British Columbia*

*On August 20, 2007*

**RON TOWNSHEND**  
*Registrar of Companies*  
Province of British Columbia  
Canada



**AFRICA OIL CORP.  
(the “Company”)**

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**1. INTERPRETATION**

**1.1 Definitions**

In these Articles, unless the context otherwise requires:

- (1) “board of directors”, “directors” and “board” mean the directors or sole director of the Company for the time being;
- (2) “*Business Corporations Act*” means the *Business Corporations Act* (British Columbia) as amended from time to time and includes all regulations as amended from time to time made pursuant to that Act;
- (3) “legal personal representative” means the personal or other legal representative of the shareholder;

- (4) “registered address” of a shareholder means the shareholder’s address as recorded in the central securities register;
- (5) “seal” means the seal of the Company, if any.

## **1.2 *Business Corporations Act and Interpretation Act Definitions Applicable***

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

## **2. SHARES AND SHARE CERTIFICATES**

### **2.1 Authorized Share Structure**

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

### **2.2 Form of Share Certificate**

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

### **2.3 Shareholder Entitled to Certificate or Acknowledgment**

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder’s name or (b) a non-transferable written acknowledgment of the shareholder’s right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders’ duly authorized agents will be sufficient delivery to all.

### **2.4 Delivery by Mail**

Any share certificate or non-transferable written acknowledgment of a shareholder’s right to obtain a share certificate may be sent to the shareholder by mail at the shareholder’s registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

### **2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement**

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder’s right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit:

- (1) order the share certificate or acknowledgment, as the case may be, to be cancelled; and

- (2) issue a replacement share certificate or acknowledgment, as the case may be.

## **2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment**

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, if the directors receive:

- (1) proof satisfactory to them that the share certificate or acknowledgment is lost, stolen or destroyed; and
- (2) any indemnity the directors consider adequate.

## **2.7 Splitting Share Certificates**

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

## **2.8 Certificate Fee**

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

## **2.9 Recognition of Trusts**

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

## **3. ISSUE OF SHARES**

### **3.1 Directors Authorized**

Subject to the *Business Corporations Act* and the rights of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

### **3.2 Commissions and Discounts**

The Company may at any time pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from

the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

### **3.3 Brokerage**

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

### **3.4 Conditions of Issue**

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

- (1) consideration is provided to the Company for the issue of the share by one or more of the following:
  - (a) past services performed for the Company;
  - (b) property;
  - (c) money; and
- (2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

### **3.5 Share Purchase Warrants and Rights**

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

## **4. SHARE REGISTERS**

### **4.1 Central Securities Register**

As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

### **4.2 Closing Register**

The Company must not at any time close its central securities register.

## **5. SHARE TRANSFERS**

### **5.1 Registering Transfers**

A transfer of a share of the Company must not be registered unless:

- (1) a duly signed instrument of transfer in respect of the share has been received by the Company;
- (2) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company; and
- (3) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment has been surrendered to the Company.

## **5.2 Form of Instrument of Transfer**

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

## **5.3 Transferor Remains Shareholder**

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

## **5.4 Signing of Instrument of Transfer**

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

- (1) in the name of the person named as transferee in that instrument of transfer; or
- (2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

## **5.5 Enquiry as to Title Not Required**

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

## **5.6 Transfer Fee**

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

## **6. TRANSMISSION OF SHARES**

### **6.1 Legal Personal Representative Recognized on Death**

In case of the death of a shareholder, the legal personal representative, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

### **6.2 Rights of Legal Personal Representative**

The legal personal representative has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

## **7. PURCHASE OF SHARES**

### **7.1 Company Authorized to Purchase Shares**

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

### **7.2 Purchase When Insolvent**

The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

- (1) the Company is insolvent; or
- (2) making the payment or providing the consideration would render the Company insolvent.

### **7.3 Sale and Voting of Purchased Shares**

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

- (1) is not entitled to vote the share at a meeting of its shareholders;
- (2) must not pay a dividend in respect of the share; and
- (3) must not make any other distribution in respect of the share.

## **8. BORROWING POWERS**

The Company, if authorized by the directors, may:

- (1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;

- (2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
- (3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
- (4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

## **9. ALTERATIONS**

### **9.1 Alteration of Authorized Share Structure**

Subject to Article 9.2 and the *Business Corporations Act*, the Company may by special resolution:

- (1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- (2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- (3) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
- (4) if the Company is authorized to issue shares of a class of shares with par value:
  - (a) decrease the par value of those shares; or
  - (b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- (5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- (6) alter the identifying name of any of its shares; or
- (7) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

### **9.2 Special Rights and Restrictions**

Subject to the *Business Corporations Act*, the Company may by special resolution:

- (1) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or
- (2) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued.

### **9.3 Change of Name**

The Company may by consent resolution of the directors or by special resolution authorize an alteration of its Notice of Articles in order to change its name or adopt or change any translation of that name.

### **9.4 Other Alterations**

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by special resolution alter these Articles.

## **10. MEETINGS OF SHAREHOLDERS**

### **10.1 Annual General Meetings**

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

### **10.2 Resolution Instead of Annual General Meeting**

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

### **10.3 Calling of Meetings of Shareholders**

The directors may, whenever they think fit, call a meeting of shareholders.

### **10.4 Notice for Meetings of Shareholders**

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

- (1) if and for so long as the Company is a public company, 21 days;
- (2) otherwise, 10 days.

### **10.5 Record Date for Notice**

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

- (1) if and for so long as the Company is a public company, 21 days;

- (2) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

### **10.6 Record Date for Voting**

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

### **10.7 Failure to Give Notice and Waiver of Notice**

The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

### **10.8 Notice of Special Business at Meetings of Shareholders**

If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting must:

- (1) state the general nature of the special business; and
- (2) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:
  - (a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and
  - (b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

## **11. PROCEEDINGS AT MEETINGS OF SHAREHOLDERS**

### **11.1 Special Business**

At a meeting of shareholders, the following business is special business:

- (1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;
- (2) at an annual general meeting, all business is special business except for the following:
  - (a) business relating to the conduct of or voting at the meeting;
  - (b) consideration of any financial statements of the Company presented to the meeting;

- (c) consideration of any reports of the directors or auditor;
- (d) the setting or changing of the number of directors;
- (e) the election or appointment of directors;
- (f) the appointment of an auditor;
- (g) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;
- (h) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

### **11.2 Special Majority**

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

### **11.3 Quorum**

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two shareholders entitled to vote at the meeting whether in person or by proxy who hold, in the aggregate, at least 5% of the issued shares entitled to be voted at the meeting.

### **11.4 One Shareholder May Constitute Quorum**

If there is only one shareholder entitled to vote at a meeting of shareholders:

- (1) the quorum is one person who is, or who represents by proxy, that shareholder, and
- (2) that shareholder, present in person or by proxy, may constitute the meeting.

### **11.5 Other Persons May Attend**

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

### **11.6 Requirement of Quorum**

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

### **11.7 Lack of Quorum**

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

- (1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and
- (2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

### **11.8 Lack of Quorum at Succeeding Meeting**

If, at the meeting to which the meeting referred to in Article 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

### **11.9 Chair**

The following individual is entitled to preside as chair at a meeting of shareholders:

- (1) the chair of the board, if any; or
- (2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

### **11.10 Selection of Alternate Chair**

If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

### **11.11 Adjournments**

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

### **11.12 Notice of Adjourned Meeting**

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

### **11.13 Decisions by Show of Hands or Poll**

Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

#### **11.14 Declaration of Result**

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

#### **11.15 Motion Need Not be Seconded**

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

#### **11.16 Casting Vote**

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

#### **11.17 Manner of Taking Poll**

Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:

- (1) the poll must be taken:
  - (a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and
  - (b) in the manner, at the time and at the place that the chair of the meeting directs;
- (2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and
- (3) the demand for the poll may be withdrawn by the person who demanded it.

#### **11.18 Demand for Poll on Adjournment**

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

#### **11.19 Chair Must Resolve Dispute**

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

#### **11.20 Casting of Votes**

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

#### **11.21 Demand for Poll**

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

### **11.22 Demand for Poll Not to Prevent Continuance of Meeting**

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

### **11.23 Retention of Ballots and Proxies**

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

## **12. VOTES OF SHAREHOLDERS**

### **12.1 Number of Votes by Shareholder or by Shares**

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

- (1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and
- (2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

### **12.2 Votes of Persons in Representative Capacity**

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

### **12.3 Votes by Joint Holders**

If there are joint shareholders registered in respect of any share:

- (1) any one of the joint shareholders may vote at any meeting, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or
- (2) if more than one of the joint shareholders is present at any meeting, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

### **12.4 Legal Personal Representatives as Joint Shareholders**

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

## **12.5 Representative of a Corporate Shareholder**

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

- (1) for that purpose, the instrument appointing a representative must:
  - (a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or
  - (b) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;
- (2) if a representative is appointed under this Article 12.5:
  - (a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and
  - (b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

## **12.6 Proxy Provisions Do Not Apply to All Companies**

If and for so long as the Company is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply, Articles 12.7 to 12.14 apply only insofar as they are not inconsistent with any securities legislation in any province or territory of Canada or in the federal jurisdiction of the United States or in any states of the United States that is applicable to the Company and insofar as they are not inconsistent with the regulations and rules made and promulgated under that legislation and all administrative policy statements, blanket orders and rulings, notices and other administrative directions issued by securities commission or similar authorities appointed under that legislation.

## **12.7 Appointment of Proxy Holders**

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

## **12.8 Alternate Proxy Holders**

A shareholder may appoint one or more alternate proxy holders who need not be shareholders to act in the place of an absent proxy holder.

## 12.9 Deposit of Proxy

A proxy for a meeting of shareholders must:

- (1) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting; or
- (2) unless the notice provides otherwise, be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

## 12.10 Validity of Proxy Vote

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

- (1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or
- (2) by the chair of the meeting, before the vote is taken.

## 12.11 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

*[name of company]*  
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints *[name]* or, failing that person, *[name]*, as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on *[month, day, year]* and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy if given in respect of all shares registered in the name of the shareholder): \_\_\_\_\_

Signed *[month, day, year]*

\_\_\_\_\_  
*[Signature of shareholder]*

\_\_\_\_\_  
*[Name of shareholder—printed]*

## 12.12 Revocation of Proxy

Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is:

- (1) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or
- (2) provided, at the meeting, to the chair of the meeting.

### **12.13 Revocation of Proxy Must Be Signed**

An instrument referred to in Article 12.13 must be signed as follows:

- (1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;
- (2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

### **12.14 Production of Evidence of Authority to Vote**

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

## **13. DIRECTORS**

### **13.1 First Directors; Number of Directors**

The number of directors, excluding additional directors appointed under Article 14.8, is set at:

- (1) subject to paragraphs (2) and (3), the number of directors that is equal to the number of the Company's first directors;
- (2) if the Company is a public company, the greater of three and the most recently set of:
  - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (b) the number of directors set under Article 14.4;
- (3) if the Company is not a public company, the most recently set of:
  - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (b) the number of directors set under Article 14.4.

### **13.2 Change in Number of Directors**

If the number of directors is set under Articles 13.1(2)(a) or 13.1(3)(a):

- (1) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;
- (2) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

### **13.3 Directors' Acts Valid Despite Vacancy**

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

### **13.4 Qualifications of Directors**

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

### **13.5 Remuneration of Directors**

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

### **13.6 Reimbursement of Expenses of Directors**

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

### **13.7 Special Remuneration for Directors**

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

### **13.8 Gratuity, Pension or Allowance on Retirement of Director**

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

## **14. ELECTION AND REMOVAL OF DIRECTORS**

### **14.1 Election at Annual General Meeting**

At every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

- (1) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and
- (2) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

#### **14.2 Consent to be a Director**

No election, appointment or designation of an individual as a director is valid unless:

- (1) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;
- (2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or
- (3) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

#### **14.3 Failure to Elect or Appoint Directors**

If:

- (1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or
- (2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

- (3) the date on which his or her successor is elected or appointed; and
- (4) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

#### **14.4 Places of Retiring Directors Not Filled**

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

#### **14.5 Directors May Fill Casual Vacancies**

Any casual vacancy occurring in the board of directors may be filled by the directors.

#### **14.6 Remaining Directors Power to Act**

The directors may act notwithstanding any vacancy in the board of directors but, if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purposes of appointing directors up to that number, summoning a meeting

of shareholders for the purpose of filling any vacancies on the board of directors, or, subject to the *Business Corporations Act*, for any other purpose.

#### **14.7 Shareholders May Fill Vacancies**

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

#### **14.8 Additional Directors**

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed:

- (1) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
- (2) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(1), but is eligible for re-election or re-appointment.

#### **14.9 Ceasing to be a Director**

A director ceases to be a director when:

- (1) the term of office of the director expires;
- (2) the director dies;
- (3) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or
- (4) the director is removed from office pursuant to Articles 14.10 or 14.11.

#### **14.10 Removal of Director by Shareholders**

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

#### **14.11 Removal of Director by Directors**

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

## **15. ALTERNATE DIRECTORS**

### **15.1 Appointment of Alternate Director**

Any director (an “appointor”) may by notice in writing received by the Company appoint any person (an “appointee”) who is qualified to act as a director to be his or her alternate to act in his or her place at meetings of the directors or committees of the directors at which the appointor is not present unless (in the case of an appointee who is not a director) the directors have reasonably disapproved the appointment of such person as an alternate director and have given notice to that effect to his or her appointor within a reasonable time after the notice of appointment is received by the Company.

### **15.2 Notice of Meetings**

Every alternate director so appointed is entitled to notice of meetings of the directors and of committees of the directors of which his or her appointor is a member and to attend and vote as a director at any such meetings at which his or her appointor is not present.

### **15.3 Alternate for More Than One Director Attending Meetings**

A person may be appointed as an alternate director by more than one director, and an alternate director:

- (1) will be counted in determining the quorum for a meeting of directors once for each of his or her appointors and, in the case of an appointee who is also a director, once more in that capacity;
- (2) has a separate vote at a meeting of directors for each of his or her appointors and, in the case of an appointee who is also a director, an additional vote in that capacity;
- (3) will be counted in determining the quorum for a meeting of a committee of directors once for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, once more in that capacity;
- (4) has a separate vote at a meeting of a committee of directors for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, an additional vote in that capacity.

### **15.4 Consent Resolutions**

Every alternate director, if authorized by the notice appointing him or her, may sign in place of his or her appointor any resolutions to be consented to in writing.

### **15.5 Alternate Director Not an Agent**

Every alternate director is deemed not to be the agent of his or her appointor.

### **15.6 Revocation of Appointment of Alternate Director**

An appointor may at any time, by notice in writing received by the Company, revoke the appointment of an alternate director appointed by him or her.

### **15.7 Ceasing to be an Alternate Director**

The appointment of an alternate director ceases when:

- (1) his or her appointor ceases to be a director and is not promptly re-elected or re-appointed;
- (2) the alternate director dies;
- (3) the alternate director resigns as an alternate director by notice in writing provided to the Company or a lawyer for the Company;
- (4) the alternate director ceases to be qualified to act as a director; or
- (5) his or her appointor revokes the appointment of the alternate director.

### **15.8 Remuneration and Expenses of Alternate Director**

The Company may reimburse an alternate director for the reasonable expenses that would be properly reimbursed if he or she were a director, and the alternate director is entitled to receive from the Company such proportion, if any, of the remuneration otherwise payable to the appointor as the appointor may from time to time direct.

## **16. POWERS AND DUTIES OF DIRECTORS**

### **16.1 Powers of Management**

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

### **16.2 Appointment of Attorney of Company**

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

### **16.3 Remuneration of the auditor**

The directors may set the remuneration of the auditor without the prior approval of the shareholders.

## **17. DISCLOSURE OF INTEREST OF DIRECTORS**

### **17.1 Obligation to Account for Profits**

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter

is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

### **17.2 Restrictions on Voting by Reason of Interest**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

### **17.3 Interested Director Counted in Quorum**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

### **17.4 Disclosure of Conflict of Interest or Property**

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

### **17.5 Director Holding Other Office in the Company**

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

### **17.6 No Disqualification**

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

### **17.7 Professional Services by Director or Officer**

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

### **17.8 Director or Officer in Other Corporations**

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any

remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

## **18. PROCEEDINGS OF DIRECTORS**

### **18.1 Meetings of Directors**

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

### **18.2 Voting at Meetings**

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

### **18.3 Chair of Meetings**

The following individual is entitled to preside as chair at a meeting of directors:

- (1) the chair of the board, if any;
- (2) in the absence of the chair of the board, the president, if any, if the president is a director; or
- (3) any other director chosen by the directors if:
  - (a) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;
  - (b) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or
  - (c) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

### **18.4 Meetings by Telephone or Other Communications Medium**

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 18.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

### **18.5 Calling of Meetings**

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

## **18.6 Notice of Meetings**

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 18.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors and the alternate directors by any method set out in Article 24.1 or orally or by telephone.

## **18.7 When Notice Not Required**

It is not necessary to give notice of a meeting of the directors to a director or an alternate director if:

- (1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or
- (2) the director or alternate director, as the case may be, has waived notice of the meeting.

## **18.8 Meeting Valid Despite Failure to Give Notice**

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director or alternate director, does not invalidate any proceedings at that meeting.

## **18.9 Waiver of Notice of Meetings**

Any director or alternate director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company, to his or her alternate director, and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director or alternate director.

## **18.10 Quorum**

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be set at two directors or, if the number of directors is set at one, is deemed to be set at one director, and that director may constitute a meeting.

## **18.11 Validity of Acts Where Appointment Defective**

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

## **18.12 Consent Resolutions in Writing**

A resolution of the directors or of any committee of the directors may be passed without a meeting:

- (1) in all cases, if each of the directors entitled to vote on the resolution consents to it in writing; or
- (2) in the case of a resolution to approve a contract or transaction in respect of which a director has disclosed that he or she has or may have a disclosable interest, if each of the other directors who are entitled to vote on the resolution consents to it in writing.

A consent in writing under this Article may be by signed document, fax, email or any other method of transmitting legibly recorded messages. A consent in writing may be in two or more counterparts which together are deemed to constitute one consent in writing. A resolution of the directors or of any committee of the directors passed in accordance with this Article 18.12 is effective on the date stated in the consent in writing or on the latest date stated on any counterpart and is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

## **19. EXECUTIVE AND OTHER COMMITTEES**

### **19.1 Appointment and Powers of Executive Committee**

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

- (1) the power to fill vacancies in the board of directors;
- (2) the power to remove a director;
- (3) the power to change the membership of, or fill vacancies in, any committee of the directors; and
- (4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

### **19.2 Appointment and Powers of Other Committees**

The directors may, by resolution:

- (1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;
- (2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:
  - (a) the power to fill vacancies in the board of directors;
  - (b) the power to remove a director;
  - (c) the power to change the membership of, or fill vacancies in, any committee of the directors; and
  - (d) the power to appoint or remove officers appointed by the directors; and
- (3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

### **19.3 Obligations of Committees**

Any committee appointed under Articles 19.1 or 19.2, in the exercise of the powers delegated to it, must:

- (1) conform to any rules that may from time to time be imposed on it by the directors; and

- (2) report every act or thing done in exercise of those powers at such times as the directors may require.

#### **19.4 Powers of Board**

The directors may, at any time, with respect to a committee appointed under Articles 19.1 or 19.2:

- (1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;
- (2) terminate the appointment of, or change the membership of, the committee; and
- (3) fill vacancies in the committee.

#### **19.5 Committee Meetings**

Subject to Article 19.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 19.1 or 19.2:

- (1) the committee may meet and adjourn as it thinks proper;
- (2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;
- (3) a majority of the members of the committee constitutes a quorum of the committee; and
- (4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

### **20. OFFICERS**

#### **20.1 Directors May Appoint Officers**

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

#### **20.2 Functions, Duties and Powers of Officers**

The directors may, for each officer:

- (1) determine the functions and duties of the officer;
- (2) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and
- (3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

### **20.3 Qualifications**

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as a managing director must be a director. Any other officer need not be a director.

### **20.4 Remuneration and Terms of Appointment**

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors thinks fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

## **21. INDEMNIFICATION**

### **21.1 Definitions**

In this Article 21:

- (1) “eligible penalty” means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;
- (2) “eligible proceeding” means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director or alternate director of the Company (an “eligible party”) or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of the Company:
  - (a) is or may be joined as a party; or
  - (b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;
- (3) “expenses” has the meaning set out in the *Business Corporations Act*.

### **21.2 Mandatory Indemnification of Directors and Former Directors**

Subject to the *Business Corporations Act*, the Company must indemnify a director, former director or alternate director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and alternate director is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 21.2.

### **21.3 Indemnification of Other Persons**

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

#### **21.4 Non-Compliance with *Business Corporations Act***

The failure of a director, alternate director or officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

#### **21.5 Company May Purchase Insurance**

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- (1) is or was a director, alternate director, officer, employee or agent of the Company;
- (2) is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- (3) at the request of the Company, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- (4) at the request of the Company, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

### **22. DIVIDENDS**

#### **22.1 Payment of Dividends Subject to Special Rights**

The provisions of this Article 22 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

#### **22.2 Declaration of Dividends**

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

#### **22.3 No Notice Required**

The directors need not give notice to any shareholder of any declaration under Article 22.2.

#### **22.4 Record Date**

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

#### **22.5 Manner of Paying Dividend**

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

## **22.6 Settlement of Difficulties**

If any difficulty arises in regard to a distribution under Article 22.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

- (1) set the value for distribution of specific assets;
- (2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (3) vest any such specific assets in trustees for the persons entitled to the dividend.

## **22.7 When Dividend Payable**

Any dividend may be made payable on such date as is fixed by the directors.

## **22.8 Dividends to be Paid in Accordance with Number of Shares**

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

## **22.9 Receipt by Joint Shareholders**

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

## **22.10 Dividend Bears No Interest**

No dividend bears interest against the Company.

## **22.11 Fractional Dividends**

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

## **22.12 Payment of Dividends**

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

## **22.13 Capitalization of Surplus**

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

## **23. DOCUMENTS, RECORDS AND REPORTS**

### **23.1 Recording of Financial Affairs**

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

### **23.2 Inspection of Accounting Records**

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

## **24. NOTICES**

### **24.1 Method of Giving Notice**

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

- (1) mail addressed to the person at the applicable address for that person as follows:
  - (a) for a record mailed to a shareholder, the shareholder's registered address;
  - (b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;
  - (c) in any other case, the mailing address of the intended recipient;
- (2) delivery at the applicable address for that person as follows, addressed to the person:
  - (a) for a record delivered to a shareholder, the shareholder's registered address;
  - (b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;
  - (c) in any other case, the delivery address of the intended recipient;
- (3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;
- (4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;
- (5) physical delivery to the intended recipient.

### **24.2 Deemed Receipt of Mailing**

A record that is mailed to a person by ordinary mail to the applicable address for that person referred to in Article 24.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.

### **24.3 Certificate of Sending**

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that behalf for the Company stating that a notice, statement, report or other record was addressed as required by Article 24.1, prepaid and mailed or otherwise sent as permitted by Article 24.1 is conclusive evidence of that fact.

### **24.4 Notice to Joint Shareholders**

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing the notice to the joint shareholder first named in the central securities register in respect of the share.

### **24.5 Notice to Trustees**

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

- (1) mailing the record, addressed to them:
  - (a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and
  - (b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or
- (2) if an address referred to in paragraph (1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

## **25. SEAL**

### **25.1 Who May Attest Seal**

Except as provided in Articles 25.2 and 25.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

- (1) any two directors;
- (2) any officer, together with any director;
- (3) if the Company only has one director, that director; or
- (4) any one or more directors or officers or persons as may be determined by the directors.

### **25.2 Sealing Copies**

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 25.1, the impression of the seal may be attested by the signature of any director or officer.

### 25.3 Mechanical Reproduction of Seal

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

## 26. PROHIBITIONS

### 26.1 Definitions

In this Article 26:

- (1) “designated security” means:
  - (a) a voting security of the Company;
  - (b) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or
  - (c) a security of the Company convertible, directly or indirectly, into a security described in paragraph (a) or (b);
- (2) “security” has the meaning assigned in the *Securities Act* (British Columbia);
- (3) “voting security” means a security of the Company that:
  - (a) is not a debt security, and
  - (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

### 26.2 Application

Article 26.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

### **26.3 Consent Required for Transfer of Shares or Designated Securities**

No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

## **27. ADVANCE NOTICE PROVISIONS**

### **27.1 Nomination of Directors**

- (1) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the board may be made at any annual meeting of shareholders or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:
  - (a) by or at the direction of the board, including pursuant to a notice of meeting;
  - (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Business Corporations Act, or a requisition of the shareholders made in accordance with the provisions of the Business Corporations Act; or
  - (c) by any person (a “Nominating Shareholder”): (A) who, at the close of business on the date of the giving of the notice provided for below in this Article 27.1 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this Article 27.1.
- (2) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Secretary of the Company at the principal executive offices of the Company.
- (3) To be timely, a Nominating Shareholder’s notice to the Secretary of the Company must be made:
  - (a) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the Notice Date) on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and
  - (b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder’s notice as described above.

- (4) To be in proper written form, a Nominating Shareholder's notice to the Secretary of the Company must set forth:
- (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Business Corporations Act and Applicable Securities Laws (as defined below); and
  - (b) as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Company and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Business Corporations Act and Applicable Securities Laws (as defined below).
- (5) The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.
- (b) No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this Article 27.1; provided, however, that nothing in this Article 27.1 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Business Corporations Act. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.
- (7) For purposes of this Article 27.1:
- (a) "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com); and
  - (b) "Applicable Securities Laws" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
- (8) Notwithstanding any other provision of this Article 27.1, notice given to the Secretary of the Company pursuant to this Article 27.1 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Secretary of

the Company for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Secretary at the address of the principal executive offices of the Company; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

- (9) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Article 27.1.

## **27.2 Application**

- (1) Article 27.1 does not apply to the Company in the following circumstances:
- (a) if and for so long as the Company is not a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply; or
  - (b) to the election or appointment of a director or directors in the circumstances set forth in Article 14.7.

Dated June 3, 2013

*“Keith Hill”*

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Director