AFRICA OIL CORP.

Report to Shareholders

June 30, 2015

AFRICA OIL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three and six months ended June 30, 2015 and 2014

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

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

The effective date of this MD&A is August 13, 2015.

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

PROFILE AND STRATEGY

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

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

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

WORKING INTERESTS

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

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

Footnotes:

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

[2] During the second quarter of 2015, the Company and its joint venture partners notified the Government of Puntland (Somalia) of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs. AOC owns approximately 40.8% of Africa Energy Corp. ("Africa Energy" formerly Horn Petroleum Corporation). This figure represents the Company's Net Working Interest in the production sharing agreements, net of the 59.2% interest in Africa Energy Corp owned by third parties. As of June 2015, the Company maintains a significant influence in Africa Energy and will account for its share of the activity as an equity investment. Accordingly, the Company will no longer report the assets and liabilities associated with Africa Energy.

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

[4] Under Operations Update, see update on Adigala in Ethiopia. During the first quarter of 2015, the Company notified the Ethiopian Government and its partners of its decision to withdraw from Adigala.

UPDATED ASSESSMENT OF CONTINGENT RESOURCES

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

billion barrels of oil an increase of 52% over the prior assessment. Please refer to the Company's press release dated September 16, 2014 for details of the contingent resources by field.

OPERATIONS UPDATE

During the first quarter of 2015, seven wells finalized drilling across the South Lokichar Basin and the North Turkana basin in Block 10BA, Kenya. In addition, an extensive appraisal program of the Ngamia and Amosing fields in the South Lokichar Basin in Kenya Block 10BB continued. These oil fields are expected to form the foundation for a phased development of the South Lokichar Basin. One drilling rig is currently active in the South Lokichar Basin.

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

Tertiary Rift - Kenya

During the first quarter of 2015 in the Amosing field, the Amosing-3 appraisal well, located one kilometer northwest of the Amosing-1 discovery, well was drilled. The well encountered up to 140 meters of net oil pay and proved an extension of the field. Pressure data from the Amosing-3 well indicated connectivity in some reservoir horizons encountered in the Amosing-1, 2 & 2A wells. The Amosing-4 well, located approximately one kilometer southeast of the Amosing-1 well, was drilled to test the southern extent of the field and successfully encountered 27 meters of net oil pay in thick upper reservoir zones proving the significant down-dip extent of the field. Mapping of the Amosing field does not close the structure to the south and there is potential for the field to spill up-dip into the Ekosowan prospect area, where the Ekosowan-1 well was drilled last year encountering a 900 meter column of near continuous oil shows in tight alluvial fan facies. The Amosing-4 well has further de-risked drilling of the Ekosowan prospect.

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

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

In preparation for the EWT activities in the Ngamia field, multi zone completions were installed in the Ngamia-8, Ngamia-3 and Ngamia-6 wells. The Ngamia-8 well will be the main production well for the Ngamia EWT. Flow testing of the Ngamia EWT wells is expected to commence early in the third quarter. Following the flow testing water injection tests will be undertaken to further validate the viability of water flood reservoir management and the oil recovery assumptions.

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

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

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

A one rig operation will continue with the drilling of the Twiga-3 well, which is currently underway. The large Amosing North prospect located on the northern flank of Amosing and updip of the Ngamia field will be drilled next. The Cheptuket exploration well in Block 12A is scheduled to commence in October 2015 and will test a basin bounding structural closure in the Kerio Valley Basin in a similar structural setting to the successful Ngamia and Amosing discoveries. Other wells under consideration include Etom North (an appraisal well to follow up on our success at Etom-1) and Emesek (formerly named Tausi) (a basin opening well).

The full fast track processed data set for the 951 square kilometer 3D seismic survey over the series of significant discoveries along the western basin bounding fault in the South Lokichar Basin, is now available and is being interpreted. 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 wells drilled in the South Lokichar Basin, and an extensive program of detailed core analysis is ongoing that will provide results throughout the year. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands. Early core analysis results support the reservoir assumptions used in the contingent resource estimate and are reducing the uncertainty around oil saturations in the reservoir.

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

Progress on the East African pipeline route to export oil from Lake Albert in Uganda and the South Lokichar Basin in Kenya has gained pace in recent months. The Governments of Kenya and Uganda are working closely together and the pipeline studies undertaken by a jointly appointed independent technical consultant have progressed rapidly. Subsequent to the end of the second quarter of 2015, on 10 August 2015, the Governments of Kenya and Uganda issued a joint communiqué which stated that "the two Heads of State agreed on the use of the Northern Route i.e. Hoima-Lokichar-Lamu for the development of the crude oil pipeline." The decision on the pipeline route will enable the joint venture partnerships to move on to the next phases of development with a Government ambition to reach project sanction by the end of 2016.

Cretaceous Anza Rift – Kenya

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

Tertiary Rift – Ethiopia

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

RECENT DEVELOPMENTS

Financing

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

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

Court Proceedings

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

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

The Company has initiated its own court proceedings against IPL and certain related parties, including various applications for costs and Winding-Up Cause No. 1 of 2014. The Winding-Up proceeding is an application to cause IPL to be wound-up or "dissolved", which would terminate any further action in respect of the judicial review proceedings commenced by IPL. On July 2, 2015, by a Judgment issued by the High Court of Kenya in the winding up cause, the court ordered that IPL be wound up and the Official Receiver was appointed as the provisional liquidator. The implementation of the Judgment was temporarily stayed, for 21 days, to allow for the filing of a further application for stay with the Court of Appeal. However, to the knowledge of the Company, no such application has been made.

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

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**30-Jun 2015**	**31-Mar 2015**	**31-Dec 2014**	**30-Sep 2014**	**30-Jun 2014**	**31-Mar 2014**	**31-Dec 2013**	**30-Sep 2013**
Operating expenses ($)	3,333	1,170	102,436	6,008	36,578	11,654	31,099	4,577
Interest income ($)	80	130	157	287	387	436	184	161
Foreign exchange gain (loss) ($)	(117)	(15)	(7)	(207)	41	(116)	(7,660)	867
Fair market value gain (loss) - warrants ($)	-	-	-	-	5	(4)	28	205
Net loss attributable to non-controlling interest ($) [(1)]	-	(249)	(48,028)	(245)	(294)	(206)	(282)	(98)
Net loss attributable to common shareholders ($)	(3,370)	(811)	(54,257)	(5,686)	(35,856)	(11,138)	(38,272)	(3,251)
Weighted average shares - Basic	391,130	338,312	312,333	312,290	310,528	309,967	291,366	252,960
Weighted average shares - Diluted	391,130	338,312	312,333	312,290	310,528	309,967	291,366	252,960
Basic loss per share ($)	(0.01)	(0.00)	(0.17)	(0.02)	(0.12)	(0.04)	(0.13)	(0.01)
Diluted loss per share ($)	(0.01)	(0.00)	(0.17)	(0.02)	(0.12)	(0.04)	(0.13)	(0.01)
Oil and gas expenditures ($)	69,272	77,300	135,916	95,527	114,007	92,426	71,985	62,898

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

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

Operating expenses

The $26.5 million increase in operating expenses from the third quarter to the fourth quarter of 2013 can be mainly attributed to a $22.9 million impairment of previously capitalized Block 10A exploration expenditures following the decision to relinquish the Block, increased compensation related costs associated with annual bonus incentives, and a $1.0 million donation to the Lundin Foundation. The $19.4 million decrease in operating expenses from the fourth quarter of 2013 to the first quarter of 2014 can be mainly attributed to annual bonus incentives and the impairment charge on Block 10A incurred in the fourth quarter of 2013, offset partially by a $7.4 million increase in stock-based compensation. The Company issued 5,958,500 stock options of AOC to directors, officers and employees in the first quarter of 2014 of which one-third vested immediately. The $24.9 million increase in operating expenses from the first to the second quarter of 2014 can be mainly attributed to a $30.8 million impairment of previously capitalized Blocks 7/8 exploration expenditures in Ethiopia and a $0.7 million increase in stock exchange and filing fees as a result of costs associated with the graduation to the TSX in Canada and Nasdaq Stockholm, offset partially by a $6.6 million decrease in stock-based compensation. Upon evaluating the results of El Kuran-3 further, the Company wrote off previously capitalized intangible exploration assets related to Blocks 7&8. The decrease in stock-based compensation can be attributed to the options granted in the first quarter of 2014, of which one-third vested immediately. The $30.6 million decrease in operating expenses from the second quarter to the third quarter of 2014 can be mainly attributable to the impairment of intangible exploration assets relating to Blocks 7/8 and costs associated with graduation to the TSX in Canada and Nasdaq Stockholm, both which occurred in the second quarter of 2014. The $96.4 million increase in operating expenses from the third quarter to the fourth quarter of 2014 can be mainly attributable to a $90.6 million impairment of intangible exploration assets in the Dharoor and Nugaal exploration blocks in Puntand (Somalia) and a $5.8 million impairment of intangible exploration assets in the Adigala Block in Ethiopia. During the second quarter of 2015, the Company and its joint venture partners notified the Government of Puntland (Somalia) of their decision to withdraw from the exploration Blocks. During the first quarter of 2015, the Company notified the Ethiopian Government and its partners of its decision to withdraw from the Adigala Block. An increase in salary costs associated with annual bonus incentives was offset by a reduction in stock-based compensation and donations. The decrease in stock-based compensation can attributed to unvested options that were cancelled due to forfeiture in the fourth quarter of 2014. A $0.5 million donation was made to the Lundin Foundation in the third quarter of 2014 versus nil in the fourth quarter of 2014. The $101.3 million decrease in operating expenses from the fourth quarter of 2014 to the first quarter of 2015 primarily relates to the $96.4 million in impairments losses recognized during the fourth quarter of 2014. The company recognized a $4.2 million gain in the first quarter of 2015 as a result of the Company's investment in Africa Energy changing from a position of control to a position of significant influence. The Company is required to recognize its investment in its former subsidiary at fair market value on the date control ceases. These reductions were offset by increased stock-based compensation expense associated with the issuance of 5,194,000 stock options of AOC to directors, officers and employees in the first quarter of 2015, of which one-third vested immediately. Operating expenses increased by $2.2 million from the first quarter of 2015 to the second quarter of 2015. The increase is due to a $4.2 million gain being recognized in the first quarter of 2015, relating to the change in investment in Africa Energy, which was offset by the issuance of options in the first quarter, in which one-third vested immediately.

The Company made a $0.8 million donation to the Lundin Foundation during the second quarter of 2015. While the Company is committed to certain in-country expenditures on community development projects under the terms of our PSAs, the Company's approach has always been that community and economic development funding is a required investment. The Company's engagement with the Lundin Foundation is a key component of the Company's wider Corporate Social Responsibility strategy in East Africa. The contributions made are a long-term investment that underpins the essential good corporate responsibility that the Company believes is required in developing, new resource rich countries in which the Company operates.

Interest income

Interest income decreased from the first quarter of 2014 to the second quarter of 2015 due to a reduction in cash held as the Company continued its active exploration and appraisal activities.

Foreign exchange gains and losses

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

Fair market value adjustments – warrants

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

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

RESULTS OF OPERATIONS

(thousands)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Salaries and benefits	$ 325	$ 464	$ 803	$ 922
Stock-based compensation	1,148	2,955	5,123	12,507
Travel	282	288	531	597
Office and general	201	232	320	416
Donation	785	750	785	1,500
Depreciation	3	17	14	34
Professional fees	165	157	319	352
Stock exchange and filing fees	217	882	464	1,071
Share of loss from equity investment	207	-	299	-
Gain on loss of control	-	-	(4,155)	-
Impairment of intangible exploration assets	-	30,833	-	30,833
Operating expenses	$ 3,333	$ 36,578	$ 4,503	$ 48,232

Operating expenses decreased $33.2 million for the three months ended June 30, 2015 compared to the same period in the prior year. The majority of the decrease can be attributed to the write-off of $30.8 million of previously capitalized Block 7/8 exploration expenditures in Ethiopia during the second quarter of 2014. The remaining decrease is due to a reduction in stock-based compensation and stock exchange filing fees. 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. 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 $2.45 per option versus 5,958,500 stock options of AOC issued at an average price of CAD $8.44 per option during the three months ended March, 2014. Stock exchange and filing fees decreased $0.6 million during the three months ended June 30, 2015 compared to the same period in 2014 due to costs associated with the graduation to the TSX in Canada and the NASDAQ OMX Stockholm main board which occurred in the second quarter of 2014.

Operating expenses decreased $43.7 million for the six months ended June 30, 2015 compared to the same period in the prior year. The majority of the decrease can be attributed to the write-off of $30.8 million of previously capitalized Block 7/8 exploration expenditures in Ethiopia during the second quarter of 2014. The remaining decrease is due to a reduction in stock-based compensation, donations, stock exchange filing fees, and a gain on loss of control of Africa Energy. The decrease in stock-based compensation expense can be mainly attributed to a significant reduction in the fair value of each option granted in the first quarter of 2015 compared to the first quarter of 2014. 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 $2.45 per option versus 5,958,500 stock options of AOC issued at an average price of CAD $8.44 per option during the three months ended March, 2014. The Company made a donation of $0.8 million to the Lundin Foundation during the first half of 2015 compared to a donation of $1.5 million to the Lundin Foundation during the first half of 2014. Stock exchange and filing fees decreased $0.6 million during the first half of 2015 compared to the same period in 2014 due to costs associated with the graduation to the TSX in Canada and the NASDAQ OMX Stockholm main board which occurred in the second quarter of 2014. The Company's investment in Africa Energy changed from a position of control to a position of significant influence during the first quarter of 2015, which required the Company's investment in Africa Energy to be recorded as an equity investment. The accounting for the equity investment resulted in the recognition of a gain for accounting purposes of $4.2 million.

INTANGIBLE EXPLORATION ASSETS

(thousands)	**June 30, 2015**	**December 31, 2014**
Intangible exploration assets	$931,749	$785,177

During the six months ended June 30, 2015, intangible exploration assets increased by $146.6 million.

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

For the six months ended	**June 30, 2015**				**June 30, 2014**			
(thousands)	**Kenya**	**Ethiopia**	**Puntland**	**Total**	**Kenya**	**Ethiopia**	**Puntland**	**Total**
Drilling and completion	$ 108,513	$ -	$ -	**$108,513**	$125,860	$31,125	$ 79	**$157,064**
Development studies	19,622	-		**19,622**	8,687	-	-	**8,687**
Exploration surveys and studies	6,344	313	-	**6,657**	20,721	1,090	21	**21,832**
PSA and G&A related	11,732	48	-	**11,780**	14,280	3,792	778	**18,850**
Total	$ 146,211	$ 361	$ -	**$146,572**	$169,548	$36,007	$ 878	**$206,433**

AOC incurred $146.2 million of intangible exploration expenditures in Kenya for the six months ended June 30, 2015. Drilling and completion expenditures relate to the Epir exploration well (Block 10BB), the Engomo exploration well (Block 10BA), the Ekales exploration well (Block 13T), multiple South Lokichar Basin (Blocks 10BB and 13T) appraisal wells and completions relating to EWTs. The majority of development study spend relates to studies aimed at progressing towards project sanction for the South Lokichar Basin.

The Company incurred $0.3 million of intangible exploration expenditures in Ethiopia for the six months ended June 30, 2015, which consists of 2D seismic work being performed in the Rift Basin Area.

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

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015, the Company had cash of $157.5 million and working capital of $81.7 million as compared to cash of $161.1 million and working capital of $10.6 million at December 31, 2014. The Company's liquidity and capital resource position has increased since the end of 2014 due to a $125 million (gross proceeds) private placement which closed during the first quarter of 2015 as well as a $100 million (gross proceeds) private placement which closed during the second quarter of 2015.

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

OUTLOOK

In light of the current and forecast short term oil price environment, the Company has worked closely with Tullow to focus the 2015 work program and budget on advancing the discovered basin development in Blocks 10BB and 13T (Kenya) by undertaking activities aimed at increasing resource certainty and progressing development studies with the intent of submitting a FDP around the end of 2015. The 2015 work program will include multiple appraisal and exploration wells in the discovered basin, EWT's in the Amosing and Ngamia fields and reservoir and engineering studies (including extensive core analysis). The Company is pleased that the Governments of Kenya and Uganda have selected the pipeline route, enabling the joint venture partnerships to move on to the next phases of development with a Government ambition to reach project sanction by the end of 2016.

Outside of the South Lokichar Basin, the Africa Oil – Tullow joint venture new basin opening exploration program potentially includes the Cheptuket well in Block 12A (Kenya), a PSC commitment well that needs to be drilled before September 2016. 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 program of approximately 600 kilometer land and lake survey has commenced acquisition.

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers, consultants and employees whereby the fair value of all stock options granted is recorded as a charge to operations. The estimated fair value is recognized over the applicable vesting period. All options granted vest over a two-year period, of which one-third vest immediately, and expire three to five years after the grant date. Stock-based compensation for the six months ended June 30, 2015 was $5.1 million as compared to $12.1 million during the same period in 2014. The decrease in stock-based compensation expense can be mainly attributed to a significant reduction in the fair value of each option granted in the first quarter of 2015 compared to the first quarter of 2014. Under the Black-Scholes option pricing model, the lower the exercise price of the option, the lower the fair value attributed to each option. During the six months ended June 30, 2015, 5,194,000 stock options of AOC were issued to directors, officers and employees at an average exercise price of CAD $2.45 per option versus 5,958,500 stock options of AOC issued at an average price of CAD $8.44 per option during the six months ended June 30, 2014. Under the terms of the Company's stock option plan under which the stock options were granted, one-third of the stock options granted vest immediately, resulting in a higher expense during the first quarter of the stock-option issuance.

RELATED PARTY TRANSACTIONS

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

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

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.3 million during the six months ended June 30, 2015 (six months ended June 30, 2014 – $0.4 million). At June 30, 2015, the outstanding balance receivable from Africa Energy was $0.02 (at December 31, 2014 – $ nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

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

During the six months ended June 30, 2015, the Company invoiced Africa Energy $0.01 million for reimbursable expenses paid by the Company on behalf of Africa Energy (six months ended June 30, 2014 - $0.05 million). At June 30, 2015, the outstanding balance receivable from Africa Energy was $0.002 million (at December 31, 2014 – $0.07 million).

COMMITMENTS AND CONTINGENCIES

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

Kenya:

Under the terms of the Block 10BB PSC, during the first additional exploration period which was extended by the Ministry of Energy and Petroleum for the Republic of Kenya and expires in July 2015, the Company and its partner are obligated to complete G&G operations (including acquisition of 300 square kilometers of 3D seismic) with a minimum gross expenditure of $7.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of $6.0 million. The Company has submitted an application to the Ministry of Energy and Petroleum to enter the second exploration period on Block 10BB commencing 25th July 2015 for a two year period. The Company's working interest in Block 10BB is currently 50%.

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

Under the terms of the Block 12A PSC, the Company and its partners notified the Ministry of Energy and Petroleum for the Republic of Kenya of their intention to enter into the first additional exploration period in Block 12A which expires in September 2016. During the first additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including 200 square kilometers of 3D seismic with a total minimum gross expenditure of $6.0 million. Additionally, the Company and its partners are required to drill one exploration well with a minimum gross expenditure of $15.0 million. The Company's working interest in Block 12A is currently 20%.

Under the terms of the Block 13T PSC, during the first additional exploration period which was extended by the Ministry of Energy and Petroleum for the Republic of Kenya and expires in September 2015, the Company and its partner are obligated to complete G&G operations (including acquisition of 200 square kilometers of 3D seismic) with a minimum gross expenditure of $6.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of $15.0 million. The Company intends to enter the next exploration period in Block 13T. The Company's working interest in Block 13T is currently 50%.

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

Ethiopia:

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

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

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

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

Puntland (Somalia):

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

OUTSTANDING SHARE DATA

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

Common shares outstanding	425,248,026
Outstanding share purchase options	17,200,500
Full dilution impact on common share outstanding	442,448,526

USE OF PROCEEDS

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

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

Equity method:

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

Forward Looking Statements

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

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

Any statements regarding the following are forward-looking statements:

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

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

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

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

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

- conflict between states.

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

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

AFRICA OIL CORP.

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

	Note	June 30, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		$ 157,498	$ 161,162
Accounts receivable		3,060	1,633
Due from related party	12	23	-
Prepaid expenses		1,226	1,276
		161,807	164,071
Long-term assets			
Restricted cash	4	2,525	1,250
Equity investment	13	5,975	-
Property and equipment	5	36	50
Intangible exploration assets	6	931,749	785,177
		940,285	786,477
Total assets		$ 1,102,092	$ 950,548
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 80,073	$ 153,502
		80,073	153,502
Total liabilities		80,073	153,502
Equity attributable to common shareholders			
Share capital	7(b)	1,240,509	1,014,772
Contributed surplus		43,369	39,947
Deficit		(261,859)	(257,673)
Total equity attributable to common shareholders		1,022,019	797,046
Total liabilities and equity attributable to common shareholders		$ 1,102,092	$ 950,548
Commitments and contingencies	10		

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

Approved on behalf of the Board:

"ANDREW BARTLETT" *"KEITH HILL"*

ANDREW BARTLETT, DIRECTOR **KEITH HILL, DIRECTOR**

AFRICA OIL CORP.

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

	Note	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Operating expenses					
Salaries and benefits		$ 325	$ 464	803	$ 922
Stock-based compensation	8	1,148	2,955	5,123	12,507
Travel		282	288	531	597
Office and general		201	232	320	416
Donation	18	785	750	785	1,500
Depreciation	5	3	17	14	34
Professional fees		165	157	319	352
Stock exchange and filing fees		217	882	464	1,071
Share of loss from equity investment	13	207	-	299	-
Gain on loss of control	13	-	-	(4,155)	-
Impairment of intangible exploration assets	6	-	30,833	-	30,833
		3,333	36,578	4,503	48,232
Finance income	11	(80)	(433)	(210)	(824)
Finance expense	11	122	5	142	86
Net loss and comprehensive loss		3,375	36,150	4,435	47,494
Net loss and comprehensive loss attributable to non-controlling interest		-	294	249	500
Net loss and comprehensive loss attributable to common shareholders		3,375	35,856	4,186	46,994
Net loss attributable to common shareholders per share	15				
Basic		$ 0.01	$ 0.12	0.01	$ 0.15
Diluted		$ 0.01	$ 0.12	0.01	$ 0.15
Weighted average number of shares outstanding for the purpose of calculating earnings per share	15				
Basic		391,129,573	310,528,286	364,886,836	310,249,223
Diluted		391,129,573	310,528,286	364,886,836	310,249,223

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

AFRICA OIL CORP.

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

For the six months ended	**Note**	**June 30, 2015**	**June 30, 2014**
Share capital:	**7(b)**		
Balance, beginning of period		$ 1,014,772	$ 1,007,414
Private placement, net		220,191	-
Exercise of options		5,546	4,841
Balance, end of period		1,240,509	1,012,255
Contributed surplus:			
Balance, beginning of period		$ 39,947	$ 24,396
Stock based compensation	8	5,123	12,507
Exercise of options	8	(1,701)	(1,576)
Balance, end of period		43,369	35,327
Deficit:			
Balance, beginning of period		$ (257,673)	$ (150,736)
Net loss and comprehensive loss attributable to common shareholders		(4,186)	(46,994)
Balance, end of period		(261,859)	(197,730)
Total equity attributable to common shareholders		1,022,019	849,852
Non-controlling interest:			
Balance, beginning of period		$ -	$ 48,773
Net loss and comprehensive loss attributable to non-controlling interest		(249)	(500)
Derecognition of non-controlling interest on loss of control		249	-
Balance, end of period		-	48,273
Total equity		$ 1,022,019	$ 898,125

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

AFRICA OIL CORP.

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

		Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash flows provided by (used in):	**Note**				
Operations:					
Net loss and comprehensive loss for the period		$ (3,375)	$ (36,150)	$ (4,435)	$ (47,494)
Items not affecting cash:					
Stock-based compensation	8	1,148	2,955	5,123	12,507
Depreciation	5	3	17	14	34
Gain on loss of control	13	-	-	(4,155)	-
Impairment of intangible exploration assets	6	-	30,833	-	30,833
Share of loss from equity investment	13	207	-	299	-
Fair value adjustment - warrants		-	(5)	-	(1)
Unrealized foreign exchange (gain) loss		102	(42)	117	75
Changes in non-cash operating working capital	17	1,043	51	66	(680)
		(872)	(2,341)	(2,971)	(4,726)
Investing:					
Property and equipment expenditures	5	-	(1)	-	(9)
Intangible exploration expenditures	6	(69,272)	(114,007)	(146,572)	(206,433)
Farmout proceeds	6	-	-	-	13,207
Due from related party	12	86	-	86	-
Equity investment	13	-	-	(1,000)	-
Reduction of cash from change of control	13	-	-	(254)	-
Changes in non-cash investing working capital	17	(59,595)	30,511	(75,597)	52,064
		(128,781)	(83,497)	(223,337)	(141,171)
Financing:					
Common shares issued	7(b)	99,862	1,515	224,036	3,265
Deposit of cash for bank guarantee	4	-	-	(1,275)	(450)
		99,862	1,515	222,761	2,815
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(102)	42	(117)	(75)
Decrease in cash and cash equivalents		(29,893)	(84,281)	(3,664)	(143,157)
Cash and cash equivalents, beginning of period		$ 187,391	$ 434,333	$ 161,162	$ 493,209
Cash and cash equivalents, end of period		$ 157,498	$ 350,052	$ 157,498	$ 350,052
Supplementary information:					
Interest paid		Nil	Nil	Nil	Nil
Income taxes paid		Nil	Nil	Nil	Nil

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

1) Incorporation and nature of business:

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

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

2) Basis of preparation:

a) Statement of compliance:

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

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at August 13, 2015, the date the Board of Directors approved the statements.

b) Basis of measurement:

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

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

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

c) Functional and presentation currency:

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

d) Use of estimates and judgments:

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

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

3) Significant accounting policies:

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

a) Equity method:

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

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

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

4) Restricted cash:

At June 30, 2015, the Company has a restricted cash balance of $2.5 million, (December 31, 2014 - $1.3 million) which represents the following bank deposits securing outstanding letters of credit:

Block	In favor of	June 30, 2015	December 31, 2014
Rift Basin	Republic of Ethiopia	$ 1,250	$ 1,250
10BA	Republic of Kenya	1,275	-
		$ 2,525	$ 1,250

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

5) Property and equipment:

		June 30, 2015		December 31, 2014
Cost, beginning of period	$	396	$	382
Additions		-		14
Cost, end of period		396		396
Accumulated depreciation, beginning of period		(346)		(279)
Depreciation		(14)		(67)
Accumulated depreciation, end of period		(360)		(346)
Net carrying amount, beginning of period	$	50	$	103
Net carrying amount, end of period	$	36	$	50

As at June 30, 2015, the Company has recorded $0.04 million of property and equipment (December 31, 2014 - $0.1 million) consisting primarily of office and computer equipment. The Company depreciates its property and equipment on a straight line basis over the useful life of the assets (one to three years).

6) Intangible exploration assets:

		June 30, 2015		December 31, 2014
Net carrying amount, beginning of period	$	785,177	$	488,688
Intangible exploration expenditures		146,572		437,876
Impairment of intangible exploration assets		-		(128,180)
Farmout proceeds		-		(13,207)
Net carrying amount, end of period	$	931,749	$	785,177

As at June 30, 2015, $931.7 million of exploration expenditures are capitalized as intangible exploration assets (December 31, 2014 - $785.2 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: geological and geophysical studies, exploratory and appraisal drilling, well testing, development studies and related general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments. At June 30, 2015, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated.

During the six months ended June 30, 2015, the Company capitalized $3.6 million of general and administrative expenses related to intangible exploration assets (six months ended June 30, 2014 – $10.4 million).

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

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

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

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

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

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

7) Share capital:

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

b) Issued:

		June 30, 2015			December 31, 2014		
	Note	Shares		Amount	Shares		Amount
Balance, beginning of period		312,333,279	$	1,014,772	309,470,323	$	1,007,414
Private placements, net of issue costs	(i)	109,643,647		220,191	-		-
Exercise of options	8	3,271,100		5,546	2,862,956		7,358
Balance, end of period		425,248,026	$	1,240,509	312,333,279	$	1,014,772

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

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

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

8) Share purchase options:

At the 2014 Annual General Meeting, held on June 3, 2014, the Company's shareholders approved the stock option plan ("the Plan"). The Plan provides that an aggregate number of common shares which may be reserved for issuance as incentive stock options shall not exceed 10% of the common shares outstanding, and option exercise prices will reflect current trading values of the Company's shares. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. Vesting periods are determined by the Board of Directors and no optionee shall be entitled to a grant of more than 5% of the Company's outstanding issued shares.

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

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

	June 30, 2015		December 31, 2014	
	Number of shares	Weighted average exercise price (CAD$)	Number of shares	Weighted average exercise price (CAD$)
Outstanding, beginning of year	15,893,767	6.19	13,395,222	4.35
Granted	5,194,000	2.45	6,078,500	8.42
Expired or cancelled	(616,167)	6.17	(716,999)	7.91
Exercised	(3,271,100)	1.49	(2,862,956)	1.89
Balance, end of period	17,200,500	5.95	15,893,767	6.19

The weighted average closing share price on the day options were exercised during the six months ended June, 2015 was CAD$2.42 (twelve months ended December 31, 2014 - CAD$8.02).

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

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

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

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

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
2.25	600,000	4.70
2.48	4,461,000	4.57
5.94	5,344,000	0.80
7.30	120,000	1.99
7.86	100,000	1.09
8.32	250,000	0.02
8.44	5,575,500	1.63
9.90	750,000	0.20
5.95	17,200,500	2.15

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. During the six months ended June 30, 2015, the Company recognized $5.1 million in stock-based compensation expense related to stock options of AOC and Africa Energy, (six months ended June 30, 2014 - $12.5 million).

9) Segment information:

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

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

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

At June 30, 2015	Kenya	Ethiopia	Puntland (Somalia)	Corporate	**Total**
Total assets	$ 857,157	$ 98,025	$ -	$ 146,910	**$ 1,102,092**
Intangible exploration assets	843,136	88,613	-	-	**931,749**
Property and equipment	-	-	-	36	**36**

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

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

Three months ended June 30, 2015	Kenya	Ethiopia	Puntland (Somalia)	Corporate	**Total**
Capital expenditures					
Intangible exploration assets, net	$ 67,082	$ 2,190	$ -	$ -	**$ 69,272**
Property and equipment	-	-	-	-	**-**
	$ 67,082	$ 2,190	$ -	$ -	**$ 69,272**
Statement of operations					
Expenses	$ 17	$ 4	$ -	3,312	**$ 3,333**
Finance income	-	-	-	(80)	**$ (80)**
Finance expense	-	-	-	122	**$ 122**
Segmented loss	$ 17	$ 4	$ -	$ 3,354	**$ 3,375**

Three months ended June 30, 2014	Kenya	Ethiopia	Puntland (Somalia)	Corporate	**Total**
Capital expenditures					
Intangible exploration assets	$ 92,262	$ 21,485	$ 260	$ -	**$ 114,007**
Property and equipment	-	-	-	1	**1**
	$ 92,262	$ 21,485	$ 260	$ 1	**$ 114,008**
Statement of operations					
Expenses	$ 1	$ 30,841	$ 7	$ 5,729	**$ 36,578**
Finance income	-	-	-	(433)	**(433)**
Finance expense	-	-	-	5	**5**
Segmented loss	$ 1	$ 30,841	$ 7	$ 5,301	**$ 36,150**

Six months ended June 30, 2015	Kenya	Ethiopia	Puntland (Somalia)	Corporate	**Total**
Capital expenditures					
Intangible exploration assets	$ 146,211	$ 361	$ -	$ -	**$ 146,572**
Property and equipment	-	-	-	-	**-**
	$ 146,211	$ 361	$ -	$ -	**$ 146,572**
Statement of operations					
Expenses	$ 29	$ 8	$ -	$ 4,467	**4,503**
Finance income	-	-	-	(210)	**(210)**
Finance expense	-	-	-	142	**142**
Segmented loss	$ 29	$ 8	$ -	$ 4,399	**$ 4,435**

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

Six months ended June 30, 2014	Kenya	Ethiopia	Puntland (Somalia)	Corporate	Total
Capital expenditures					
Intangible exploration assets	$ 169,548	$ 36,007	$ 878	$ -	**$ 206,433**
Property and equipment	-	-	-	9	**9**
	$ 169,548	$ 36,007	$ 878	$ 9	**$ 206,442**
Statement of operations					
Expenses	$ 22	$ 30,847	$ 12	$ 17,351	**$ 48,232**
Finance income	-	-	-	(824)	**(824)**
Finance expense	-	-	-	86	**86**
Segmented loss	$ 22	$ 30,847	$ 12	$ 16,613	**$ 47,494**

10) Commitments and contingencies:

a) Contractual obligations

i) Kenya:

Under the terms of the Block 10BB PSC, during the first additional exploration period which was extended by the Ministry of Energy and Petroleum for the Republic of Kenya and expires in July 2015, the Company and its partner are obligated to complete G&G operations (including acquisition of 300 square kilometers of 3D seismic) with a minimum gross expenditure of $7.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of $6.0 million. The Company has submitted an application to the Ministry of Energy and Petroleum to enter the second exploration period on Block 10BB commencing 25th July 2015 for a two year period. At June 30th 2015, the company's working interest in Block 10BB was 50%.

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

Under the terms of the Block 12A PSC, the Company and its partners notified the Ministry of Energy and Petroleum for the Republic of Kenya of their intention to enter into the first additional exploration period in Block12A which expires in September 2016. During the first additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including 200 square kilometers of 3D seismic with a total minimum gross expenditure of $6.0 million. Additionally, the Company and its partners are required to drill one exploration well with a minimum gross expenditure of $15.0 million. At June 30, 2015, the Company's working interest in Blocks 12A was 20%.

Under the terms of the Block 13T PSC, during the first additional exploration period which was extended by the Ministry of Energy and Petroleum for the Republic of Kenya and expires in September 2015, the Company and its partner are obligated to complete G&G operations (including acquisition of

200 square kilometers of 3D seismic) with a minimum gross expenditure of $6.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of $15.0 million. The Company intends to enter the next exploration period in Block 13T. At June 30, 2015, the Company's working interest in Block 13T was 50%.

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

ii) Ethiopia:

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

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

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

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

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

iii) Puntland (Somalia):

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

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

11) Finance income and expense:

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

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Fair value adjustment - warrants	$ -	$ 5	$ -	$ 1
Interest and other income	80	387	210	823
Bank charges	(5)	(5)	(10)	(11)
Foreign exchange gain (loss)	(117)	41	(132)	(75)
Finance income	$ 80	$ 433	$ 210	$ 824
Finance expense	$ (122)	$ (5)	$ (142)	$ (86)

12) Related party transactions:

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

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

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.3 million during the six months ended June 30, 2015 (six months ended June 30, 2014 – $0.4 million). At June 30, 2015, the outstanding balance receivable from Africa Energy was $0.02 (at December 31, 2014 – $ nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

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

During the six months ended June 30, 2015, the Company invoiced Africa Energy $0.01 million for reimbursable expenses paid by the Company on behalf of Africa Energy (six months ended June 30, 2014 – ($0.05 million). At June 30, 2015, the outstanding balance receivable from Africa Energy was $0.002 million (at December 31, 2014 – $0.07 million).

13) Equity Investment:

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

During the six months ended June 30, 2015, the company recognized a loss of $0.3 million in its investment in Africa Energy.

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

14) Subsidiaries:

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

15) Earnings per share:

For the three months ended	June 30, 2015			June 30, 2014		
		Weighted Average			Weighted Average	
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ 3,375	391,129,573	$ 0.01	$ 35,856	310,528,286	$ 0.12
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ 3,375	391,129,573	$ 0.01	$ 35,856	310,528,286	$ 0.12

For the six months ended	June 30, 2015			June 30, 2014		
		Weighted Average			Weighted Average	
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ 4,186	364,866,836	$ 0.01	$ 46,994	310,249,223	$ 0.15
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ 4,186	364,866,836	$ 0.01	$ 46,994	310,249,223	$ 0.15

For the three and six months ended June 30, 2015, the Company used an average market price of CAD$2.43 and CAD$2.42 per share, respectively (three and six months ended June 30, 2014 - CAD$7.93 and CAD$8.34, respectively) to calculate the dilutive effect of stock options. For the three and six months ended June 30, 2015, 17,200,500 options were anti-dilutive and were not included in the calculation of dilutive loss per share (six months ended June 30, 2014 – 17,532,688).

16) Financial Instruments:

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

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

The Company's cash and cash equivalents, receivables and payables are assessed on the fair value hierarchy described above. The Company's cash and cash equivalents, receivables and payables are classified as Level 2. The fair value of the investment in Africa Energy was determined by a quoted stock price and is classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. There were no transfers between levels in the fair value hierarchy in the period.

17) Supplementary information:

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

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Changes in non-cash working capital				
Accounts receivable	$ 174	$ 10,030	$ (1,427)	$ 1,299
Prepaid expenses	(50)	(34)	50	13
Accounts payable and accrued liabilities	(58,675)	20,566	(73,429)	50,072
	(58,551)	30,562	(74,806)	51,384
Non-cash working capital derecognized upon loss of control	-	-	(724)	-
	(58,551)	30,562	(75,530)	51,384
Relating to:				
Operating activities	1,043	51	$ 66	$ (680)
Investing activities	(59,595)	30,511	$ (75,597)	$ 52,064
Changes in non-cash working capital	$ (58,552)	$ 30,562	$ (75,531)	$ 51,384

18) Donation:

During the six months ended June 30, 2015, as part of the Company's Community Social Responsibility commitment, the Company made a $0.8 million donation to the Lundin Foundation (six months ended June 30, 2014 - $1.5 million), a registered Canadian non-profit organization that provides grants and risk capital to organizations dedicated to alleviating poverty in developing countries.